# USD Partners LP

811 Main Street, Suite 2800
Houston, TX 77002

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

# Annual Report

**For the period ending December 31, 2023 (the "Reporting Period")**

**Outstanding Shares**
The number of shares outstanding of our Common Stock was:

33,774,427 as of February 16, 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

***Transfer Agent***

Name: Computershare
Phone: (877) 373-6374
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 February 16, 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 February 16, 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<br>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 | $3.54 | No | See Note (A) below | Issuance of Common Units upon vesting of Phantom Units | Unrestricted | Registered pursuant to Form S-8 |

| | | | Partnership Interests | | | | issued to directors, employees and consultants | | |
|---|---|---|---|---|---|---|---|---|---|
| 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:<br>Ending Balance:<br>Date February 16, 2024 Common: 33,774,427<br>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.

Our Stroud Terminal is a crude oil destination terminal in Stroud, Oklahoma. The Stroud Terminal 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. Inbound product is delivered by the Stillwater Central Rail, which handles deliveries from both the BNSF Railway, or BNSF, and the Union Pacific Railroad, or UP. We own the Stroud Terminal and the pipeline connecting the Stroud Terminal to the storage hub in Cushing, Oklahoma is owned through easements, licenses, rights of way and similar grants.

**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 February 16, 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 | 153,216(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 | 151,566(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. 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, in the past 10 years:

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.

Name: Jennifer Waller
Title: Senior Director, Financial Reporting and Investor Relations

Jennifer Waller has served as the Senior Director of Financial Reporting and Investor Relations for USD Partners since March 2022. Mrs. Waller previously held various positions in USD Partners, serving as Director since 2020, Associate Director since 2018 and Manger of Financial Reporting since 2017. Before her tenure at USD, Mrs. Waller worked in various accounting and finance roles at Enbridge Energy Partners for 10 years and previously worked as an auditor in Houston at the public accounting firm, Deloitte. Mrs. Waller has been a Certified Public Accountant since 2009, holding a Master of Business Administration with an emphasis in accounting 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:

- Independent Auditor's Report of BDO USA, P.C.
- Consolidated Statements of Operations for the years ended December 31, 2023 and 2022
- Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2023 and 2022
- Consolidated Statements of Cash Flows for the years ended December 31, 2023 and 2022
- Consolidated Balance Sheets as of December 31, 2023 and 2022
- Consolidated Statements of Partners' Capital for the years ended December 31, 2023 and 2022
- 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.

March 28, 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.

March 28, 2024

/s/ Kyle Schornick
SVP, CFO

# USD Partners LP and Subsidiaries

**Consolidated Financial Statements**
***(With Independent Auditor's Report)***

**As of and for the Years Ended**
**December 31, 2023 and 2022**

**USD Partners LP and Subsidiaries**

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# Part I. USD Partners LP and Subsidiaries Annual Audited Financial Statements

**Independent Auditor's Report**

Partners of USD Partners LP and Board of Directors of USD Partners GP LLC, as General Partner of USD Partners LP
Houston, Texas

***Opinion***

We have audited the consolidated financial statements of USD Partners LP (the "Partnership"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of operations, comprehensive income (loss), partners' capital and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Partnership as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Partnership and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Substantial Doubt About the Partnership's Ability to Continue as a Going Concern***

The accompanying consolidated financial statements have been prepared assuming that the Partnership will continue as a going concern. As discussed in Note 1 of the consolidated financial statements, the Partnership's Credit Agreement matures within 12 months of the date of this report, and has stated that substantial doubt exists about the Partnership's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding this matter are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty, other than a valuation allowance against the Partnership's deferred tax asset. Our opinion is not modified with respect to this matter.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Partnership's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Partnership's ability to continue as a going concern for a reasonable period.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

/s/ BDO USA, P.C.

Houston, Texas
March 8, 2024

## USD PARTNERS LP
## CONSOLIDATED STATEMENTS OF OPERATIONS

| | For the Years Ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| | (in thousands of US dollars, except per unit amounts) | |
| **Revenues** | | |
| Terminalling services | $ 57,917 | $ 104,409 |
| Terminalling services — related party | 2,835 | 2,666 |
| Fleet leases — related party | 1,332 | 3,037 |
| Fleet services — related party | 171 | 986 |
| Freight and other reimbursables | 244 | 524 |
| Freight and other reimbursables — related party | 359 | 33 |
| **Total revenues** | 62,858 | 111,655 |
| **Operating costs** | | |
| Subcontracted rail services | 10,021 | 13,583 |
| Pipeline fees | 16,875 | 28,084 |
| Freight and other reimbursables | 603 | 557 |
| Operating and maintenance | 5,462 | 11,818 |
| Operating and maintenance — related party | — | 258 |
| Selling, general and administrative | 12,539 | 13,328 |
| Selling, general and administrative — related party | 7,095 | 12,457 |
| Impairment of intangible and long-lived assets | — | 71,612 |
| Gain on sale of business | (34,061) | — |
| Loss on assets held for sale | 2,977 | — |
| Depreciation and amortization | 6,204 | 19,643 |
| **Total operating costs** | 27,715 | 171,340 |
| **Operating income (loss)** | 35,143 | (59,685) |
| Interest expense | 22,133 | 10,670 |
| Gain associated with derivative instruments | (5,892) | (12,327) |
| Foreign currency transaction loss | 342 | 2,055 |
| Other income, net | (272) | (90) |
| **Income (loss) before income taxes** | 18,832 | (59,993) |
| Provision for income taxes | 1,059 | 1,293 |
| **Net income (loss)** | $ 17,773 | $ (61,286) |
| **Net income (loss) attributable to limited partner interest** | $ 17,773 | $ (59,917) |
| **Net income (loss) per common unit (basic and diluted) (Note 4)** | $ 0.53 | $ (1.88) |
| **Weighted average common units outstanding** | 33,716 | 31,915 |

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

**USD PARTNERS LP**
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

| | For the Years Ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| | (in thousands of US dollars) | |
| Net income (loss) | $ 17,773 | $ (61,286) |
| Other comprehensive income (loss) — foreign currency translation | 1,182 | (3,963) |
| Comprehensive income (loss) | $ 18,955 | $ (65,249) |

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

**USD PARTNERS LP**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

| | For the Years Ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| | (in thousands of US dollars) | |
| **Cash flows from operating activities:** | | |
| Net income (loss) | $ 17,773 | $ (61,286) |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 6,204 | 19,643 |
| Gain associated with derivative instruments | (5,892) | (12,327) |
| Settlement of derivative contracts | 3,753 | 15,878 |
| Unit based compensation expense | 3,681 | 4,845 |
| Gain on sale of business | (34,061) | — |
| Loss associated with disposal of assets | — | 3 |
| Deferred income taxes | (25) | 90 |
| Amortization of deferred financing costs | 3,915 | 1,170 |
| Interest payment in kind | 1,975 | — |
| Impairment of intangible and long-lived assets | — | 71,612 |
| Loss on assets held for sale | 2,977 | — |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (253) | 4,616 |
| Accounts receivable — related party | 384 | 1,638 |
| Prepaid expenses, inventory and other assets | 1,824 | 5,669 |
| Accounts payable and accrued expenses | (732) | (4,355) |
| Accounts payable and accrued expenses — related party | (534) | (856) |
| Deferred revenue and other liabilities | (3,886) | (9,174) |
| Deferred revenue and other liabilities — related party | 23 | 75 |
| Net cash provided by (used in) operating activities | (2,874) | 37,241 |
| **Cash flows from investing activities:** | | |
| Additions of property and equipment | (648) | (468) |
| Reimbursement of capital expenditures from collaboration arrangement | — | 1,749 |
| Internal-use software development costs | (55) | — |
| Net proceeds from the sale of business | 63,759 | — |
| Acquisition of Hardisty South entities from Sponsor | — | (75,000) |
| Net cash provided by (used in) investing activities | 63,056 | (73,719) |
| **Cash flows from financing activities:** | | |
| Distributions | (2,154) | (15,738) |
| Payments for deferred financing costs | (7,196) | (13) |
| Vested Phantom Units used for payment of participant taxes | (674) | (1,096) |
| Proceeds from long-term debt | — | 75,000 |
| Repayment of long-term debt | (45,568) | (29,396) |
| Net cash provided by (used in) financing activities | (55,592) | 28,757 |
| Effect of exchange rates on cash | 47 | 784 |
| Net change in cash, cash equivalents and restricted cash | 4,637 | (6,937) |
| Cash, cash equivalents and restricted cash — beginning of year | 5,780 | 12,717 |
| Cash, cash equivalents and restricted cash — end of year | $ 10,417 | $ 5,780 |

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

## USD PARTNERS LP
## CONSOLIDATED BALANCE SHEETS

| | December 31, | |
|---|---|---|
| | 2023 | 2022 |
| | (in thousands of US dollars, except unit amounts) | |
| **ASSETS** | | |
| Current assets | | |
| Cash and cash equivalents | $ 6,576 | $ 2,530 |
| Restricted cash | 3,841 | 3,250 |
| Accounts receivable, net | 1,546 | 2,169 |
| Accounts receivable — related party | 25 | 409 |
| Prepaid expenses | 1,559 | 3,188 |
| Assets held for sale | 16,162 | — |
| Other current assets | 405 | 1,746 |
| Total current assets | 30,114 | 13,292 |
| Property and equipment, net | 57,123 | 106,894 |
| Intangible assets, net | 49 | 3,526 |
| Operating lease right-of-use assets | 5 | 1,508 |
| Other non-current assets | 1,168 | 1,556 |
| Total assets | $ 88,459 | $ 126,776 |
| **LIABILITIES AND PARTNERS' CAPITAL** | | |
| Current liabilities | | |
| Accounts payable and accrued expenses | $ 1,715 | $ 3,389 |
| Accounts payable and accrued expenses — related party | 615 | 1,147 |
| Deferred revenue | 2,177 | 3,562 |
| Deferred revenue — related party | — | 128 |
| Long-term debt, current portion | 167,183 | 214,092 |
| Operating lease liabilities, current | 4 | 700 |
| Other current liabilities | 6,014 | 7,907 |
| Other current liabilities — related party | — | 11 |
| Total current liabilities | 177,708 | 230,936 |
| Operating lease liabilities, non-current | — | 688 |
| Other non-current liabilities | 3,385 | 7,556 |
| Total liabilities | 181,093 | 239,180 |
| Commitments and contingencies (Note 14) | | |
| Partners' capital | | |
| Common units (33,774,427 authorized and issued at December 31, 2023 and 33,381,187 authorized and issued at December 31, 2022) | (89,675) | (108,263) |
| Accumulated other comprehensive loss | (2,959) | (4,141) |
| Total partners' capital | (92,634) | (112,404) |
| Total liabilities and partners' capital | $ 88,459 | $ 126,776 |

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

**USD PARTNERS LP**
**CONSOLIDATED STATEMENTS OF PARTNERS' CAPITAL**

| | For the Years Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | | | 2022 | | |
| | Units | Amount | | Units | Amount | |
| | (in thousands of US dollars, except per unit amounts) | | | | | |
| **Common units** | | | | | | |
| Beginning balance | 33,381,187 | $ | (108,263) | 27,268,878 | $ | 16,355 |
| Common units issued for vested Phantom Units | 393,240 | | (674) | 361,173 | | (1,096) |
| Net income (loss) | — | | 17,773 | — | | (59,917) |
| Unit based compensation expense | — | | 3,643 | — | | 4,617 |
| Distributions | — | | (2,154) | — | | (15,679) |
| Acquisition of Hardisty South entities from Sponsor and conversion of General Partner units | — | | — | 5,751,136 | | (52,543) |
| Ending balance | 33,774,427 | | (89,675) | 33,381,187 | | (108,263) |
| **General partner units** | | | | | | |
| Beginning balance | — | | — | 461,136 | | 5,678 |
| Non-cash contribution to Hardisty South entities from Sponsor prior to acquisition | — | | — | — | | 18,207 |
| Net loss | — | | — | — | | (1,369) |
| Distributions | — | | — | — | | (59) |
| Acquisition of Hardisty South entities from Sponsor and conversion of General Partner units | — | | — | (461,136) | | (22,457) |
| Ending balance | — | | — | — | | — |
| **Accumulated other comprehensive loss** | | | | | | |
| Beginning balance | | | (4,141) | | | (178) |
| Cumulative translation adjustment | | | 1,182 | | | (3,963) |
| Ending balance | | | (2,959) | | | (4,141) |
| Total partners' capital at December 31, | | $ | (92,634) | | $ | (112,404) |

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

## 1. ORGANIZATION AND DESCRIPTION OF BUSINESS

### *General*

USD Partners LP and its consolidated subsidiaries, collectively referred to herein as we, us, our, the Partnership and USDP, is a fee-based, growth-oriented 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 complimentary 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 facilitates 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 terminalling 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 $33.0 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 $31.1 million in cash, subject to customary adjustments. Refer to *Note 3. Acquisition and Dispositions* for additional details regarding these dispositions. The Casper and West Colton Terminals were included in our Terminalling Services segment.

The composition of our capital accounts was as follows at the specified dates:

| | December 31, | |
|---|---|---|
| | **2023** | **2022** |
| Common units held by the Public | 48.8 % | 48.1 % |
| Common units held by USDG | 51.2 % | 51.9 % |
| | 100.0 % | 100.0 % |

***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) is November 2, 2024. As a result of the maturity date 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 conditions described above raise substantial doubt about our ability to continue as a going concern for the next 12 months.

Due to the substantial doubt about our ability to continue as a going concern discussed above, as of December 31, 2023, we have recorded a valuation allowance against our deferred tax asset that is associated with our Canadian entities. These consolidated financial statements do not include any other 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.

***Delisting of Common Units on New York Stock Exchange***

On November 15, 2023, we received a written notice from the staff of the New York Stock Exchange, or NYSE, notifying us that NYSE had determined to commence proceedings to delist our common units from the NYSE. Trading in the Partnership's common units on the NYSE was suspended after the market close on November 15, 2023. NYSE 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.

On November 16, 2023, our common units were delisted from the NYSE. Our common units commenced trading on the OTC Pink Market on November 16, 2023 under the symbol "USDP." We are under no obligation to develop or maintain a market in the common units. We cannot provide assurance that our common units will continue to trade on the OTC Pink Market, that brokers will continue to provide public quotes of our common units, that a market for our common units will develop or be maintained, or that the trading volume of our common units will be sufficient enough to generate an efficient trading market. Holders of common units may not be able to sell or otherwise transfer such common units.

***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 members of USD's management team.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Basis of Presentation and Use of Estimates***

We prepare our consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, or GAAP. Our preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, and the disclosure of

contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. We regularly evaluate these estimates utilizing historical experience, consultation with experts and other methods we consider reasonable in the circumstances. Nevertheless, actual results may differ from these estimates. We record the effect of any revisions to these estimates in our consolidated financial statements in the period in which the facts that give rise to the revision become known. Significant estimates we make include, but are not limited to, the estimated lives of depreciable property and equipment, recoverability of long-lived assets, the collectability of accounts receivable, the amounts of deferred revenue and related prepaid pipeline fees.

***Principles of Consolidation***

The consolidated financial statements include our accounts and those of our wholly-owned subsidiaries on a consolidated basis. All significant intercompany accounts and transactions have been eliminated in consolidation. We consolidate the accounts of entities over which we have a controlling financial interest through our ownership of the general partner or the majority voting interests of the entity.

