
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 10-Q**

(Mark One)

- ☒ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended September 30, 2021**
- OR**
- ☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
- Commission File Number: 001-32505**

TRANSMONTAIGNE PARTNERS LLC

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

34-2037221
(I.R.S. Employer
Identification No.)

**1670 Broadway
Suite 3100
Denver, Colorado 80202**

(Address, including zip code, of principal executive offices)

(303) 626-8200

(Telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically, if any, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer ☐
Non-accelerated filer ☒

Accelerated filer ☐

Smaller reporting company ☐
Emerging growth company ☐

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

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
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As of September 30, 2021, the registrant has no common units outstanding.

* The registrant is a voluntary filer of reports required to be filed by certain companies under Section 13 or 15(d) of the Securities Exchange Act of 1934 and has filed all reports that would have been required to have been filed by the registrant during the preceding 12 months had it been subject to such filing requirements during the entirety of such period.

DOCUMENTS INCORPORATED BY REFERENCE

None.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains “forward-looking statements” within the meaning of federal securities laws. Forward-looking statements give our current expectations, contain projections of results of operations or of financial condition, or forecasts of future events. When used in this Quarterly Report, the words “could,” “may,” “should,” “will,” “seek,” “believe,” “expect,” “anticipate,” “intend,” “continue,” “estimate,” “plan,” “target,” “predict,” “project,” “attempt,” “is scheduled,” “likely,” “forecast,” the negatives thereof and other similar expressions are used to identify forward-looking statements, although not all forward-looking statements contain such identifying words. These forward-looking statements are based on our current expectations and assumptions about future events and are based on currently available information as to the outcome and timing of future events. You are cautioned not to place undue reliance on any forward-looking statements.

When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements described in this Quarterly Report under the heading “Item 1A. Risk Factors”, and under the heading “Item 1A. Risk Factors” included in our Annual Report on Form 10-K for the year ended December 31, 2020 and the risk factors and other cautionary statements contained in our other filings with the United States Securities and Exchange Commission.

You should also understand that it is not possible to predict or identify all such factors and should not consider the following list to be a complete statement of all potential risks and uncertainties. Factors that could cause our actual results to differ materially from the results contemplated by such forward-looking statements include:

- our ability to successfully implement our business strategy;
- competitive conditions in our industry;
- actions taken by third-party customers, producers, operators, processors and transporters;
- pending legal or environmental matters;
- costs of conducting our operations;
- our ability to complete internal growth projects on time and on budget;
- general economic conditions;
- the price of oil, natural gas, natural gas liquids and other commodities in the energy industry;
- the price and availability of financing;
- large customer defaults;
- interest rates;
- operating hazards, global health epidemics, natural disasters, weather-related delays, casualty losses and other matters beyond our control;
- uncertainty regarding our future operating results;
- effects of existing and future laws and governmental regulations;
- the effects of future litigation;
- plans, objectives, expectations and intentions contained in this Quarterly Report that are not historical; and
- the ongoing COVID-19 pandemic.

All forward-looking statements, expressed or implied, included in this Quarterly Report are expressly qualified in their entirety by this cautionary statement. This cautionary statement should also be considered in connection with any subsequent written or oral forward-looking statements that we or persons acting on our behalf may issue.

Except as otherwise required by applicable law, we disclaim any duty to update any forward-looking statements, all of which are expressly qualified by the statements in this section, to reflect events or circumstances after the date of this Quarterly Report.

Part I. Financial Information

ITEM 1. UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

The interim unaudited consolidated financial statements of TransMontaigne Partners LLC as of and for the three and nine months ended September 30, 2021 are included herein beginning on the following page. The accompanying unaudited interim consolidated financial statements should be read in conjunction with our consolidated financial statements and related notes for the year ended December 31, 2020, together with our discussion and analysis of financial condition and results of operations, included in our Annual Report on Form 10-K, filed on March 5, 2021 with the Securities and Exchange Commission (File No. 001-32505).

TransMontaigne Partners LLC is a holding company with the following 100% owned operating subsidiaries during the three and nine months ended September 30, 2021:

- TransMontaigne Operating GP L.L.C.
- TransMontaigne Operating Company L.P.
- TransMontaigne Terminals L.L.C.
- Razorback L.L.C. (d/b/a Diamondback Pipeline L.L.C.)
- TPSI Terminals L.L.C.
- TLP Finance Corp.
- TLP Operating Finance Corp.
- TPME L.L.C.
- TLP Management Services LLC

We do not have off-balance-sheet arrangements or special-purpose entities.

TransMontaigne Partners LLC and subsidiaries
Consolidated balance sheets (unaudited)
(In thousands)

	September 30, 2021	December 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,046	\$ 595
Trade accounts receivable	12,377	9,203
Due from affiliates	3,739	2,986
Other current assets	6,815	5,623
Total current assets	23,977	18,407
Property, plant and equipment, net	729,866	737,501
Goodwill	9,428	9,428
Investments in unconsolidated affiliates	223,791	225,948
Right-of-use assets, operating leases	47,487	33,880
Other assets, net	39,461	44,042
	<u>\$ 1,074,010</u>	<u>\$ 1,069,206</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Trade accounts payable	\$ 9,745	\$ 14,000
Operating lease liabilities	3,421	3,284
Accrued liabilities	34,560	34,732
Short-term debt	345,000	—
Total current liabilities	392,726	52,016
Deferred revenue	3,694	4,820
Long-term operating lease liabilities	46,125	32,418
Long-term debt	294,973	644,659
Total liabilities	737,518	733,913
Commitments and contingencies (Note 12)		
Equity:		
Member interest	336,492	335,293
Total equity	336,492	335,293
	<u>\$ 1,074,010</u>	<u>\$ 1,069,206</u>

See accompanying notes to consolidated financial statements (unaudited).

TransMontaigne Partners LLC and subsidiaries
Consolidated statements of operations (unaudited)
(In thousands)

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Revenue:				
External customers	\$ 58,643	\$ 62,569	\$ 178,064	\$ 185,132
Affiliates	8,337	6,859	23,808	21,195
Total revenue	66,980	69,428	201,872	206,327
Costs and expenses:				
Operating	(25,561)	(25,241)	(79,219)	(77,233)
General and administrative expenses	(7,006)	(4,820)	(17,383)	(16,387)
Insurance expenses	(1,391)	(1,258)	(4,109)	(3,746)
Deferred compensation expense	(231)	(309)	(1,219)	(1,574)
Depreciation and amortization	(14,946)	(14,674)	(44,656)	(42,557)
Total costs and expenses	(49,135)	(46,302)	(146,586)	(141,497)
Earnings from unconsolidated affiliates	1,393	1,789	5,748	5,792
Operating income	19,238	24,915	61,034	70,622
Other expenses:				
Interest expense	(7,403)	(7,435)	(22,269)	(23,853)
Amortization of deferred debt issuance costs	(665)	(650)	(1,986)	(1,920)
Total other expenses	(8,068)	(8,085)	(24,255)	(25,773)
Net earnings	<u>\$ 11,170</u>	<u>\$ 16,830</u>	<u>\$ 36,779</u>	<u>\$ 44,849</u>

See accompanying notes to consolidated financial statements (unaudited).

TransMontaigne Partners LLC and subsidiaries
Consolidated statements of equity (unaudited)
(In thousands)

	Member interest	Total
Balance June 30, 2020	\$ 325,878	\$ 325,878
Contribution from TLP Holdings	45	45
Distributions to TLP Finance	(12,190)	(12,190)
Net earnings for the three months ended September 30, 2020	16,830	16,830
Balance September 30, 2020	\$ 330,563	\$ 330,563
Balance June 30, 2021	\$ 337,059	\$ 337,059
Distributions to TLP Finance	(11,737)	(11,737)
Net earnings for the three months ended September 30, 2021	11,170	11,170
Balance September 30, 2021	\$ 336,492	\$ 336,492
Balance December 31, 2019	\$ 324,087	\$ 324,087
Contribution from TLP Holdings	268	268
Distributions to TLP Finance	(38,641)	(38,641)
Net earnings for the nine months ended September 30, 2020	44,849	44,849
Balance September 30, 2020	\$ 330,563	\$ 330,563
Balance December 31, 2020	\$ 335,293	\$ 335,293
Distributions to TLP Finance	(35,580)	(35,580)
Net earnings for the nine months ended September 30, 2021	36,779	36,779
Balance September 30, 2021	\$ 336,492	\$ 336,492

See accompanying notes to consolidated financial statements (unaudited).

TransMontaigne Partners LLC and subsidiaries
Consolidated statements of cash flows (unaudited)
(In thousands)

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Cash flows from operating activities:				
Net earnings	\$ 11,170	\$ 16,830	\$ 36,779	\$ 44,849
Adjustments to reconcile net earnings to net cash provided by operating activities:				
Depreciation and amortization	14,946	14,674	44,656	42,557
Earnings from unconsolidated affiliates	(1,393)	(1,789)	(5,748)	(5,792)
Distributions from unconsolidated affiliates	3,945	3,540	11,254	9,887
Amortization of deferred debt issuance costs	665	650	1,986	1,920
Amortization of deferred revenue	(275)	(106)	(1,126)	1,083
Unrealized loss on derivative instruments	—	—	—	(480)
Changes in operating assets and liabilities:				
Trade accounts receivable	(763)	(255)	(3,174)	4,830
Due from affiliates	(39)	151	(753)	543
Other current assets	1,856	1,331	(348)	(488)
Long-term customer receivables	(223)	(480)	746	(668)
Right-of-use assets, operating leases	739	707	2,213	2,104
Other assets, net	(61)	(67)	(45)	382
Trade accounts payable	(319)	957	(1,069)	(685)
Accrued liabilities	1,616	(762)	(172)	(3,468)
Operating lease liabilities	(546)	(496)	(1,976)	(1,833)
Net cash provided by operating activities	31,318	34,885	83,223	94,741
Cash flows from investing activities:				
Investments in unconsolidated affiliates	(527)	(2,508)	(3,349)	(5,679)
Capital expenditures	(16,850)	(24,802)	(38,443)	(53,567)
Net cash used in investing activities	(17,377)	(27,310)	(41,792)	(59,246)
Cash flows from financing activities:				
Borrowings under revolving credit facility	32,400	19,200	98,100	92,200
Repayments under revolving credit facility	(33,800)	(13,200)	(103,500)	(87,900)
Senior notes repurchase	—	—	—	(100)
Distributions to TLP Finance	(11,737)	(12,190)	(35,580)	(38,641)
Contributions from TLP Holdings	—	45	—	268
Net cash used in financing activities	(13,137)	(6,145)	(40,980)	(34,173)
Increase in cash and cash equivalents	804	1,430	451	1,322
Cash and cash equivalents at beginning of period	242	982	595	1,090
Cash and cash equivalents at end of period	\$ 1,046	\$ 2,412	\$ 1,046	\$ 2,412
Supplemental disclosures of cash flow information:				
Cash paid for interest	\$ 11,974	\$ 12,036	\$ 26,851	\$ 29,065
Property, plant and equipment acquired with accounts payable	\$ 6,279	\$ 7,588	\$ 6,279	\$ 7,588
Additions to right-of-use assets obtained from new operating lease liabilities	\$ 125	\$ —	\$ 15,820	\$ —

See accompanying notes to consolidated financial statements (unaudited).

