USD Partners LP

811 Main Street, Suite 2800
Houston, TX 77002

(281) 291-0510
https://usdpartners.com
investorrelations@usdg.com

Quarterly Report

For the period ending September 30, 2024 (the "Reporting Period")

Outstanding Shares

The number of shares outstanding of our Common Stock was:

33,774,427 as of September 30, 2024 *(Current Reporting Period Date or More Recent Date)*

33,774,427 as of December 31, 2023 *(Most Recent Completed Fiscal Year End)*

Shell Status

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933, Rule 12b-2 of the Exchange Act of 1934 and Rule 15c2-11 of the Exchange Act of 1934):

Yes: ☐ No: ☒

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes: ☐ No: ☒

Change in Control

Indicate by check mark whether a Change in Control of the company has occurred during this reporting period:

Yes: ☐ No: ☒

1) Name and address(es) of the issuer and its predecessors (if any)

In answering this item, provide the current name of the issuer and names used by predecessor entities, along with the dates of the name changes.

USD Partners LP

Current State and Date of Incorporation or Registration: Delaware
Standing in this jurisdiction: (e.g. active, default, inactive): In Good Standing

Prior Incorporation Information for the issuer and any predecessors during the past five years:

N/A

Describe any trading suspension or halt orders issued by the SEC or FINRA concerning the issuer or its predecessors since inception:

On November 15, 2023, USD Partners LP (the "Partnership") received a written notice from the staff of NYSE Regulation notifying the Partnership that NYSE Regulation had determined to commence proceedings to delist the Partnership's common units from the New York Stock Exchange ("NYSE"). Trading in the Partnership's common units on the NYSE was suspended after the market close on November 15, 2023. NYSE Regulation reached its decision to delist the common units pursuant to Section 802.01B of the NYSE's Listed Company Manual because the Partnership had fallen below the NYSE's continued listing standard requiring listed companies to maintain an average global market capitalization over a consecutive 30 trading day period of at least $15 million. The Partnership's units were formally delisted from the NYSE on December 1, 2023.

List any stock split, dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

None.

Address of the issuer's principal executive office:

811 Main Street, Suite 2800
Houston, TX 77002

Address of the issuer's principal place of business:

☒ *Check if principal executive office and principal place of business are the same address:*

Has the issuer or any of its predecessors been in bankruptcy, receivership, or any similar proceeding in the past five years?

No: ☒ Yes: ☐ If Yes, provide additional details below:

2) Security Information

<u>Transfer Agent</u>

Name: Computershare
Phone: (877) 373-6374
Address: 150 Royall Street, Canton, MA 02021
Email: web.queries@computershare.com
Web Address: computershare.com/investor

Publicly Quoted or Traded Securities:

The goal of this section is to provide a clear understanding of the share information for its publicly quoted or traded equity securities. Use the fields below to provide the information, as applicable, for all outstanding classes of securities that are publicly traded/quoted.

Trading symbol:	USDP
Exact title and class of securities outstanding:	Common Units Representing Limited Partnership Interests
CUSIP:	903318 103
Par or stated value:	Not Applicable
Total shares authorized:	Not Applicable
Total shares outstanding:	33,774,427 Common Units as of September 30, 2024
Total number of shareholders of record:	10 as of February 8, 2024

Please provide the above-referenced information for all other publicly quoted or traded securities of the issuer.

Security Description:

The goal of this section is to provide a clear understanding of the material rights and privileges of the securities issued by the company. Please provide the below information for each class of the company's equity securities, as applicable:

1. **For common equity, describe any dividend, voting and preemption rights.**

Distributions will be made as and when declared by the Board of Directors of the Partnership's General Partner, USD Partners GP LLC (the "General Partner").

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 do not elect the General Partner or the board of directors of the General Partner and have no right to elect the General Partner or the board of directors of the General Partner on an annual or other continuing basis. The board of directors of the General Partner is chosen by the members of the General Partner, which is indirectly owned by US Development Group, LLC ("USD").

The vote of the holders of at least 66 2/3% of all outstanding units voting together as a single class is required to remove the General Partner. At August 1, 2024, our general partner and its affiliates owned 51.2% of the limited partnership interests entitled to vote in this matter (excluding any common units held by our officers, directors, employees and certain other persons affiliated with the General Partner).

Furthermore, unitholders' voting rights are further restricted by the partnership agreement provision providing that any units held by a person that owns 20.0% or more of any class of units then outstanding, other than the General Partner, its affiliates, their transferees, and persons who acquired such units with the prior approval of the board of directors of the 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.

2. **For preferred stock, describe the dividend, voting, conversion, and liquidation rights as well as redemption or sinking fund provisions.**

Not Applicable.

3. **Describe any other material rights of common or preferred stockholders.**

4. **Describe any material modifications to rights of holders of the company's securities that have occurred over the reporting period covered by this report.**

None.

3) Issuance History

The goal of this section is to provide disclosure with respect to each event that resulted in any changes to the total shares outstanding of any class of the issuer's securities ***in the past two completed fiscal years and any subsequent interim period****.*

Disclosure under this item shall include, in chronological order, all offerings and issuances of securities, including debt convertible into equity securities, whether private or public, and all shares, or any other securities or options to acquire such securities, issued for services. Using the tabular format below, please describe these events.

A. Changes to the Number of Outstanding Shares for the two most recently completed fiscal years and any subsequent period.

Indicate by check mark whether there were any changes to the number of outstanding shares within the past two completed fiscal years:

No: ☐ Yes: ☒ (If yes, you must complete the table below)

Shares Outstanding Opening Balance									
Date: January 1, 2022	Common: 27,268,878 Preferred: 0								
Date of Transaction	**Transaction type (e.g., new issuance, cancellation, shares returned to treasury)**	**Number of Shares Issued (or cancelled)**	**Class of Securities**	**Value of shares issued ($/per share) at Issuance**	**Were the shares issued at a discount to market price at the time of issuance? (Yes/No)**	**Individual/ Entity Shares were issued to. ***You must disclose the control person(s) for any entities listed.**	**Reason for share issuance (e.g. for cash or debt conversion) -OR- Nature of Services Provided**	**Restricted or Unrestricted as of this filing.**	**Exemption or Registration Type.**
February 16, 2022	New Issuance	351,031	Common Units Representing Limited Partnership Interests	$5.85	No	See Note (A) below	Issuance of Common Units upon vesting of Phantom Units issued to directors, employees and consultants	Unrestricted	Registered pursuant to Form S-8
April 6, 2022	New Issuance	5,751,136	Common Units Representing Limited Partnership Interests	$6.14	No	USD Group LLC	Issuance of shares to an affiliate of the General Partner in connection with the sale of the Hardisty South Terminal to the Partnership	Restricted	Private Placement
April 15, 2022	New Issuance	8,386	Common Units Representing Limited Partnership Interests	$6.20	No	Employee	Issuance of Common Units upon vesting of Phantom Units issued to directors, employees and consultants	Unrestricted	Registered pursuant to Form S-8
August 15, 2022	New Issuance	1,756	Common Units Representing Limited Partnership Interests	$5.25	No	Employee	Issuance of Common Units upon vesting of Phantom Units issued to directors, employees and consultants	Unrestricted	Registered pursuant to Form S-8
February 16, 2023	New Issuance	377,420	Common Units Representing Limited Partnership Interests	$3.54	No	See Note (A) below	Issuance of Common Units upon vesting of Phantom Units issued to directors, employees and consultants	Unrestricted	Registered pursuant to Form S-8

August 31, 2023	New Issuance	15,820	Common Units Representing Limited Partnership Interests	$0.59	No	Employees	Issuance of Common Units upon vesting of Phantom Units issued to directors, employees and consultants	Unrestricted	Registered pursuant to Form S-8
Shares Outstanding on Date of This Report: Ending Balance: Date September 30, 2024 Common: 33,774,427 Preferred: 0									

(A) The following table details directors of the General Partner and officers of the Partnership who had Common Units issued upon vesting of phantom units as of the dates set forth below. The remaining units issued in the table above were issued to other employees and service providers of the General Partner.

Name	Title	Common Units Issued February 16, 2022	Common Units Issued February 16, 2023
Directors			
Dan Borgen	Chairman of the Board, President and CEO	67,748	66,044
Francesco Ciabatti	Director	—	—
Schuyler Coppedge	Director	—	—
Mike Curry	Director	17,787	15,925
Doug Kimmelman	Director		
Jane O'Hagan	Director	—	—
Brad Sanders	Director	37,167	48,088
G. Stacy Smith	Director	13,136	13,136
Jeffrey Wood	Director	13,136	13,136
Officers			
Kyle Schornick	SVP & Chief Financial Officer	3,291	4,228
Joshua Ruple	EVP & Chief Operating Officer	32,150	26,910
Amanda Wendell	SVP & Chief Accounting Officer	2,928	2,701
Keith Benson	VP, General Counsel & Secretary	14,170	13,959

B. Promissory and Convertible Notes

Indicate by check mark whether there are any outstanding promissory, convertible notes, convertible debentures, or any other debt instruments that may be converted into a class of the issuer's equity securities:

No: ☒ Yes: ☐ (If yes, you must complete the table below)

4) Issuer's Business, Products and Services

The purpose of this section is to provide a clear description of the issuer's current operations.
Ensure that these descriptions are updated on the Company's Profile on www.OTCMarkets.com.

A. Summarize the issuer's business operations (If the issuer does not have current operations, state "no operations")

USD Partners LP is a fee-based master limited partnership formed by our sponsor, USD Group LLC (USD), to acquire, develop and operate midstream infrastructure and complementary logistics solutions for crude oil and other energy-related products. We generate substantially all of our operating cash flows from take-or-pay contracts with primarily investment grade and other high credit quality customers, including major integrated oil companies and refiners. Our network of crude oil terminals facilitates the transportation of heavy crude oil from Western Canada to key demand centers across North America. Our operations include railcar loading and unloading, outbound pipeline connectivity, truck transloading, as well as other related logistics services. We also provide one of our customers with leased railcars and fleet services to facilitate the transportation of liquid hydrocarbons by rail. We generally do not take ownership of the products that we handle nor do we receive any payments from our customers based on the value of such products.

B. List any subsidiaries, parent company, or affiliated companies.

Subsidiaries of USD Partners LP

SCT Pipeline LLC	Delaware
Stroud Crude Terminal LLC	Delaware
USD Logistics Operations GP LLC	Delaware
USD Logistics Operations LP	Delaware
USDP CCR LLC	Delaware
USDP Finance Corp.	Delaware
USD Rail Canada ULC	British Columbia
USD Rail LP	Delaware
USD Terminals Canada ULC	British Columbia
USD Terminals Canada II ULC	Delaware
USD Terminals Canada III ULC	Delaware
USD Terminals LLC	Delaware

C. Describe the issuers' principal products or services.

Our operations include railcar loading and unloading, outbound pipeline connectivity, truck transloading, as well as other related logistics services. We also provide one of our customers with leased railcars and fleet services to facilitate the transportation of liquid hydrocarbons by rail.

5) Issuer's Facilities

The goal of this section is to provide investors with a clear understanding of all assets, properties or facilities owned, used or leased by the issuer and the extent in which the facilities are utilized.

In responding to this item, please clearly describe the assets, properties or facilities of the issuer. Describe the location of office space, data centers, principal plants, and other property of the issuer and describe the condition of the properties. Specify if the assets, properties, or facilities are owned or leased and the terms of their leases. If the issuer does not have complete ownership or control of the property, describe the limitations on the ownership.