***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.

***Revenue Recognition***

We recognize revenue from contracts with customers under the core principle to depict the transfer of control to our customers of goods or services in an amount reflecting the consideration for which we expect to be entitled. In order to achieve the core principle, we apply the following five step approach:

(1) identify the contract with a customer;

(2) identify the performance obligations in the contract;

(3) determine the transaction price;

(4) allocate the transaction price to the performance obligations in the contract; and

(5) recognize revenue when a performance obligation is satisfied.

We define a performance obligation as a promise in a contract to transfer a distinct good or service to the customer. We allocate the transaction price in a contract to each distinct performance obligation, which we recognize as revenue when, or as, the performance obligation is satisfied. For contracts with multiple performance obligations, we allocate the transaction price in the contract to each performance obligation using our best estimate of the standalone selling price for each distinct good or service in the contract, utilizing market-based and cost-plus margin inputs. We have elected to account for sales taxes received from customers on a net basis.

We applied the right-to-invoice practical expedient to contracts for which we recognize revenue at the amount to which we have the right to invoice for services performed.

*Terminalling Services Revenues*

We derive a majority of our revenues from contracts to provide terminalling services, which include pipeline transportation, storage, loading and unloading of crude oil and related products from and into railcars and trucks, as well as the transloading of biofuels from railcars into trucks. Our Terminal Services Agreements for crude oil, biofuels and related products are generally established under multi-year, take-or-pay arrangements that require

monthly payments from our customers for their minimum monthly volume commitments in exchange for our performance of the terminalling services enumerated above. Variable consideration, such as volume-based pricing, included in our agreements is typically resolved within the applicable accounting period.

We recognize revenue for the terminalling services we provide based upon the contractual rates set forth in our agreements related to throughput volumes. We recognize revenue over time as we render services based on the throughput volumes handled at our terminals as this best represents the value of the services we provide to customers. All of the contracted capacity at our Hardisty Terminal is and West Colton Terminal was contracted under agreements that contain "take-or-pay" provisions where we are entitled to the payment of minimum monthly commitment fees from our customers, regardless of whether the specified throughput volume to which the customer committed is achieved.

Our Terminal Services Agreements at our Hardisty Terminal generally grants and West Colton Terminal granted our customers make-up rights that allow them to load volumes in excess of their minimum monthly commitment in future periods, without additional charge, to the extent capacity is available for the excess volume. The make-up rights typically expire, if unused, in subsequent periods up to 12 months following the period for which the volumes were originally committed. We currently recognize substantially all of the amounts we receive for minimum commitment fees as revenue when collected, since breakage associated with these make-up rights options has varied between 97% and 100% based on our experience and expectations around usage of these options. Breakage rates are regularly evaluated and modified as necessary to reflect our current experience and expectations. If we do not expect to be entitled to a breakage amount, we defer the recognition of revenue associated with volumes that are below the minimum monthly commitment until we determine that the likelihood that the customer will be able to make up the minimum volume is remote. If we expect to be entitled to a breakage amount, we estimate the expected breakage and recognize the expected breakage amount as revenue in proportion to the trend of rights exercised by the customer.

*Fleet Services Revenues*

Our fleet services contract provides for the sourcing of railcar fleets and related logistics and maintenance services. We allocate revenue between the lease and service components based on relative standalone values and account for each component under the applicable accounting guidance. We record revenues for the fleet lease on a gross basis, since we are deemed the primary obligor for the services.

We recognize revenue for our fleet lease and related party administrative services ratably over the lease contract period as services are consistently provided throughout the period. Revenue for reimbursable costs is recognized on a gross basis on our consolidated statements of operations as "*Freight and other reimbursables*," as the costs are incurred. We have deferred revenues for amounts collected in advance from our customer in our Fleet services segment, which will be recognized as revenue as the underlying services are performed pursuant to the terms of our lease contract.

### *Income Taxes*

We are not a taxable entity for U.S. federal income tax purposes or for a majority of the states that impose an income tax. Taxes on our net income or loss are generally borne by our unitholders through the allocation of taxable income, except for USD Rail LP, which, has elected to be classified as an entity taxable as a corporation. Our provision for income taxes is predominantly attributable to Canadian federal and provincial income taxes imposed on our operations based in Canada. We are also subject to franchise tax in the State of Texas, that is, computed on our modified gross margin, which we have determined to be an income tax under the applicable accounting guidance. Our current and historical provision for income taxes also reflects income taxes associated with USD Rail LP.

We recognize deferred income tax assets and liabilities for temporary differences between the relevant basis of our assets and liabilities for financial reporting and tax purposes. We record the impact of changes in tax legislation on deferred income tax assets and liabilities in the period the legislation is enacted.

Pursuant to the authoritative accounting guidance regarding uncertain tax positions, we recognize the tax effects of any uncertain tax position as the largest amount that will more likely than not be realized upon ultimate settlement with the taxing authority having full knowledge of the position and all relevant facts. Under this criterion, we evaluate the most likely resolution of an uncertain tax position based on its technical merits and on the outcome that we expect would likely be sustained under examination.

Our policy is to recognize any interest or penalties related to the underpayment of income taxes as a component of income tax expense or benefit. We have not historically incurred any significant interest or penalties for the underpayment of income taxes.

Net income for financial statement purposes may differ significantly from the taxable income we allocate to our unitholders as a result of differences between the tax basis and financial reporting basis of assets and liabilities and the taxable income allocation requirements set forth in our partnership agreement. The aggregate difference in the basis of our net assets for financial and tax reporting purposes compared to unitholders cannot be readily determined because information regarding each partner's tax attributes in us is not available.

***Cash and Cash Equivalents***

Cash and cash equivalents consist of all unrestricted demand deposits and funds invested in highly liquid instruments with original maturities of three months or less. We periodically assess the financial condition of the financial institutions where these funds are held and believe that our credit risk is minimal.

***Inventory***

Our expectation is that any inventory we may acquire is comprised of crude oil and held on a temporary basis in connection with buy-sell agreements, in which we take title to commodities solely while in our terminals. We record our inventory at cost, representing the amount we pay to purchase the crude oil, and account for it on a first-in, first-out, or FIFO, basis. The purchase price we pay for the crude oil is set forth in our buy-sell agreements and is determined from an indexed market price less an agreed-upon rate differential. The market prices at which we ultimately sell the crude oil is determined based on the same indexed market price as the crude oil purchase, less an agreed-upon rate differential that is smaller than the rate differential used to determine the cost. The difference between the purchase price and the selling price establishes a fixed amount we receive, on a per barrel basis, when the inventory is sold pursuant to the terms of our buy-sell arrangements, eliminating any commodity price exposure to us. Based on the terms of our buy-sell arrangements, the selling price will always be greater than the cost of our inventory. The resulting income we receive represents a fee for the terminalling services we provide our customers, which we record net in "*Terminalling services*" revenues on our consolidated statement of income.

***Accounts Receivable***

Accounts receivable consist of billed and unbilled amounts due from our customers, which include crude oil producing and petroleum refining companies, as well as marketers of petroleum, petroleum products and biofuels, for services we have provided. We perform ongoing credit evaluations of our customers. When appropriate, we use the specific identification method to estimate allowances for credit losses based on our customers' financial condition and collection history, as well as other pertinent factors. Accounts are written-off against the allowance for doubtful accounts when significantly past due and we have deemed the amounts uncollectible.

***Capitalization Policies and Depreciation Methods***

We record property and equipment at its original cost or fair value if acquired as part of a business acquisition, which we depreciate on a straight-line basis over the estimated useful lives of the assets, which range from three to 30 years. Our determination of the useful lives of property and equipment requires us to make various assumptions when the assets are acquired or placed into service about the expected usage, normal wear and tear and the extent and frequency of maintenance programs. Expenditures for repairs and maintenance are charged to expense as incurred, while improvements that extend the service life or capacity of existing property and equipment are capitalized. Upon the sale or retirement of an asset, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is recognized in our operating results.

During construction, we capitalize direct costs, such as labor, materials and overhead, as well as interest cost we may incur on indebtedness at our incremental borrowing rate.

***Assets Held For Sale***

We classify long-lived assets intended to be sold as held for sale in the period in which all of the following criteria are met: (1) management, having the authority to approve the action, commits to a plan to sell the asset or disposal group; (2) the asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets; (3) an active program to locate a buyer and other actions required to complete the plan to sell the asset or disposal group have been initiated; (4) the sale of the asset or disposal group is probable, and transfer of the asset or disposal group is expected to qualify for recognition as a completed sale within one year, except if events or circumstances beyond our control extend the period of time required to sell the asset or disposal group beyond one year; (5) the asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and (6) actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

We initially measure a long-lived asset or disposal group that is classified as held for sale at the lower of carrying value or fair value less any costs to sell. Any loss resulting from this measurement is recognized in the period in which the held for sale criteria are met. Conversely, gains are not recognized on the sale of a long-lived asset or disposal group until the date of sale. We assess the fair value of a long-lived asset or disposal group less any costs to sell each reporting period it remains classified as held for sale and report any subsequent changes as an adjustment to the carrying value of the asset or disposal group, as long as the new carrying value does not exceed the carrying value of the asset at the time it was initially classified as held for sale.

Upon determining that a long-lived asset or disposal group meets the criteria to be classified as held for sale, we discontinue depreciation and amortization and report long-lived assets and liabilities of the disposal group in the line items "*Assets held for sale*" and "*Liabilities held for sale*" in our consolidated balance sheets.

***Internal-use Software***

We capitalize certain internal-use software costs in accordance with Accounting Standard Codification, or ASC, 350-40, which are included in intangible assets. ASC 350-40 requires assets to be recorded at the cost to develop the asset and requires an intangible asset to be amortized over its useful life and for the useful life to be evaluated every reporting period to determine whether events or circumstances warrant a revision to the remaining period of amortization. If the estimate of useful life is changed, the remaining carrying amount of the intangible asset is amortized prospectively over the revised remaining useful life. We currently are amortizing these assets over a useful life of five years in the line item "Depreciation and amortization" in our consolidated statement of operations. Maintenance of and minor upgrades to internal-use software are classified as selling, general, and administrative expenses as incurred.

***Asset Retirement Obligations***

We record a liability for the fair value of asset retirement obligations and conditional asset retirement obligations that we can reasonably estimate. We collectively refer to asset retirement obligations and conditional asset retirement obligations as ARO. Typically, we record an ARO at the time an asset is constructed or acquired, if a reasonable estimate of fair value can be made. In connection with establishing an ARO, we capitalize the expected costs as part of the carrying amount of the related assets. We recognize any ongoing expense for the accretion component of the liability resulting from changes in value of the ARO due to the passage of time as part of accretion expense. We depreciate the initial capitalized cost over the useful lives of the related assets. We extinguish the liabilities for an ARO when assets are taken out of service or otherwise abandoned.

We generally own the land on which our Stroud and Hardisty terminals and related facilities reside and as a result, similar legal obligations generally do not exist that would require us to remove our Stroud and Hardisty facilities at final abandonment. However, a portion of the Stroud pipeline is on land that is owned by a third party for which we have been granted a right-of-way, where the land owner has the option to either purchase the facilities

from us at salvage value, or to require us to remove our facilities at the termination of the right-of-way and restore the land to its original condition.

We cannot reasonably estimate the timing nor determine the method that the lessor will elect with regard to the action we will be required to take at the termination of the lease at out Stroud Terminal. The asset retirement obligation cost is considered indeterminate because there is limited data or information that can be derived from past practice, industry practice, our intentions or the estimated economic life of the asset. Useful lives of our terminal facilities are primarily derived from available supply resources and ultimate consumption of those resources by end users. Many variables can affect the remaining lives of the assets, which preclude us from making a reasonable estimate of the ARO. We will recognize the fair value of an ARO for the Stroud Terminal facilities in the periods in which sufficient information exists that will allow us to reasonably estimate potential settlement dates and methods.

***Impairment of Long-lived Assets***

We evaluate long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable.

We consider a long-lived asset to be impaired when the sum of the estimated, undiscounted future cash flows from the use of the asset and its eventual disposition is less than the carrying amount of the asset. Factors that indicate potential impairment include: a significant decrease in the market value of the asset, operating income or cash flows associated with the use of the asset and a significant change in the asset's physical condition or use.

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. Refer to *Note 8. Property and Equipment* and *Note 10. Intangible Assets* for further discussion.

***Leases***

We classify our leases as operating, financing or sales-type leases based on the criteria set forth in ASC 842 that considers whether a lease is economically similar to the purchase of a nonfinancial asset. We have adopted as our accounting policy the definition of "substantially all" of the fair value of the underlying asset to mean 90% or greater and a "major part" of the remaining economic life to mean 75% or greater in performing our classification assessment. We exclude variable lease payments that are based on performance or use from our lease classification determination. We include the exercise price of a purchase option when reasonable certainty exists that we will exercise the option. We also include termination penalties unless it is reasonably certain that we will not exercise any option to terminate the lease, and therefore will not incur the penalty. Lastly, we also include any residual value guarantees that we provided to lessors in our classification determination.

*Lessee Accounting*

We lease assets from third parties for use in our operations, which primarily include railcars, buildings, storage tanks, equipment, offices, railroad track and land. The general terms of our lease agreements require monthly payments in advance, in arrears or upon receipt, some of which include variable payments attributable to index-based rate escalations and freight associated with railcar returns. A majority of our leases do not include renewal options, or rights to early termination of the lease agreements. However, on occasion we enter into lease agreements that have renewal options. For these leases, we include the renewal options to extend the lease in our operating lease right-of-use assets and liabilities when it is reasonably certain that we will exercise the renewal option. Additionally, our leases do not include residual value guarantees, nor do they impose any significant covenants or restrictions on us. As discussed below under Lessor Accounting, we effectively sublease all of our leased railcars to customers under terms similar to the terms of our lease agreements with a railcar manufacturer from whom we lease the railcars. We also leased a storage tank from a third-party provider of crude oil storage that we subleased to a customer of our Stroud Terminal.

We have elected as an accounting policy not to apply the recognition requirements of ASC 842 to short-term leases for all classes of assets underlying our leases. As a result, we recognize the lease payments we make as expense in our consolidated statements of operations over the lease term, regardless of the underlying class of asset being leased. We define a short-term lease as a lease that at the commencement date has a term of 12 months or less and does not include an option to purchase the underlying asset that we are reasonably certain to exercise.

We deem a contract to be a lease when the terms of the agreement indicate we have the right to control the use of an identified asset for a period of time in exchange for consideration. We establish our right to control the use of an identified asset when the contract terms set forth our right to obtain substantially all of the economic benefits from use of the identified asset, or to direct its use throughout the contract period. We consider substantially all of the economic benefits to mean 90% or more of the utility of the identified asset.

We have elected to apply the portfolio approach to account for our railcar leases due to our expectation that this method would not significantly differ from an individual lease approach. Additionally, we have elected to use the practical expedient that allows us not to separate amounts of contract consideration between lease and non-lease components. Non-lease components of our agreements include maintenance of property, common area costs such as cleaning and landscape services and reimbursement of the suppliers' insurance, taxes or administrative costs.