TransMontaigne Partners LLC and Subsidiaries
Notes to consolidated financial statements (unaudited)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Nature of business

TransMontaigne Partners LLC (“we,” “us,” “our,” “the Company”) provides integrated terminaling, storage, transportation and related services for companies engaged in the trading, distribution and marketing of light refined petroleum products, heavy refined petroleum products, renewable products, crude oil, chemicals, fertilizers and other liquid products. We conduct our operations in the United States along the Gulf Coast, in the Midwest, in Houston and Brownsville, Texas, along the Mississippi and Ohio rivers, in the Southeast and along the West Coast.

(b) Basis of presentation and use of estimates

Our accounting and financial reporting policies conform to accounting principles generally accepted in the United States of America (“GAAP”). The accompanying consolidated financial statements include the accounts of TransMontaigne Partners LLC and its controlled subsidiaries. Investments where we do not have the ability to exercise control, but do have the ability to exercise significant influence, are accounted for using the equity method of accounting. All inter-company accounts and transactions have been eliminated in the preparation of the accompanying consolidated financial statements. The accompanying consolidated financial statements include all adjustments (consisting of normal and recurring accruals) considered necessary to present fairly our financial position as of September 30, 2021 and December 31, 2020 and our results of operations for the three and nine months ended September 30, 2021 and 2020.

The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting periods. The following estimates, in management’s opinion, are subjective in nature, require the exercise of judgment, and/or involve complex analyses: useful lives of our plant and equipment and accrued environmental obligations. Changes in these estimates and assumptions will occur as a result of the passage of time and the occurrence of future events. Actual results could differ from these estimates.

(c) Accounting for terminal and pipeline operations

We generate revenue from terminaling services fees, pipeline transportation fees and management fees. Under ASC 606 and ASC 842, we recognize revenue over time or at a point in time, depending on the nature of the performance obligations contained in the respective contract with our customer. The contract transaction price is allocated to each performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The majority of our revenue is recognized pursuant to ASC 842. The following is an overview of our significant revenue streams, including a description of the respective performance obligations and related method of revenue recognition.

Terminaling services fees. Our terminaling services agreements are structured as either throughput agreements or storage agreements. Our throughput agreements contain provisions that require our customers to make minimum payments, which are based on contractually established minimum volumes of throughput of the customer’s product at our facilities, over a stipulated period of time. Due to this minimum payment arrangement, we recognize a fixed amount of revenue from the customer over a certain period of time, even if the customer throughputs less than the minimum volume of product during that period. In addition, if a customer throughputs a volume of product exceeding the minimum volume, we would recognize additional revenue on this incremental volume. Our storage agreements require our customers to make minimum payments based on the volume of storage capacity available to the customer under the agreement, which results in a fixed amount of recognized revenue. We refer to the fixed amount of revenue recognized pursuant to our terminaling services agreements as being “firm commitments.”

TransMontaigne Partners LLC and Subsidiaries
Notes to consolidated financial statements (unaudited) (continued)

Our terminaling services agreements include revenue recognized in accordance with ASC 606 and ASC 842. At the time of contract inception, we evaluate each contract to determine whether the contract contains a lease. Significant assumptions used in this process include the determination of whether substantive substitution rights exist based on the terms of the contract and available capacity at the terminal at the time of contract inception. Our terminaling services agreements do not allow our customers to purchase the underlying asset and vary in terms and conditions with respect to extension or termination options. If a contract is accounted for as a lease under ASC 842, we recognize the minimum payments as lease revenue and revenue recognized in excess of firm commitments as a variable payment of the lease. All other components of the contracts accounted for as a lease are treated as non-lease components (ancillary revenue) and are accounted for in accordance with ASC 606. The majority of our firm commitments under our terminaling services agreements are accounted for as lease revenue in accordance with ASC 842 ("ASC 842 revenue"). The remaining firm commitments under our terminaling services agreements not accounted for as lease revenue are accounted for in accordance with ASC 606 ("ASC 606 revenue"), where the minimum payment arrangement in each contract is considered a single performance obligation that is primarily satisfied over time through the contract term.

Revenue recognized in excess of firm commitments and revenue recognized based solely on the volume of product distributed or injected are referred to as ancillary. The ancillary revenue associated with terminaling services include volumes of product throughput that exceed the contractually established minimum volumes, injection fees based on the volume of product injected with additive compounds, heating and mixing of stored products, product transfer, railcar handling, butane blending, proceeds from the sale of product gains, wharfage and vapor recovery. The revenue generated by these services is required to be estimated under ASC 606 for any uncertainty that is not resolved in the period of the service. We account for the majority of ancillary revenue at individual points in time when the services are delivered to the customer. The majority of our ancillary revenue is recognized in accordance with ASC 606 (See Note 14 of Notes to consolidated financial statements).

Pipeline transportation fees. We earned pipeline transportation fees at our Diamondback pipeline under a capacity reservation agreement that ended on May 26, 2021. Revenue associated with the capacity reservation agreement was recognized ratably over the respective term, regardless of whether the capacity was actually utilized. We earned pipeline transportation fees at our Razorback pipeline based on an allocation of the aggregate fees charged under the capacity agreement with our customer who was contracted for 100% of our Razorback system through December 31, 2020. Effective January 1, 2021, our customer has leased 100% of our Razorback system and assumed operatorship of the Razorback pipeline and the terminals in Mount Vernon, Missouri and in Rogers, Arkansas. Beginning in 2021, the fees associated with this lease agreement are recognized as terminaling services fees. Pipeline transportation revenue is primarily accounted for in accordance with ASC 842.

Management fees. We manage and operate certain tank capacity at our Port Everglades South terminal for a major oil company and receive a reimbursement of its proportionate share of operating and maintenance costs. We manage and operate the Frontera joint venture and receive a management fee based on our costs incurred. We lease land under operating leases as the lessor or sublessor with third parties and affiliates. We manage and operate rail sites at certain Southeast terminals on behalf of a major oil company and receive reimbursement for operating and maintenance costs. We manage and operate terminals that are owned by affiliates of ArcLight, including for SeaPort Midstream Partners, LLC in Seattle, Washington and Portland, Oregon and another terminal for SeaPort Sound Terminal, LLC ("SeaPort Sound") in Tacoma, Washington and receive a management fee based on our costs incurred. We also manage additional terminal facilities that are owned by affiliates of ArcLight, including Lucknow-Highspire Terminals, LLC, which operates terminals throughout Pennsylvania encompassing approximately 9.9 million barrels of storage capacity and we receive a management fee based on our costs incurred.

Management fee revenue is recognized at individual points in time as the services are performed or as the costs are incurred and is primarily accounted for in accordance with ASC 606. Management fees related to lease revenue are accounted for in accordance with ASC 842.

TransMontaigne Partners LLC and Subsidiaries
Notes to consolidated financial statements (unaudited) (continued)

(d) Cash and cash equivalents

We consider all short-term investments with a remaining maturity of three months or less at the date of purchase to be cash equivalents.

(e) Property, plant and equipment

Depreciation is computed using the straight-line method. Estimated useful lives are 15 to 25 years for terminals and pipelines and 3 to 25 years for furniture, fixtures and equipment. All items of property, plant and equipment are carried at cost. Expenditures that increase capacity or extend useful lives are capitalized. Repairs and maintenance are expensed as incurred.

We evaluate long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset group may not be recoverable based on expected undiscounted future cash flows attributable to that asset group. If an asset group is impaired, the impairment loss to be recognized is the excess of the carrying amount of the asset group over its estimated fair value. We did not recognize any impairment charges during the three and nine months ended September 30, 2021 and 2020.

(f) Investments in unconsolidated affiliates

We account for our investments in unconsolidated affiliates, which we do not control but do have the ability to exercise significant influence over, using the equity method of accounting. Under this method, the investment is recorded at acquisition cost, increased by our proportionate share of any earnings and additional capital contributions and decreased by our proportionate share of any losses, distributions received and amortization of any excess investment. Excess investment is the amount by which our total investment exceeds our proportionate share of the book value of the net assets of the investment entity. We evaluate our investments in unconsolidated affiliates for impairment whenever events or circumstances indicate there is a loss in value of the investment that is other than temporary. In the event of impairment, we would record a charge to earnings to adjust the carrying amount to estimated fair value. We did not recognize any impairment charges during the three and nine months ended September 30, 2021 and 2020.

(g) Environmental obligations

We accrue for environmental costs that relate to existing conditions caused by past operations when probable and reasonably estimable (See Note 9 of Notes to consolidated financial statements). Environmental costs include initial site surveys and environmental studies of potentially contaminated sites, costs for remediation and restoration of sites determined to be contaminated and ongoing monitoring costs, as well as fines, damages and other costs, including direct legal costs. Liabilities for environmental costs at a specific site are initially recorded, on an undiscounted basis, when it is probable that we will be liable for such costs, and a reasonable estimate of the associated costs can be made based on available information. Such an estimate includes our share of the liability for each specific site and the sharing of the amounts related to each site that will not be paid by other potentially responsible parties, based on enacted laws and adopted regulations and policies. Adjustments to initial estimates are recorded, from time to time, to reflect changing circumstances and estimates based upon additional information developed in subsequent periods. Estimates of our ultimate liabilities associated with environmental costs are difficult to make with certainty due to the number of variables involved, including the early stage of investigation at certain sites, the lengthy time frames required to complete remediation, technology changes, alternatives available and the evolving nature of environmental laws and regulations. We periodically file claims for insurance recoveries of certain environmental remediation costs with our insurance carriers under our comprehensive liability policies (See Note 4 of Notes to consolidated financial statements).