Our Hardisty Terminal is an origination terminal where we load various grades of Canadian crude oil onto railcars for transportation to end markets. The Hardisty Terminal has the designed takeaway capacity of three and one-half unit trains per day, or approximately 262,500 barrels per day and consists of a fixed loading rack with approximately 60 railcar loading positions, a unit train staging area and loop tracks capable of holding five unit trains simultaneously. The terminal is also equipped with an onsite vapor management system that allows our customers to minimize hydrocarbon loss while improving safety during the loading process. Our Hardisty Terminal receives inbound deliveries of crude oil through a direct pipeline connection from Gibson Energy Inc.'s, or Gibson's, Hardisty storage terminal. We own the Hardisty Terminal.

6) All Officers, Directors, and Control Persons of the Company

Using the table below, please provide information, as of the period end date of this report, regarding all officers and directors of the company, or any person that performs a similar function, regardless of the number of shares they own.

In addition, list all individuals or entities controlling 5% or more of any class of the issuer's securities.
If any insiders listed are corporate shareholders or entities, provide the name and address of the person(s) beneficially owning or controlling such corporate shareholders, or the name and contact information (City, State) of an individual representing the corporation or entity. Include Company Insiders who own any outstanding units or shares of any class of any equity security of the issuer.

The goal of this section is to provide investors with a clear understanding of the identity of all the persons or entities that are involved in managing, controlling or advising the operations, business development and disclosure of the issuer, as well as the identity of any significant or beneficial owners.

The information in the table below is as of November 1, 2024.

Names of All Officers, Directors, and Control Persons	Affiliation with Company (e.g. Officer Title /Director/Owner of 5% or more)	Residential Address (City / State Only)	Number of shares owned	Share type/class	Ownership Percentage of Class Outstanding
Daniel Borgen	Chairman, CEO and President	Houston, Texas	506,882(1)	Common Units	1.5%
Kyle Schornick	SVP, CFO	Houston, Texas	—(2)	Common Units	—
Joshua Ruple	EVP, COO	Spring, Texas	26,910(3)	Common Units	*
Amanda Wendell	SVP, CAO	Pearland, Texas	—(4)	Common Units	—
Keith Benson	VP, General Counsel & Secretary	Bellaire, Texas	80,630(5)	Common Units	*
Francesco Ciabatti	Director	New York, New York	—	Common Units	—
Schuyler Coppedge	Director	San Diego, California	—	Common Units	—
Mike Curry	Director	Naples, Florida	1(6)	Common Units	*
Douglas Kimmelman	Director	Surfside, Florida	50,000	Common Units	—
Jane O'Hagan	Director	Calgary, Ontario, Canada	—	Common Units	—
Brad Sanders	Director	Houston, Texas	418,477(7)	Common Units	1.2%
Stacy Smith	Director	Dallas, Texas	142,829	Common Units	*
Carl Wimberley	Director	Houston, Texas	—	Common Units	—
Jeff Wood	Director	Houston, Texas	54,432	Common Units	*
US Development Group, LLC	>5% Owner (8)	n/a	17,308,226	Common Units	51.2%

* Represents ownership of less than 1%.

(1) Excludes 146,646 unvested phantom units.
(2) Excludes 14,522 unvested phantom units.
(3) Excludes 70,190 unvested phantom units.
(4) Excludes 12,419 unvested phantom units.
(5) Excludes 36,312 unvested phantom units.
(6) Excludes 30,827 unvested phantom units.
(7) Excludes 78,940 unvested phantom units.
(8) US Development Group, LLC ("USD"), through its 100% ownership of USD Group LLC (which owns 100% of our General Partner), is the indirect owner of 17,308,226 common units. USD is the parent company of USD Group LLC who holds the common units directly and is the sole owner of the member interests of our general partner. USD Group LLC is managed by USD. USD is managed by a seven person board of directors that includes Dan Borgen, Adam Altsuler, Mike Curry, Schuyler Coppedge, Douglas Kimmelman, Francesco Ciabatti and Lieutenant General Leslie Smith, Ret.. The board of directors of USD exercises voting and dispositive power over the units held by USD Group LLC, and acts by majority vote. Messrs. Borgen, Altsuler, Coppedge, Curry, Kimmelman, Ciabatti and Smith are thus not deemed to have beneficial ownership of the units owned by USD Group LLC.

7) Legal/Disciplinary History

A. Identify and provide a brief explanation as to whether any of the persons or entities listed above in Section 6 have, <u>in the past 10 years</u>:

1. Been the subject of an indictment or conviction in a criminal proceeding or plea agreement or named as a defendant in a pending criminal proceeding (excluding minor traffic violations);

To the best of the Company's knowledge, none.

2. Been the subject of the entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, financial- or investment-related, insurance or banking activities;

To the best of the Company's knowledge, none.

3. Been the subject of a finding, disciplinary order or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, a state securities regulator of a violation of federal or state securities or commodities law, or a foreign regulatory body or court, which finding or judgment has not been reversed, suspended, or vacated;

To the best of the Company's knowledge, none.

4. Named as a defendant or a respondent in a regulatory complaint or proceeding that could result in a "yes" answer to part 3 above; or

To the best of the Company's knowledge, none.

5. Been the subject of an order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person's involvement in any type of business or securities activities.

To the best of the Company's knowledge, none.

6. Been the subject of a U.S Postal Service false representation order, or a temporary restraining order, or preliminary injunction with respect to conduct alleged to have violated the false representation statute that applies to U.S mail.

To the best of the Company's knowledge, none.

B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party to or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities.

None

8) Third Party Service Providers

Provide the name, address, telephone number and email address of each of the following outside providers. You may add additional space as needed.
Confirm that the information in this table matches your public company profile on www.OTCMarkets.com. If any updates are needed to your public company profile, update your company profile.

Securities Counsel (must include Counsel preparing Attorney Letters).

Gibson, Dunn & Crutcher LLP
811 Main Street, Suite 3000
Houston, Texas 77002
(346) 718-6600

Accountant or Auditor

BDO USA, P.C.
2929 Allen Parkway, 20th Floor
Houston, TX 77019
(713) 960-1706

Investor Relations

USD Partners LP
811 Main Street, Suite 2800
Houston, Texas 77001
(281) 291-0510
investorrelations@usdg.com

9) Disclosure & Financial Information

A. This Disclosure Statement was prepared by (name of individual):

Name:	Keith Benson
Title:	Vice President, General Counsel & Secretary

B. The following financial statements were prepared in accordance with:

☐ IFRS
☒ U.S. GAAP

C. The following financial statements were prepared by (name of individual):

Name: Amanda Wendell
Title: Senior Vice President, Chief Accounting Officer

Mrs. Wendell is USD Partners' serving Chief Accounting Officer as of January 2024. Mrs. Wendell previously held various leadership positions in USD Partners accounting department, serving as a Vice President since 2022 and the Corporate Controller since 2017. Before her tenure at USD, Mrs. Wendell worked as an auditor in Houston at the public accounting firm, BDO. Mrs. Wendell has been a Certified Public Accountant since 2014, holding a Master of Science and a BBA in Accounting from Sam Houston State University.

The following consolidated financial statements of USD Partners LP are attached at the end of this Disclosure Statement:

- Consolidated Statements of Operations for the three and nine months ended September 30, 2024 and 2023
- Consolidated Statements of Comprehensive Income (Loss) for the three and nine months ended September 30, 2024 and 2023
- Consolidated Statements of Cash Flows for the nine months ended September 30, 2024 and 2023
- Consolidated Balance Sheets as of September 30, 2024 and December 31, 2023
- Consolidated Statements of Partners' Capital for the three months ended September 30, 2024 and 2023
- Consolidated Statements of Partners' Capital for the nine months ended September 30, 2024 and 2023
- Notes to the Consolidated Financial Statements of USD Partners LP

10) Issuer Certification

Principal Executive Officer:

The issuer shall include certifications by the chief executive officer and chief financial officer of the issuer (or any other persons with different titles but having the same responsibilities) in each Quarterly Report or Annual Report.

The certifications shall follow the format below:

I, Daniel Borgen certify that:

1. I have reviewed this Disclosure Statement for USD Partners LP;

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

November 12, 2024

/s/ Daniel Borgen
Chairman, CEO and President

Principal Financial Officer:

I, Kyle Schornick certify that:

1. I have reviewed this Disclosure Statement for USD Partners LP;

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

November 12, 2024

/s/ Kyle Schornick
SVP, CFO

USD Partners LP and Subsidiaries

Consolidated Financial Statements
(Unaudited)

As of and for the Quarters Ended

September 30, 2024 and 2023

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USD Partners LP and Subsidiaries

Contents

USD PARTNERS LP
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(unaudited; in thousands of US dollars, except per unit amounts)			
Revenues				
Terminalling services	$ 7,409	$ 9,785	$ 23,990	$ 47,888
Terminalling services — related party	—	740	—	2,186
Rail switching and demurrage	359	—	860	—
Fleet leases — related party	418	373	977	943
Fleet services — related party	—	—	—	171
Freight and other reimbursables	4	5	57	195
Freight and other reimbursables — related party	903	174	1,850	291
Total revenues	9,093	11,077	27,734	51,674
Operating costs				
Subcontracted rail services	1,410	2,210	4,834	7,818
Pipeline fees	2,511	2,991	8,053	14,298
Freight and other reimbursables	907	179	1,907	486
Operating and maintenance	641	1,179	2,726	3,955
Selling, general and administrative	2,116	2,012	8,742	8,770
Selling, general and administrative — related party	801	1,781	2,803	5,760
Recovery of loss on assets held for sale	—	—	(2,977)	—
Impairment on long-lived assets	—	—	17,432	—
Loss on assets held for sale	3,454	—	3,454	—
Gain on sale of business	(12)	(9)	(1,079)	(6,211)
Depreciation and amortization	—	1,313	2,405	4,942
Total operating costs	11,828	11,656	48,300	39,818
Operating income (loss)	(2,735)	(579)	(20,566)	11,856
Interest expense	9,369	4,929	28,357	13,849
Gain associated with derivative instruments	—	(3,187)	—	(6,092)
Foreign currency transaction loss	185	—	197	102
Other income, net	(82)	(77)	(245)	(193)
Income (loss) before income taxes	(12,207)	(2,244)	(48,875)	4,190
Provision for income taxes	950	561	1,829	385
Net income (loss)	$ (13,157)	$ (2,805)	$ (50,704)	$ 3,805
Net income (loss) attributable to limited partner interests	$ (13,157)	$ (2,805)	$ (50,704)	$ 3,805
Net income (loss) per common unit (basic and diluted)	$ (0.39)	$ 0.08	$ (1.50)	$ 0.11
Weighted average common units outstanding	33,774	33,764	33,774	33,697

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

USD PARTNERS LP
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(unaudited; in thousands of US dollars)			
Net income (loss)	$ (13,157)	$ (2,805)	$ (50,704)	$ 3,805
Other comprehensive income (loss) — foreign currency translation	493	(1,513)	(1,407)	(244)
Comprehensive income (loss)	$ (12,664)	$ (4,318)	$ (52,111)	$ 3,561

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

USD PARTNERS LP
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
	(unaudited; in thousands of US dollars)	
Cash flows from operating activities:		
Net income (loss)	$ (50,704)	$ 3,805
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,405	4,942
Gain associated with derivative instruments	—	(6,092)
Settlement of derivative contracts	—	1,148
Unit based compensation expense	1,677	2,842
Gain on sale of business	(1,079)	(6,211)
Deferred income taxes	904	(9)
Amortization of deferred financing costs	12,603	998
Impairment of long-lived assets	17,432	—
Interest payment in kind	19,502	—
Loss on assets held for sale	3,454	—
Recovery of loss on assets held for sale	(2,977)	—
Changes in operating assets and liabilities:		
Accounts receivable	481	(118)
Accounts receivable — related party	(1,200)	(152)
Prepaid expenses, inventory and other assets	385	1,463
Accounts payable and accrued expenses	2,166	1,000
Accounts payable and accrued expenses — related party	913	(715)
Deferred revenue and other liabilities	(4,775)	(4,081)
Deferred revenue and other liabilities — related party	—	160
Net cash used in operating activities	1,187	(1,020)
Cash flows from investing activities:		
Additions of property and equipment	—	(649)
Internal-use software development costs	—	(55)
Net proceeds from the sale of business	20,312	32,658
Net cash provided by investing activities	20,312	31,954
Cash flows from financing activities:		
Distributions	—	(2,154)
Payments for deferred financing costs	(11)	(2,199)
Vested equity units - paid in cash	(70)	—
Vested phantom units used for payment of participant taxes	—	(674)
Repayments of long-term debt	(23,716)	(19,100)
Net cash used in financing activities	(23,797)	(24,127)
Effect of exchange rates on cash	(134)	(91)
Net change in cash, cash equivalents and restricted cash	(2,432)	6,716
Cash, cash equivalents and restricted cash — beginning of period	10,417	5,780
Cash, cash equivalents and restricted cash — end of period	$ 7,985	$ 12,496