We determine the discount rate for our leases by estimating a borrowing rate we would pay on a collateralized basis over the term of the underlying lease, based on our creditworthiness and the interest rate environment at the time we enter into the lease. We establish our credit quality by performing a synthetic credit analysis based on operational, liquidity and solvency metrics, which are weighted to produce an estimated rating. We then develop an interest rate curve for various periods of time by applying an adjustment factor to the risk free rates as established from yields on U.S. Treasury securities. We utilize this interest rate curve to establish an approximate discount rate based upon the term of the underlying lease.

We determine our right-of-use assets based on the initial measurement amount of the lease liability, as discussed below, increased by any prepayments that we make to the lessor at or before the lease commencement date and any initial direct costs we may incur, reduced by any incentive amounts we may receive.

We measure our lease liabilities based upon the discounted present value of the payment amounts we expect to make over the noncancelable terms of the underlying leases. We exclude variable lease payments that are based on performance or use in our measurement of the right of use assets and liabilities. We include in our measurement of the right of use assets and lease liabilities the exercise price of purchase options when reasonable certainty exists that we will exercise the option and any termination penalties when reasonable certainty exists that we will exercise an option to terminate the lease. We also include any residual value guarantees provided to lessors to the extent that we consider the likelihood we will have to pay the lessor at the end of the lease term for a deficiency to be probable.

Over the lease term, we amortize the right-of-use asset and record interest expense on the lease liability recorded at commencement of the lease. Our statement of operations recognition of the expense is dependent on whether the lease is classified as an operating, direct financing, or sales-type lease. We recognize amortization expense and interest expense associated with operating leases as a single item of expense in our consolidated statements of operations. We recognize amortization expense and interest expense associated with any direct financing and sales-type leases as separate items of expense within our consolidated statements of operations.

We present all leases, where we are the lessee, on our balance sheet subject to the practical expedients we have elected and capitalization limitations we have established.

*Lessor Accounting*

We effectively lease railcars and storage tanks to customers of our terminalling facilities to meet their logistical needs for the movement of crude oil to refineries and market centers. Additionally, the related party Terminal Services Agreement associated with renewable diesel at our West Colton Terminal was accounted for as lease income to us. The general terms of our lease agreements require monthly payments, some of which include variable payments attributable to index-based rate escalations and freight associated with railcar returns. Under the master service agreements for the railcars we lease, we also charge a fee for the various freight monitoring,

scheduling, maintenance and related services we provide to customers that lease railcars from us, representing a non-lease component that we account for separately. Our storage tank leases contain standard renewal options for periods up to 12 months following the end of the initial lease term. Additionally, our storage tank leases include charges for blending and mixing services as well as pump over charges, representing non lease components that we account for separately. Our railcar master fleet services agreement and storage tank leases do not generally include rights to early termination of the agreements, nor do they include residual value guarantees. None of the customers on our storage tank leases or railcar master fleet services agreement have options to purchase the underlying assets. As discussed above under Lessee Accounting, we effectively sublease all of our leased railcars to a customer under terms similar to the terms of our lease agreement with the railcar manufacturer from whom we lease the railcars. We also leased a storage tank from a third-party provider of crude oil storage that we subleased to a customer of our Stroud Terminal.

We recognize revenue from our lessor operating lease contracts that contain escalation clauses for fixed amounts during the lease term, on a straight-line basis over the term of the lease in our consolidated statements of operations. The difference between fleet lease revenue and the amounts received under the lease contract are included in "*Other current assets — related party,*" "*Other non-current assets — related party,*" "*Other current liabilities— related party*" and "*Other non-current liabilities — related party*" in our Consolidated Balance Sheets.

We deem a contract to be a lease when the terms of the agreement indicate we have transferred to another party the right to control the use of an identified asset for a period of time in exchange for consideration. We determine that we have transferred the right to control the use of an identified asset when the contract terms set forth the rights of another party to obtain substantially all of the economic benefits from use of the identified asset, or to direct its use throughout the contract period. We consider substantially all of the economic benefits to mean 90% or more of the utility of the identified asset during the contract term.

We allocate consideration in a contract between lease and non-lease components based upon the rates and terms that are specified in our agreements. We recognize revenue from fees we charge for freight services related to railcars and from fees we charge for blending, mixing and pump over charges related to our storage services pursuant to the requirements of ASC 606 as set forth in our Revenue Policy.

We continue to depreciate property that we own and lease to third-party customers in accordance with our standard depreciation policies. We record lease income typically on a straight-line basis over the lease term.

Refer to *Note 9. Leases* for further discussion.

***Fair Value Measurements***

We apply the authoritative accounting provisions for measuring fair value to our financial instruments and related disclosures, which include cash and cash equivalents, accounts receivable, accounts payable, debt, and derivative instruments. We define fair value as an exit price representing the expected amount we would receive to sell an asset or pay to transfer a liability in an orderly transaction with market participants at the measurement date.

We employ a hierarchy which prioritizes the inputs we use for recurring fair value measurements into three distinct categories based upon whether such inputs are observable in active markets or unobservable. We classify assets and liabilities in their entirety based on the lowest level of input that is significant to the fair value measurement. Our methodology for categorizing assets and liabilities that are measured at fair value pursuant to this hierarchy gives the highest priority to unadjusted quoted prices in active markets and the lowest level to unobservable inputs, summarized as follows:

- Level 1 — Quoted prices in active markets for identical assets or liabilities.
- Level 2 — Other significant observable inputs (including quoted prices in active markets for similar assets or liabilities).
- Level 3 — Significant unobservable inputs (including our own assumptions in determining fair value).

We use the cost, income or market valuation approaches to estimate the fair value of our assets and liabilities when insufficient market-observable data is available to support our valuation assumptions.

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable, and the long-term debt represented by our Credit Agreement as presented on our consolidated balance sheets approximate fair value due to the short-term nature of these items and, with respect to the Credit Agreement, the frequent re-pricing of the underlying obligations. The fair value of our accounts receivable and payables with affiliates cannot be determined due to the related party nature of these items.

***Derivative Financial Instruments***

Our net income or loss and cash flows are subject to volatility stemming from changes in interest rates on our variable rate debt obligations and fluctuations in foreign currency exchange rates. In order to manage our exposure to fluctuations in interest rates and foreign currency exchange rates and the related risks to our unitholders, we use derivative financial instruments to offset a portion of these risks. We have a program that utilizes futures, forwards, swaps, options and other financial instruments with similar characteristics, to reduce the risks associated with volatility in our interest rates on our variable rate debt and the effects of foreign currency exposures related to our Canadian subsidiaries, which have cash flows denominated in Canadian dollars. Under this program, our strategy is for the changes in value of the derivative contracts to mitigate adverse changes in our cash flows associated with the changes in interest rates and foreign currency exchange rates to the extent practical. Economically, the derivative contracts help us to limit our exposure such that the interest rates on our variable rate debt and foreign currency exchange rates will effectively lie between the floor and the ceiling of the rates set forth in the derivative contacts or otherwise fix the rates at a specified date and amount.

All of our derivative financial instruments are employed in connection with an underlying asset, liability and/or forecast transaction and are not entered into for speculative purposes.

In accordance with the authoritative accounting guidance, we record all derivative financial instruments in our consolidated balance sheets at fair market value as current or non-current assets or liabilities on a net basis by counterparty. We do not designate, nor have we historically designated, any of our derivative financial instruments as hedges of an underlying asset, liability and/or forecast transaction. To qualify for hedge accounting treatment as set forth in the authoritative accounting guidance, very specific requirements must be met in terms of hedge structure, hedge objective and hedge documentation. As a result, changes in the fair value of our derivative financial instruments and the related cash settlement of matured contracts are recognized in "*Gain associated with derivative instruments*" on our consolidated statements of operations and statement of cash flows. Refer to *Note 18. Derivative Financial Instruments*.

***Recently Adopted Accounting Pronouncements***

**Liabilities — Supplier Finance Programs (ASU 2022-04)**

In September 2022, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update No. 2022-04, or ASU 2022-04, which amends Accounting Standards Codification Topic 405 to require that a buyer in a supplier finance program disclose sufficient information about the program to allow a user of financial statements to understand the program's nature, activity during the period, changes from period to period, and potential magnitude. To achieve that objective, the buyer should disclose qualitative and quantitative information about its supplier finance programs. In each annual reporting period, the buyer should disclose the key terms of the program, including a description of the payment terms and assets pledged as security or other forms of guarantees provided for the committed payment to the finance provider or intermediary. For the obligations that the buyer has confirmed as valid to the finance provider or intermediary the amount outstanding that remains unpaid by the buyer as of the end of the annual period, a description of where those obligations are presented in the balance sheet and a rollforward of those obligations during the annual period, including the amount of obligations confirmed and the amount of obligations subsequently paid should be disclosed. In each interim reporting period, the buyer should disclose the amount of obligations outstanding that the buyer has confirmed as valid to the finance provider or intermediary as of the end of the interim period. The pronouncement is effective for fiscal years beginning after December 15, 2022 including interim periods within those fiscal years, except for the amendment on rollforward information, which is effective for fiscal years beginning after December 15, 2023. Early adoption was permitted.

We adopted all the provisions of ASU 2022-04 on January 1, 2023. Refer to *Note 11. Debt* for additional details regarding our adoption of ASU 2022-04.

***Recent Accounting Pronouncements Not Yet Adopted***

**Segment Reporting (ASU 2023-07)**

In November 2023, 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 to 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.

## 3. ACQUISITIONS AND DISPOSITIONS

*Hardisty South Terminal Acquisition*

On April 6, 2022, we completed the acquisition of 100.0% of the entities owning the Hardisty South Terminal assets from USDG, exchanged our sponsor's economic general partner interest in us for a non-economic general partner interest and eliminated our sponsor's incentive distribution rights, or IDRs, for a total consideration of $75 million in cash and 5,751,136 common units representing non-cash consideration, that was made effective as of April 1, 2022. The cash portion was funded with borrowings from our Credit Agreement. The Hardisty South Terminal, which commenced operations in January 2019, primarily consists of railcar loading facilities with capacity of one and one-half 120-railcar unit trains of transloading capacity per day, or approximately 112,500 barrels per day, of takeaway capacity.

We accounted for our acquisition of the Hardisty South Terminal as a business combination under common control, whereby we recognized the acquisition of identifiable assets at historical costs and recast our prior financial statements for all periods presented.

*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 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 year ended December 31, 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 $31.1 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. 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 in the year ended December 31, 2023 in our consolidated statements of operations.

## 4. NET INCOME (LOSS) PER LIMITED PARTNER AND GENERAL PARTNER INTEREST

Our net income is attributed to limited partners, in accordance with their respective ownership percentages. For periods prior to the cancellation of the IDRs and conversion of the General Partner units to a non-economic General Partner interest that resulted from the acquisition of the Hardisty South entities that became effective April 1, 2022, we used the two-class method when calculating the net income per unit applicable to limited partners,

because we had more than one type of participating securities. For the prior periods, the classes of participating securities included Common Units, General Partner Units and IDRs. Prior to the acquisition, our net earnings were allocated between the limited and general partners in accordance with our partnership agreement. As a result of the Hardisty South Terminal acquisition, the general partner units no longer participate in earnings or distributions, including IDRs.

We determined basic and diluted net income per limited partner unit as set forth in the following tables:

| | For the Year Ended December 31, 2023 | | |
|---|---|---|---|
| | Common Units | General Partner Units | Total |
| | (in thousands, except per unit amounts) | | |
| Net income attributable to general and limited partner interests in USD Partners LP | $ 17,773 | $ — | $ 17,773 |
| Less: Distributable earnings [(1)] | — | — | — |
| Distributions in excess of earnings | $ 17,773 | $ — | $ 17,773 |
| Weighted average units outstanding [(2)] | 33,716 | — | |
| Distributable earnings per unit | $ — | | |
| Overdistributed earnings per unit [(3)] | 0.53 | | |
| Net income per limited partner unit (basic and diluted) [(4)] | $ 0.53 | | |

(1) There were no distributions paid or payable for the year ended December 31, 2023.
(2) Represents the weighted average units outstanding for the year.
(3) Represents the additional amount per unit necessary to distribute the excess net income for the period among our limited partners.
(4) Our computation of net income per limited partner unit excludes the effects of 1,416,324 equity-classified phantom unit awards outstanding as they were anti-dilutive for the period presented.

| | For the Year Ended December 31, 2022 | | |
|---|---|---|---|
| | Common Units | General Partner Units | Total |
| | (in thousands, except per unit amounts) | | |
| Net loss attributable to general and limited partner interests in USD Partners LP [(1)] | $ (59,917) | $ (1,369) | $ (61,286) |
| Less: Distributable earnings [(2)] | 14,371 | 3 | 14,374 |
| Distributions in excess of earnings | $ (74,288) | $ (1,372) | $ (75,660) |
| Weighted average units outstanding [(3)] | 31,915 | 114 | |
| Distributable earnings per unit [(4)] | $ 0.45 | | |
| Overdistributed earnings per unit [(5)] | (2.33) | | |
| Net loss per limited partner unit (basic and diluted) [(6)] | $ (1.88) | | |

(1) Represents net loss allocated to each class of units based on the actual ownership of the Partnership during the period.
(2) Represents the per unit distributions paid of $0.1235 per unit for the three months ended March 31, 2022, June 30, 2022, September 30, 2022, and December 31, 2022, representing the full year distribution of $0.494 per unit. For the fourth quarter ended December 31, 2022, USDG waived its fourth quarter distribution on all of its 17,308,226 common units. Amounts presented for each class of units include a proportionate amount of the $675 thousand distributed for the year to holders of the Equity-classified Phantom Units pursuant to the distribution equivalent rights granted under the Amended LTIP Plan, as defined below.
(3) Represents the weighted average units outstanding for the year.
(4) Represents the total distributable earnings divided by the weighted average number of units outstanding for the year.
(5) Represents the distribution in excess of earnings divided by the weighted average number of units outstanding.
(6) Our computation of net loss per limited partner unit excludes the effects of 1,368,372 equity-classified phantom unit awards outstanding as they were anti-dilutive for the period presented.

## 5. REVENUES

We have included in the discussion below, information regarding our revenues from contracts with customers. Refer to *Note 2. Summary of Significant Accounting Policies* for further discussion of our revenue recognition accounting policy.

*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 15. Segment Reporting* for our disaggregated revenues by segment and summarized geographic data.

*Remaining Performance Obligations*

The transaction price allocated to the remaining performance obligations associated with our Terminal services agreements as of December 31, 2023 are as follows for the periods indicated:

| | 2024 | 2025 | 2026 | 2027 | 2028 | Thereafter | Total |
|---|---|---|---|---|---|---|---|
| | | | | (in thousands) | | | |
| Terminalling Services [1][2] | $ 29,591 | $ 21,714 | $ 21,066 | $ 21,066 | $ 21,066 | $ 54,422 | $168,925 |

(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 0.7411 U.S. dollars for each Canadian dollar at December 31, 2023.

(2) Includes fixed monthly minimum commitment fees per contract 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 99% based on our expectations around usage of these options. Accordingly, we had $0.4 million deferred revenue at both December 31, 2023 and 2022, 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. 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, which we included in "*Other current liabilities*" and "*Other non-current liabilities*" on our consolidated balance sheets.