In connection with our acquisition of the Florida (other than Pensacola), Midwest, Brownsville, Texas, River, Southeast, and Pensacola, Florida terminal and facilities, a third party agreed to indemnify us against certain potential

TransMontaigne Partners LLC and Subsidiaries
Notes to consolidated financial statements (unaudited) (continued)

environmental claims, losses and expenses. Based on our current knowledge, we expect that the active remediation projects subject to the benefit of this indemnification obligation are winding down and will not involve material additional claims, losses, and expenses. Nonetheless, the forgoing environmental indemnification obligations of a third party to us remain in place.

(h) Asset retirement obligations

Asset retirement obligations are legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development or normal use of the asset. GAAP requires that the fair value of a liability related to the retirement of long-lived assets be recorded at the time a legal obligation is incurred. Once an asset retirement obligation is identified and a liability is recorded, a corresponding asset is recorded, which is depreciated over the remaining useful life of the asset. After the initial measurement, the liability is adjusted to reflect changes in the asset retirement obligation. If and when it is determined that a legal obligation has been incurred, the fair value of any liability is determined based on estimates and assumptions related to retirement costs, future inflation rates and interest rates. Our long-lived assets consist of above-ground storage facilities and underground pipelines. We are unable to predict if and when these long-lived assets will become completely obsolete and require dismantlement. We have not recorded an asset retirement obligation, or corresponding asset, because the future dismantlement and removal dates of our long-lived assets is indeterminable and the amount of any associated costs are believed to be insignificant. Changes in our assumptions and estimates may occur as a result of the passage of time and the occurrence of future events.

(i) Deferred compensation expense

We have a savings and retention plan to compensate certain employees who provide services to the Company. We index the savings and retention plan awards to other forms of investments and have the intent and ability to settle the awards in cash, and accordingly, we account for the awards as liability awards (See Note 11 of Notes to consolidated financial statements).

(j) Accounting for derivative instruments

Generally accepted accounting principles require us to recognize all derivative instruments at fair value in the consolidated balance sheets as assets or liabilities. Changes in the fair value of our derivative instruments are recognized in the consolidated statements of operations.

At September 30, 2021 and December 31, 2020 we do not have derivative instruments. Our interest rate swap agreements expired in June 2020. Pursuant to the terms of the interest rate swap agreements, we paid a blended fixed rate of approximately 2.04% and received interest payments based on the one-month LIBOR. The net difference to be paid or received under the interest rate swap agreements was settled monthly and was recognized as an adjustment to interest expense. The fair value of our interest rate swap agreements was determined using a pricing model based on the LIBOR swap rate and other observable market data.

(k) Income taxes

No provision for U.S. federal income taxes has been reflected in the accompanying consolidated financial statements because we are treated as a partnership for federal income tax purposes. As a partnership, all income, gains, losses, expenses, deductions and tax credits generated by us flow up to our owners.

(l) Comprehensive income

Entities that report items of other comprehensive income have the option to present the components of net earnings and comprehensive income in either one continuous financial statement, or two consecutive financial

TransMontaigne Partners LLC and Subsidiaries
Notes to consolidated financial statements (unaudited) (continued)

statements. As we have no components of comprehensive income other than net earnings, no statement of comprehensive income has been presented.

(m) Recent accounting pronouncements

In March 2020, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2020-04, *Reference Rate Reform—Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. This ASU provides temporary optional expedients and exceptions to GAAP guidance on contract modifications and hedge accounting to ease the financial reporting burdens of the expected market transition from LIBOR and other interbank offered rates to alternative reference rates, such as the Secured Overnight Financing Rate. Entities can elect not to apply certain modification accounting requirements to contracts affected by this reference rate reform, if certain criteria are met. An entity that makes this election would not have to re-measure the contracts at the modification date or reassess a previous accounting determination. Entities can also elect various optional expedients that would allow them to continue applying hedge accounting for hedging relationships affected by reference rate reform, if certain criteria are met. The guidance is effective upon issuance and generally can be applied through December 31, 2022. We are currently reviewing the effect of this ASU on our financial statements.

(n) Going concern assessment and management’s plan

Pursuant to FASB ASC 205-40, *Presentation of Financial Statements – Going Concern (Subtopic 205-40): Disclosure of Uncertainties About an Entity’s Ability to Continue as a Going Concern*, we are required to assess our ability to continue as a going concern for a period of one year from the date of the issuance of these consolidated financial statements. Substantial doubt about an entity’s ability to continue as a going concern exists when relevant conditions and events, considered in the aggregate, indicate that it is probable that the entity will be unable to meet its obligations as they become due within one year from the financial statement issuance date. As discussed in Note 10 of Notes to consolidated financial statements, our revolving credit facility matures on March 13, 2022, and has not been renewed as of the date of the issuance of these consolidated financial statements. On October 5, 2021 the Company entered into a confidentiality agreement with certain lenders related to a potential transaction for a senior secured credit facility and senior secured term loan. However, until such time as we have an executed agreement to refinance or extend the maturity of our revolving credit facility and have closed on such agreements, we cannot conclude that it is probable we will do so, and accordingly, this raises substantial doubt about our ability to continue as a going concern. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result from the outcome of this uncertainty.

(2) TRANSACTIONS WITH AFFILIATES

Operations and reimbursement agreement—Frontera. We have a 50% ownership interest in the Frontera Brownsville LLC joint venture (“Frontera”). We operate Frontera, in accordance with an operations and reimbursement agreement executed between us and Frontera, for a management fee that is based on our costs incurred. Our agreement with Frontera stipulates that we may resign as the operator at any time with the prior written consent of Frontera, or that we may be removed as the operator for good cause, which includes material noncompliance with laws and material failure to adhere to good industry practice regarding health, safety or environmental matters. We recognized revenue related to this operations and reimbursement agreement of approximately \$1.4 million and \$1.2 million for the three months ended September 30, 2021 and 2020, respectively, and approximately \$4.0 million for both the nine months ended September 30, 2021 and 2020.

Terminals services agreements—Brownsville terminals. We have two terminals services agreements with Frontera relating to our Brownsville, Texas facility that will expire in June 2022 and 2023, subject to automatic renewals unless terminated by either party upon 90 days’ to 180 days’ prior notice, respectively. In exchange for its minimum throughput commitments, we have agreed to provide Frontera with approximately 301,000 barrels of storage capacity.

TransMontaigne Partners LLC and Subsidiaries
Notes to consolidated financial statements (unaudited) (continued)

We recognized revenue related to these agreements of approximately \$1.4 million and \$0.7 million for the three months ended September 30, 2021 and 2020, respectively, and approximately \$2.7 million and \$1.9 million for the nine months ended September 30, 2021 and 2020, respectively.

Terminaling services agreement—Gulf Coast terminals. We have a terminaling services agreement with Associated Asphalt Marketing, LLC, a wholly-owned indirect subsidiary of ArcLight relating to our Gulf Coast terminals. The agreement will expire in April 2026, subject to a five-year automatic renewal unless terminated by either party upon 180 days' prior notice, after which the agreement is subject to two-year automatic renewals unless terminated by either party upon 180 days' prior notice. In exchange for its minimum throughput commitment, we have agreed to provide Associated Asphalt Marketing, LLC with approximately 750,000 barrels of storage capacity. We recognized revenue related to this agreement of approximately \$2.3 million and \$2.2 million for the three months ended September 30, 2021 and 2020, respectively, and approximately \$6.6 million and \$6.4 million for the nine months ended September 30, 2021 and 2020, respectively.

Operating and administrative agreement—SeaPort Midstream Partners, LLC—Central services. We operate two products terminals in Seattle, Washington and Portland, Oregon, on behalf of SeaPort Midstream Partners, LLC, in accordance with an operating and administrative agreement executed between us and SeaPort Midstream Partners, LLC. SeaPort Midstream Partners, LLC is a joint venture between SeaPort Midstream Holdings LLC, an ArcLight subsidiary, and BP Mariner Holding Company LLC. SeaPort Midstream Holdings LLC owns 51% of SeaPort Midstream Partners, LLC. The operating and administrative agreement will expire in November 2023, subject to two-year automatic renewals unless terminated by either party upon no less than twelve months' notice prior to the end of the initial term or any successive term. Our agreement with SeaPort Midstream Partners, LLC stipulates that we may resign as the operator at any time with the prior written consent of SeaPort Midstream Partners, LLC, or that we may be removed as the operator for good cause, which includes material noncompliance with laws and material failure to adhere to good industry practice regarding health, safety or environmental matters. We recognized revenue related to this operating and administrative agreement of approximately \$0.9 million and \$0.7 million for the three months ended September 30, 2021 and 2020, respectively, and approximately \$2.9 million and \$2.3 million for the nine months ended September 30, 2021 and 2020, respectively.

Services agreement—SeaPort Sound Terminal, LLC (“SeaPort Sound”)—Central services. Our subsidiary, TMS, operates a products terminal in Tacoma, Washington on behalf of SeaPort Sound Terminal, LLC, an ArcLight subsidiary. We recognized revenue related to this services agreement of approximately \$1.8 million and \$1.7 million for the three months ended September 30, 2021 and 2020, respectively, and approximately \$5.9 million and \$5.5 million for the nine months ended September 30, 2021 and 2020, respectively.

Other affiliates—Central services. We manage additional terminal facilities that are owned by affiliates of ArcLight, including Lucknow-Highspire Terminals, LLC. We recognized revenue related to reimbursements from these affiliates of approximately \$0.5 million and \$0.4 million for the three months ended September 30, 2021 and 2020, respectively, and approximately \$1.7 million and \$1.0 million for the nine months ended September 30, 2021 and 2020, respectively.

Services agreement—TransMontaigne Management Company, LLC. Our executive officers who provide services to the Company are employed by TransMontaigne Management Company, LLC, a wholly owned subsidiary of ArcLight, which also provides services to certain other ArcLight affiliates. Pursuant to a services agreement between TMS and TransMontaigne Management Company, TMS continues to provide certain payroll functions and maintains all employee benefits programs on behalf of TransMontaigne Management Company. TransMontaigne Management Company is reimbursed for the payroll and benefits expenses related to the executive officers, plus a 1% administration fee. Aggregate fees paid by us to TransMontaigne Management Company with respect to the services agreement was approximately \$1.6 million and \$0.5 million for the three months ended September 30, 2021 and 2020, respectively, and approximately \$2.7 million and \$2.2 million for the nine months ended September 30, 2021 and 2020, respectively.