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

USD PARTNERS LP
CONSOLIDATED BALANCE SHEETS

	September 30, 2024	December 31, 2023
	(unaudited; in thousands of US dollars, except unit amounts)	
ASSETS		
Current assets		
Cash and cash equivalents	$ 3,965	$ 6,576
Restricted cash	4,020	3,841
Accounts receivable, net	—	1,546
Accounts receivable — related party	—	25
Prepaid expenses	879	1,559
Assets held for sale	42,226	16,162
Other current assets	—	405
Total current assets	51,090	30,114
Property and equipment, net	—	57,123
Intangible assets, net	—	49
Operating lease right-of-use assets	—	5
Other non-current assets	—	1,168
Total assets	$ 51,090	$ 88,459
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities		
Accounts payable and accrued expenses	$ 879	$ 1,715
Accounts payable and accrued expenses — related party	1,556	615
Deferred revenue	—	2,177
Long-term debt, current portion	175,587	167,183
Operating lease liabilities, current	—	4
Liabilities held for sale	13,864	—
Other current liabilities	1,464	6,014
Total current liabilities	193,350	177,708
Other non-current liabilities	910	3,385
Total liabilities	194,260	181,093
Commitments and contingencies		
Partners' capital		
Common units (33,774,427 outstanding at September 30, 2024 and December 31, 2023)	(138,804)	(89,675)
Accumulated other comprehensive loss	(4,366)	(2,959)
Total partners' capital	(143,170)	(92,634)
Total liabilities and partners' capital	$ 51,090	$ 88,459

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

USD PARTNERS LP
THREE MONTHS CONSOLIDATED STATEMENTS OF PARTNERS' CAPITAL

	Three Months Ended September 30,			
	2024		2023	
	Units	Amount	Units	Amount
	(unaudited; in thousands of US dollars, except unit amounts)			
Common units				
Beginning balance at July 1,	33,774,427	$ (126,105)	33,758,607	$ (102,630)
Equity units vested	—	—	—	—
Common units issued for vested phantom units	—	—	15,820	(3)
Net loss	—	(13,157)	—	(2,805)
Unit based compensation expense	—	458	—	941
Distributions	—	—	—	—
Ending balance at September 30,	33,774,427	(138,804)	33,774,427	(104,497)
Accumulated other comprehensive income (loss)				
Beginning balance at July 1,		(4,859)		(2,872)
Cumulative translation adjustment		493		(1,513)
Ending balance at September 30,		(4,366)		(4,385)
Total partners' capital at September 30,		$ (143,170)		$ (108,882)

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

USD PARTNERS LP
NINE MONTHS CONSOLIDATED STATEMENTS OF PARTNERS' CAPITAL

	Nine Months Ended September 30,			
	2024		2023	
	Units	Amount	Units	Amount
	(unaudited; in thousands of US dollars, except unit amounts)			
Common units				
Beginning balance at January 1,	33,774,427	$ (89,675)	33,381,187	$ (108,263)
Equity units vested	—	(98)	—	—
Common units issued for vested phantom units	—	—	393,240	(674)
Net income (loss)	—	(50,704)	—	3,805
Unit based compensation expense	—	1,673	—	2,789
Distributions	—	—	—	(2,154)
Ending balance at September 30,	33,774,427	(138,804)	33,774,427	(104,497)
Accumulated other comprehensive income				
Beginning balance at January 1,		(2,959)		(4,141)
Cumulative translation adjustment		(1,407)		(244)
Ending balance at September 30,		(4,366)		(4,385)
Total partners' capital at September 30,		$ (143,170)		$ (108,882)

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

USD PARTNERS LP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. ORGANIZATION AND BASIS OF PRESENTATION

USD Partners LP and its consolidated subsidiaries, collectively referred to herein as we, us, our, the Partnership and USDP, is a fee-based master limited partnership formed in 2014 by US Development Group, LLC, or USD, through its wholly-owned subsidiary, USD Group LLC, or USDG. We were formed to acquire, develop and operate midstream infrastructure and complementary logistics solutions for crude oil, biofuels and other energy-related products. We generate substantially all of our operating cash flows from take-or-pay contracts with primarily investment grade and other high credit quality customers, including major integrated oil companies, refiners and marketers. Our network of crude oil terminals facilitate the transportation of heavy crude oil from Western Canada to key demand centers across North America. Our operations include railcar loading and unloading, storage and blending in onsite tanks, inbound and outbound pipeline connectivity, truck transloading, as well as other related logistics services. We also provide one of our customers with leased railcars and fleet services to facilitate the transportation of liquid hydrocarbons by rail. We do not generally take ownership of the products that we handle, nor do we receive any payments from our customers based on the value of such products.

A substantial amount of the operating cash flows related to the terminal services that we provide are generated from take-or-pay contracts with minimum monthly commitment fees and, as a result, are not directly related to actual throughput volumes at our crude oil terminals. Throughput volumes at our terminals are primarily influenced by the difference in price between Western Canadian Select, or WCS, and other grades of crude oil, commonly referred to as spreads, rather than absolute price levels. WCS spreads are influenced by several market factors, including the availability of supplies relative to the level of demand from refiners and other end users, the price and availability of alternative grades of crude oil, the availability of takeaway capacity, as well as transportation costs from supply areas to demand centers.

On March 31, 2023, we completed our divestiture of all of the equity interests in our Casper Terminal, which included the Casper Crude to Rail, LLC and CCR Pipeline, LLC entities, for approximately $33 million in cash, subject to customary adjustments. On December 20, 2023, we completed our divestiture of 100% of the equity interest in our West Colton Terminal, which included West Colton Rail Terminal LLC, for approximately $31.3 million in cash, subject to customary adjustments. On April 26, 2024, we completed our divestiture of our Stroud Terminal assets for approximately $20.1 million in cash, subject to customary adjustments. The Casper, West Colton, and Stroud Terminals were included in our Terminalling Services segment. Refer to *Note 3. Acquisition and Dispositions* for additional details regarding these dispositions.

Basis of Presentation

Our accompanying unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP, for interim consolidated financial information.

In the opinion of our management, our unaudited interim consolidated financial statements contain all adjustments, consisting only of normal recurring adjustments, which our management considers necessary to present fairly our financial position as of September 30, 2024, our results of operations for the three and nine months ended September 30, 2024 and 2023, and our cash flows for the nine months ended September 30, 2024 and 2023. We derived our consolidated balance sheet as of December 31, 2023, from the audited consolidated financial statements included in our Annual Report for the fiscal year ended December 31, 2023. Our results of operations for the three and nine months ended September 30, 2024 and 2023 should not be taken as indicative of the results to be expected for the full year due to fluctuations in the supply of and demand for crude oil and biofuels, timing and completion of acquisitions, if any, changes in the fair market value of our derivative instruments and the impact of fluctuations in foreign currency exchange rates. These unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes thereto presented in our Annual Report for the fiscal year ended December 31, 2023.

Going Concern

We evaluate at each annual and interim period whether there are conditions or events, considered in the aggregate, that raise substantial doubt about our ability to continue as a going concern within one year after the date that the consolidated financial statements are issued. Our evaluation is based on relevant conditions and events that are known and reasonably knowable at the date that the consolidated financial statements are issued.

The maturity date of our Credit Agreement (as defined below) was November 2, 2024 but we currently are subject to a Forbearance Agreement with our lenders pursuant to which they have agreed not to exercise remedies against us until at least January 31, 2025 (so long as we comply with the terms of the Forbearance Agreement). As a result of the maturity date (as modified by the forbearance agreement) being within 12 months after the date that these financial statements were issued, the amounts due under our Credit Agreement have been included in our going concern assessment. Our ability to continue as a going concern is dependent on the refinancing or the extension of the maturity date of our Credit Agreement. If we are unable to refinance or extend the maturity date of our Credit Agreement, we likely would not have sufficient cash on hand or available liquidity to repay the maturing Credit Agreement debt as it becomes due.

The Credit Agreement also set forth certain milestones that we were required to achieve in the months leading up to the maturity of the Credit Agreement, including milestones related to total contracted revenue. On June 20, 2024 we entered into a Forbearance Agreement with the lenders under the Credit Agreement, pursuant to which the lenders and administrative agent under the Credit Agreement agreed not to exercise any rights or remedies arising from our failure or prospective failure to meet these milestones through at least January 31, 2025 so long as we are in compliance with the stipulations set forth in the Forbearance Agreement.

In exchange for agreeing to enter into the Forbearance Agreement, the lenders under the Credit Agreement required that we agree, among other things, to complete the sale of the Hardisty Rail Terminal on or before January 31, 2025. The Forbearance Agreement also obligates the Partnership to adhere to an operating budget approved by the administrative agent and includes an obligation to repay borrowings with any cash on hand in excess of an agreed maximum. If we fail to timely achieve the milestones for the sale of the Hardisty Rail Terminal or if we fail to abide by our other obligations set forth in the Forbearance Agreement, unless we are able to obtain a waiver for such milestones or other obligations an event of default will occur under the Credit Agreement. See *Note 9. Debt* for further details regarding the Forbearance Agreement.

The conditions described above raise substantial doubt about our ability to continue as a going concern for the next 12 months.

These consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty, nor do they include adjustments to reflect the possible future effects of the recoverability and classification of recorded asset amounts and classifications of liabilities that might be necessary should we be unable to continue as a going concern.

Foreign Currency Translation

We conduct a substantial portion of our operations in Canada, which we account for in the local currency, the Canadian dollar. We translate most Canadian dollar denominated balance sheet accounts into our reporting currency, the U.S. dollar, at the end of period exchange rate, while most accounts in our statement of operations accounts are translated into our reporting currency based on the average exchange rate for each monthly period. Fluctuations in the exchange rates between the Canadian dollar and the U.S. dollar can create variability in the amounts we translate and report in U.S. dollars.

Within these consolidated financial statements, we denote amounts denominated in Canadian dollars with “C$” immediately prior to the stated amount.

US Development Group, LLC

USD and its affiliates are engaged in designing, developing, owning and managing large-scale multi-modal logistics centers and energy-related infrastructure across North America. USD is the indirect owner of our general partner through its direct ownership of USDG and is currently owned by Energy Capital Partners, Goldman Sachs and certain of USD's management team.