The following tables present the amounts outstanding on our consolidated balance sheets and changes associated with the balance of our deferred revenue for the year ended December 31, 2023 and 2022:

| | December 31, 2022 | Cash Additions for Customer Prepayments | Balance Sheet Reclassification | Revenue Recognized | December 31, 2023 |
|---|---|---|---|---|---|
| | | | (in thousands) | | |
| Deferred revenue [(1)] | $ 3,562 | $ 2,177 | $ — | $ (3,562) | $ 2,177 |
| Other current liabilities | $ 5,681 | $ — | $ 826 | $ (5,746) | $ 761 |
| Other non-current liabilities [(2)] | $ 3,943 | $ 267 | $ (826) | $ — | $ 3,384 |

(1) Includes deferred revenue of $0.4 million at December 31, 2023 and 2022, respectively, for estimated breakage associated with the make-up right options we granted our customers as discussed above.

(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*" and "*Other non-current liabilities*" presented, has each been increased by $0.1 million due to the impact of the change in the end of period exchange rate between December 31, 2023 and 2022.

| | December 31, 2021 | Cash Additions for Customer Prepayments | Balance Sheet Reclassification | Revenue Recognized | December 31, 2022 |
|---|---|---|---|---|---|
| | | | (in thousands) | | |
| Deferred revenue [(1)] | $ 7,575 | $ 3,562 | $ — | $ (7,575) | $ 3,562 |
| Other current liabilities | $ 6,755 | $ — | $ 5,766 | $ (6,840) | $ 5,681 |
| Other non-current liabilities [(2)] | $ 9,482 | $ 227 | $ (5,766) | $ — | $ 3,943 |

(1) Includes deferred revenue of $0.4 million and $1.4 million at December 31, 2022 and 2021, respectively, for estimated breakage associated with the make-up right options we granted our customers as discussed above.

(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 $0.4 million and "*Other non-current liabilities*" presented has been decreased by $0.6 million due to the impact of the change in the end of period exchange rate between December 31, 2022 and 2021.

*Deferred Revenue — Fleet Leases*

Our deferred revenue also includes advance payments from our customer of our Fleet services business, which will be recognized as Fleet leases revenue when earned pursuant to the terms of our contractual arrangements. We have included $0.1 million at December 31, 2022 in "*Deferred revenue — related party*" on our consolidated balance sheets associated with our customer's prepayment for our fleet lease agreements. We had no prepayments associated with fleet lease agreements at December 31, 2023. Refer to Note 9. Leases for additional discussion of our lease revenues.

*Accounts Receivable*

The balances of "*Accounts receivable, net*" and "*Accounts receivable - related party*" were $6.8 million and $2.1 million as of December 31, 2021, respectively.

## 6. 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 12. Collaborative Arrangement*.

In addition, we have an indemnity escrow account of $2.0 million included in our restricted cash amounts associated with the divestiture of our Casper Terminal that is required to be held for one year from the March 31, 2023 closing date of the sale of the terminal. Refer to *Note 3. Acquisitions and Dispositions* for a further discussion of the Casper Terminal divestiture.

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

| | December 31, | |
|---|---|---|
| | 2023 | 2022 |
| | (in thousands) | |
| Cash and cash equivalents [(1)] | $ 6,576 | $ 2,530 |
| Restricted cash | 3,841 | 3,250 |
| Total cash, cash equivalents and restricted cash | $ 10,417 | $ 5,780 |

(1) There were no cash equivalents at December 31, 2023 and 2022.

## 7. ACCOUNTS RECEIVABLE

We had no allowances for credit losses at December 31, 2023 and 2022. In addition, we had no bad debt expense for the years ended December 31, 2023 and 2022 in our consolidated statements of operations.

## 8. PROPERTY AND EQUIPMENT

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

| | December 31, | | Estimated Useful Lives (Years) |
|---|---|---|---|
| | 2023 | 2022 | |
| | (in thousands) | | |
| Land | $ 2,876 | $ 10,110 | N/A |
| Trackage and facilities | 80,200 | 108,325 | 10-30 |
| Pipeline | — | 12,759 | 20-30 |
| Equipment | 13,840 | 22,553 | 3-20 |
| Furniture | 65 | 84 | 5-10 |
| Total property and equipment | 96,981 | 153,831 | |
| Accumulated depreciation | (40,038) | (47,360) | |
| Construction in progress [(1)] | 180 | 423 | |
| Property and equipment, net | $ 57,123 | $ 106,894 | |

(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.

### *Depreciation*

Depreciation expense associated with property and equipment totaled $6.1 million and $9.9 million for the years ended December 31, 2023 and 2022, respectively.

We did not capitalize any interest costs for the years ended December 31, 2023 and 2022 related to our property and equipment.

*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. We currently expect that a sale of the terminal could occur in mid-2024. The Stroud Terminal is included in our Terminalling Services Segment. Property and equipment is the only significant class of assets at our Stroud Terminal.

As a result of classifying our Stroud Terminal as held for sale, we evaluate the terminal's fair value on a quarterly basis. As further discussed in *Note 22. Subsequent Events*, subsequent to December 31, 2023, we entered into an exclusivity agreement with a third party regarding the potential sale of the Stroud Terminal, which among other items, contemplates a purchase price for the asset. As such, we have 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 cost to sale the asset. 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 for the year ended December 31, 2023.

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, including our reevaluation of the fair value taking into account the purchase price contemplated in the exclusivity agreement.

*Casper Terminal*

In September 2022, we determined that recurring periods where cash flow projections were not met due to adverse market conditions at our Casper Terminal was an event that required us to evaluate our Casper Terminal asset group for impairment.

We measured the fair value of our Casper Terminal asset group by primarily relying on the cost approach. The income approach was considered in the context of our economic obsolescence analysis as part of the application of the cost approach. The sales comparison or market approach was used as the most appropriate methodology to derive the fair value of the land associated with the Casper Terminal asset group. Our estimate of fair value required us to use significant unobservable inputs representative of a Level 3 fair value measurement, including those discussed below.

The critical assumptions used in our cost approach impairment analysis include the following:

1) a range of 5 to 45 years to estimate the valuation useful life of the assets; and
2) a hold factor ranging from 3% to 20% representing estimated appraisal depreciation floors that were used to establish a minimal value for assets remaining in use.

As a result of the impairment analysis discussed above, we determined that the carrying value of the Casper Terminal asset group exceeded the fair value of the Casper terminal as of September 30, 2022, the date of our evaluation. As a result, we recognized a non-cash impairment loss of $36.0 million for the year ended December 31, 2022, 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 intangible and long-lived assets*" within our consolidated statements of operations. The Casper Terminal is included in our Terminalling services segment as reported in our segment results included in *Note 15. Segment Reporting*. Subsequently, on March 31, 2023. we sold our Casper Terminal as discussed in *Note 3. Acquisition and Dispositions* and removed the remaining balances recorded in property and equipment associated with the Casper Terminal.

## 9. LEASES

***Lessee***

Historically, we had noncancelable operating leases for railcars, buildings, storage tanks, offices, railroad tracks, and land. We currently have noncancellable operating leases for equipment. Refer to *Note 2. Summary of Significant Accounting Policies* for additional discussion of our lease policies.

| | For the Year Ended December 31, | |
|---|---|---|
| | **2023** | **2022** |
| Weighted-average discount rate | 4.1 % | 4.1 % |
| Weighted average remaining lease term in years | 0.38 years | 5.07 years |

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

| | For the Year Ended December 31, | |
|---|---|---|
| | **2023** | **2022** |
| | (in thousands) | |
| Operating lease cost | $ 1,469 | $ 4,997 |
| Short term lease cost | 265 | 412 |
| Variable lease cost | 8 | 47 |
| Sublease income | (1,332) | (4,528) |
| Total | $ 410 | $ 928 |

The maturity analysis below presents the undiscounted cash payments we expect to make each period for property that we lease from others under noncancelable operating leases as of December 31, 2023 (in thousands):

| | |
|---|---|
| 2024 | $ 4 |
| Total lease payments | $ 4 |
| Less: imputed interest | — |
| Present value of lease liabilities | $ 4 |

***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 noncancelable terms that are designed to recover our costs associated with leasing the railcars plus a fee for providing this service. In addition to these leases, we also have lease income from equipment. 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. Refer to *Note 13. Transactions with Related Parties* for additional discussion.

| | For the Year Ended December 31, | |
|---|---|---|
| | **2023** | **2022** |
| | (in thousands, except lease term) | |
| Lease income [1] | $ 4,451 | $ 9,306 |
| Weighted average remaining lease term in years | 0.59 years | |

(1) Lease income presented above includes lease income from related parties. Refer to *Note 13. Transactions with Related Parties* for additional discussion of lease income from a related party. In addition, lease income as discussed above totaling $3.1 million and $6.3 million for the years ended December 31, 2023 and 2022, respectively, is included in "*Terminalling services*" and "*Terminalling services — related party"* revenues on our consolidated statement of operations.

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 noncancelable operating leases as of December 31, 2023 (in thousands):

| | | |
|---|---|---|
| 2024 | $ | 3 |
| Total | $ | 3 |

## 10. INTANGIBLE ASSETS

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

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| | (in thousands) | |
| Carrying amount: | | |
| Customer service agreements | $ — | $ 3,832 |
| Other | 56 | — |
| Total carrying amount | 56 | 3,832 |
| Accumulated amortization: | | |
| Customer service agreements | — | (306) |
| Other | (7) | — |
| Total accumulated amortization | (7) | (306) |
| Total intangible assets, net | $ 49 | $ 3,526 |

Our current intangible assets at December 31, 2023, originated as internally developed software for internal use. Refer to *Note 2. Summary of Significant Accounting Policies — Internal-use Software* for further details.

Our identifiable intangible assets through December 31, 2022, originated from our acquisition of the Casper Terminal. As previously discussed in *Note 8 Property and Equipment*, at September 30, 2022 we tested our Casper Terminal asset group for impairment due to recurring periods where cash flow projections were not met due to adverse market conditions at our Casper Terminal, which we determined was a triggering event that required us to evaluate our Casper Terminal asset group for impairment. Our estimate of fair value required us to use significant unobservable inputs representative of a Level 3 fair value measurement.

We measured the fair value of our Casper Terminal asset group by primarily relying on the cost approach and allocated a portion of that impairment to intangible assets. We determined that the carrying amount of our Casper terminal reporting unit exceeded its fair value at September 30, 2022. Accordingly, we recognized an impairment loss of $35.6 million in our intangible assets and included this charge in "*Impairment of intangible and long-lived assets*" within our consolidated statements of operations for the year ended December 31, 2022. At December 31, 2022, we had a remaining intangible asset balance of $3.5 million in our consolidated balance sheet. Subsequently, on March 31, 2023, we sold our Casper Terminal as discussed in *Note 3. Acquisitions and Dispositions* and removed the remaining balances recorded in our intangible assets associated with the Casper Terminal.

The amortization expense associated with intangible assets totaled $0.1 million and $9.8 million for the years ended December 31, 2023 and 2022, respectively. We expect the annual amortization expense associated with our intangible assets at December 31, 2023, to approximate $11 thousand for each of the next four years and $4 thousand for the fifth year.

## 11. DEBT

***Credit Agreement***

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, and as amended as described below, as the Credit Agreement.

On October 29, 2021, we entered into an amendment to our Credit Agreement, with a syndicate of lenders. The amendment extended the maturity date of the agreement by one year. The aggregate borrowing capacity of the facility was $275 million and reflected the resignation of Citibank N.A. as administrative agent and swing line lender under the facility and the appointment of Bank of Montreal as the successor administrative agent and swing line lender under the facility.

In January 2023, we executed another amendment. Among other things, this amendment provided us with relief from compliance with our Credit Agreement's maximum Consolidated Net Leverage Ratio and minimum Consolidated Interest Coverage Ratio. As amended, the maximum Consolidated Leverage Ratio was increased from 4.5x to 5.5x for the first and second quarters of 2023 and 5.25x for the third quarter of 2023, and the minimum Consolidated Interest Coverage Ratio was reduced from 2.5x to 2.25x for the second quarter of 2023 and 2.0x for the third quarter of 2023. Beginning January 31, 2023 and continuing through maturity, our ability to make distributions, other restricted payments and investments was more limited than prior to closing this amendment if our Consolidated Net Leverage Ratio, pro forma for such distribution, other restricted payment or investment, had exceeded 4.5x, or our pro forma liquidity was less than $20 million. This amendment also increased the borrowing spreads under our Credit Agreement to be more consistent with current market rates and replaced LIBOR-based borrowing options with Term SOFR-based borrowing options.

In August 2023 we executed another amendment. Pursuant to this amendment, subject to certain terms and conditions, the lenders agreed to forbear through and including October 10, 2023, from exercising any rights or remedies arising from certain defaults or events of default asserted by the Administrative Agent, which we disputed, or certain prospective defaults or events of default under the Credit Agreement and other loan documents arising from, among other things, any failure to disclose certain events that give or may give rise to a Material Adverse Effect. Pursuant to the amendment, on October 10, 2023, the Borrowers were deemed to have waived any defenses to the defaults or events of default asserted by the Administrative Agent. Among other things, we agreed that we would not make any additional requests for new borrowings or letters of credit, or convert outstanding loans from one type to another, in each case under the Credit Agreement. In addition, among other things, this amendment required us to provide additional financial and operational reporting to the Administrative Agent and the lenders, and further restricted our ability, without the consent of the Administrative Agent and lenders holding at least a majority of outstanding loans under the Credit Agreement, to incur additional indebtedness, to make additional investments or restricted payments, to sell additional assets or to incur growth capital expenditures. In addition, unless otherwise agreed by the Administrative Agent and lenders holding at least a majority of outstanding loans under the Credit Agreement, we were required to apply 100% of the net cash proceeds from any asset sales to repay borrowings outstanding under the 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 extends the maturity date to November 2, 2024 and waives prior defaults under the Credit Agreement. The Amendment also provides 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 provides 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 requires 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 December 31, 2023, 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.

In connection with establishing the Amendment and other amendments in 2023, we incurred additional deferred financing costs of $17 million. The deferred financing costs from the Amendment, along with the remaining deferred financing costs from the Credit Agreement prior to the Amendment will be amortized over the remaining term of the Credit Agreement using the straight line method, which approximates the effective interest method.

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.

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:

| | December 31, | |
|---|---|---|
| | 2023 | 2022 |
| | (in thousands) | |
| Credit Agreement | $ 181,202 | $ 215,000 |
| Less: Deferred financing costs, net | (14,019) | (908) |
| Less: Long-term debt, current portion | $ (167,183) | $ (214,092) |
| Total long-term debt, net | $ — | $ — |

The weighted average interest rate on our outstanding indebtedness was 12.42% and 6.92% at December 31, 2023 and 2022, respectively, without consideration to the effect of our derivative contracts. In addition to the interest we incur on our outstanding indebtedness, we paid commitment fees of 0.50% on unused commitments.

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

| | For the Years Ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| | (in thousands) | |
| Interest expense on Credit Agreement | $ 18,218 | $ 9,500 |
| Amortization of deferred financing costs | 3,915 | 1,170 |
| Total interest expense | $ 22,133 | $ 10,670 |

***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.

The following table presents the amounts outstanding on our consolidated balance sheets and changes associated with the balance of our supplier finance agreements for the year ended December 31, 2023 and 2022:

| | 2023 | 2022 |
|---|---|---|
| | (in thousands) | |
| Beginning balance at January 1, | $ 19 | $ — |
| New agreements | 470 | 147 |
| Payments | (437) | (128) |
| Ending balance at December 31, | $ 52 | $ 19 |

Our outstanding payment obligation under these arrangements was $52 thousand and $19 thousand at December 31, 2023 and 2022, respectively, as shown above and are recorded in "*Other current liabilities*" on our consolidated balance sheets.