TransMontaigne Partners LLC and Subsidiaries
Notes to consolidated financial statements (unaudited) (continued)

(3) CONCENTRATION OF CREDIT RISK AND TRADE ACCOUNTS RECEIVABLE

Our primary market areas are located in the United States along the Gulf Coast, in the Southeast, in Brownsville, Texas, along the Mississippi and Ohio Rivers, in the Midwest and along the West Coast. We have a concentration of trade receivable balances due from companies engaged in the trading, distribution and marketing of refined products and crude oil. These concentrations of customers may affect our overall credit risk in that the customers may be similarly affected by changes in economic, regulatory or other factors. Our customers' historical financial and operating information is analyzed prior to extending credit. We manage our exposure to credit risk through credit analysis, credit approvals, credit limits and monitoring procedures, and for certain transactions we may request letters of credit, prepayments or guarantees.

Trade accounts receivable consists of the following (in thousands):

	September 30, 2021	December 31, 2020
Trade accounts receivable	\$ 12,377	\$ 9,203

The following customers accounted for at least 10% of our consolidated revenue in at least one of the periods presented in the accompanying consolidated statements of operations:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Pilot Flying J	17 %	14 %	16 %	14 %
Freepoint Commodities LLC	10 %	9 %	10 %	10 %

(4) OTHER CURRENT ASSETS

Other current assets were as follows (in thousands):

	September 30, 2021	December 31, 2020
Prepaid insurance	\$ 3,035	\$ 2,123
Additive detergent	1,371	1,585
Revolving credit facility unamortized deferred debt issuance costs, net of accumulated amortization of \$12,327 at September 30, 2021	844	—
Amounts due from insurance companies	484	668
Deposits and other assets	1,081	1,247
	<u>\$ 6,815</u>	<u>\$ 5,623</u>

Revolving credit facility unamortized deferred debt issuance costs. Deferred debt issuance costs are amortized using the effective interest method over the term of the related revolving credit facility. Our revolving credit facility matures on March 13, 2022, and therefore the unamortized deferred debt issuance costs are presented as a current asset in our consolidated balance sheets as of September 30, 2021.

Amounts due from insurance companies. We periodically file claims for recovery of environmental remediation costs and property claims with our insurance carriers under our comprehensive liability policies. We recognize our insurance recoveries in the period that we assess the likelihood of recovery as being probable. At September 30, 2021 and December 31, 2020, we have recognized amounts due from insurance companies of approximately \$0.5 million and \$0.7 million, respectively, representing our best estimate of our probable insurance

TransMontaigne Partners LLC and Subsidiaries
Notes to consolidated financial statements (unaudited) (continued)

recoveries. During the nine months ended September 30, 2021, we received reimbursements from insurance companies of approximately \$0.2 million.

(5) PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment, net was as follows (in thousands):

	September 30, 2021	December 31, 2020
Land	\$ 83,657	\$ 83,657
Terminals, pipelines and equipment	1,142,440	1,108,410
Furniture, fixtures and equipment	11,373	11,104
Construction in progress	23,784	22,824
	1,261,254	1,225,995
Less accumulated depreciation	(531,388)	(488,494)
	<u>\$ 729,866</u>	<u>\$ 737,501</u>

At September 30, 2021 and December 31, 2020, property, plant and equipment, net utilized by our customers in operating lease arrangements consisted of approximately \$555.2 million and \$582.6 million, respectively, of terminals, pipelines and equipment. The terminals, pipelines and equipment primarily relates to our storage tanks and associated internal piping.

(6) GOODWILL

Goodwill was as follows (in thousands):

	September 30, 2021	December 31, 2020
Brownsville terminals	\$ 8,485	\$ 8,485
West Coast terminals	943	943
	<u>\$ 9,428</u>	<u>\$ 9,428</u>

Goodwill is required to be tested for impairment annually unless events or changes in circumstances indicate it is more likely than not that an impairment loss has been incurred at an interim date. Our annual test for the impairment of goodwill is performed as of December 31. The impairment test is performed at the reporting unit level. Our reporting units are our business segments (See Note 15 of Notes to consolidated financial statements). The fair value of each reporting unit is determined on a stand-alone basis from the perspective of a market participant and represents an estimate of the price that would be received to sell the unit as a whole in an orderly transaction between market participants at the measurement date. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not considered to be impaired.

At September 30, 2021 and December 31, 2020, our Brownsville and West Coast terminals contained goodwill. We did not recognize any goodwill impairment charges during the three or nine months ended September 30, 2021 or during the year ended December 31, 2020 for these reporting units. However, an increase in the assumed market participants' weighted average cost of capital, the loss of a significant customer, the disposition of significant assets, or an unforeseen increase in the costs to operate and maintain the Brownsville or West Coast terminals could result in the recognition of an impairment charge in the future.

TransMontaigne Partners LLC and Subsidiaries
Notes to consolidated financial statements (unaudited) (continued)

(7) INVESTMENTS IN UNCONSOLIDATED AFFILIATES

At September 30, 2021 and December 31, 2020, our investments in unconsolidated affiliates include a 42.5% Class A ownership interest in Battleground Oil Specialty Terminal Company LLC (“BOSTCO”) and a 50% ownership interest in Frontera Brownsville LLC (“Frontera”). BOSTCO is a terminal facility located on the Houston Ship Channel that encompasses approximately 7.1 million barrels of distillate, residual and other black oil product storage. Class A and Class B ownership interests share in cash distributions on a 96.5% and 3.5% basis, respectively. Class B ownership interests do not have voting rights and are not required to make capital investments. Frontera is a terminal facility located in Brownsville, Texas that encompasses approximately 1.7 million barrels of light petroleum product storage, as well as related ancillary facilities.

The following table summarizes our investments in unconsolidated affiliates:

	Percentage of ownership		Carrying value (in thousands)	
	September 30, 2021	December 31, 2020	September 30, 2021	December 31, 2020
BOSTCO	42.5 %	42.5 %	\$ 201,327	\$ 201,912
Frontera	50 %	50 %	22,464	24,036
Total investments in unconsolidated affiliates			<u>\$ 223,791</u>	<u>\$ 225,948</u>

At September 30, 2021 and December 31, 2020, our investment in BOSTCO includes approximately \$6.3 million and \$6.4 million, respectively, of excess investment related to a one time buy-in fee to acquire our 42.5% interest and capitalization of interest on our investment during the construction of BOSTCO amortized over the useful life of the assets. Excess investment is the amount by which our investment exceeds our proportionate share of the book value of the net assets of the BOSTCO entity.

Earnings from investments in unconsolidated affiliates was as follows (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
BOSTCO	\$ 1,063	\$ 1,132	\$ 4,156	\$ 3,942
Frontera	330	657	1,592	1,850
Total earnings from investments in unconsolidated affiliates	<u>\$ 1,393</u>	<u>\$ 1,789</u>	<u>\$ 5,748</u>	<u>\$ 5,792</u>

Additional capital investments in unconsolidated affiliates for the funding of growth projects was as follows (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
BOSTCO	\$ 527	\$ 2,508	\$ 3,349	\$ 5,679
Frontera	—	—	—	—
Additional capital investments in unconsolidated affiliates	<u>\$ 527</u>	<u>\$ 2,508</u>	<u>\$ 3,349</u>	<u>\$ 5,679</u>

TransMontaigne Partners LLC and Subsidiaries
Notes to consolidated financial statements (unaudited) (continued)

Cash distributions received from unconsolidated affiliates was as follows (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
BOSTCO	\$ 2,998	\$ 3,201	\$ 8,090	\$ 8,254
Frontera	947	339	3,164	1,633
Cash distributions received from unconsolidated affiliates	<u>\$ 3,945</u>	<u>\$ 3,540</u>	<u>\$ 11,254</u>	<u>\$ 9,887</u>

The summarized financial information of our unconsolidated affiliates was as follows (in thousands):

Balance sheets:

	BOSTCO		Frontera	
	September 30, 2021	December 31, 2020	September 30, 2021	December 31, 2020
Current assets	\$ 18,143	\$ 15,822	\$ 4,324	\$ 5,352
Long-term assets	460,362	464,971	42,032	43,939
Current liabilities	(15,286)	(17,543)	(1,428)	(1,219)
Long-term liabilities	(5,051)	(5,476)	—	—
Net assets	<u>\$ 458,168</u>	<u>\$ 457,774</u>	<u>\$ 44,928</u>	<u>\$ 48,072</u>

Statements of income:

	BOSTCO		Frontera	
	Three months ended September 30,		Three months ended September 30,	
	2021	2020	2021	2020
Revenue	\$ 17,160	\$ 15,740	\$ 5,477	\$ 4,550
Expenses	(14,287)	(12,487)	(4,817)	(3,236)
Net income	<u>\$ 2,873</u>	<u>\$ 3,253</u>	<u>\$ 660</u>	<u>\$ 1,314</u>

	BOSTCO		Frontera	
	Nine months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Revenue	\$ 52,682	\$ 48,061	\$ 14,946	\$ 14,358
Expenses	(41,880)	(37,723)	(11,762)	(10,658)
Net income	<u>\$ 10,802</u>	<u>\$ 10,338</u>	<u>\$ 3,184</u>	<u>\$ 3,700</u>

TransMontaigne Partners LLC and Subsidiaries
Notes to consolidated financial statements (unaudited) (continued)

(8) OTHER ASSETS, NET

Other assets, net was as follows (in thousands):

	September 30, 2021	December 31, 2020
Customer relationships, net of accumulated amortization of \$11,350 and \$9,587, respectively	\$ 38,080	\$ 39,843
Revolving credit facility unamortized deferred debt issuance costs, net of accumulated amortization of \$11,054 at December 31, 2020	—	2,117
Long-term customer receivables	601	1,347
Deposits and other assets	780	735
	<u>\$ 39,461</u>	<u>\$ 44,042</u>

Customer relationships. Other assets, net include certain customer relationships primarily at our West Coast terminals. These customer relationships are being amortized on a straight-line basis over twenty years.

Revolving credit facility unamortized deferred debt issuance costs. Deferred debt issuance costs are amortized using the effective interest method over the term of the related revolving credit facility. Our revolving credit facility matures on March 13, 2022, and therefore the unamortized deferred debt issuance costs are presented as a current asset in our consolidated balance sheets as of September 30, 2021.

Long-term customer receivables. Long-term customer receivables include amounts due under long-term terminaling services agreements, with certain of our customers, that provide for minimum annual throughput commitments that are billed to the customers based on actual throughput volume whereas revenue is recognized on a straight-line basis over the terms of the respective agreements.