2. RECENT ACCOUNTING PRONOUNCEMENTS

Recent Accounting Pronouncements Not Yet Adopted

Segment Reporting (ASU 2023-07)

In November 2023, the Financial Accounting Standards Board, or the FASB, issued Accounting Standards Update No. 2023-07, or ASU 2023-07, which amends Accounting Standards Codification Topic 280 to require enhanced disclosures about significant segment expenses. Specifically, this amendment requires disclosure on an annual and interim basis of the following: significant segment expenses that are regularly provided to the chief operating decision maker, or CODM, and included within each reported measure of segment profit or loss, collectively referred to as the significant expense principle, and an amount for other segment items by reportable segment and a description of its composition, where the other segment items disclosed is the difference between segment revenue less the segment expenses disclosed under the significant expense principle and each reported measure of segment profit and loss. In addition, the amendment requires all annual disclosures about a reportable segment's profit or loss and assets currently required by Topic 280 in interim periods. It also clarifies that if the CODM uses more than one measure of a segment's profit or loss in assessing segment performance and deciding how to allocate resources, one or more of those additional measures of segment profit may be reported. However, at least one of the reported segment profit or loss measures (or the single reported measure, if only one is disclosed) should be the measure that is most consistent with the measurement principles used in measuring the corresponding amounts in the consolidated financial statements. In other words, in addition to the measure that is most consistent with the measurement principles under generally accepted accounting principles, or GAAP, reporting additional measures of a segment's profit or loss that are used by the CODM in assessing segment performance and deciding how to allocate resources may be included. The amendment requires that the title and position of the CODM are disclosed and an explanation of how the CODM uses the reported measure(s) of segment profit or loss in assessing segment performance and deciding how to allocate resources. Lastly the amendment requires that if there is a single reportable segment, all the disclosures required by the amendments in ASU 2023-07 and all existing segment disclosures in Topic 280 be disclosed.

The pronouncement is effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024. A public entity should apply the amendments in this Update retrospectively to all prior periods presented in the financial statements. Upon transition, the segment expense categories and amounts disclosed in the prior periods should be based on the significant segment expense categories identified and disclosed in the period of adoption. We do not anticipate that our adoption of this standard will have a material impact on our financial statements.

Income Taxes (ASU 2023-09)

In December 2023, the FASB issued Accounting Standards Update No. 2023-09, or ASU 2023-09, which amends Accounting Standards Codification Topic 740 to require enhanced income tax disclosures. The amendments in ASU 2023-09 require that public business entities on an annual basis disclose specific categories in the rate reconciliation and provide additional information for some reconciling items, and provide an explanation, if not otherwise evident, of the individual reconciling items disclosed, such as the nature, effect, and underlying causes of the reconciling items and the judgment used in categorizing the reconciling items. In addition, qualitative disclosures are required for state and local categories that make up greater than 50% of these income tax categories. This amendment also requires all entities to disclose annually the amount of income taxes paid, net of refunds received, disaggregated by federal, state and foreign taxes, and disaggregated by individual jurisdictions in which income taxes paid is equal to or greater than five percent of total income taxes paid. In addition, disclosures are required for disaggregation of domestic or foreign continuing operations income or loss before income taxes.

The pronouncement is effective for annual periods beginning after December 15, 2024. Early adoption is permitted. The amendments in ASU 2023-09 should be applied on a prospective basis, however retrospective application is permitted. We do not anticipate that our adoption of this standard will have a material impact on our financial statements.

Income Statement- Reporting Comprehensive Income- Expense Disaggregation Disclosures (ASU 2024-03)

In November 2024, the FASB issued Accounting Standards Update No. 2024-03, or ASU 2024-03, which amends Accounting Standards Codification Topic 220 to require enhanced disclosures regarding specific expense categories in the notes to the financial statements at interim and annual reporting periods for public business entities. The amendments in ASU 2024-03 will require disclosure of the amounts of (a) purchases of inventory, (b) employee compensation, (c) depreciation, (d) intangible asset amortization, and (e) depreciation, depletion, and amortization recognized as part of oil and gas producing activities included in each relevant expense caption. A relevant expense caption presented on the face of the income statement within continuing operations that contains any of the expense categories listed in (a) - (e). The amendment also requires entities to include certain amounts that are already required to be disclosed under current generally accepted accounting principles in the same disclosure as other disaggregation requirements and to disclose a qualitative description of the amounts remaining in relevant expense captions that are not separately disaggregated quantitatively. In addition, disclosure of the total amount of selling expenses, and, in annual reporting periods, an entity's definition of selling expenses, will be required.

The pronouncement is effective for annual periods beginning after December 15, 2026 and interim reporting periods beginning after December 15, 2027. Early adoption is permitted. The amendments in ASU 2024-03 should be applied on a prospective basis, however retrospective application is permitted. We do not anticipate that our adoption of this standard will have a material impact on our financial statements.

3. DISPOSITIONS AND ENTITIES HELD FOR SALE

Casper Terminal Divestiture

On March 31, 2023 we completed our divestiture of 100% of the equity interests in our Casper Terminal, which included the Casper Crude to Rail, LLC and CCR Pipeline, LLC entities, for approximately $33.0 million in cash, subject to customary adjustments.

The Casper Terminal entities had a carrying value of $26.8 million at the time of sale. The Casper Terminal was included in our Terminalling services segment. The Casper crude oil terminal, located in Casper, Wyoming, primarily consists of unit train-capable railcar loading capacity in excess of 100,000 barrels per day, six customer-dedicated storage tanks with 900,000 barrels of total capacity and a six-mile, 24-inch diameter pipeline with a direct connection from the Express Pipeline. We recognized a gain of $6.2 million from the sale of the terminal which we recorded as "*Gain on sale of business"* in our consolidated statement of operations. The gain on sale of business that resulted from the sale of the Casper Terminal was not subject to income tax as the entity is included within our partnership structure. Therefore, no impact was reflected within the *"Provision for income taxes"* recognized in the nine months ended September 30, 2024 or 2023 in our consolidated statements of operations.

West Colton Divestiture

On December 20, 2023, we completed our divestiture of 100% of the equity interest in our West Colton Terminal, which included West Colton Rail Terminal LLC, for approximately $31.3 million in cash, subject to customary adjustments.

The West Colton Terminal had a carrying value of $3.3 million at the time of the sale. The West Colton Terminal was included in our Terminalling services segment. The West Colton Terminal, located in West Colton, California, is a unit train-capable destination terminal that can transload up to 13,000 bpd of ethanol and renewable diesel received from producers by rail onto trucks to meet local demand in the San Bernardino and Riverside County-Inland Empire region of Southern California. The West Colton Terminal has 20 railcar offloading positions and four truck loading positions. We recognized a gain of $27.9 million from the sale of the terminal which we recorded as "*Gain on sale of business*" in our consolidated statement of operations for the year ended

December 31, 2023. We recognized an additional gain of $30 thousand from the sale of the terminal recorded as *"Gain on sale of business*" in our consolidated statement of operations for the nine months ended September 30, 2024 related to the final working capital adjustment. The gain on sale of business that resulted from the sale of the West Colton Terminal was not subject to income tax as the entity is included within our partnership structure. Therefore, no impact was reflected within the "*Provision for income taxes*" recognized for the nine months ended September 30, 2024 or 2023 in our consolidated statements of operations.

Stroud Terminal Assets Divestiture

On April 26, 2024 we completed our divestiture of our Stroud Terminal assets, which included the Stroud Crude Terminal LLC assets and the SCT Pipeline LLC assets for approximately $20.1 million in cash, subject to customary adjustments. As such, subsequent to the end of first quarter of 2024, we reevaluated the fair value of the Stroud Terminal, taking into account the final purchase price of the assets. Refer to *Note 6. Property and Equipment* for further details. The Stroud Terminal was included in our Terminalling services segment.

The Stroud Terminal, located in Cushing, Oklahoma, includes 76-acres with current unit train unloading capacity of approximately 50,000 bpd, two onsite tanks with 140,000 barrels of capacity, one truck bay and a 12-inch diameter, 17-mile pipeline with a direct connection to the crude oil storage hub in Cushing, Oklahoma. We recognized a gain of $1.0 million from the sale of the terminal assets which we recorded in *"Gain on sale of business"* in our consolidated statements of operations for the nine months ended September 30, 2024. The gain on sale of assets of the Stroud Terminal were not subject to income tax as the entity is included within our partnership structure. Therefore, no impact was reflected within the *"Provision for income taxes"* recognized in the three and nine months ended September 30, 2024 in our consolidated statements of operations.

Hardisty Terminal and USD Rail Held for Sale

As discussed in more detail in *Note 9. Debt,* we entered into a Forbearance Agreement associated with our Credit Agreement and have therefore classified the assets and liabilities associated with our Hardisty Terminal and USD Rail entities as held for sale as of September 30, 2024. The following table presents the detail of the assets and liabilities that are classified as held for sale on our consolidated balance sheet as of September 30, 2024:

	September 30, 2024 (in thousands)
Accounts receivable, net	$ 1,038
Accounts receivable - related party	1,255
Prepaid expenses	300
Other current assets	320
Property and Equipment	32,462
Operating lease right-of-use assets	5,794
Other assets, non-current	1,014
Intangible assets, net	43
Assets held for sale	$ 42,226
Accounts payable & accrued expenses	$ 2,955
Deferred revenue, current	1,747
Other current liabilities	429
Operating lease liabilities, current	1,074
Operating lease liabilities, non-current	4,721
Other non-current liabilities	2,938
Liabilities held for sale	$ 13,864

4. REVENUES

Disaggregated Revenues

We manage our business in two reportable segments: Terminalling services and Fleet services. Our segments offer different services and are managed accordingly. Our chief operating decision maker, or CODM, regularly reviews financial information about both segments in order to allocate resources and evaluate performance. As such, we have concluded that disaggregating revenue by reporting segments appropriately depicts how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors. Refer to *Note 13. Segment Reporting* for our disaggregated revenues by segment. Additionally, the below tables summarize the geographic data for our revenues:

	Three Months Ended September 30, 2024		
	U.S.	Canada	Total
		(in thousands)	
Third party	$ —	$ 7,772	$ 7,772
Related party	$ 1,321	$ —	$ 1,321

	Three Months Ended September 30, 2023		
	U.S.	Canada	Total
		(in thousands)	
Third party	$ 1,380	$ 8,410	$ 9,790
Related party	$ 1,286	$ 1	$ 1,287

	Nine Months Ended September 30, 2024		
	U.S.	Canada	Total
		(in thousands)	
Third party	$ 883	$ 24,024	$ 24,907
Related party	$ 2,827	$ —	$ 2,827

	Nine Months Ended September 30, 2023		
	U.S.	Canada	Total
		(in thousands)	
Third party	$ 4,994	$ 43,089	$ 48,083
Related party	$ 3,532	$ 59	$ 3,591

Remaining Performance Obligations

The transaction price allocated to the remaining performance obligations associated with our Terminal and Fleet services agreements as of September 30, 2024 are as follows for the periods indicated:

	Nine months ending December 31, 2024	2025	2026	2027	2028	Thereafter	Total
				(in thousands)			
Terminalling Services [(1) (2)]	$ 7,297	$ 22,122	$ 21,480	$ 21,480	$ 21,480	$ 55,489	$ 149,348

(1) A significant portion of our Terminal Services Agreements are denominated in Canadian dollars. We have converted the remaining performance obligations associated with these Canadian dollar-denominated contracts using the year-to-date average exchange rate of 0.7352 U.S. dollars for each Canadian dollar at September 30, 2024.

(2) Includes fixed monthly minimum commitment fees per contracts and excludes constrained estimates of variable consideration for rate-escalations associated with an index, such as the consumer price index, as well as any incremental revenue associated with volume activity above the minimum volumes set forth within the contracts.

We have applied the practical expedient that allows us to exclude disclosure of performance obligations that are part of a contract that has an expected duration of one year or less.

Deferred Revenue

Our deferred revenue is a form of a contract liability and consists of amounts collected in advance from customers associated with their terminal and fleet services agreements and deferred revenues associated with make-up rights, which will be recognized as revenue when earned pursuant to the terms of our contractual arrangements. We currently recognize substantially all of the amounts we receive for minimum volume commitments as revenue when collected, since breakage associated with these make-up rights is currently approximately 100% based on our expectations around usage of these options. Accordingly, we had no deferred revenue at September 30, 2024 and $0.4 million at December 31, 2023, for estimated breakage associated with the make-up rights options we granted to our customers.