## 12. 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 $16.9 million and $28.1 million for the years ended December 31, 2023 and 2022, respectively, which are presented as "*Pipeline fees*" in our consolidated statements of operations. As discussed in *Note 5. Revenues*, we have deferred revenue that represents cumulative revenue that has been deferred due to tiered billing provisions, which also results in a deferred pipeline fee expense that is recorded as assets on our Consolidated Balance Sheet. As such, we have included assets related to this agreement in "*Prepaid expenses*" of $0.4 million and $2.0 million at December 31, 2023 and 2022 and "*Other non-current assets*" of $1.2 million and $1.4 million at December 31, 2023 and 2022, respectively, which we will recognize as expense concurrently with the recognition of the associated revenues at our Hardisty Terminal.

## 13. TRANSACTIONS WITH RELATED PARTIES

***Nature of Relationship with Related Parties***

US Development Group, LLC, or 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.

USD Group LLC, or USDG, is the sole owner of our general partner and at December 31, 2023, 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.

USD Clean Fuels LLC, or USDCF, is a subsidiary of USD organized for the purpose of providing production and logistics solutions to the growing market for clean energy transportation fuels.

***Omnibus Agreement***

We are a party to an omnibus agreement with USD, USDG and certain of their subsidiaries, or the Omnibus Agreement, including our general partner that provide for the following:

- our payment of an annual amount to USDG for providing certain general and administrative services by USDG and its affiliates and executive management services by officers of our general partner. We also incur and pay additional amounts that are based on the costs actually incurred by USDG and its affiliates in providing the services;
- our right of first offer, or ROFO, to acquire any additional midstream infrastructure that USD and USDG may construct or acquire in the future;
- our obligation to reimburse USDG for any out-of-pocket costs and expenses incurred by USDG in providing general and administrative services (which reimbursement is in addition to certain expenses of our general partner and its affiliates that are reimbursed under our partnership agreement), as well as any other out-of-pocket expenses incurred by USDG on our behalf; and

- an indemnity by USDG for certain environmental and other liabilities, and our obligation to indemnify USDG and its subsidiaries for events and conditions associated with the operation of our assets that occur after October 15, 2014, and for environmental liabilities related to our assets to the extent USDG is not required to indemnify us.

So long as USDG controls our general partner, the Omnibus Agreement will remain in full force and effect. If USDG ceases to control our general partner, either party may terminate the Omnibus Agreement, provided that the indemnification obligations will remain in full force and effect in accordance with their terms.

As previously discussed in further detail in *Note 11. 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.

*Payment of Annual Fee and Reimbursement of Expenses*

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, which included a fixed annual fee of $3.1 million and $3.7 million for the years ended December 31, 2023 and 2022, respectively, 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.

The total amounts charged to us under the Omnibus Agreement for the years ended December 31, 2023 and 2022 was $7.1 million and $9.1 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 $0.6 million and $0.8 million with respect to these costs at December 31, 2023 and 2022, respectively, included in "*Accounts payable and accrued expenses — related party"* in our consolidated balance sheets.

**USD Services Agreement**

Prior to our acquisition of the Hardisty South entities, USD and the Hardisty South entities entered into a services agreement for the provision of services related to the management and operation of transloading assets. Services provided consisted of financial and administrative, information technology, legal, management, human resources, and tax, among other services. The Hardisty South entities incurred $3.2 million for the year ended December 31, 2022, pursuant to the agreement and this amount is included in "*Selling, general, and administrative - related party*" in our consolidated statements of operations. Upon our acquisition of the Hardisty South entities effective April 1, 2022, this services agreement was cancelled and a similar agreement was established with us.

***Right of First Offer***

In October 2014, we entered into the Omnibus Agreement with USD and USDG, pursuant to which we were granted a ROFO on any midstream infrastructure assets that they may develop, construct, or acquire for a period of seven years. In June 2021, we entered into an Amended and Restated Omnibus Agreement with USD, USDG and certain other of their subsidiaries, which amends and restates the Omnibus Agreement, dated October 15, 2014, to extend the termination date of the ROFO period as defined in the Omnibus Agreement, by an additional five years such that the ROFO Period will terminate on October 15, 2026 unless a Partnership Change of Control, as defined in the Omnibus Agreement, occurs prior to such date.

Under the Omnibus Agreement, prior to engaging in any negotiation regarding the sale, transfer or disposition to a third party of any midstream infrastructure assets that USD or USDG may develop, construct or acquire, USD or USDG is required to provide written notice to us setting forth the material terms and conditions upon which USD or USDG would sell or transfer such assets or businesses to us. Following the receipt of such notice, we will have 60

days to determine whether the asset is suitable for our business at that particular time and to propose a transaction with USD or USDG. We and USD or USDG will then have 60 days to negotiate in good faith to reach an agreement on such transaction. If we and USD or USDG, as applicable, are unable to agree on terms during such 60-day period, then USD or USDG, as applicable, may transfer such asset to any third party during a 180-day period following the expiration of such 60-day period on terms generally no less favorable to the third party than those included in the written notice.

Our decision to make any offer will require the approval of the conflicts committee of the board of directors of our general partner. The consummation and timing of any acquisition by us of the assets covered by our ROFO will depend on, among other factors, USD or USDG's decision to sell an asset covered by our ROFO, our ability to reach an agreement with USD or USDG on the price and other terms and our ability to obtain financing on acceptable terms. USD or USDG are under no obligation to accept any offer that we may choose to make.

Additionally, the approval of Energy Capital Partners is required for the sale of any assets by USD or its subsidiaries, including sales to or by USDG and us (other than sales in the ordinary course of business), acquisitions of securities of other entities that exceed specified materiality thresholds and any material unbudgeted expenditures or deviations from our approved budgets. Energy Capital Partners may make these decisions free of any duty to us and our unitholders. This approval would be required for the potential acquisition by us of any projects or assets that USD or USDG may develop or acquire in the future or any third-party acquisition we may intend to pursue jointly or independently from USD or USDG. Energy Capital Partners is under no obligation to approve any such transaction.

***Indemnification***

USDG indemnifies us for liabilities, subject to an aggregate deductible of $500,000 relating to:

- the consummation of the transactions in connection with USDG's initial contribution of assets to us in October 2014;
- events and conditions associated with any assets retained by USDG; and
- all tax liabilities attributable to the assets contributed to us that arose prior to the closing of USDG's initial contribution of assets to us in October 2014.

***Marketing Services Agreement — Stroud Terminal***

In connection with our purchase of the Stroud Terminal, we entered into a Marketing Services Agreement with USDM, or the Stroud Terminal MSA, in May 2017, whereby we granted USDM the right to market the capacity at the Stroud Terminal in excess of the original capacity of our initial customer in exchange for a nominal per barrel fee. USDM is obligated to fund any related capital costs associated with increasing the throughput or efficiency of the terminal to handle additional throughput. Upon expiration of our contract with the initial Stroud customer in June 2020, the same marketing rights now apply to all throughput at the Stroud Terminal in excess of the throughput necessary for the Stroud Terminal to generate Adjusted EBITDA that is at least equal to the average monthly Adjusted EBITDA derived from the initial Stroud customer during the 12 months prior to expiration. We also granted USDG the right to develop other projects at the Stroud Terminal in exchange for the payment to us of market-based compensation for the use of our property for such development projects. Any such development projects would be wholly-owned by USDG and would be subject to our existing ROFO with respect to midstream projects developed by USDG. In connection with the Credit Agreement Amendment, the Stroud Terminal MSA was cancelled in November 2023.

***Marketing Services Agreement — West Colton Terminal***

In June 2021, we entered into a Terminal Services Agreement with USDCF that is supported by a minimum throughput commitment to USDCF from an investment-grade rated, refining customer as well as a performance guaranty from USD. The Terminal Services Agreement provides for the inbound shipment of renewable diesel on rail at our West Colton Terminal and the outbound shipment of the product on tank trucks to local consumers. The Terminal Services Agreement has an initial term of five years and commenced on December 1, 2021. We have modified our existing West Colton Terminal so that it now has the capability to transload renewable diesel in addition to the ethanol that it has been transloading.

In exchange for the Terminal Services Agreement at our West Colton Terminal with USDCF discussed above, we also entered into a Marketing Services Agreement in June 2021, or the West Colton MSA, with USDCF pursuant to which we agreed to grant USDCF marketing and development rights pertaining to future renewable diesel opportunities associated with the West Colton Terminal in excess of the initial renewable diesel Terminal Services Agreement simultaneously executed in June 2021 between us and USDCF. These rights entitle USDCF to market all additional renewable diesel opportunities at the West Colton Terminal during the initial term of the USDCF agreement, and following the initial term of that agreement, all renewable diesel opportunities at the West Colton Terminal in excess of the throughput necessary to generate Adjusted EBITDA for the West Colton Terminal that is at least equal to the average monthly Adjusted EBITDA derived from the initial USDCF agreement during the 12 months prior to expiration of that agreement's initial five-year term. Pursuant to the West Colton MSA, USDCF will fund any related capital costs associated with increasing the throughput or efficiency of the terminal to handle additional renewable diesel opportunities. In addition, we granted USDCF the right to develop other renewable diesel projects at the West Colton Terminal in exchange for a per barrel fee covering our associated operating costs. Any such development projects would be wholly-owned by USD and would be subject to the terms and conditions of the ROFO with respect to midstream infrastructure developed by USD. There have been no payments made under the West Colton MSA during the periods presented in this Report.

The West Colton MSA was cancelled when we amended our Credit Agreement on November 21, 2023. Refer to *Note 11. Debt* for further discussion regarding the amendment to our Credit Agreement. Subsequently, our West Colton Terminal was sold in December 2023. Refer to *Note 3. Acquisitions and dispositions* for further discussion on the sale of West Colton.

***Related Party Revenue and Deferred Revenue***

As previously discussed, we entered into a Terminal Services Agreement at our West Colton Terminal with USDCF that became effective in December 2021. We included amounts received pursuant to the arrangement as revenue in the table below under "*Terminalling services — related party*" in our consolidated statements of operations.

Additionally, we received revenue from USDM for the lease of 200 railcars pursuant to the terms of an agreement with us that expired December 31, 2023, 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 revenue from USD and affiliates are presented below in the following table for the indicated periods:

| | For the Years Ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| | (in thousands) | |
| Terminalling services — related party | $ 2,835 | $ 2,666 |
| Fleet leases — related party | 1,332 | 3,037 |
| Fleet services — related party | 171 | 986 |
| Freight and other reimbursables — related party | 359 | 33 |
| | $ 4,697 | $ 6,722 |

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:

| | December 31, | |
|---|---|---|
| | 2023 | 2022 |
| | (in thousands) | |
| Accounts receivable — related party | $ 25 | $ 409 |
| Accounts payable and accrued expenses — related party [(1)] | $ — | $ 382 |
| Other current liabilities — related party [(2)] | $ — | $ 11 |
| Deferred revenue — related party [(3)] | $ — | $ 128 |

(1) Does not include amounts payable to related parties associated with the Omnibus Agreement, as discussed above.
(2) Represents a contract liability associated with a lease agreement with USDM.
(3) Represents deferred revenues associated with our fleet services agreement with USD and affiliates for amounts we have collected from them for their prepaid leases.

### *Cash Distributions*

We paid the following aggregate cash distributions to USDG as a holder of our common units and to USD Partners GP LLC as sole holder of our general partner interest.

**For the Year Ended December 31, 2022**

| Distribution Declaration Date | Record Date | Distribution Payment Date | Amount Paid to USDG | Amount Paid to USD Partners GP LLC |
|---|---|---|---|---|
| | | | (in thousands) | |
| January 26, 2022 | February 9, 2022 | February 18, 2022 | $ 1,398 | $ 56 |
| April 21, 2022 | May 4, 2022 | May 13, 2022 | 1,484 | — |
| July 20, 2022 | August 3, 2022 | August 12, 2022 | 2,138 | — |
| October 20, 2022 | November 2, 2022 | November 14, 2022 | 2,138 | — |
| | | | $ 7,158 | $ 56 |

## 14. COMMITMENTS AND CONTINGENCIES

### *Rail Service Agreements*

We have rail service agreements at our terminal facilities with labor service providers. In 2022 these contracts were amended to long-term contracts and expire in May 2025, at which time they will continue with consecutive one-year agreements unless either party provides the other party written notice prior to the end of the term. Under these agreements, we incurred $10.0 million and $13.6 million in service fees for the years ended December 31, 2023 and 2022, respectively, which are recorded in "*Subcontracted rail services*" within our consolidated statements of operations.

The future minimum payments for these rail services agreements are as follows (in thousands):

| **Year ending December 31,** | |
|---|---|
| 2024 | $ 7,021 |
| 2025 | 2,799 |
| Total | $ 9,820 |

### *Contingent Liabilities*

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.

## 15. SEGMENT REPORTING

We manage our businesses 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. Our terminalling services segment also charges minimum monthly fees to store crude oil in tanks that are leased to our customers. The Fleet services segment provides our customer with railcars and fleet services related to the transportation of liquid hydrocarbons under 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 disclosed 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.

| | For the Year Ended December 31, 2023 | | | |
|---|---|---|---|---|
| | Terminalling services | Fleet services | Corporate | Total |
| | (in thousands) | | | |
| **Revenues** | | | | |
| Terminalling services | $ 57,917 | $ — | $ — | $ 57,917 |
| Terminalling services — related party | 2,835 | — | — | 2,835 |
| Fleet leases — related party | — | 1,332 | — | 1,332 |
| Fleet services — related party | — | 171 | — | 171 |
| Freight and other reimbursables | 244 | — | — | 244 |
| Freight and other reimbursables — related party | 202 | 157 | — | 359 |
| **Total revenues** | 61,198 | 1,660 | — | 62,858 |
| **Operating costs** | | | | |
| Subcontracted rail services | 10,021 | — | — | 10,021 |
| Pipeline fees | 16,875 | — | — | 16,875 |
| Freight and other reimbursables | 446 | 157 | — | 603 |
| Operating and maintenance | 4,108 | 1,354 | — | 5,462 |
| Selling, general and administrative | 3,657 | 71 | 15,906 | 19,634 |
| Impairment of intangible and long-lived assets | — | — | — | — |
| Gain on sale of business | — | — | (34,061) | (34,061) |
| Loss on assets held for sale | — | — | 2,977 | 2,977 |
| Depreciation and amortization | 6,204 | — | — | 6,204 |
| **Total operating costs** | 41,311 | 1,582 | (15,178) | 27,715 |
| **Operating income** | 19,887 | 78 | 15,178 | 35,143 |
| Interest expense | 13 | — | 22,120 | 22,133 |
| Gain associated with derivative instruments | — | — | (5,892) | (5,892) |
| Foreign currency transaction loss | 165 | 5 | 172 | 342 |
| Other income, net | (212) | — | (60) | (272) |
| Provision for (benefit from) income taxes | 1,109 | (50) | — | 1,059 |
| **Net income (loss)** | $ 18,812 | $ 123 | $ (1,162) | $ 17,773 |
| Total assets | $ 82,192 | $ 39 | $ 6,228 | $ 88,459 |
| Capital expenditures | $ 648 | $ — | $ — | $ 648 |

| | For the Year Ended December 31, 2022 | | | |
|---|---|---|---|---|
| | Terminalling services | Fleet services | Corporate | Total |
| | (in thousands) | | | |
| **Revenues** | | | | |
| Terminalling services | $ 104,409 | $ — | $ — | $ 104,409 |
| Terminalling services — related party | 2,666 | — | — | 2,666 |
| Fleet leases— related party | — | 3,037 | — | 3,037 |
| Fleet services — related party | — | 986 | — | 986 |
| Freight and other reimbursables | 524 | — | — | 524 |
| Freight and other reimbursables — related party | 33 | — | — | 33 |
| **Total revenues** | 107,632 | 4,023 | — | 111,655 |
| **Operating costs** | | | | |
| Subcontracted rail services | 13,583 | — | — | 13,583 |
| Pipeline fees | 28,084 | — | — | 28,084 |
| Freight and other reimbursables | 557 | — | — | 557 |
| Operating and maintenance | 8,830 | 3,246 | — | 12,076 |
| Selling, general and administrative | 9,559 | 115 | 16,111 | 25,785 |
| Impairment of intangible and long-lived assets | 71,612 | — | — | 71,612 |
| Gain on sale of business | — | — | — | — |
| Depreciation and amortization | 19,643 | — | — | 19,643 |
| **Total operating costs** | 151,868 | 3,361 | 16,111 | 171,340 |
| **Operating income (loss)** | (44,236) | 662 | (16,111) | (59,685) |
| Interest expense | 124 | — | 10,546 | 10,670 |
| Gain associated with derivative instruments | — | — | (12,327) | (12,327) |
| Foreign currency transaction loss (gain) | 1,916 | (14) | 153 | 2,055 |
| Other income, net | (78) | (3) | (9) | (90) |
| Provision for income taxes | 1,265 | 28 | — | 1,293 |
| **Net income (loss)** | $ (47,463) | $ 651 | $ (14,474) | $ (61,286) |
| Total assets | $ 122,491 | $ 1,111 | $ 3,174 | $ 126,776 |
| Capital expenditures | $ 75,468 | $ — | $ — | $ 75,468 |