(9) ACCRUED LIABILITIES

Accrued liabilities were as follows (in thousands):

	September 30, 2021	December 31, 2020
Accrued compensation expense	\$ 11,507	\$ 12,283
Customer advances and deposits	11,337	10,689
Interest payable	3,036	7,619
Accrued property taxes	6,562	3,018
Accrued environmental obligations	1,861	983
Accrued expenses and other	257	140
	<u>\$ 34,560</u>	<u>\$ 34,732</u>

Accrued compensation expense. Accrued compensation expense includes our bonus, payroll, and savings and retention plan awards accruals.

Customer advances and deposits. Customer advances and deposits represents payments received for terminaling services in advance of the terminaling services being provided.

Accrued environmental obligations. At September 30, 2021 and December 31, 2020, we have accrued environmental obligations of approximately \$1.9 million and \$1.0 million, respectively, representing our best estimate of our remediation obligations. During the nine months ended September 30, 2021, we made payments of approximately \$0.5 million towards our environmental remediation obligations. During the nine months ended September 30, 2021, we

TransMontaigne Partners LLC and Subsidiaries
Notes to consolidated financial statements (unaudited) (continued)

increased our estimate of our future environmental remediation costs by approximately \$1.4 million. Changes in our estimates of our future environmental remediation obligations may occur as a result of the passage of time and the occurrence of future events.

(10) DEBT

Debt was as follows (in thousands):

	September 30, 2021	December 31, 2020
Revolving credit facility due in 2022:		
Short-term debt	\$ 345,000	\$ —
Long-term debt	—	350,400
6.125% senior notes due in 2026	299,900	299,900
Senior notes unamortized deferred debt issuance costs, net of accumulated amortization of \$3,155 and \$2,441, respectively	(4,927)	(5,641)
Debt	<u>\$ 639,973</u>	<u>\$ 644,659</u>

Our revolving credit facility provides for a maximum borrowing line of credit equal to \$850 million. The terms of our revolving credit facility include covenants that restrict our ability to make cash distributions, acquisitions and investments, including investments in joint ventures. We may make distributions of cash to the extent of our “available cash” as defined in our LLC agreement. We may make acquisitions and investments that meet the definition of “permitted acquisitions”; “other investments” which may not exceed 5% of “consolidated net tangible assets”; and additional future “permitted JV investments” up to \$175 million, which may include additional investments in BOSTCO. The primary financial covenants contained in our revolving credit facility are (i) a total leverage ratio test (not to exceed 5.25 to 1.0), (ii) a senior secured leverage ratio test (not to exceed 3.75 to 1.0), and (iii) a minimum interest coverage ratio test (not less than 2.75 to 1.0). The principal balance of loans and any accrued and unpaid interest are due and payable in full on the maturity date, March 13, 2022, and is therefore presented as a current liability in our consolidated balance sheet as of September 30, 2021. We expect to renew or extend our revolving credit facility prior to the maturity date. We were in compliance with all financial covenants as of and during the three and nine months ended September 30, 2021 and the year ended December 31, 2020.

We may elect to have loans under our revolving credit facility bear interest either (i) at a rate of LIBOR plus a margin ranging from 1.75% to 2.75% depending on the total leverage ratio then in effect, or (ii) at the base rate plus a margin ranging from 0.75% to 1.75% depending on the total leverage ratio then in effect. We also pay a commitment fee on the unused amount of commitments, ranging from 0.375% to 0.5% per annum, depending on the total leverage ratio then in effect. Our obligations under our revolving credit facility are secured by a first priority security interest in favor of the lenders in the majority of our assets, including our investments in unconsolidated affiliates. For the nine months ended September 30, 2021 and 2020, the weighted average interest rate on borrowings under our revolving credit facility was approximately 3.3% and 4.6%, respectively. At September 30, 2021 and December 31, 2020, our outstanding borrowings under our revolving credit facility were \$345.0 million and \$350.4 million, respectively. At both September 30, 2021 and December 31, 2020 our outstanding letters of credit were \$1.3 million.

On February 12, 2018, the Company and TLP Finance Corp., our wholly owned subsidiary, issued at par \$300 million of 6.125% senior notes. Net proceeds, after \$8.1 million of issuance costs, were used to repay indebtedness under our revolving credit facility. The senior notes are due in 2026 and are guaranteed on a senior unsecured basis by each of our 100% owned domestic subsidiaries that guarantee obligations under our revolving credit facility. TransMontaigne Partners LLC has no independent assets or operations unrelated to its investments in its consolidated subsidiaries. TLP Finance Corp. has no assets or operations. Our operations are conducted by subsidiaries of TransMontaigne Partners LLC through our 100% owned operating company subsidiary, TransMontaigne Operating Company L.P. None of the assets of TransMontaigne Partners LLC or a guarantor represent restricted net assets pursuant to the guidelines

TransMontaigne Partners LLC and Subsidiaries
Notes to consolidated financial statements (unaudited) (continued)

established by the SEC.

(11) DEFERRED COMPENSATION EXPENSE

We have a savings and retention plan to compensate certain employees who provide services to the Company. The purpose of the savings and retention plan is to provide for the reward and retention of participants by providing them with awards that vest over future service periods. Awards under the plan with respect to individuals providing services to the Company generally become vested as to 50% of a participant's annual award as of the first day of the month that falls closest to the second anniversary of the grant date, and the remaining 50% as of the first day of the month that falls closest to the third anniversary of the grant date, subject to earlier vesting upon a participant's attainment of the age and length of service thresholds, retirement, death or disability, involuntary termination without cause, or termination of a participant's employment following a change in control of the Company as specified in the plan. The awards are increased for the value of any accrued growth based on underlying investments deemed made with respect to the awards. The awards (including any accrued growth relating thereto) are subject to forfeiture until the vesting date. A person will satisfy the age and length of service thresholds of the plan upon the attainment of the earliest of (a) age sixty, (b) age fifty-five and ten years of service as an officer of the Company or any of its affiliates or predecessors, or (c) age fifty and twenty years of service as an employee of the Company or any of its affiliates or predecessors.

We have the intent and ability to settle the savings and retention plan awards in cash, and accordingly, we account for the awards as accrued liabilities. For awards to employees, approximately \$0.2 million and \$0.3 million is included in deferred compensation expense for the three months ended September 30, 2021 and 2020, respectively, and approximately \$1.2 million and \$1.6 million is included in deferred compensation expense for the nine months ended September 30, 2021 and 2020, respectively.

(12) COMMITMENTS AND CONTINGENCIES

Lease commitments. We lease property including corporate offices, vehicles and land. We determine if an arrangement is a lease at inception and evaluate identified leases for operating or finance lease treatment at lease commencement. Operating or finance lease right-of-use assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. Our leases have remaining lease terms of less than one year to 50 years, some of which have options to extend or terminate the lease. For purposes of calculating operating lease liabilities, lease terms may be deemed to include options to extend or terminate the lease when it is reasonably certain that we will exercise that option.

Operating right-of-use assets and operating lease liabilities are recognized based on the present value of the lease payments over the lease term at commencement date. The additions to right-of-use assets obtained from new operating lease liabilities during the nine months ended September 30, 2021 of approximately \$15.8 million are treated as non-cash transactions that do not impact the consolidated statements of cash flows. The Company uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. We determined our incremental borrowing rate using the borrowing rate of our revolving credit facility. The terms of our corporate offices, vehicles and land leases are in line with our revolving credit facility, our primary finance mechanism. We have certain land and vehicle lease agreements with lease and non-lease components, which are accounted for separately. Non-lease components include payments for taxes and other operating and maintenance expenses incurred by the lessor but payable by us in connection with the leasing arrangement. During the nine months ended September 30, 2021 and 2020, the Company was party to certain subleasing arrangements whereby the Company, as the primary obligor on the lease, has recognized sublease income for lease payments made by affiliates to the lessor.

TransMontaigne Partners LLC and Subsidiaries
Notes to consolidated financial statements (unaudited) (continued)

Following are components of our lease costs (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Operating leases	\$ 1,308	\$ 1,191	\$ 3,757	\$ 3,538
Variable lease costs (including insignificant short-term leases)	215	190	679	616
Sublease income as primary obligor	(253)	(256)	(752)	(751)
Total lease costs	<u>\$ 1,270</u>	<u>\$ 1,125</u>	<u>\$ 3,684</u>	<u>\$ 3,403</u>

Other information related to our operating leases was as follows (in thousands, except lease term and discount rate):

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Cash outflows for operating leases	\$ 1,115	\$ 980	\$ 3,521	\$ 3,267
Weighted average remaining lease term (years)	28.90	18.23	28.90	18.23
Weighted average discount rate	4.5%	5.2%	4.5%	5.2%

Undiscounted cash flows owed by the Company to lessors pursuant to contractual agreements in effect as of September 30, 2021 and related imputed interest was as follows (in thousands):

Years ending December 31:	
2021 (remainder of the year)	\$ 1,610
2022	5,306
2023	4,706
2024	4,250
2025	3,823
Thereafter	67,794
Total lease payments	87,489
Less imputed interest	(37,943)
Present value of operating lease liabilities	<u>\$ 49,546</u>

Contract commitments. At September 30, 2021, we have contractual commitments of approximately \$24.2 million for the supply of services, labor and materials related to capital projects that currently are under development. We expect that these contractual commitments will primarily be paid within a year.

Legal proceedings. We are party to various legal, regulatory and other matters arising from the day-to-day operations of our business that may result in claims against us. While the ultimate impact of any proceedings cannot be predicted with certainty, our management believes that the resolution of any of our pending legal proceedings will not have a material adverse effect on our business, financial position, results of operations or cash flows.

TransMontaigne Partners LLC and Subsidiaries
Notes to consolidated financial statements (unaudited) (continued)

(13) DISCLOSURES ABOUT FAIR VALUE

GAAP defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. GAAP also establishes a fair value hierarchy that prioritizes the use of higher-level inputs for valuation techniques used to measure fair value. The three levels of the fair value hierarchy are: (1) Level 1 inputs, which are quoted prices (unadjusted) in active markets for identical assets or liabilities; (2) Level 2 inputs, which are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and (3) Level 3 inputs, which are unobservable inputs for the asset or liability.

The fair values of the following financial instruments represent our best estimate of the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an orderly transaction between market participants at that date. Our fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects our judgments about the assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. There were no transfers into or out of Levels 1, 2, and 3 during the nine months ended September 30, 2021 and 2020. The following methods and assumptions were used to estimate the fair value of financial instruments at September 30, 2021 and December 31, 2020.

Cash equivalents. The carrying amount approximates fair value because of the short-term maturity of these instruments. The fair value is categorized in Level 1 of the fair value hierarchy.