We also have deferred revenue that represents cumulative revenue that has been deferred due to tiered billing provisions, or contract liabilities. In such arrangements, revenue is recognized using a blended rate based on the billing tiers of the agreement, as the services are consistently provided throughout the duration of the contractual arrangement. These amounts are currently recorded in "*Liabilities held for sale*" on our consolidated balance sheet as of September 30, 2024.

The following table presents the amounts outstanding on our consolidated balance sheets and changes associated with the balance of our deferred revenue for the nine months ended September 30, 2024 and 2023 recorded in "*Liabilities held for sale*":

	December 31, 2023	Cash Additions for Customer Prepayments	Balance Sheet Reclassification	Revenue Recognized	September 30, 2024
			(in thousands)		
Deferred revenue [1]	$ 2,177	$ 1,747	$ —	$ (2,177)	$ 1,747
Contract liabilities [2]	$ 4,145	$ (65)	$ —	$ (626)	$ 3,454

(1) Includes deferred revenue of $0.4 million at December 31, 2023, for estimated breakage associated with the make-up right options we granted our customers as discussed above. The balance as of September 30, 2024 was included in "*Liabilities held for sale*" on our consolidated balance sheet.

(2) Includes cumulative revenue that has been deferred due to tiered billing provisions included in certain of our Canadian dollar-denominated contracts, as discussed above. As such, the change in contract liabilities recorded as "*Liabilities held for sale"* as of September 30, 2024 has been decreased by $81 thousand due to the impact of the change in the end of period exchange rate between September 30, 2024 and December 31, 2023.

	December 31, 2022	Cash Additions for Customer Prepayments	Balance Sheet Reclassification	Revenue Recognized	September 30, 2023
			(in thousands)		
Deferred revenue [1]	$ 3,562	$ 1,781	$ —	$ (3,562)	$ 1,781
Other current liabilities [2]	$ 5,681	$ —	$ 508	$ (5,160)	$ 1,029
Other non-current liabilities [2]	$ 3,943	$ 166	$ (508)	$ —	$ 3,601

(1) Includes deferred revenue of $0.1 million and $0.4 million at September 30, 2023 and December 31, 2022, for estimated breakage associated with the make-up right options we granted our customers as discussed above. For the three months ended September 30, 2023, we recognized $1.7 million of previously deferred revenue.

(2) Includes cumulative revenue that has been deferred due to tiered billing provisions included in certain of our Canadian dollar-denominated contracts, as discussed above. As such, the change in *"Other current liabilities"* has been decreased by $15 thousand and *"Other non-current liabilities"* presented has been decreased by $10 thousand due to the impact of the change in the end of period exchange rate between September 30, 2023 and December 31, 2022. For the three months ended September 30, 2023, we recognized $0.6 million of revenue related to contract liabilities included in "*Other current liabilities*."

Accounts Receivable

The balance of "*Accounts receivable, net*" and "*Accounts receivable — related party*" were $2.2 million and $0.4 million as of December 31, 2022, respectively.

5. RESTRICTED CASH

We include in restricted cash amounts representing a cash account for which the use of funds is restricted by a facilities connection agreement among us and Gibson Energy Inc., or Gibson, that we entered into during 2014 in connection with the development of our Hardisty Terminal. The collaborative arrangement is further discussed in *Note 10. Collaborative Arrangement*.

In addition, we have an indemnity escrow account of $2.1 million included in our restricted cash amounts associated with the divestiture of our Stroud Terminal assets. Refer to *Note 3. Dispositions and Entities Held for Sale* for a further discussion of the Stroud Terminal divestiture.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within our consolidated balance sheets to the amounts shown in our consolidated statements of cash flows for the specified periods:

	September 30,	
	2024	2023
	(in thousands)	
Cash and cash equivalents	$ 3,965	$ 8,688
Restricted Cash	4,020	3,808
Total cash, cash equivalents and restricted cash	$ 7,985	$ 12,496

6. PROPERTY AND EQUIPMENT

Our property and equipment is comprised of the following asset classifications as of the dates indicated:

	September 30, 2024	December 31, 2023	Estimated Useful Lives (Years)
	(in thousands)		
Land	$ —	$ 2,876	N/A
Trackage and facilities	—	80,200	10-30
Equipment	—	13,840	3-20
Furniture	—	65	5-10
Total property and equipment	—	96,981	
Accumulated depreciation	—	(40,038)	
Construction in progress (1)	—	180	
Property and equipment, net	$ —	$ 57,123	

(1) The amounts classified as "Construction in progress" are excluded from amounts being depreciated. These amounts represent property that has not been placed into productive service as of the respective consolidated balance sheet date.

As discussed in further detail below, our entire property and equipment balance is classified as held for sale and recorded in "*Assets held for sale*" on our consolidated balance sheet at September 30, 2024. Refer to *Note 3. Dispositions and Entities Held for Sale* for further information.

Depreciation expense associated with property and equipment totaled $1.3 million for the three months ended September 30, 2023 and $2.4 million and $4.8 million, for the nine months ended September 30, 2024 and 2023, respectively. We had no depreciation expense for the three months ended September 30, 2024.

Hardisty Terminal

In June 2024, we entered into a forbearance agreement under our existing Credit agreement. Under this agreement we have agreed to sell our Hardisty Terminal on or before December 30, 2024. Refer to *Note 9. Debt* for further discussion regarding the forbearance agreement. We determined that the agreement to sell our Hardisty Terminal was an event that required us to evaluate our Hardisty Terminal asset group for impairment.

When alternative courses of action to recover the carrying amount of a long-lived asset are under consideration, estimates of future undiscounted cash flows take into account possible outcomes and probabilities of their occurrence. If the carrying amount of the long-lived asset is not recoverable based on the estimated future undiscounted cash flows or when other methods of assessing fair value determine that fair value is less than the carrying amount of the asset, an impairment loss is recognized to the extent the carrying amount exceeds the estimated fair value of the long-lived asset.

The critical assumptions used in the analysis include the following:

1) Cumulative present value of free cash flow of C$37.3 million

2) Annualized EBITDA of C$10.7 million

3) Terminal value discount factor of 26%

4) Exit multiple range of 4.0x to 5.0x

We determined the fair value of our Hardisty Terminal based on a third party appraisal. The estimate of fair value required the use of significant unobservable inputs representative of a Level 3 fair value measurement.

As a result of the impairment analysis discussed above, we determined that the carrying value of our Hardisty Terminal asset group exceeded the fair value of the Hardisty terminal as of June 30, 2024, the date of our evaluation. As a result, we recognized a non-cash impairment loss of C$23.9 million (USD $17.4 million) for the three and six months ended June 30, 2024, to write down the property, plant and equipment of the terminal to its fair market value, the charge for which we have included in "*Impairment of long-lived assets*" within our consolidated statements of operations. The Hardisty Terminal is included in our Terminalling services segment as reported in our segment results included in *Note 13. Segment Reporting*.

In July 2024 we classified our Hardisty Terminal as held for sale in our consolidated balance sheets. We currently expect that the sale of the Hardisty Terminal could occur sometime before the end of the year.

As a result of classifying our Hardisty Terminal as held for sale, we evaluate the terminal's fair value on a quarterly basis. As such, we assessed the fair value of the Hardisty Terminal at September 30, 2024. Our estimate of fair value for the Hardisty Terminal required us to use significant unobservable inputs representative of Level 3 fair value measurements. Accordingly we assessed the fair value of the Hardisty Terminal less the estimated cost to sell the assets. As a result of this analysis, we recognized a $3.5 million loss presented as *"Loss on assets held for sale*" on our consolidated statement of operations for the three and nine months ended September 30, 2024.

Stroud Terminal

During the second quarter of 2023 our board of directors of our general partner approved the sale of the Stroud Terminal and we classified it as held for sale in our consolidated balance sheets. The Stroud Terminal is included in our Terminalling Services Segment. Property and equipment was the only significant class of assets at our Stroud Terminal.

As a result of classifying our Stroud Terminal as held for sale, we evaluated the terminal's fair value on a quarterly basis. In January 2024, we entered into an exclusivity agreement with a third party regarding the potential sale of the Stroud Terminal, which among other items, contemplated a purchase price for the asset. As such, we assessed a fair value of the Stroud Terminal at December 31, 2023, taking into account the purchase price contemplated from the aforementioned agreement, less the estimated cost to sell the assets. As a result of this analysis, we recognized a $3.0 million loss presented as *"Loss on assets held for sale"* on our consolidated statement of operations in our annual report for the year ended December 31, 2023.

We closed the sale of our Stroud Terminal assets on April 26, 2024. As such, subsequent to the end of first quarter of 2024, we reevaluated the fair value of the Stroud Terminal as of March 31, 2024, taking into account the final purchase price of the assets and determined that the purchase price less the estimated costs to sell the assets was higher than the original carrying value of the assets. Accordingly, we recognized a $3.0 million recovery of the loss on the assets held for sale, presented as *"Recovery of loss on assets held for sale"* for the nine months ended September 30, 2024 on our consolidated statement of operations. Refer to *Note 3. Dispositions and Entities Held for Sale* for further discussion of the sale of the Stroud Terminal assets.

As indicated above, our estimate of fair value for the Stroud Terminal required us to use significant unobservable inputs representative of Level 3 fair value measurements.

7. LEASES

Lessee

Historically, we had noncancellable operating leases for railcars, buildings, storage tanks, offices, railroad tracks, and land. We currently have noncancellable leases for equipment and railcars. As of September 30, 2024, all of the balances associated with our lease agreements are classified as held for sale and are therefore recorded as "*Assets held for sale*" and "*Liabilities held for sale*" on our consolidated balance sheet as of September 30, 2024. Refer to *Note 3. Dispositions and Entities Held for Sale* for further information.

	September 30, 2024	December 31, 2023
Weighted-average discount rate	13.9 %	4.1 %
Weighted-average remaining lease term in years	4.25	0.38

Our total lease cost consisted of the following items for the dates indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(in thousands)			
Operating lease cost	$ 333	$ 405	$ 853	$ 1,058
Short term lease cost	—	121	85	182
Variable lease cost	—	—	3	7
Sublease income	(418)	(373)	(977)	(943)
Total	$ (85)	$ 153	$ (36)	$ 304

The maturity analysis below presents the undiscounted cash payments we expect to make each period for property that we lease from others under noncancellable operating leases as of September 30, 2024 (in thousands):

2024	$	453
2025		1,813
2026		1,813
2027		1,813
2028		1,813
Thereafter		3
Total lease payments	$	7,708
Less: imputed interest		(1,914)
Present value of lease liabilities [(1)]	$	5,794

(1) The amounts for lease liabilities are recorded in *"Liabilities held for sale"*.

Lessor

We serve as an intermediary to assist our customers with obtaining railcars. In connection with our leasing of railcars from third parties, we simultaneously enter into lease agreements with our customers for noncancellable terms that are designed to recover our costs associated with leasing the railcars plus a fee for providing this service. Historically, we also had lease income from storage tanks and lease income from our related party Terminal Services Agreement associated with transloading renewable diesel at our West Colton Terminal that commenced in December 2021 and was sold to a third party in December 2023.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	**2023**	**2024**	**2023**
	(in thousands, except weighted average term)			
Lease income [(1)]	$ 419	$ 1,114	$ 981	$ 3,412
Weighted-average remaining lease term in years			4.25	

(1) Lease income presented above includes lease income from related parties. Refer to *Note 11. Transactions with Related Parties* for additional discussion of lease income from a related party. In addition, lease income as discussed above totaling $0.7 million and $2.5 million for the three and nine months ended September 30, 2023, is included in "*Terminalling services*" and "*Terminalling services — related party*" revenues on our consolidated statements of operations. There was no lease income included in "*Terminalling services*" or "*Terminalling services — related party*" revenues for the three and nine months ended September 30, 2024.