***Segment Adjusted EBITDA***

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

| **Terminalling Services Segment** | **For the Years Ended December 31, 2023** | **2022** |
|---|---|---|
| | **(in thousands)** | |
| Net income (loss) | $ 18,812 | $ (47,463) |
| Interest expense (income), net [1] | (193) | 70 |
| Depreciation and amortization | 6,204 | 19,643 |
| Provision for income taxes | 1,109 | 1,265 |
| Foreign currency transaction loss [2] | 165 | 1,916 |
| Loss associated with disposal of assets | — | 3 |
| Impairment of intangible and long-lived assets | — | 71,612 |
| Non-cash deferred amounts [3] | (3,652) | (4,878) |
| Segment Adjusted EBITDA attributable to Hardisty South entities prior to acquisition [4] | — | (258) |
| Segment Adjusted EBITDA | $ 22,445 | $ 41,910 |

(1) Represents interest expense associated with the Construction loan agreement that existed prior to our acquisition of the Hardisty South Terminal entities and interest income associated with our Terminalling Services segment that is included in "*Other income, net*" in our consolidated statements of operations.

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

(3) 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.

(4) Segment adjusted EBITDA attributable to the Hardisty South entities for the three months ended ended March 31, 2022, was excluded from the Terminalling Services Segment Adjusted EBITDA, as these amounts were generated by the Hardisty South entities prior to the Partnership's acquisition.

| **Fleet Services Segment** | **For the Years Ended December 31, 2023** | **2022** |
|---|---|---|
| | **(in thousands)** | |
| Net income | $ 123 | $ 651 |
| Provision for (benefit from) income taxes | (50) | 28 |
| Interest income [1] | — | (3) |
| Foreign currency transaction loss (gain) [2] | 5 | (14) |
| Segment Adjusted EBITDA | $ 78 | $ 662 |

(1) Represents interest income associated with our Fleet Services segment that is included in "*Other income, net*" in our consolidated statements of operations.

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

The following tables summarize the geographic data for our continuing operations. Revenues are attributed to countries based on the local currency of our reporting subsidiaries for which the obligation is performed.

| | For the Year Ended December 31, 2023 | | |
|---|---|---|---|
| | U.S. | Canada | Total |
| | | (in thousands) | |
| Revenues | | | |
| Third party | $ 6,568 | $ 51,593 | $ 58,161 |
| Related party | $ 4,695 | $ 2 | $ 4,697 |
| Long-lived assets [(1)] | $ — | $ 57,123 | $ 57,123 |

| | For the Year Ended December 31, 2022 | | |
|---|---|---|---|
| | U.S. | Canada | Total |
| | | (in thousands) | |
| Revenues | | | |
| Third party | $ 18,433 | $ 86,500 | $ 104,933 |
| Related party | $ 6,722 | $ — | $ 6,722 |
| Long-lived assets [(1)] | $ 46,236 | $ 60,658 | $ 106,894 |

(1) Includes property and equipment less accumulated depreciation and excludes intangible assets, operating lease right-of-use assets, long-term derivative assets and long-term deferred tax assets.

## 16. INCOME TAXES

### *U.S. Federal and State 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. We have elected to classify one of our subsidiaries, USD Rail LP, as an entity taxable as a corporation for U.S. federal income tax purposes due to treasury regulations that do not permit the income of this subsidiary to be classified as "qualifying income" as such term is defined in §7704(d) of the Internal Revenue Code of 1986 as amended, or the Code. We are also subject to state franchise tax in the state of Texas, which is treated as an income tax under the applicable accounting guidance. Our U.S. federal income tax expense is based on the statutory federal income tax rate of 21% as applied to USD Rail LP's taxable loss of $0.2 million and taxable income of $0.5 million for the years ended December 31, 2023 and 2022, respectively.

### *Foreign Income Taxes*

Our Canadian operations are conducted through entities that are subject to Canadian federal and Alberta provincial income taxes which are determined using the combined federal and provincial income tax rate of 23% representing a 15% federal income tax rate and a 8% provincial income tax rate, applicable to the taxable income of our Canadian operations for the years ended December 31, 2023 and 2022. The combined income tax rate of 23% was also used to compute the deferred income tax expense, representing the impact of temporary differences that are expected to reverse in the future.

### *Consolidated Provision for Income Taxes*

The domestic and foreign components of our income (loss) before income taxes is presented in the following table:

| | Years Ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| | (in thousands) | |
| Domestic | $ 15,555 | $ (62,321) |
| Foreign | 3,277 | 2,328 |
| Income (loss) before income taxes | $ 18,832 | $ (59,993) |

### *Effective Income Tax Rate Reconciliation*

The following table presents a reconciliation of our income tax based on the U.S. federal statutory income tax rate to our effective income tax rate:

| | Years Ended December 31, | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| | (in thousands) | | | |
| Income tax expense (benefit) at the U.S. federal statutory rate | $ 3,955 | 21 % | $ (12,599) | 21 % |
| Amount attributable to partnership not subject to income tax | (3,331) | (17)% | 13,226 | (22)% |
| Foreign income tax rate differential | 67 | — % | 87 | — % |
| Other | (117) | (1)% | 155 | — % |
| Change in valuation allowance | 485 | 3 % | 424 | (1)% |
| Provision for income taxes | $ 1,059 | 6 % | $ 1,293 | (2)% |

The annual effective income tax rate as shown above incorporates the applicable income tax rates of the various domestic and foreign tax jurisdictions to which we are subject and is presented in the following table:

| | Years Ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| | (in thousands) | |
| **Current income tax expense** | | |
| U.S. federal income tax expense (benefit) | $ (25) | $ 105 |
| Canadian federal and provincial income tax expense | 1,109 | 1,098 |
| Total current income tax expense | 1,084 | 1,203 |
| **Deferred income tax expense (benefit)** | | |
| U.S. federal income tax benefit | (25) | (78) |
| Canadian federal and provincial income tax expense | — | 168 |
| Total change in deferred income tax expense (benefit) | (25) | 90 |
| **Provision for income taxes** | $ 1,059 | $ 1,293 |

Our deferred income tax assets and liabilities reflect the income tax effect of differences between the carrying amounts of our assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Our deferred income tax assets are included in "*Other non-current assets*" and deferred income tax liabilities are included in "*Other non-current liabilities"* on our consolidated balance sheets. Major components of deferred income tax assets and liabilities associated with our operations were as follows as of the dates indicated:

| | December 31, 2023 | | |
|---|---|---|---|
| | U.S. | Foreign | Total |
| | | (in thousands) | |
| **Deferred income tax assets** | | | |
| Other assets | $ — | $ 51 | $ 51 |
| Property and equipment | — | 1,754 | 1,754 |
| Land | — | 354 | 354 |
| Operating loss carryforwards | 40 | — | 40 |
| **Total deferred income tax assets** | 40 | 2,159 | 2,199 |
| **Deferred income tax liabilities** | | | |
| Property and equipment | — | (900) | (900) |
| **Total deferred income tax liabilities** | — | (900) | (900) |
| **Valuation allowance** | (40) | (1,259) | (1,299) |
| **Deferred income tax, net** | $ — | $ — | $ — |

| | December 31, 2022 | | |
|---|---|---|---|
| | U.S. | Foreign | Total |
| | | (in thousands) | |
| **Deferred income tax assets** | | | |
| Other assets | $ — | $ 28 | $ 28 |
| Property and equipment | — | 1,309 | 1,309 |
| Land | — | 350 | 350 |
| **Total deferred income tax assets** | — | 1,687 | 1,687 |
| **Deferred income tax liabilities** | | | |
| Prepaid expenses | (25) | — | (25) |
| Property and equipment | — | (879) | (879) |
| **Total deferred income tax liabilities** | (25) | (879) | (904) |
| **Valuation allowance** | — | (808) | (808) |
| **Deferred income tax liability, net** | $ (25) | $ — | $ (25) |

We had $0.2 million loss carryforwards for U.S. federal tax purposes remaining at December 31, 2023. We had loss carryforwards for Canadian tax purposes of $1.5 million as of December 31, 2023 and 2022. The portion of our Canadian losses for capital items amount to $0.4 million and do not expire under currently enacted Canadian tax law, while $1.0 million of the losses relates to Canadian operating losses and will expire between 2034 and 2042.

We are subject to examination by the taxing authorities for the years ended December 31, 2017 through December 31, 2022. We did not have any significant unrecognized income tax benefits or any income tax reserves for uncertain tax positions as of December 31, 2023 and 2022.

## 17. MAJOR CUSTOMERS AND CONCENTRATION OF CREDIT RISK

The following tables provide the percentage of total revenues attributable to a single customer from which 10% or more of total revenues are derived:

| | For the Year Ended December 31, 2023 | | |
|---|---|---|---|
| | Total Revenues by Major Customer (in thousands) | Percentage of Total Company Revenues | Percentage of Customer Revenues in Terminalling Services Segment |
| Customer A | $ 20,687 | 33% | 100% |
| Customer B | $ 13,538 | 22% | 100% |
| Customer C | $ 10,640 | 17% | 100% |
| Customer D | $ 6,512 | 10% | 100% |

| | For the Year Ended December 31, 2022 | | |
|---|---|---|---|
| | Total Revenues by Major Customer (in thousands) | Percentage of Total Company Revenues | Percentage of Customer Revenues in Terminalling Services Segment |
| Customer A | $ 35,181 | 32% | 100% |
| Customer B | $ 14,164 | 13% | 100% |
| Customer C | $ 22,052 | 20% | 100% |
| Customer D | $ 13,618 | 12% | 100% |

A substantial portion of our revenues are from a limited number of customers. Our revenues are derived mainly from railcar loading and unloading, storage and other terminalling services as well as railcar fleet services. The concentration of these customers in the energy industry may impact our overall exposure to credit risk, either positively or negatively, since our customers may be similarly affected by changes in commodity prices, regulation, and other economic factors. We seek high-quality customers with investment grade credit ratings and perform ongoing credit evaluations of our customers.

## 18. 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 11. 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 recorded all of our derivative financial instruments at their fair values in the line items specified below within our consolidated balance sheets, the amounts of which were as follows at the dates indicated:

| | December 31, | |
|---|---|---|
| | 2023 | 2022 |
| | (in thousands) | |
| Other current assets | $ — | $ 1,448 |
| Other non-current liabilities | — | (3,587) |
| | $ — | $ (2,139) |

We have not designated our derivative financial instruments as hedges of our interest rates exposure. As a result, changes in the fair value of these derivatives are recorded as "*Gain associated with derivative instruments*" in our consolidated statements of operations. The losses or gains associated with changes in the fair value of our derivative contracts do not affect our cash flows until the underlying contract is 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:

| | Years Ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| | (in thousands) | |
| Gain associated with derivative instruments | $ (5,892) | $ (12,327) |

We determine the fair value of our derivative financial instruments using third-party pricing information that is derived from observable market inputs, which we classify as level 2 with respect to the fair value hierarchy.

The following table presents summarized information about the fair values of our outstanding interest rate contracts for the periods indicated:

| | | | December 31, 2023 | December 31, 2022 |
|---|---|---|---|---|
| | Notional | Interest Rate Parameters | Fair Value | Fair Value |
| | | | (in thousands) | |
| ***Swap Agreements*** | | | | |
| Swap terminated in October 2023 | $ 175,000,000 | 3.956 % | $ — | $ (2,139) |

For more information on our accounting policies regarding derivatives, refer to the derivative financial instruments discussion in *Note 2. Summary of Significant Accounting Policies*.

## 19. 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. Equity-classified Phantom Units totaling 588,422 vested during 2023, of which 393,240 were converted into our common units after 195,182 Phantom Units were withheld from participants for the payment of applicable employment-related withholding taxes. The conversion of these Phantom Units did not have any economic impact on Partners' Capital, since the economic impact is recognized over the vesting period. Additional information and discussion regarding our unit based compensation plans is included below in *Note 20. Unit Based Compensation*.

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.

## 20. UNIT BASED COMPENSATION

### *Long-term Incentive Plan*

On December 14, 2022, our Board of Directors approved the Amended LTIP Plan. The amendment increases the number of Phantom Units authorized for issuance under the Amended LTIP Plan to 7,154,167. In 2023 and 2022, the board of directors of our general partner, acting in its capacity as the general partner, approved the grant of 714,725 and 625,732 Phantom Units, respectively, to directors and employees of our general partner and its affiliates under our Amended LTIP Plan. At December 31, 2023, we had 3,247,044 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. 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 table presents the award activity for our Equity-classified Phantom Units:

| | Independent Director and Consultant Phantom Units | Employee Phantom Units | Weighted-Average Grant Date Fair Value Per Phantom Unit |
|---|---|---|---|
| **Phantom unit awards at December 31, 2021** | **26,272** | **1,317,493** | **$ 8.21** |
| Granted | 39,408 | 536,729 | $ 5.85 |
| Vested | (26,272) | (522,022) | $ 9.00 |
| Forfeited | — | (3,236) | $ 6.21 |
| **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 | — | (19,792) | $ 5.31 |
| **Phantom unit awards at December 31, 2023** | **39,408** | **1,376,916** | **$ 5.02** |

The following table presents the award activity for our Liability-classified Phantom Units:

| | Independent Director and Consultant Phantom Units | Employee Phantom Units | Weighted-Average Grant Date Fair Value Per Phantom Unit |
|---|---|---|---|
| **Phantom unit awards at December 31, 2021** | **13,136** | **63,730** | **$ 7.26** |
| Granted | 13,136 | 36,459 | $ 5.85 |
| Vested [(1)(2)] | (13,136) | (39,718) | $ 7.37 |
| Forfeited | — | (3,624) | $ 5.35 |
| **Phantom unit awards at December 31, 2022** | **13,136** | **56,847** | **$ 6.27** |
| Granted | 13,136 | 45,423 | $ 3.54 |
| Vested [(1)(2)] | (13,136) | (44,101) | $ 6.00 |
| **Phantom unit awards at December 31, 2023** | **13,136** | **58,169** | **$ 4.24** |

(1) Phantom Units granted to employees domiciled in Canada vested on April 26, 2023, August 31, 2023, and December 31, 2023 and 2022 at the closing price for our common units as quoted on the applicable public market. We paid $17 thousand and $126 thousand, respectively, for Phantom Units granted to employees domiciled in Canada that vested for the years ended December 31, 2023 and 2022.