Debt. The carrying amount of our revolving credit facility debt approximates fair value since borrowings under the facility bear interest at current market interest rates. The estimated fair value of our \$299.9 million publicly traded senior notes at September 30, 2021 was approximately \$305.9 million based on observable market trades. The fair value of our debt is categorized in Level 2 of the fair value hierarchy.

TransMontaigne Partners LLC and Subsidiaries
Notes to consolidated financial statements (unaudited) (continued)

(14) REVENUE FROM CONTRACTS WITH CUSTOMERS

The majority of our terminaling services agreements contain minimum payment arrangements, resulting in a fixed amount of revenue recognized, which we refer to as “firm commitments” and are accounted for in accordance with ASC 842, *Leases* (“ASC 842 revenue”). The remainder is recognized in accordance with ASC 606, *Revenue from Contracts with Customers* (“ASC 606 revenue”).

The following table provides details of our revenue disaggregated by category of revenue (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Terminals services fees:				
Firm commitments (ASC 842 revenue)	\$ 45,456	\$ 50,054	\$ 137,250	\$ 146,425
Firm commitments (ASC 606 revenue)	5,460	3,700	14,990	11,208
Total firm commitments revenue	50,916	53,754	152,240	157,633
Ancillary revenue (ASC 606 revenue)	10,853	10,141	32,500	30,484
Ancillary revenue (ASC 842 revenue)	201	411	1,076	1,994
Total ancillary revenue	11,054	10,552	33,576	32,478
Total terminaling services fees	61,970	64,306	185,816	190,111
Pipeline transportation fees (ASC 842 revenue)	—	887	638	2,631
Management fees (ASC 606 revenue)	4,673	3,926	14,422	12,675
Management fees (ASC 842 revenue)	337	309	996	910
Total management fees	5,010	4,235	15,418	13,585
Total revenue	\$ 66,980	\$ 69,428	\$ 201,872	\$ 206,327

The following table includes our estimated future revenue associated with our firm commitments under terminaling services fees which is expected to be recognized as ASC 606 revenue in the specified period related to our future performance obligations as of the end of the reporting period (in thousands):

Estimated Future ASC 606 Revenue by Segment

	Gulf Coast Terminals	Midwest Terminals	Brownsville Terminals	River Terminals	Southeast Terminals	West Coast Terminals	Central Services	Total
2021 (remainder of the year)	\$ 1,188	\$ 139	\$ 369	\$ 265	\$ 1,551	\$ 1,186	\$ —	\$ 4,698
2022	1,696	457	1,475	1,061	2,342	1,862	—	8,893
2023	232	32	1,475	530	—	204	—	2,473
2024	—	—	1,475	—	—	—	—	1,475
2025	—	—	1,475	—	—	—	—	1,475
Thereafter	—	—	361	—	—	—	—	361
Total estimated future ASC 606 revenue	\$ 3,116	\$ 628	\$ 6,630	\$ 1,856	\$ 3,893	\$ 3,252	\$ —	\$ 19,375

Our estimated future ASC 606 revenue, for purposes of the tabular presentation above, excludes estimates of future rate changes due to changes in indices or contractually negotiated rate escalations and is generally limited to contracts that have minimum payment arrangements. The balances disclosed include the full amount of our customer commitments accounted for as ASC 606 revenue as of September 30, 2021 through the expiration of the related contracts. The balances disclosed exclude all performance obligations for which the original expected term is one year or less, the term of the contract with the customer is open and cannot be estimated, the contract includes options for future purchases or the consideration is variable.

TransMontaigne Partners LLC and Subsidiaries
Notes to consolidated financial statements (unaudited) (continued)

Estimated future ASC 606 revenue in the table above excludes revenue arrangements accounted for in accordance with ASC 842. The following table includes our estimated future revenue associated with our firm commitments under terminaling services fees which is expected to be recognized as ASC 842 revenue in the specified period (in thousands):

Years ending December 31:	
2021 (remainder of the year)	\$ 45,456
2022	157,084
2023	136,622
2024	79,277
2025	54,382
Thereafter	494,356
Total estimated future ASC 842 revenue	\$ 967,177

BALANCE SHEET DISCLOSURES

Contract assets. Our contract assets include trade accounts receivable and long-term customer receivables. We have long-term terminaling services agreements with certain of our customers that provide for minimum annual throughput commitments that are billed to the customers based on actual throughput volume whereas revenue is recognized under ASC 606 and ASC 842 on a straight-line basis over the terms of the respective agreements. The difference between the amount billed and revenue recognized is a contract asset. This asset is presented as other assets, net in our consolidated balance sheets (See Note 8 of Notes to consolidated financial statements).

The following tables present our contract assets resulting from contracts with customers (in thousands):

	Contracts under		
	ASC 606	ASC 842	Total
Trade accounts receivable at December 31, 2020	\$ 2,405	\$ 6,798	\$ 9,203
Trade accounts receivable at September 30, 2021	\$ 3,796	\$ 8,581	\$ 12,377

	Contracts under		
	ASC 606	ASC 842	Total
Long-term customer receivables at December 31, 2020	\$ 94	\$ 1,253	\$ 1,347
Long-term customer receivables at September 30, 2021	\$ —	\$ 601	\$ 601

Contract liabilities. Our contract liabilities include deferred revenue and customer advances and deposits. We have long-term terminaling services agreements with certain of our customers that provide for advance minimum payments. We recognize the advance minimum payments as revenue on a straight-line basis over the term of the respective agreements. In addition, pursuant to certain agreements with our customers, we agreed to undertake certain capital projects. Upon completion of the projects, our customers have paid us amounts that will be recognized as revenue on a straight-line basis over the remaining term of the agreements. Collectively, the differences between amounts billed and revenue recognized under ASC 606 and ASC 842 are recorded as contract liabilities. These liabilities are presented as deferred revenue in our consolidated balance sheets. We record customer advances and deposits when payments are received from customers in advance of the terminaling services being provided, resulting in a contract liability accounted for under ASC 606 and ASC 842. This liability is presented as accrued liabilities in our consolidated balance sheets (See Note 9 of Notes to consolidated financial statements).

TransMontaigne Partners LLC and Subsidiaries
Notes to consolidated financial statements (unaudited) (continued)

The following table presents our contract liabilities resulting from contracts with customers (in thousands):

	Contracts under		Total
	ASC 606	ASC 842	
Contract liabilities at December 31, 2020	\$ 1,044	\$ 14,465	\$ 15,509
Contract liabilities at September 30, 2021	\$ 1,469	\$ 13,562	\$ 15,031

Revenue recognized during the nine months ended September 30, 2021, from amounts included in contract liabilities at December 31, 2020, was approximately \$1.0 million for contracts under ASC 606 and approximately \$11.8 million for contracts under ASC 842.

(15) BUSINESS SEGMENTS

We provide integrated terminaling, storage, transportation and related services to companies engaged in the trading, distribution and marketing of refined petroleum products, renewable products, crude oil, chemicals, fertilizers and other liquid products. Our chief operating decision maker is the Company's chief executive officer. The Company's chief executive officer reviews the financial performance of our business segments using disaggregated financial information about "net margins" for purposes of making operating decisions and assessing financial performance. "Net margins" is composed of revenue less operating costs and expenses. Accordingly, we present "net margins" for each of our business segments: (i) Gulf Coast terminals, (ii) Midwest terminals, (iii) Brownsville terminals including management of the Frontera joint venture, (iv) River terminals, (v) Southeast terminals, (vi) West Coast terminals and (vii) Central services. Our Central services segment primarily represents the costs of employees performing operating oversight functions, engineering, health, safety and environmental services to our terminals and terminals that we operate or manage, including for affiliate terminals owned by ArcLight. In addition, Central services represent the cost of employees at affiliate terminals owned by ArcLight that we operate. We receive a fee from these affiliates based on our costs incurred.

TransMontaigne Partners LLC and Subsidiaries
Notes to consolidated financial statements (unaudited) (continued)

The financial performance of our business segments was as follows (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Gulf Coast Terminals:				
Terminaling services fees	\$ 18,699	\$ 19,188	\$ 57,148	\$ 58,718
Management fees	12	6	37	18
Revenue	18,711	19,194	57,185	58,736
Operating costs and expenses	(5,422)	(5,201)	(16,484)	(16,373)
Net margins	13,289	13,993	40,701	42,363
Midwest Terminals:				
Terminaling services fees	2,394	2,159	7,963	5,635
Pipeline transportation fees	—	482	—	1,426
Revenue	2,394	2,641	7,963	7,061
Operating costs and expenses	(474)	(720)	(1,743)	(1,996)
Net margins	1,920	1,921	6,220	5,065
Brownsville Terminals:				
Terminaling services fees	4,427	3,568	12,719	11,232
Pipeline transportation fees	—	405	638	1,205
Management fees	1,454	1,233	4,048	4,002
Revenue	5,881	5,206	17,405	16,439
Operating costs and expenses	(2,329)	(2,312)	(6,920)	(7,449)
Net margins	3,552	2,894	10,485	8,990
River Terminals:				
Terminaling services fees	3,534	3,255	10,449	8,588
Revenue	3,534	3,255	10,449	8,588
Operating costs and expenses	(1,590)	(1,529)	(4,823)	(4,188)
Net margins	1,944	1,726	5,626	4,400
Southeast Terminals:				
Terminaling services fees	19,465	22,439	57,715	65,578
Management fees	298	178	830	710
Revenue	19,763	22,617	58,545	66,288
Operating costs and expenses	(5,809)	(6,428)	(17,641)	(17,330)
Net margins	13,954	16,189	40,904	48,958
West Coast Terminals:				
Terminaling services fees	13,451	13,697	39,822	40,360
Management fees	10	9	30	27
Revenue	13,461	13,706	39,852	40,387
Operating costs and expenses	(4,283)	(4,016)	(14,454)	(14,014)
Net margins	9,178	9,690	25,398	26,373
Central Services:				
Management fees	3,236	2,809	10,473	8,828
Revenue	3,236	2,809	10,473	8,828
Operating costs and expenses	(5,654)	(5,035)	(17,154)	(15,883)
Net margins	(2,418)	(2,226)	(6,681)	(7,055)
Total net margins	41,419	44,187	122,653	129,094
General and administrative expenses	(7,006)	(4,820)	(17,383)	(16,387)
Insurance expenses	(1,391)	(1,258)	(4,109)	(3,746)
Deferred compensation expense	(231)	(309)	(1,219)	(1,574)
Depreciation and amortization	(14,946)	(14,674)	(44,656)	(42,557)
Earnings from unconsolidated affiliates	1,393	1,789	5,748	5,792
Operating income	19,238	24,915	61,034	70,622
Other expenses	(8,068)	(8,085)	(24,255)	(25,773)
Net earnings	<u>\$ 11,170</u>	<u>\$ 16,830</u>	<u>\$ 36,779</u>	<u>\$ 44,849</u>