The maturity analysis below presents the undiscounted future minimum lease payments we expect to receive from customers each period for property they lease from us under noncancellable operating leases as of September 30, 2024 (in thousands):

2024	$	510
2025		2,040
2026		2,040
2027		2,040
2028		2,040
Total	$	8,670

8. INTANGIBLE ASSETS

The composition, gross carrying amount and accumulated amortization of our identifiable intangible assets are as follows as of the dates indicated:

	September 30, 2024	December 31, 2023
	(in thousands)	
Carrying amount:		
Software	—	56
Total carrying amount	—	56
Accumulated amortization:		
Software	—	(7)
Total accumulated amortization	—	(7)
Total intangible assets, net	$ —	$ 49

Our current intangible assets originated as internally developed software for internal use. As of September 30, 2024, our intangibles are classified as held for sale and therefore are recorded in "*Assets held for sale*" in our consolidated balance sheet. Refer to *Note 3. Dispositions and Entities Held for Sale* for further information.

Amortization expense associated with intangible assets totaled $3 thousand for the three months ended September 30, 2023 and 2023, and $5 thousand and $106 thousand for the nine months ended September 30, 2024 and 2023. We had no amortization expense associated with intangible assets for the three months ended September 30, 2024.

9. DEBT

In November 2018, we amended and restated our revolving senior secured credit agreement, which we originally established in October 2014. We refer to the amended and restated senior secured credit agreement executed in November 2018, including all amendments through November 20, 2023, as the Credit Agreement. See our December 31, 2023 Annual Report for further discussion on our Credit Agreement.

Our Credit Agreement was scheduled to mature on November 2, 2023. Under a series of letter agreements, the maturity date was extended while we negotiated an amendment with our lenders. On November 21, 2023, we entered into another amendment, or the Amendment, which among other things extended the maturity date to November 2, 2024 and waived prior defaults under the Credit Agreement. The Amendment also provided that interest owing on each loan under the Credit Agreement after the effective date, shall be paid in kind by ratably increasing the amount of principal of the applicable loan by the amount of such interest due, on a quarterly basis, on each applicable interest payment date. In accordance with the Amendment, we are required to prepay, subject to certain exceptions, the loans under the Credit Agreement in an aggregate amount equal to 100% of the net cash proceeds from the sale of any property by us or our subsidiaries. The Amendment also requires that our West Colton Terminal be sold, subject to certain conditions. Furthermore, if we have in excess of $6.0 million of unrestricted cash at the end of any calendar month, such amounts in excess of $6.0 million are required to be used to prepay any loans under the Credit Agreement. The Amendment also required that upon the earlier of the sale of the West Colton Terminal or December 22, 2023, the Loan Parties must maintain unrestricted cash of at least $2.0 million, tested on a weekly basis. In addition, the Amendment required us to appoint a new independent director to the board of directors, or the Board, and delegate to that director certain rights, powers and authority over certain material transactions and actions that we undertake, which serve the function of the Chief Restructuring Officer, or CRO required and defined by the Amendment. In addition, no additional borrowings may be made after November 21, 2023. Therefore, as of September 30, 2024, we have no available capacity under our Credit Agreement.

In addition, amongst other covenants, we must comply with several dated milestones contained within the Amendment that require us to: (i) reduce our expenses to approximately $3 million per year as determined by the CRO; (ii) enter into additional contracts at the Hardisty Terminal by specified dates; (iii) provide a structured payment agreement to refinance or repay the outstanding debt on our Credit Agreement in its entirety by a specified date; and (iv) reduce the conflicts committee to two persons, including the CRO. If we are unable to comply with the milestones defined within the Amendment and we are unable to negotiate an extension of such milestones, an event of default will occur under the Credit Agreement and, among other things, we may potentially be required to sell the Hardisty Terminal, the proceeds of which would be used to repay the Credit Agreement.

Also on November 21, 2023, as required by the Amendment to the Credit Agreement, we entered into a Side Letter to the Amended and Restated Omnibus Agreement, or the Omnibus Agreement, with USD, USDG, as defined below, and certain other of their subsidiaries. Among other things, the Side Letter provides that the maximum amount of expenses incurred as part of the Administrative Fee that are fixed and would otherwise be payable by us under the Omnibus Agreement are not permitted to exceed approximately $1.5 million during the period from November 1, 2023 to the maturity date of our Credit Agreement and will be classified as a liability until such time as we have paid our Credit Agreement in full. In addition, all employee related general and administrative expenses paid by us are limited to specified amounts during the same period, and are subject to further reduction upon the sale of our West Colton or Stroud Terminals. Additionally, the payment of corporate general and administrative costs that are reimbursable by us under the Omnibus Agreement are subject to the approval of the CRO.

Obligations under the Credit Agreement are guaranteed by our restricted subsidiaries (as such term is defined therein) and are secured by a first priority lien on our assets and those of our restricted subsidiaries, other than certain excluded assets.

On June 21, 2024 we entered into an agreement, or the Forbearance Agreement, with the lenders and administrative agent under our existing Credit Agreement. The Forbearance Agreement was amended on November 1, 2024, as discussed further in *Note 19. Subsequent Events*. Pursuant to the Forbearance Agreement, subject to certain terms and conditions, the lenders have agreed to forbear through at least January 31, 2025, from exercising any rights or remedies arising from certain events of default and certain prospective events of default related to our failure to satisfy certain milestones under the Credit Agreement including the maturity of the agreement and other loan documents so long as we are in compliance with the stipulations set forth in the Forbearance Agreement.

In exchange for agreeing to enter into the Forbearance Agreement, the lenders under the Credit Agreement will require us to, among other things, complete the sale of our Hardisty Terminal on or before January 31, 2025. The Termination Date of our Forbearance Agreement may be extended beyond January 31, 2025, in the discretion of the administrative agent. The Forbearance Agreement also obligates us to adhere to an operating budget approved by the administrative agent and includes an obligation to repay borrowings with any cash on hand in excess of an agreed maximum.

Our borrowings under the Credit Agreement bear interest equal to the sum of Adjusted Term SOFR for the interest period plus 6.75%.

Our Credit Agreement contains affirmative and negative covenants that, among other things, limit or restrict our ability and the ability of our restricted subsidiaries to incur or guarantee debt, incur liens, make investments, make restricted payments, engage in certain business activities, engage in mergers, consolidations and other organizational changes, sell, transfer or otherwise dispose of assets, enter into burdensome agreements or enter into transactions with affiliates on terms that are not at arm's length, in each case, subject to exceptions.

The Credit Agreement contains events of default, including, but not limited to (and subject to grace periods in circumstances set forth in the Credit Agreement the failure to pay any principal, interest or fees when due, failure to perform or observe any covenant (subject in some cases to certain grace periods or other qualifications), any representation, warranty or certification made or deemed made in the agreements or related loan documentation being untrue in any material respect when made, default under certain material debt agreements, commencement of bankruptcy or other insolvency proceedings, certain changes in our ownership or the ownership of our general partner, certain material judgments or orders, ERISA events, the invalidity of the loan documents, failure to add the CRO to the Board or the Conflicts Committee or provide the CRO with the authorizations granted by the Board necessary to act on behalf of the Loan Parties or termination of the CRO by the General Partner, unless otherwise in accordance with the Credit Agreement, or failure to complete the West Colton Terminal sale by the date specified in the Credit Agreement or the gross proceeds from such sale are less than the amount specified in the Credit Agreement. Upon the occurrence and during the continuation of an event of default under the Credit Agreement, the lenders may, among other things, terminate their commitments, declare any outstanding loans to be immediately due and payable and/or exercise remedies against us and the collateral as may be available to the lenders under the agreements and related documentation or applicable law. The CRO, at the direction of the lenders, may also commence an out-of-court process for the sale of all or substantially all of our assets upon the occurrence and during the continuation of an event of default under the Credit Agreement.

Our long-term debt balances included the following components as of the specified dates:

	September 30, 2024	December 31, 2023
	(in thousands)	
Credit Agreement	$ 176,988	$ 181,202
Less: Deferred financing costs, net	(1,401)	(14,019)
Less: Long-term debt, current portion	(175,587)	(167,183)
Total long-term debt, net	$ —	$ —

The weighted-average interest rate on our outstanding indebtedness was 11.98% and 12.42% at September 30, 2024 and December 31, 2023, respectively. At September 30, 2024, we were not in compliance with the covenants set forth in our Credit Agreement, however, under the forbearance agreement discussed above, the lenders have agreed to forbear from exercising any rights or remedies arising from this noncompliance.

Interest expense associated with our outstanding indebtedness was as follows for the specified periods:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(in thousands)			
Interest expense on the Credit Agreement	$ 5,167	$ 4,589	$ 15,754	$ 12,851
Amortization of deferred financing costs	4,202	340	12,603	998
Total interest expense	$ 9,369	$ 4,929	$ 28,357	$ 13,849

Supplier Financing Agreement

We have agreements with a third party that allows a provider of some of our received services to finance payment obligations from us with a designated third-party financial institution associated with insurance for certain of our terminals. The extended payment terms that we have with this supplier for these arrangements is nine months from the execution of the insurance contract. We are not required to provide collateral to the financial institution.

Our outstanding payment obligation under these arrangements was $52 thousand at December 31, 2023 and recorded in "*Other current liabilities*" on our consolidated balance sheet. We had no outstanding payment obligation under these arrangements at September 30, 2024.

10. COLLABORATIVE ARRANGEMENT

We entered into a facilities connection agreement in 2014 with Gibson under which Gibson developed, constructed and operates a pipeline and related facilities connected to our Hardisty Terminal. Gibson's storage terminal is the exclusive means by which our Hardisty Terminal receives crude oil. Subject to certain limited exceptions regarding manifest train facilities, our Hardisty Terminal is the exclusive means by which crude oil from Gibson's Hardisty storage terminal may be transported by rail. We remit pipeline fees to Gibson for the transportation of crude oil to our Hardisty Terminal based on a predetermined formula. Pursuant to our arrangement with Gibson, we incurred pipeline fees of $2.5 million and $3.0 million for the three months ended September 30, 2024 and 2023, respectively, and $8.1 million and $14.3 million for the nine months ended September 30, 2024 and 2023, respectively, which are presented as "*Pipeline fees*" in our consolidated statements of operations.

11. TRANSACTIONS WITH RELATED PARTIES

Nature of Relationship with Related Parties

USD is engaged in designing, developing, owning and managing large-scale multi-modal logistics centers and other energy-related infrastructure across North America. USD is also the sole owner of USDG and the ultimate parent of our general partner. USD is owned by Energy Capital Partners, Goldman Sachs and certain members of its management.

USDG is the sole owner of our general partner and at September 30, 2024, owns 17,308,226 of our common units representing a 51.2% limited partner interest in us. USDG also provides us with general and administrative support services necessary for the operation and management of our business.

USD Partners GP LLC, our general partner, pursuant to our partnership agreement, is responsible for our overall governance and operations. However, our general partner has no obligation to, does not intend to and has not implied that it would provide financial support to or fund cash flow deficits of the Partnership.

USD Marketing LLC, or USDM, is a wholly-owned subsidiary of USDG organized to promote contracting for services provided by our terminals and to facilitate the marketing of customer products.

Historically, USD Clean Fuels LLC, or USDCF, was a subsidiary of USD organized for the purpose of providing production and logistics solutions to the growing market for clean energy transportation fuels prior to its sale in December 2023.

Omnibus Agreement

We are party to an omnibus agreement with USD, USDG and certain of their subsidiaries, or the Omnibus Agreement, including our general partner, pursuant to which we obtain and make payments for specified services provided to us and for out-of-pocket costs incurred on our behalf. We pay USDG, in equal monthly installments, the annual amount USDG estimates will be payable by us during the calendar year for providing services for our benefit. The Omnibus Agreement provides that this amount may be adjusted annually to reflect, among other things, changes in the scope of the general and administrative services provided to us due to a contribution, acquisition or disposition of assets by, us or our subsidiaries, or for changes in any law, rule or regulation applicable to us, which affects the cost of providing the general and administrative services. We also reimburse USDG for any out-of-pocket costs and expenses incurred on our behalf in providing general and administrative services to us. This reimbursement is in addition to the amounts we pay to reimburse our general partner and its affiliates for certain costs and expenses incurred on our behalf for managing our business and operations, as required by our partnership agreement.