(2) Phantom Unit grants to Directors and independent consultants domiciled in Canada vested on February 16, 2023 and 2022, at the closing price for our common units as quoted on the NYSE, resulting in our payment of $47 thousand and $77 thousand, respectively, for the vested Phantom Units.

The total fair value of all Phantom Units that vested in 2023 and 2022 was $2.1 million and $3.4 million, respectively, which included cash payments of $63 thousand and $202 thousand respectively, for Liability-classified Phantom Units.

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.

We recognized $3.7 million and $4.8 million of compensation expense associated with outstanding Phantom Units for the years ended December 31, 2023 and 2022, respectively. As of December 31, 2023, we have unrecognized compensation expense associated with our outstanding Phantom Units totaling $4.2 million, which we expect to recognize over a weighted average period of 2.26 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:

| | Years Ended December 31, | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| | (in thousands) | | | |
| Equity-classified Phantom Units [(1)] | $ | 169 | $ | 669 |
| Liability-classified Phantom Units | | 9 | | 51 |
| Total | $ | 178 | $ | 720 |

(1) We reclassified $11 thousand and $2 thousand for the years ended December 31, 2023 and 2022, respectively, to unit based compensation expense for DERs paid in relation to Phantom Units that have been forfeited.

## 21. SUPPLEMENTAL CASH FLOW INFORMATION

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

| | For the Years Ended December 31, | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| | (in thousands) | | | |
| Cash paid for income taxes, net [(1)] | $ | 1,587 | $ | 1,064 |
| Cash paid for interest | $ | 12,600 | $ | 8,374 |
| Cash paid for operating leases | $ | 1,579 | $ | 5,382 |

(1) Includes the net effect of tax refunds of $11 thousand received in the second quarter of 2023 associated with prior period Canadian taxes and $84 thousand received in the second quarter of 2022 associated with carrying back U.S. net operating losses incurred during 2020 and prior periods allowed for by the provisions of the CARES Act. .

### *Non-cash investing activities*

For the year ended December 31, 2023 and 2022, we had non-cash investing activities for capital expenditures for property and equipment that were financed through "*Accounts payable and accrued expenses"* and "*Accounts payable and accrued expenses — related party*" and an accrued reimbursement associated with our collaborative arrangement included in "*Accounts receivable, net*" as presented in the table below for the periods indicated:

| | For the Year Ended December 31, | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| | (in thousands) | | | |
| Property and equipment financed through Accounts payable and accrued expenses | $ | 720 | $ | 583 |
| Accrued reimbursement of property and equipment | $ | 133 | $ | (137) |

We recorded $0.8 million and $0.7 million of right-of-use lease assets and the associated liabilities on our consolidated balance sheet as of December 31, 2023 and 2022, respectively, representing non-cash activities resulting from either new, extended, cancelled or declassified lease agreements. See *Note 2. Summary of Significant Accounting Policies* and *Note 9. Leases* for further discussion.

### *Non-cash financing activities*

The Amendment to our Credit Agreement provides that interest owed 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. For the year ended December 31, 2023, the amount of interest paid in kind was $2.0 million. In addition, we

incurred loan fees of $9.8 million that were added to the amount of principal outstanding on the Credit Agreement and also classified as deferred financing costs, representing non-cash financing activities.

***Non-cash contribution to Hardisty South Entities***

Prior to our acquisition, the Hardisty South entities had non-cash activities associated with related party accounts payable and equity balances. The Hardisty South entities received a non-cash contribution of $18.2 million from USD North America LP, a wholly-owned subsidiary of our Sponsor, in exchange for its assumption of an aggregate amount of related party debt.

## 22. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through March 8, 2024 the date on which the consolidated financial statements were available to be issued.

***Long-term Incentive Plan***

In February 2023, awards of 460,294 Phantom Units vested, including 407,750 associated with U.S. domiciled employees, 39,408 associated with U.S. domiciled directors, and 13,136 associated with a Canadian domiciled director. In addition, 131,517 Phantom Units were voluntarily forfeited associated with this vesting. The vested units were paid in cash based on a fair value of our common units on February 16, 2024 of $0.22. In addition, regular forfeitures of 7,583 Phantom Units have occurred since December 31, 2023.

The Phantom Units are subject to all of the terms and conditions of the Award Agreements. Following the Phantom Unit activity discussed above in 2024, we have 3,846,438 Phantom Units available for grant pursuant to the Amended LTIP Plan. The Award Agreements granted to employees of our general partner generally vest in four equal annual installments. Awards to independent directors of the board of our general partner vest over a one year period following the grant date.

***Stroud Terminal Exclusivity Agreement***

In January 2024, we entered into an exclusivity agreement with a third party regarding the potential sale of the Stroud Terminal to the third party. In exchange for cash consideration, we have agreed to grant the third party exclusive rights to conduct diligence on and have the rights to exclusively enter into an agreement with us to purchase the Stroud Terminal for a period of 60 days from the effective date of the agreement. The agreement allows for a 45 day extension of the exclusivity period with additional cash consideration. The agreement contemplates a purchase price for the asset. Subsequent to the end of the year, we reevaluated the fair value of the Stroud Terminal, taking into account the purchase price contemplated in this agreement. Refer to *Note 8. Property and Equipment* for further details.

***Credit Agreement Activity***

Subsequent to December 31, 2023, we repaid $3.0 million under the terms of our Credit Agreement and incurred additional paid in kind interest of $5.3 million. As of February 29, 2024, we had amounts outstanding of $183.5 million under the Credit Agreement.

# Part II. Risk Factors - Unaudited

## Risk Factors

We are subject to various risks and uncertainties in the ordinary course of our business. Investors are advised to carefully review the information presented in this report, including the risks discussed below, before making an investment decision. Investors are also advised to read carefully the risks discussed under "Risks Inherent in Our Master Limited Partnership Ownership Structure" and "Tax Risks Inherent in an Investment in Us" under "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2022 (available on the SEC's website and our website). We may be subject to additional risks and uncertainties that we currently consider immaterial or that are unknown to us but may have a material impact on our business, financial condition and results of operations. An investor in our common units is cautioned that they could lose some or all of the value of their investment.

## Risks Related to our Indebtedness

**Events of default may occur under our Credit Agreement. If an event of default occurs and the lenders under the Credit Agreement accelerate the obligations thereunder, we do not expect to be able to repay the obligations that become immediately due.**

Events of default may occur under our Credit Agreement. If an event of default occurs and lenders under our Credit Agreement accelerate the obligations thereunder, we do not expect to be able to repay the obligations that become immediately due and will have severe liquidity restraints. We are currently not projected to have sufficient cash on hand or available liquidity to repay the Credit Agreement upon the maturity date or if, after an event of default, the lenders declare all outstanding indebtedness under the Credit Agreement to be immediately due and payable, to the extent the lenders do not agree to a forbearance or provide a further waiver or amendment. On November 21, 2023, we entered into an amendment to our Credit Agreement, or the Amendment, which, among other things, extended the maturity date under the Credit Agreement to November 2, 2024, and waived prior defaults under the Credit Agreement. Pursuant to the Amendment, we agreed to appoint a new director to the Board and delegate to such director certain authorities related to actions that we must undertake, including, among other things, actions related to assets, new material agreements, modifying existing contracts, vetoing transactions with terminal servicing counterparties or shared facility counterparties. In addition, pursuant to the Amendment, we delegated to the conflicts committee for the Board certain decision-making with respect to the commencement of certain proceedings under debtor relief laws, including the commencement of any bankruptcy proceeding. The Amendment also provides that interest incurred under the Credit Agreement after the effective date of the Amendment will be paid in kind by increasing the amount of principal due under the Credit Agreement and sets forth certain milestones that we must achieve in the months leading up to maturity, including milestones related to total contracted revenue. If we fail to timely achieve these milestones, an event of default will occur under the Credit Agreement. We cannot make assurances that we will achieve the milestones in the Credit Agreement, or obtain extensions, waivers or forbearance from any defaults or events of default under the Credit Agreement, and our lenders would be entitled to exercise all remedies against us, including acceleration of the debt. In addition, we cannot make assurance that any refinancing, extension or replacement of our Credit Agreement would be on terms favorable to us, which terms may involve restricted access to borrowings, required asset sales or other limitations on operations of our business.

**Our efforts to renew or replace our existing Credit Agreement, including through additional financing sources, and maintain sufficient liquidity may not be successful and we may be required to sell all or a portion of our assets or seek relief under debtor relief laws, including Chapter 7 or Chapter 11 of the U.S. Bankruptcy Code, or any foreign equivalents.**

We have evaluated and pursued strategic options and financing sources for the Partnership, including with the assistance of financial advisors and counsel, and such efforts have increased our administrative expenses from time to time. Our ability to renew or replace our Credit Agreement depends upon many factors, including our business performance, our ability to renew, extend or replace expired or expiring customer agreements at the Hardisty and Stroud Terminals, the nature and accuracy of financial projections and the assumptions underlying them, the value and sufficiency of collateral, prospects and creditworthiness, external economic and market conditions and general liquidity in the credit and capital markets. If we incur additional debt, a substantial portion of our operating cash flow may be dedicated to the payment of principal and interest on such indebtedness, thus limiting funds available

for our business activities. The terms of any debt securities issued or loan agreements entered into could also impose significant restrictions on our operations. In 2023, as part of our strategic initiative to improve liquidity and extend our credit agreement's maturity, we sold the Casper Terminal and the West Colton Terminal. If we sell additional terminals or other assets or interests in assets, we would no longer receive any cash flow associated with such assets in the longer term.

While we were successful in amending our existing Credit Agreement to extend the maturity date to November 2, 2024, we may be unable to maintain sufficient liquidity in the long-term. If we are unsuccessful in refinancing or complying with the Credit Agreement, it will have a material adverse effect on our business and financial position and we may choose to pursue relief under available debtor relief laws, including potentially a filing under Chapter 7 or Chapter 11 under the U.S. Bankruptcy Code, or as applicable, any foreign equivalents. Seeking bankruptcy court protection could have a material adverse effect on our business, financial condition, results of operations and liquidity. Depending on the bankruptcy proceeding, a trustee or equivalent may be appointed to take control of our business and assets, and if senior management remains in control, for as long as a bankruptcy proceeding continues, our senior management may be required to spend a significant amount of time and effort dealing with the bankruptcy instead of focusing on our business operations. Bankruptcy court protection also could make it more difficult to retain management and other key personnel necessary to the success and operation of our business. In addition, during the period of time we are involved in a bankruptcy proceeding, our customers might lose confidence in our ability to reorganize our business successfully and could seek to establish alternative commercial relationships.

Additionally, our indebtedness is senior to the existing common units in our capital structure. As a result, we believe that seeking a bankruptcy proceeding could cause our common units to be canceled, resulting in a limited recovery, if any, for our unitholders, and would place our unitholders at significant risk of losing all of their investment in our common units.

**We may engage in asset sales to reduce our indebtedness, which will generate taxable income (including cancellation of indebtedness income) allocable to unitholders, and income tax liabilities arising therefrom may exceed the value of a unitholder's investment in us.**

We are actively evaluating potential transactions to deleverage our balance sheet and manage our liquidity, which could include reducing existing debt through the proceeds from asset sales. We may determine that we should sell all of our remaining assets and use all of the sales proceeds to repay substantially less than the principal amount of our debt. These asset sales may occur prior to or following any bankruptcy filing. In the event we execute asset sales, we expect that we will recognize a significant amount of cancellation of debt income, or CODI, which will be allocated to our unitholders at the time of such transaction.

The amount of CODI generally will be equal to the excess of the adjusted issue price of our debt over the value of the consideration received by debtholders in exchange for the debt. We will not make a corresponding cash distribution with respect to such allocation of CODI. Therefore, any CODI will cause a unitholder to be allocated income with respect to our units with no corresponding distribution of cash to fund the payment of the resulting tax liability to such unitholder. Such CODI, like other items of our income, gain, loss, and deduction that are allocated to our unitholders, will be taken into account in the taxable income of the holders of our units. CODI is not itself an additional tax due but is an amount that must be reported as ordinary income by the unitholder, potentially increasing such unitholder's tax liabilities.

Our unitholders may not have sufficient tax attributes (including allocated past and current losses from our activities) available to offset such allocated CODI. Moreover, CODI that is allocated to our unitholders will be ordinary income, and, as a result, it may not be possible for our unitholders to offset such CODI by claiming capital losses with respect to their units, even if such units are cancelled for no consideration in connection with our liquidation. Importantly, certain exclusions that are available with respect to CODI generally do not apply at the partnership level, and any solvent unitholder that is not in a Chapter 11 proceeding will be unable to rely on such exclusions.

Each unitholder's tax situation is different. The ultimate impact on each unitholder will depend on the unitholder's individual tax position with respect to its units. Additionally, certain of our unitholders may have more losses available than other of our unitholders, and such losses may be available to offset some or all of the CODI that could be generated in an asset sale, the proceeds of which would be used to partially repay our debt. Accordingly, unitholders are highly encouraged to consult, and depend on, their own tax advisors in making such evaluation.

**Our common units are not listed on a national securities exchange, which negatively affects us, the price of our common units and our unitholders' ability to sell our common units.**

Our common units were delisted from the New York Stock Exchange on November 16, 2023 because the Partnership had fallen below the NYSE's continued listing standard requiring companies to maintain an average global market capitalization over a 30 day trading period of at least $15 million. The delisting of our common units had a material adverse effect on the price of the common units. Our common units are traded on the lowest tier of the OTC Markets. We do not intend to take measures to have our common units listed on a national securities exchange or a higher tier of the OTC Markets. Trading over-the-counter negatively impacts us by, among other things, (i) reducing the liquidity and market price of our common units; (ii) reducing the number of investors willing to hold or acquire our common units, which could negatively impact our ability to raise equity financing; (iii) decreasing the amount of news and analyst coverage of us; (iv) limiting our ability to issue additional securities or obtain additional financing in the future; and (v) adversely impacting our reputation and, consequently, our business and liquidity. Moreover, our unitholders' ability to sell or otherwise trade the common units is severely limited or no longer available.