TransMontaigne Partners LLC and Subsidiaries
Notes to consolidated financial statements (unaudited) (continued)

Supplemental information about our business segments is summarized below (in thousands):

Three months ended September 30, 2021								
	Gulf Coast Terminals	Midwest Terminals	Brownsville Terminals	River Terminals	Southeast Terminals	West Coast Terminals	Central Services	Total
Revenue:								
External customers	\$ 16,457	\$ 2,394	\$ 3,034	\$ 3,534	\$ 19,763	\$ 13,461	\$ —	\$ 58,643
Affiliate customers	2,254	—	2,847	—	—	—	3,236	8,337
Revenue	\$ 18,711	\$ 2,394	\$ 5,881	\$ 3,534	\$ 19,763	\$ 13,461	\$ 3,236	\$ 66,980
Capital expenditures	\$ 3,589	\$ 14	\$ 2,412	\$ 719	\$ 3,077	\$ 6,993	\$ 46	\$ 16,850
Identifiable assets	\$ 135,403	\$ 16,936	\$ 111,033	\$ 50,140	\$ 244,199	\$ 273,019	\$ 13,678	\$ 844,408
Cash and cash equivalents								1,046
Investments in unconsolidated affiliates								223,791
Revolving credit facility unamortized deferred debt issuance costs, net								844
Other								3,921
Total assets								\$ 1,074,010

Three months ended September 30, 2020								
	Gulf Coast Terminals	Midwest Terminals	Brownsville Terminals	River Terminals	Southeast Terminals	West Coast Terminals	Central Services	Total
Revenue:								
External customers	\$ 17,005	\$ 2,641	\$ 3,345	\$ 3,255	\$ 22,617	\$ 13,706	\$ —	\$ 62,569
Affiliate customers	2,189	—	1,861	—	—	—	2,809	6,859
Revenue	\$ 19,194	\$ 2,641	\$ 5,206	\$ 3,255	\$ 22,617	\$ 13,706	\$ 2,809	\$ 69,428
Capital expenditures	\$ 2,370	\$ 567	\$ 4,550	\$ 3,782	\$ 11,933	\$ 1,486	\$ 114	\$ 24,802

Nine months ended September 30, 2021								
	Gulf Coast Terminals	Midwest Terminals	Brownsville Terminals	River Terminals	Southeast Terminals	West Coast Terminals	Central Services	Total
Revenue:								
External customers	\$ 50,548	\$ 7,963	\$ 10,707	\$ 10,449	\$ 58,545	\$ 39,852	\$ —	\$ 178,064
Affiliate customers	6,637	—	6,698	—	—	—	10,473	23,808
Revenue	\$ 57,185	\$ 7,963	\$ 17,405	\$ 10,449	\$ 58,545	\$ 39,852	\$ 10,473	\$ 201,872
Capital expenditures	\$ 6,011	\$ 66	\$ 8,511	\$ 4,552	\$ 8,266	\$ 10,919	\$ 118	\$ 38,443

Nine months ended September 30, 2020								
	Gulf Coast Terminals	Midwest Terminals	Brownsville Terminals	River Terminals	Southeast Terminals	West Coast Terminals	Central Services	Total
Revenue:								
External customers	\$ 52,315	\$ 7,061	\$ 10,493	\$ 8,588	\$ 66,288	\$ 40,387	\$ —	\$ 185,132
Affiliate customers	6,421	—	5,946	—	—	—	8,828	21,195
Revenue	\$ 58,736	\$ 7,061	\$ 16,439	\$ 8,588	\$ 66,288	\$ 40,387	\$ 8,828	\$ 206,327
Capital expenditures	\$ 6,330	\$ 924	\$ 15,036	\$ 5,794	\$ 18,940	\$ 5,545	\$ 998	\$ 53,567

(16) SUBSEQUENT EVENT

No subsequent transactions or events warranted recognition or disclosure in the accompanying financials or notes thereto.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RECENT DEVELOPMENTS

COVID-19. We have taken proactive measures to deliver our services safely and reliably during the ongoing COVID-19 pandemic. At the outset of the pandemic, we activated an Incident Support Team to execute our Infectious Disease Control Policy, and to focus on a number of priorities, including: (i) implement basic infection prevention techniques and other workplace protections in our business operations; (ii) identify and isolate individuals suspected of being infected by COVID-19; (iii) identify risk factors in our workforce that may increase the possibility of exposure to COVID-19; and (iv) develop a contingency plan for the possibility that a serious outbreak does occur in the area of any of our terminals. We continue to follow recommendations from public health authorities and have taken steps to help prevent our employees' exposure to the spread of COVID-19, including, where practical, work-at-home plans enacted in March 2020 and the implementation of business continuity plans to enable the integrity of our operations and protect the health of our employees.

To date, our operations, employees, and financial position have not been materially impacted by the COVID-19 pandemic. We have provided our customers continued access and utilization of our strategic terminal network. We continue to employ all current safety processes and procedures in the normal course. In addition, we provide an essential service across our markets, which has been recognized in most relevant regulatory guidance regarding COVID-19. Further, approximately 82% of our current terminaling services revenue is derived from firm commitments pursuant to our multi-year agreements that require our customers to make minimum payments based on minimum volumes of throughput of the customer's product or the volume of storage capacity available to the customer under the agreement, and the majority of our terminaling services agreements have a remaining term in excess of one year. To date, we have not experienced any material instance of our customers failing to meet their contractual commitments to us as a result of these recent developments. The nature of our revenues and agreements therefore remains somewhat insulated from any potential increases or decreases to demand and pricing for crude oil, refined petroleum products, renewable products, and other products that we handle, including as a result of public and governmental responses with respect to travel and economic activity in light of COVID-19.

There continue to be too many variables and uncertainties regarding COVID-19 — including the continued global spread of the virus, new variants, the duration and severity of the outbreak and the extent of current and future travel and business restrictions or business closures, and medical advancements in treating and vaccinating against the disease — to reasonably predict the potential longer-term impact of COVID-19 on our business and operations. We continue to monitor the situation, have actively implemented policies and practices to address the situation and actively protect our employees, and may adjust our current policies and practices as more information and guidance become available.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

A summary of the significant accounting policies that we have adopted and followed in the preparation of our consolidated financial statements is detailed in Note 1 of Notes to consolidated financial statements as of and for the three and nine months ended September 30, 2021. Certain of these accounting policies require the use of estimates. The following estimates, in management's opinion, are subjective in nature, require the exercise of judgment, and involve complex analyses: useful lives of our plant and equipment and accrued environmental obligations. These estimates are based on our knowledge and understanding of current conditions and actions we may take in the future. Changes in these estimates will occur as a result of the passage of time and the occurrence of future events. Subsequent changes in these estimates may have a significant impact on our financial condition and results of operations.

RESULTS OF OPERATIONS—THREE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

We operate our business and report our results of operations in seven principal business segments: (i) Gulf Coast terminals, (ii) Midwest terminals, (iii) Brownsville terminals including management of the Frontera joint venture, (iv) River terminals, (v) Southeast terminals, (vi) West Coast terminals and (vii) Central services. Our Central services

segment primarily represents the costs of employees performing operating oversight functions, engineering, health, safety and environmental services to our terminals and terminals that we operate or manage, including for affiliate terminals owned by ArcLight. In addition, Central services represent the cost of employees at affiliate terminals owned by ArcLight that we operate. We receive a fee from these affiliates based on our costs incurred.

The following discussion and analysis of the results of operations and financial condition should be read in conjunction with the accompanying unaudited consolidated financial statements.

ANALYSIS OF REVENUE

Total revenue. We derive revenue from our operations by charging fees for providing integrated terminaling, transportation and related services. Our total revenue by category was as follows (in thousands):

Total Revenue by Category

	Three months ended September 30,	
	2021	2020
Terminaling services fees	\$ 61,970	\$ 64,306
Pipeline transportation fees	—	887
Management fees	5,010	4,235
Revenue	<u>\$ 66,980</u>	<u>\$ 69,428</u>

See discussion below for a detailed analysis of terminaling services fees, pipeline transportation fees and management fees included in the table above.

The aggregate revenue of each of our business segments was as follows (in thousands):

Total Revenue by Business Segment

	Three months ended September 30,	
	2021	2020
Gulf Coast terminals	\$ 18,711	\$ 19,194
Midwest terminals	2,394	2,641
Brownsville terminals	5,881	5,206
River terminals	3,534	3,255
Southeast terminals	19,763	22,617
West Coast terminals	13,461	13,706
Central services	3,236	2,809
Revenue	<u>\$ 66,980</u>	<u>\$ 69,428</u>

Total revenue by business segment is presented and further analyzed below by category of revenue.

Terminaling services fees. Our terminaling services agreements are structured as either throughput agreements or storage agreements. Our throughput agreements contain provisions that require our customers to make minimum payments, which are based on contractually established minimum volume of throughput of the customer's product at our facilities over a stipulated period of time. Due to this minimum payment arrangement, we recognize a fixed amount of revenue from the customer over a certain period of time, even if the customer throughputs less than the minimum volume of product during that period. In addition, if a customer throughputs a volume of product exceeding the minimum volume, we would recognize additional revenue on this incremental volume. Our storage agreements require our customers to make minimum payments based on the volume of storage capacity available to the customer under the agreement, which results in a fixed amount of recognized revenue.

We refer to the fixed amount of revenue recognized pursuant to our terminaling services agreements as being "firm

commitments.” Revenue recognized in excess of firm commitments and revenue recognized based solely on the volume of product distributed or injected are referred to as “ancillary.” In addition, “ancillary” revenue also includes fees received from ancillary services including heating and mixing of stored products, product transfer, railcar handling, butane blending, proceeds from the sale of product gains, wharfage and vapor recovery.

The terminaling services fees by business segments were as follows (in thousands):

Terminating Services Fees by Business Segment

	Three months ended September 30,	
	2021	2020
Gulf Coast terminals	\$ 18,699	\$ 19,188
Midwest terminals	2,394	2,159
Brownsville terminals	4,427	3,568
River terminals	3,534	3,255
Southeast terminals	19,465	22,439
West Coast terminals	13,451	13,697
Central services	—	—
Terminating services fees	<u>\$ 61,970</u>	<u>\$ 64,306</u>

The decrease in terminaling services fees at our Southeast terminals is primarily due to a customer terminating its terminaling services agreement effective December 31, 2020 at our Collins/Purvis, Mississippi terminal. During the second and third quarters of 2021 we re-contracted a portion of the available capacity. We are currently in the process of identifying potential parties to re-contract the remaining available capacity at our Collins/Purvis, Mississippi terminal.