As previously discussed in further detail in *Note 9. Debt*, in November 2023, we entered into a Side Letter to the Amended and Restated Omnibus Agreement, as required by the November 2023 Amendment to the Credit Agreement.

The total amounts charged to us under the Omnibus Agreement for the three months ended September 30, 2024 and 2023 was $0.8 million and $1.8 million, respectively, and for the nine months ended September 30, 2024 and 2023 was $2.8 million and $5.8 million, respectively, which amounts are included in "*Selling, general and administrative — related party*" in our consolidated statements of operations. We had a payable balance of $1.6 million and $0.6 million with respect to these costs at September 30, 2024 and December 31, 2023, respectively, included in "*Accounts payable and accrued expenses — related party*" in our consolidated balance sheets.

Related Party Revenue and Deferred Revenue

We previously entered into a Terminal Services Agreement at our West Colton Terminal with USDCF that became effective in December 2021 and concluded when the West Colton Terminal was sold in December 2023. We include amounts received pursuant to the arrangement as revenue in the table below under "*Terminalling services — related party*" in our consolidated statements of operations.

We also have agreements to provide fleet services for USDM, which includes reimbursement to us for certain out-of-pocket expenses we incur. We received revenue from USDM for the lease of 200 railcars pursuant to the terms of an existing agreement with us that was extended in January 2024 until December 31, 2028, which is included in the table below under "*Fleet leases — related party*" and "*Fleet services — related party*" and in our consolidated statements of operations.

Our related party revenues from USD and affiliates are presented below in the following table for the indicated periods:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(in thousands)			
Terminalling services — related party	$ —	$ 740	$ —	$ 2,186
Fleet leases — related party	418	373	977	943
Fleet services — related party	—	—	—	171
Freight and other reimbursables — related party	903	174	1,850	291
	$ 1,321	$ 1,287	$ 2,827	$ 3,591

We had the following amounts outstanding with USD and affiliates on our consolidated balance sheets as presented below in the following table for the indicated periods [(1)] :

	September 30, 2024	December 31, 2023
	(in thousands)	
Accounts receivable — related party	$ —	$ 25

(1) Does not include amounts to related parties associated with the Omnibus Agreement, as discussed above.

12. COMMITMENTS AND CONTINGENCIES

From time to time, we may be involved in legal, tax, regulatory and other proceedings in the ordinary course of business. We do not believe that we are currently a party to any such proceedings that will have a material adverse impact on our financial condition or results of operations.

13. SEGMENT REPORTING

We manage our business in two reportable segments: Terminalling services and Fleet services. The Terminalling services segment charges minimum monthly commitment fees under multi-year take-or-pay contracts to load and unload various grades of crude oil into and from railcars, as well as fixed fees per gallon to transload ethanol and renewable diesel from railcars, including related logistics services. We also facilitate rail-to-pipeline shipments of crude oil. The Fleet services segment provides customers with railcars and fleet services related to the transportation of liquid hydrocarbons under multi-year, take-or-pay contracts. Corporate activities are not considered a reportable segment, but are included to present shared services and financing activities which are not allocated to our established reporting segments.

Our segments offer different services and are managed accordingly. Our CODM regularly reviews financial information about both segments in order to allocate resources and evaluate performance. Our CODM assesses segment performance based on the cash flows produced by our established reporting segments using Segment Adjusted EBITDA. Segment Adjusted EBITDA is a measure calculated in accordance with GAAP. We define Segment Adjusted EBITDA as "*Net income (loss)*" of each segment adjusted for depreciation and amortization, interest, income taxes, changes in contract assets and liabilities, deferred revenues, foreign currency transaction gains and losses and other items which do not affect the underlying cash flows produced by our businesses. As such, we have concluded that disaggregating revenue by reporting segments appropriately depicts how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors.

	Three Months Ended September 30, 2024			
	Terminalling services	Fleet services	Corporate	Total
	(in thousands)			
Revenues				
Terminalling services	$ 7,409	$ —	$ —	$ 7,409
Terminalling services — related party	—	—	—	—
Rail switching and demurrage	359	—	—	359
Fleet leases — related party	—	418	—	418
Freight and other reimbursables	4	—	—	4
Freight and other reimbursables — related party	—	903	—	903
Total revenues	7,772	1,321	—	9,093
Operating costs				
Subcontracted rail services	1,410	—	—	1,410
Pipeline fees	2,511	—	—	2,511
Freight and other reimbursables	4	903	—	907
Operating and maintenance	312	329	—	641
Selling, general and administrative	412	10	2,495	2,917
Recovery of loss on assets held for sale	—	—	—	—
Impairment of long-lived assets	—	—	—	—
Loss on assets held for sale	—	—	3,454	3,454
Gain on sale of business	—	—	(12)	(12)
Depreciation and amortization	—	—	—	—
Total operating costs	4,649	1,242	5,937	11,828
Operating income (loss)	3,123	79	(5,937)	(2,735)
Interest expense	—	—	9,369	9,369
Gain associated with derivative instruments	—	—	—	—
Foreign currency transaction loss	66	4	115	185
Other income, net	(82)	—	—	(82)
Provision for income taxes	950	—	—	950
Net income (loss)	$ 2,189	$ 75	$ (15,421)	$ (13,157)

	Three Months Ended September 30, 2023			
	Terminalling services	Fleet services	Corporate	Total
	(in thousands)			
Revenues				
Terminalling services	$ 9,785	$ —	$ —	$ 9,785
Terminalling services — related party	740	—	—	740
Rail switching and demurrage	—	—	—	—
Fleet leases — related party	—	373	—	373
Fleet services — related party	—	—	—	—
Freight and other reimbursables	5	—	—	5
Freight and other reimbursables — related party	44	130	—	174
Total revenues	10,574	503	—	11,077
Operating costs				
Subcontracted rail services	2,210	—	—	2,210
Pipeline fees	2,991	—	—	2,991
Freight and other reimbursables	49	130	—	179
Operating and maintenance	807	372	—	1,179
Selling, general and administrative	837	14	2,942	3,793
Recovery of loss on assets held for sale	—	—	—	—
Impairment of long-lived assets	—	—	—	—
Loss on assets held for sale	—	—	—	—
Gain on sale of business	—	—	(9)	(9)
Depreciation and amortization	1,313	—	—	1,313
Total operating costs	8,207	516	2,933	11,656
Operating income (loss)	2,367	(13)	(2,933)	(579)
Interest expense	4	—	4,925	4,929
Gain associated with derivative instruments	—	—	(3,187)	(3,187)
Foreign currency transaction loss (gain)	114	(4)	(110)	—
Other income, net	(61)	—	(16)	(77)
Provision for (benefit from) income taxes	571	(10)	—	561
Net income (loss)	$ 1,739	$ 1	$ (4,545)	$ (2,805)

	Nine Months Ended September 30, 2024			
	Terminalling services	Fleet services	Corporate	Total
	(in thousands)			
Revenues				
Terminalling services	$ 23,990	$ —	$ —	$ 23,990
Terminalling services — related party	—	—	—	—
Rail switching and demurrage	860	—	—	860
Fleet leases — related party	—	977	—	977
Fleet services — related party	—	—	—	—
Freight and other reimbursables	57	—	—	57
Freight and other reimbursables — related party	—	1,850	—	1,850
Total revenues	24,907	2,827	—	27,734
Operating costs				
Subcontracted rail services	4,834	—	—	4,834
Pipeline fees	8,053	—	—	8,053
Freight and other reimbursables	57	1,850	—	1,907
Operating and maintenance	1,884	842	—	2,726
Selling, general and administrative	1,629	58	9,858	11,545
Recovery of loss on assets held for sale	—	—	(2,977)	(2,977)
Impairment of long-lived assets	17,432	—	—	17,432
Loss on assets held for sale	—	—	3,454	3,454
Gain on sale of business	—	—	(1,079)	(1,079)
Depreciation and amortization	2,405	—	—	2,405
Total operating costs	36,294	2,750	9,256	48,300
Operating loss	(11,387)	77	(9,256)	(20,566)
Interest expense	1	—	28,356	28,357
Gain associated with derivative instruments	—	—	—	—
Foreign currency transaction loss (gain)	285	(4)	(84)	197
Other income, net	(214)	—	(31)	(245)
Provision for income taxes	1,829	—	—	1,829
Net income (loss)	$ (13,288)	$ 81	$ (37,497)	$ (50,704)

	Nine Months Ended September 30, 2023			
	Terminalling services	Fleet services	Corporate	Total
	(in thousands)			
Revenues				
Terminalling services	$ 47,888	$ —	$ —	$ 47,888
Terminalling services — related party	2,186	—	—	2,186
Rail switching and demurrage	—	—	—	—
Fleet leases — related party	—	943	—	943
Fleet services — related party	—	171	—	171
Freight and other reimbursables	195	—	—	195
Freight and other reimbursables — related party	159	132	—	291
Total revenues	50,428	1,246	—	51,674
Operating costs				
Subcontracted rail services	7,818	—	—	7,818
Pipeline fees	14,298	—	—	14,298
Freight and other reimbursables	354	132	—	486
Operating and maintenance	2,990	965	—	3,955
Selling, general and administrative	2,973	56	11,501	14,530
Recovery of loss on assets held for sale	—	—	—	—
Impairment of long-lived assets	—	—	—	—
Loss on assets held for sale	—	—	—	—
Gain on sale of business	—	—	(6,211)	(6,211)
Depreciation and amortization	4,942	—	—	4,942
Total operating costs	33,375	1,153	5,290	39,818
Operating income (loss)	17,053	93	(5,290)	11,856
Interest expense	8	—	13,841	13,849
Gain associated with derivative instruments	—	—	(6,092)	(6,092)
Foreign currency transaction loss (gain)	157	—	(55)	102
Other income, net	(151)	—	(42)	(193)
Provision for (benefit from) income taxes	417	(32)	—	385
Net income (loss)	$ 16,622	$ 125	$ (12,942)	$ 3,805

Segment Adjusted EBITDA

The following tables present the computation of Segment Adjusted EBITDA, which is a measure determined in accordance with GAAP, for each of our segments for the periods indicated:

Terminalling Services Segment	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
	(in thousands)			
Net income	$ 2,189	$ 1,739	$ (13,288)	$ 16,622
Interest income, net	(81)	(56)	(209)	(139)
Depreciation and amortization	—	1,313	2,405	4,942
Provision for income taxes	950	571	1,829	417
Foreign currency transaction loss (1)	66	114	285	157
Impairment of long-lived assets	—	—	17,432	—
Non-cash deferred amounts (2)	(90)	(180)	(714)	(3,482)
Segment Adjusted EBITDA	$ 3,034	$ 3,501	$ 7,740	$ 18,517

(1) Represents foreign exchange transaction amounts associated with activities between our U.S. and Canadian subsidiaries.

(2) Represents the change in non-cash contract assets and liabilities associated with revenue recognized at blended rates based on tiered rate structures in certain of our customer contracts and deferred revenue associated with deficiency credits that are expected to be used in the future prior to their expiration. Amounts presented are net of the corresponding prepaid Gibson pipeline fee that will be recognized as expense concurrently with the recognition of revenue.

Fleet Services Segment	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
	(in thousands)			
Net income	$ 75	$ 1	$ 81	$ 125
Benefit from income taxes	—	(10)	—	(32)
Foreign currency transaction loss (gain) (1)	4	(4)	(4)	—
Segment Adjusted EBITDA	$ 79	$ (13)	$ 77	$ 93

(1) Represents foreign exchange transaction amounts associated with activities between our U.S. and Canadian subsidiaries.