**Risks Related to our Business and Industry**

**We depend on a limited number of customers for a significant portion of our revenues.**

We generate the vast majority of our operating cash flow in connection with providing terminalling services at our crude oil terminals. All of the contracted capacity at our crude oil terminals is contracted under take-or-pay Terminal Services Agreements. A sustained reduction in the prices of crude oil and other commodities could have a material adverse effect on our customers' businesses. In particular, oil sands production in Canada is particularly susceptible to decline as a result of long-term reductions in the price of crude oil due to its relatively high production costs. As a result, some of our customers may have material financial or liquidity issues or may, as a result of operational incidents or other events, be disproportionately affected as compared to larger or better-capitalized companies. Any material nonpayment or nonperformance by any of our key customers could have a material adverse effect on our business, financial condition and results of operations. In addition, liquidity issues resulting from lower crude oil prices could lead our customers to go into bankruptcy or could encourage them to seek to repudiate, cancel, renegotiate or fail to renew their agreements with us for various reasons. We expect our exposure to concentrated risk of non-payment or non-performance to continue as long as we remain substantially dependent on a relatively limited number of customers for a substantial portion of our revenue.

As discussed below, if we are unable to renew our contracts with one or more of our customers, including customers at our Hardisty or Stroud Terminals, on favorable terms, we may not be able to replace this contracted cash flow in a timely fashion, on favorable terms or at all.

**A small percentage of our capacity and revenue is contracted. Our contracts are subject to termination at various times, which creates renewal risks.**

We provide terminalling services for liquid hydrocarbons under contracts with terms of various durations and renewal. Approximately 25% of the Hardisty Terminal's capacity is contracted through January 2025; and approximately 17% is contracted through mid-2031.

As contracts have expired or will expire, we have to negotiate extensions or renewals with existing customers or enter into new contracts with other customers, which we might not be able to do on favorable commercial terms, if at all. To date, we have been unable to enter into new contracts to replace the expired contracts at the Stroud Terminal and Hardisty Terminal that occurred in 2022 and 2023. We also may be unable to maintain the economic

structure of a particular contract with an existing customer or maintain the overall mix of our contract portfolio if, for example, prevailing crude oil prices and the associated spreads between different grades of crude oil remain at levels, or decline below levels, where transportation of crude oil by rail is economic. Depending on prevailing market conditions at the time of a contract renewal, customers with fee-based contracts may desire to enter into contracts under different fee or term arrangements, including lower rate structures, or may seek to purchase such capacity on an uncommitted basis. To the extent we are unable to renew our existing contracts on terms that are favorable to us or experience a further delay in doing so, or are unable to successfully manage our overall contract mix over time, or replace lost revenue upon changes in contract terms (including those in connection with the DRU project), our revenue and cash flows could decline and our ability to remain in compliance with the covenants under our Credit Agreement could be materially and adversely affected.

**We may not be able to compete effectively and our business is subject to the risk of a capacity overbuild of midstream infrastructure and the entrance of new competitors in the areas where we operate.**

We face competition in all aspects of our business and can give no assurances that we will be able to compete effectively. Our terminals compete with existing and potential new hydrocarbon by rail terminals, as well as alternative modes of transporting hydrocarbons from production centers to refining or aggregation centers, such as existing and potential new crude oil pipelines and water-borne vessels. Our competitors include other midstream companies, major integrated energy companies, independent producers and refiners, as well as commodity marketers and traders of widely varying sizes, financial resources and experience. We compete on the basis of many factors, including geographic proximity to production areas, market access, rates, terms of service, connection costs and other factors. Many of our competitors have access to capital resources significantly greater than ours.

A significant driver of competition in some of the markets where we operate is the risk of development of new midstream infrastructure capacity driven by the combination of (i) significant increases in oil and gas production and development in the particular production areas, both actual and anticipated, (ii) low barriers to entry and (iii) generally widespread access to relatively low cost capital. This environment exposes us to the risk that these areas become overbuilt, resulting in an excess of midstream infrastructure capacity. We face these risks in particular with respect to the potential development of additional pipeline takeaway capacity from the Canadian oil sands region, where our customers source the majority of the crude oil handled at our terminals. Most midstream projects require several years of "lead time" to develop and companies like us that develop such projects are exposed (to varying degrees depending on the contractual arrangements that underpin specific projects) to the risk that expectations for oil and gas development in the particular area may not be realized or that too much capacity is developed relative to the demand for services that ultimately materializes. If we experience a significant capacity overbuild in one or more of the areas where we operate, it could have a material adverse effect on our business, financial condition and results of operations.

**Adverse developments affecting the oil and gas industry or drilling activity, including low or reduced prices of crude oil or biofuels, reduced demand for crude oil products and increased regulation of drilling, production or transportation could cause a reduction of volumes transported through our terminals.**

Our business, including our ability to grow our business through the contracting and development of new terminals, as well as our ability to secure renewals or extensions of agreements with customers at our existing terminals, depends on the continued development, production and demand for crude oil and other liquid hydrocarbons from our existing markets, as well as other areas unserved or underserved by existing alternative transportation solutions. The willingness of exploration and production companies to develop and produce crude oil in particular producing regions in Canada and the United States depends largely on their ability to conduct these activities profitably, which in turn depends largely upon the markets for and prices of crude oil and other commodities. A sustained reduction in the prices of crude oil could have a material adverse effect on our business. The factors impacting the prices of crude oil and other commodities include the supply of and demand for these commodities, which fluctuate with changes in market and economic conditions, and other factors, including:

- worldwide and regional economic conditions, including inflationary pressures, further increases in interest rates or a general slowdown in the global economy;

- worldwide and regional political events, including actions taken by foreign oil producing nations (including the ongoing conflicts in Ukraine and the Gaza Strip and any related political or economic responses and counter-responses or otherwise by various global actors or the general effect on the global economy);
- political or regulatory changes that could restrict development or production of crude oil and other liquid hydrocarbons;
- the nature and extent of governmental regulation and taxation, including the amount of subsidies for ethanol and other alternative sources of energy;
- development and commercialization of energy alternatives to crude oil, including by our customers;
- increased demand for energy sources that compete with crude oil;
- the price and availability of energy sources that compete with crude oil;
- the price and availability of the raw materials used to produce energy sources that compete with crude oil, such as the price and availability of corn used to produce ethanol;
- worldwide and regional weather events and conditions, including natural disasters and seasonal changes that could decrease supply or demand;
- the levels of domestic and international production and consumer demand;
- the availability of transportation systems with adequate capacity;
- fluctuations in demand for crude oil, such as those caused by refinery downtime or turnarounds;
- fluctuations in the price of crude oil, which may have an impact on the spot prices for the transportation of crude oil by pipeline or railcar;
- increased government regulation or prohibition of the transportation of hydrocarbons by rail;
- the volatility and uncertainty of world crude oil prices as well as regional pricing differentials;
- fluctuations in gasoline consumption;
- the effect of energy conservation measures, such as more efficient fuel economy standards for automobiles;
- fluctuations in demand from electric power generators and industrial customers;
- a decline in investor sentiment regarding the oil and gas industry;
- restrictions on access to development capital by oil and gas companies; and
- the anticipated future prices of oil and other commodities.

The prices of crude oil and related products remain volatile and subject to the influence of many global factors, such as the policy of the Organization of the Petroleum Exporting Countries, or OPEC, the balance of supply versus demand for those products in various markets and geopolitical risks. For example, the ongoing conflicts, and the continuation of, or any increase in the severity of, the conflicts in Ukraine and the Gaza Strip, has led and may continue to lead to an increase in the volatility of global oil and gas prices. Our terminals primarily transport crude oil produced from the Canadian oil sands, which are considered to have relatively high production costs. Exploration and production companies operating in the Canadian oil sands have reduced, and may further reduce, capital spending for expansion projects designed to increase crude oil production. Declines in crude oil prices for a prolonged period of time have resulted in and may in the future result in further reductions in capital spending by our customers, which could decrease the likelihood that our existing customers would renew their contracts with us at current prices or at all, reduce the opportunities for us to grow our assets and otherwise have a material adverse impact on our business and results of operations.

**The dangers inherent in our operations could cause disruptions and expose us to potentially significant losses, costs or liabilities and reduce our liquidity. We are particularly vulnerable to disruptions in our operations because most of our operations are concentrated at our crude oil terminals.**

Our operations are subject to significant hazards and risks inherent in transporting and storing crude oil, intermediate products and refined products. These hazards and risks include, but are not limited to, natural disasters, (occurrences of which may increase in frequency and severity as a result of climate change), fires, explosions, pipeline or railcar ruptures and spills, third-party interference and mechanical failure of equipment at our terminals, any of which could result in disruptions, pollution, personal injury or wrongful death claims and other damage to our

properties and the property of others. There is also risk of mechanical failure and equipment shutdowns both in the normal course of operations and following unforeseen events. Because the vast majority of our cash flow is generated from operations conducted at our crude oil terminals, any sustained disruption at any of these terminals, the Gibson storage terminal, which is the source of all of the crude oil handled by our Hardisty Terminal, or the Cushing hub and pipelines feeding into or out of the Cushing hub, which is the destination of the crude oil handled by the Stroud Terminal, would have a material adverse effect on our business, financial condition, results of operations and cash flows.

**The fees charged to customers under our agreements with them for the transportation of crude oil may not escalate sufficiently or at all to cover increases in costs, and the agreements may be temporarily suspended or terminated in some circumstances, which would affect our profitability.**

We generate the vast majority of our operating cash flow in connection with providing terminalling services at our crude oil terminals. All of the contracted capacity at our crude oil terminals is contracted under multi-year, take-or-pay Terminal Services Agreements, which, in the case of our Hardisty Terminal, some of the contracted capacity is subject to inflation-based rate escalators. Any inflation-based escalators in our Terminal Services Agreements may be insufficient to compensate for increases in our costs. We experienced higher costs in 2023 due to inflation, some of which might not have been sufficiently covered by the inflation-based rate escalators that exist in certain of our agreements. Additionally, some customers' obligations under their agreements with us may be temporarily suspended upon the occurrence of certain events, some of which are beyond our control, or may be terminated in the case of uninterrupted force majeure events of over one year wherein the supply of crude oil is curtailed or cut off. Force majeure events may include (but are not limited to) revolutions, wars, acts of enemies, embargoes, import or export restrictions, strikes, lockouts, fires, storms, floods, acts of God, pandemics, explosions, mechanical or physical failures of our equipment or facilities of our customers, or any cause or causes of any kind or character (except financial) reasonably beyond the control of the party failing to perform. If either the escalation of fees under the Terminal Services Agreements at our terminals is insufficient to cover increased costs or if any customer suspends or terminates its contracts with us, our profitability could be materially and adversely affected.

**Exposure to currency exchange rate fluctuations will result in fluctuations in our cash flows and operating results.**

Currency exchange rate fluctuations have had and could continue to have an adverse effect on our results of operations. A substantial portion of the cash flows from our current assets are generated in Canadian dollars. As such, a portion of our distributable cash flow will be subject to currency exchange rate fluctuations between U.S. dollars and Canadian dollars.

A significant strengthening of the U.S. dollar relative to other currencies has resulted in, and could continue to result in an increase in our financing expenses and could materially affect our financial results under generally accepted accounting policies, or GAAP. In addition, because we report our operating results in U.S. dollars, changes in the value of the U.S. dollar also result in fluctuations in our reported revenues and earnings. In addition, under GAAP, all foreign currency-denominated monetary assets and liabilities such as cash and cash equivalents, accounts receivable, restricted cash, accounts payable and capital lease obligations are revalued and reported based on the prevailing exchange rate at the end of the reporting period. This revaluation may cause us to report significant non-monetary foreign currency exchange gains and losses in certain periods.

**Increases in rail freight costs and demand for crude by rail may adversely affect our results of operations.**

The largest component of a shipment of crude by rail is the rail freight transportation costs. Unlike terminal services fees, which are typically established by multi-year contracts, railroad freight transportation has traditionally been purchased on a spot basis. Recently the railroads servicing some of our terminals have begun to seek multi-year term agreements, which also increase costs to our customers to the extent not utilized. High spot rail freight costs from or to our terminals, or high term rates or long contract terms, may make the shipment of crude or other liquid hydrocarbons less attractive or unattractive to our customers and potential customers. In addition, transporters of hydrocarbons by rail compete with other parties, such as coal, grain and corn, which ship their product by rail. Demand for transportation of crude or other products by rail is currently and has previously caused shortages in

available locomotives and railroad crews. Such shortages may ultimately increase the cost to transport hydrocarbons by rail. Additionally, diesel fuel costs generally fluctuate with increasing and decreasing world crude oil prices, and accordingly are subject to political, economic and market factors that are outside of our control. Diesel fuel prices are a significant component of the costs to our customers of shipping hydrocarbons by rail. Increased costs to ship hydrocarbons by rail could curtail demand for shipment of hydrocarbons by rail which would have an adverse effect on our results of operations and cash flows and our ability to attract new customers and retain existing customers.

Another factor that may contribute to the demand for a crude by rail egress solution is the significant regulatory and legal obstacles that pipeline projects and existing pipelines experience in the U.S. and Canada. For example, it was announced by Trans Mountain Corporation, or TMC, that the total cost of the Trans Mountain Pipeline expansion project that at present will be about 10% higher than its May 2023 estimate of $30.9 billion and TMC will require three months after mechanical completion to provide an update for the total estimate cost. The federal government plans to sell the pipeline but the cost overruns could cause financial implications. TMC is currently working to secure external financing to fund the remaining cost of the project. TMC plans to bring the pipeline online in the second quarter of 2024, which will provide significant competition for exporting crude by rail in our area of operations.

**Our business involves many hazards and operational risks, some of which may not be fully covered by insurance. If a significant accident or event occurs for which we are not adequately insured, or if we fail to recover anticipated insurance proceeds for significant accidents or events for which we are insured, our operations and financial results could be adversely affected.**

Our operations are subject to all of the risks and hazards inherent in the provision of terminalling services, including:

- damage to railroads and terminals, related equipment and surrounding properties caused by natural disasters or adverse weather conditions (including as a result of climate change), acts of terrorism and actions by third parties;
- damage from construction, vehicles, farm and utility equipment or other causes;
- leaks of crude oil and other hydrocarbons or regulated substances or losses of oil as a result of the malfunction of equipment or facilities or operator error;
- blockades of rail lines or other interruptions in service due to actions of third parties;
- ruptures, fires and explosions; and
- other hazards that could also result in personal injury and loss of life, pollution and suspension of operations.

These and similar risks could result in substantial costs due to personal injury and/or loss of life, severe damage to and destruction of property and equipment and pollution or other damage. These risks may also result in curtailment or suspension of our operations. A natural disaster or other hazard affecting the areas in which we operate could also have a material adverse effect on our operations. The projected severe effects of climate change have the potential to directly affect our facilities and operations and those of our customers, which could result in more frequent and severe disruptions to our business and those of our customers, increased costs to repair damaged facilities or maintain or resume operations, and increased insurance costs. We are not fully insured against all risks inherent in our business. In addition, although we are insured for environmental pollution resulting from environmental accidents that occur on a sudden and accidental basis, we may not be insured against all environmental accidents that might occur, some of which may result in claims for remediation, damages to natural resources or injuries to personal property or human health. If a significant accident or event occurs for which we are not fully insured, it could adversely affect our operations and financial condition. Furthermore, we may not be able to maintain or obtain insurance of the type and amount we desire at reasonable rates, particularly following a significant accident or event for which we seek insurance. As a result of market conditions, premiums and deductibles for certain of our insurance policies may substantially increase. In some instances, certain insurance could become unavailable or available only for reduced amounts of coverage.