14. INCOME TAXES

We are treated as a partnership for U.S. federal and most state income tax purposes, with each partner being separately taxed on their share of our taxable income. Our Canadian wholly owned subsidiaries are subject to corporate income tax in Canada. Those subsidiaries incur current and deferred income liabilities in Canada, where the subsidiaries are taxed as corporations on their taxable income as determined under Canadian tax law, which may entail significant differences between book and taxable income. During the third quarter of 2024, these subsidiaries determined that their deferred tax assets attributable to loss carryforwards could no longer be recorded at their gross values because a previously contemplated tax planning strategy became no longer feasible. Accordingly, current tax expense for the third quarter of 2024 reflects a C$1.2 million charge for the establishment of a full valuation allowance against these Canadian loss carryforwards.

15. DERIVATIVE FINANCIAL INSTRUMENTS

Our net income, or loss, and cash flows are subject to fluctuations resulting from changes in interest rates on our variable rate debt obligations and from changes in foreign currency exchange rates, particularly with respect to the U.S. dollar and the Canadian dollar. We use interest rate derivative instruments, specifically swaps, on our variable rate debt and to manage the risks associated with market fluctuations in interest rates to reduce volatility in our cash flows. We have not historically designated, nor do we expect to designate, our derivative financial instruments as hedges of the underlying risk exposure. All of our financial instruments are employed in connection with an underlying asset, liability and/or forecasted transaction and are not entered into for speculative purposes.

Interest Rate Derivatives

In October 2022, we terminated and settled our existing interest rate swap and simultaneously entered into a new interest rate swap. The new interest rate swap was a five-year contract with a $175.0 million notional value that fixed SOFR to 3.956% for the notional value of the swap agreement instead of the variable rate that we pay under our Credit Agreement. The swap was to be settled monthly through the termination date in October 2027.

On October 10, 2023, based on the terms of a Letter Agreement associated with our Credit Agreement discussed above in *Note 9. Debt*, we terminated and settled our existing interest rate swap for cash proceeds of $2.6 million. Per the terms of the October Letter Agreement, the proceeds from this settlement were sent directly to Bank of Montreal, the administrative agent of our Credit Agreement and were applied to the outstanding interest balance on our Credit Agreement on October 12, 2023.

Derivative Positions

We had not designated our derivative financial instruments as hedges of our interest rate exposure. As a result, changes in the fair value of these derivatives was recorded as "*Gain associated with derivative instruments*" in our consolidated statements of operations. The gains or losses associated with changes in the fair value of our derivative contracts did not affect our cash flows until the underlying contract was settled by making or receiving a payment to or from the counterparty. In connection with our derivative activities, we recognized the following amounts during the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(in thousands)			
Gain associated with derivative instruments	$ —	$ (3,187)	$ —	$ (6,092)

Historically, we determined the fair value of our derivative financial instruments using third party pricing information that was derived from observable market inputs, which we classify as level 2 with respect to the fair value hierarchy. We had no derivatives at September 30, 2024 or at December 31, 2023.

16. PARTNERS' CAPITAL

Our common units represent limited partner interests in us and are entitled to participate in partnership distributions and to exercise the rights and privileges available to limited partners under our partnership agreement.

Pursuant to the terms of the First Amendment to the USD Partners LP Amended and Restated 2014 Long-Term Incentive Plan, which we refer to as the Amended LTIP Plan, our phantom unit awards, or Phantom Units, granted to directors and employees of our general partner and its affiliates, which are classified as equity, are converted into our common units upon vesting. As of September 30, 2024, awards of 465,133 Phantom Units vested. In addition, 131,517 Phantom Units were voluntarily forfeited associated with these vestings. The vested units were paid in cash based on the fair value of our common units on the respective vesting dates. Additional information and discussion regarding our unit based compensation plans is included below in *Note 17. Unit Based Compensation*.

We had 800,031 and 1,418,607 equity-classified Phantom Unit awards outstanding at September 30, 2024 and 2023, respectively, all of which were anti-dilutive and therefore excluded in our calculation of net income per limited partner unit.

Our partnership agreement does not require us to pay cash distributions on a quarterly or other basis. The amount of distributions we pay under our cash distribution policy and the decision to make any distribution are determined by our general partner and restricted by our lenders.

17. UNIT BASED COMPENSATION

Long-term Incentive Plan

In 2023, the board of directors of our general partner, acting in its capacity as our general partner, approved the grant of 714,725 Phantom Units, respectively, to directors and employees of our general partner and its affiliates under our Amended LTIP Plan. There were no grants of Phantom Units to date in 2024. At September 30, 2024, we had 3,876,473 Phantom Units remaining available for issuance. The Phantom Units are subject to all of the terms and conditions of the Amended LTIP Plan and the Phantom Unit award agreements, which are collectively referred to as the Award Agreements. When a grant is approved by the board of directors, award amounts for each of the grants are generally determined by reference to a specified dollar amount based on an allocation formula which included a percentage multiplier of the grantee's base salary, among other factors, converted to a number of units based on the closing price of one of our common units preceding the grant date, as determined by the board of directors of our general partner and quoted on the applicable public market.

Phantom Unit awards generally represent rights to receive our common units upon vesting. However, with respect to the awards granted to directors and employees of our general partner and its affiliates domiciled in Canada, for each Phantom Unit that vests, a participant is entitled to receive cash for an amount equivalent to the closing market price of one of our common units on the vesting date. Each Phantom Unit granted under the Award Agreements includes an accompanying distribution equivalent right, or DER, which entitles each participant to receive payments at a per unit rate equal in amount to the per unit rate for any distributions we make with respect to our common units. The Award Agreements granted to employees of our general partner and its affiliates generally contemplate that the individual grants of Phantom Units will vest in four equal annual installments based on the grantee's continued employment through the vesting dates specified in the Award Agreements, subject to acceleration upon the grantee's death or disability, or involuntary termination in connection with a change in control of the Partnership or our general partner. Awards to independent directors of the board of our general partner and an independent consultant typically vest over a one year period following the grant date.

The following tables present the award activity for our Equity-classified Phantom Units:

	Director and Independent Consultant Phantom Units	Employee Phantom Units	Weighted-Average Grant Date Fair Value Per Phantom Unit
Phantom Unit awards at December 31, 2023	39,408	1,376,916	$ 5.02
Granted	—	—	$ —
Vested	(39,408)	(412,589)	$ 5.69
Forfeited	—	(164,296)	$ 5.96
Phantom Unit awards at September 30, 2024	—	800,031	$ 4.45

	Director and Independent Consultant Phantom Units	Employee Phantom Units	Weighted-Average Grant Date Fair Value Per Phantom Unit
Phantom Unit awards at December 31, 2022	39,408	1,328,964	$ 6.91
Granted	39,408	616,758	$ 3.54
Vested	(39,408)	(549,014)	$ 7.74
Forfeited	—	(17,509)	$ 5.38
Phantom Unit awards at September 30, 2023	39,408	1,379,199	$ 5.02

The following tables present the award activity for our Liability-classified Phantom Units:

	Director and Independent Consultant Phantom Units	Employee Phantom Units	Weighted-Average Grant Date Fair Value Per Phantom Unit
Phantom Unit awards at December 31, 2023	13,136	58,169	$ 4.24
Granted	—	—	$ —
Vested	(13,136)	—	$ 3.54
Phantom Unit awards at September 30, 2024	—	58,169	$ 4.40

	Director and Independent Consultant Phantom Units	Employee Phantom Units	Weighted-Average Grant Date Fair Value Per Phantom Unit
Phantom Unit awards at December 31, 2022	13,136	56,847	$ 6.27
Granted	13,136	45,423	$ 3.54
Vested	(13,136)	(4,650)	$ 5.60
Phantom Unit awards at September 30, 2023	13,136	97,620	$ 4.94

The fair value of each Phantom Unit on the grant date is equal to the closing market price of our common units on the grant date. We account for the Phantom Unit grants to independent directors and employees of our general partner and its affiliates domiciled in Canada that are paid out in cash upon vesting, throughout the requisite vesting period, by revaluing the unvested Phantom Units outstanding at the end of each reporting period and recording a charge to compensation expense in "*Selling, general and administrative*" in our consolidated statements of operations and recognizing a liability in "*Other current liabilities*" in our consolidated balance sheets. With respect to the Phantom Units granted to consultants, independent directors and employees of our general partner and its affiliates domiciled in the United States, we amortize the initial grant date fair value over the requisite service period using the straight-line method with a charge to compensation expense in "*Selling, general and administrative*" in our consolidated statements of operations, with an offset to common units within the Partners' Capital section of our consolidated balance sheet.

For the three months ended September 30, 2024 and 2023, we recognized $0.5 million and $0.9 million, respectively, and for the nine months ended September 30, 2024 and 2023, we recognized $1.7 million and $2.8 million, respectively, of compensation expense associated with outstanding Phantom Units. As of September 30, 2024, we have unrecognized compensation expense associated with our outstanding Phantom Units totaling $2.4 million, which we expect to recognize over a weighted average period of 1.78 years. We have elected to account for actual forfeitures as they occur rather than using an estimated forfeiture rate to determine the number of awards we expect to vest.

We made payments to holders of the Phantom Units pursuant to the associated DERs we granted to them under the Award Agreements as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(in thousands)			
Equity-classified Phantom Units [1]	$ —	$ —	$ —	$ 169
Liability-classified Phantom Units	—	—	—	9
Total	$ —	$ —	$ —	$ 178

[1] We reclassified $1 thousand and $112 thousand to unit based compensation expense for DERs paid in relation to Phantom Units that have been forfeited for the three and nine months ended September 30, 2024. We reclassified $2 thousand and $10 thousand for the three and nine months ended September 30, 2023, respectively, for forfeitures.

18. SUPPLEMENTAL CASH FLOW INFORMATION

The following table provides supplemental cash flow information for the periods indicated:

	Nine Months Ended September 30,	
	2024	2023
	(in thousands)	
Cash paid for income taxes, net [1]	$ 675	$ 1,477
Cash paid for interest	$ 1	$ 9,847
Cash paid for operating leases	$ 850	$ 1,090

[1] Includes the net effect of tax refunds of $145 thousand received in the third quarter of 2024 and $11 thousand received in the second quarter of 2023 associated with prior period Canadian tax.

Non-cash Investing Activities

For the nine months ended September 30, 2023, we had non-cash investing activities for capital expenditures for property and equipment that were financed through "A*ccounts payable and accrued expenses*" and "*Accounts Payable and accrued expenses — related party*" and an accrued reimbursement associated with our collaborative arrangements included in *"Accounts receivable, net"* as presented in the table below for the periods indicated:

	Nine months ended September 30,	
	2024	2023
	(in thousands)	
Property and equipment financed through accounts payable and accrued expenses	$ —	$ (721)
Accrued reimbursement of property and equipment	$ —	$ 133
Debt refinancing activities financed through accounts payable and accrued expenses	$ —	$ 1,129

We recorded $6.6 million and $0.8 million of right-of-use lease assets and the associated liabilities on our consolidated balance sheet as of September 30, 2024 and December 31, 2023, respectively, representing non-cash activities resulting from either new, extended, canceled or declassified lease agreements. See *Note 7. Leases* for further discussion.

19. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through November 12, 2024 the date on which the consolidated financial statements were available to be issued.

Credit Agreement Activity

Subsequent to September 30, 2024, we incurred, under the terms of our Credit Agreement, additional paid in kind interest of $1.6 million. As of November 4, 2024 we had amounts outstanding of $178.6 million under the Credit Agreement.

On November 1, 2024, we entered into an amendment of the Forbearance Agreement that extended the forbearance period through January 31, 2025. Additionally, the forbearance period may be extended beyond January 31, 2025 at the discretion of the administrative agent.