Included in terminaling services fees for the three months ended September 30, 2021 and 2020, are fees charged to affiliates of approximately \$3.7 million and \$2.9 million, respectively.

The “firm commitments” and “ancillary” revenue included in terminaling services fees were as follows (in thousands):

Firm Commitments and Ancillary Revenue

	Three months ended September 30,	
	2021	2020
Firm commitments	\$ 50,916	\$ 53,754
Ancillary	11,054	10,552
Terminating services fees	<u>\$ 61,970</u>	<u>\$ 64,306</u>

The remaining terms on the terminaling services agreements that generated “firm commitments” for the three months ended September 30, 2021 are as follows (in thousands):

Less than 1 year remaining	\$ 12,954	26%
1 year or more, but less than 3 years remaining	22,990	45%
3 years or more, but less than 5 years remaining	3,605	7%
5 years or more remaining ⁽¹⁾	11,367	22%
Total firm commitments for the three months ended September 30, 2021	<u>\$ 50,916</u>	

(1) We have a terminaling services agreement with a third party relating to our Southeast terminals that will continue unless and until the third party provides at least 24 months’ prior notice of its intent to terminate the agreement. Effective at any time from and after July 31, 2040, we have the right to terminate the agreement by providing at least 24 months’ prior notice of our intent to terminate the agreement. We do not believe the third party will terminate the

agreement prior to July 31, 2040; therefore we have presented the firm commitments related to this terminaling services agreement in the 5 years or more remaining category in the table above.

Pipeline transportation fees. We earned pipeline transportation fees at our Diamondback pipeline under a capacity reservation agreement that ended on May 26, 2021. Revenue associated with the capacity reservation agreement was recognized ratably over the respective term, regardless of whether the capacity was actually utilized. We earned pipeline transportation fees at our Razorback pipeline based on an allocation of the aggregate fees charged under the capacity agreement with our customer who was contracted for 100% of our Razorback system through December 31, 2020. Effective January 1, 2021, our customer has leased 100% of our Razorback system and assumed operatorship of the Razorback pipeline and the terminals in Mount Vernon, Missouri and in Rogers, Arkansas. Beginning in 2021, the fees associated with this lease agreement are recognized as terminaling services fees.

The pipeline transportation fees by business segments were as follows (in thousands):

Pipeline Transportation Fees by Business Segment

	<u>Three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Gulf Coast terminals	\$ —	\$ —
Midwest terminals	—	482
Brownsville terminals	—	405
River terminals	—	—
Southeast terminals	—	—
West Coast terminals	—	—
Central services	—	—
Pipeline transportation fees	<u>\$ —</u>	<u>\$ 887</u>

Management fees. We manage and operate certain tank capacity at our Port Everglades South terminal for a major oil company and receive a reimbursement of its proportionate share of operating and maintenance costs. We manage and operate the Frontera joint venture and receive a management fee based on our costs incurred. We lease land under operating leases as the lessor or sublessor with third parties and affiliates. We manage and operate rail sites at certain Southeast terminals on behalf of a major oil company and receive reimbursement for operating and maintenance costs. We manage and operate terminals that are owned by affiliates of ArcLight, including for SeaPort Midstream Partners, LLC in Seattle, Washington and Portland, Oregon and another terminal for SeaPort Sound Terminal, LLC (“SeaPort Sound”) in Tacoma, Washington and receive a management fee based on our costs incurred. We also manage additional terminal facilities that are owned by affiliates of ArcLight, including Lucknow-Highspire Terminals, LLC, which operates terminals throughout Pennsylvania encompassing approximately 9.9 million barrels of storage capacity and we receive a management fee based on our costs incurred.

The management fees by business segments were as follows (in thousands):

Management Fees by Business Segment

	<u>Three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Gulf Coast terminals	\$ 12	\$ 6
Midwest terminals	—	—
Brownsville terminals	1,454	1,233
River terminals	—	—
Southeast terminals	298	178
West Coast terminals	10	9
Central services	3,236	2,809
Management fees	<u>\$ 5,010</u>	<u>\$ 4,235</u>

Included in management fees for the three months ended September 30, 2021 and 2020, are fees charged to affiliates of approximately \$4.6 million and \$4.0 million, respectively.

ANALYSIS OF COSTS AND EXPENSES

The operating costs and expenses of our operations include wages and employee benefits, utilities, communications, repairs and maintenance, rent, property taxes, vehicle expenses, environmental compliance costs, materials and supplies needed to operate our terminals and pipelines. Consistent with historical trends across our terminaling and transportation facilities, repairs and maintenance expenses can vary from period to period based on project maintenance schedules and other factors such as weather.

The operating costs and expenses of our operations were as follows (in thousands):

Operating Costs and Expenses

	<u>Three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Wages and employee benefits	\$ 13,180	\$ 12,210
Utilities and communication charges	2,577	2,043
Repairs and maintenance	2,472	3,912
Office, rentals and property taxes	3,890	3,435
Vehicles and fuel costs	274	267
Environmental compliance costs	893	982
Other	2,275	2,392
Operating costs and expenses	<u>\$ 25,561</u>	<u>\$ 25,241</u>

The operating costs and expenses of our business segments were as follows (in thousands):

Operating Costs and Expenses by Business Segment

	<u>Three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Gulf Coast terminals	\$ 5,422	\$ 5,201
Midwest terminals	474	720
Brownsville terminals	2,329	2,312
River terminals	1,590	1,529
Southeast terminals	5,809	6,428
West Coast terminals	4,283	4,016
Central services	5,654	5,035
Operating costs and expenses	<u>\$ 25,561</u>	<u>\$ 25,241</u>

General and administrative expenses cover the costs of corporate functions such as legal, accounting, treasury, insurance administration and claims processing, information technology, human resources, credit, payroll, taxes and other corporate services. General and administrative expenses also include third party accounting costs associated with annual and quarterly reports and tax return preparation and distribution, and legal fees. The general and administrative expenses were approximately \$7.0 million and \$4.8 million for the three months ended September 30, 2021 and 2020, respectively.

Insurance expenses include charges for insurance premiums to cover costs of insuring activities such as property, casualty, pollution, automobile, directors' and officers' liability, and other insurable risks. For the three months ended September 30, 2021 and 2020, the expense associated with insurance was approximately \$1.4 million and \$1.3 million, respectively.

Deferred compensation expense includes expense associated with awards granted to certain employees who provide service to us that vest over future service periods. The expense associated with these deferred compensation awards was approximately \$0.2 million and \$0.3 million for the three months ended September 30, 2021 and 2020, respectively.

For the three months ended September 30, 2021 and 2020, depreciation and amortization expense was approximately \$14.9 million and \$14.7 million, respectively.

For both of the three months ended September 30, 2021 and 2020, interest expense was approximately \$7.4 million.

ANALYSIS OF INVESTMENTS IN UNCONSOLIDATED AFFILIATES

Our investments in unconsolidated affiliates include a 42.5% Class A ownership interest in BOSTCO and a 50% ownership interest in Frontera. BOSTCO is a terminal facility located on the Houston Ship Channel that encompasses approximately 7.1 million barrels of distillate, residual and other black oil product storage. Class A and Class B ownership interests share in cash distributions on a 96.5% and 3.5% basis, respectively. Class B ownership interests do not have voting rights and are not required to make capital investments. Frontera is a terminal facility located in Brownsville, Texas that encompasses approximately 1.7 million barrels of light petroleum product storage, as well as related ancillary facilities.

Earnings from investments in unconsolidated affiliates was as follows (in thousands):

	Three months ended September 30,	
	2021	2020
BOSTCO	\$ 1,063	\$ 1,132
Frontera	330	657
Total earnings from investments in unconsolidated affiliates	<u>\$ 1,393</u>	<u>\$ 1,789</u>

Additional capital investments in unconsolidated affiliates for the funding of growth projects was as follows (in thousands):

	Three months ended September 30,	
	2021	2020
BOSTCO	\$ 527	\$ 2,508
Frontera	—	—
Additional capital investments in unconsolidated affiliates	<u>\$ 527</u>	<u>\$ 2,508</u>

Cash distributions received from unconsolidated affiliates was as follows (in thousands):

	Three months ended September 30,	
	2021	2020
BOSTCO	\$ 2,998	\$ 3,201
Frontera	947	339
Cash distributions received from unconsolidated affiliates	<u>\$ 3,945</u>	<u>\$ 3,540</u>

RESULTS OF OPERATIONS—NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

We operate our business and report our results of operations in seven principal business segments: (i) Gulf Coast terminals, (ii) Midwest terminals, (iii) Brownsville terminals including management of the Frontera joint venture, (iv) River terminals, (v) Southeast terminals, (vi) West Coast terminals and (vii) Central services. Our Central services segment primarily represents the costs of employees performing operating oversight functions, engineering, health, safety and environmental services to our terminals and terminals that we operate or manage, including for affiliate

terminals owned by ArcLight. In addition, Central services represent the cost of employees at affiliate terminals owned by ArcLight that we operate. We receive a fee from these affiliates based on our costs incurred.

The following discussion and analysis of the results of operations and financial condition should be read in conjunction with the accompanying unaudited consolidated financial statements.

ANALYSIS OF REVENUE

Total revenue. We derive revenue from our operations by charging fees for providing integrated terminaling, transportation and related services. Our total revenue by category was as follows (in thousands):

Total Revenue by Category

	<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Terminaling services fees	\$ 185,816	\$ 190,111
Pipeline transportation fees	638	2,631
Management fees	15,418	13,585
Revenue	<u>\$ 201,872</u>	<u>\$ 206,327</u>

See discussion below for a detailed analysis of terminaling services fees, pipeline transportation fees and management fees included in the table above.

The aggregate revenue of each of our business segments was as follows (in thousands):

Total Revenue by Business Segment

	<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Gulf Coast terminals	\$ 57,185	\$ 58,736
Midwest terminals	7,963	7,061
Brownsville terminals	17,405	16,439
River terminals	10,449	8,588
Southeast terminals	58,545	66,288
West Coast terminals	39,852	40,387
Central services	10,473	8,828
Revenue	<u>\$ 201,872</u>	<u>\$ 206,327</u>

Total revenue by business segment is presented and further analyzed below by category of revenue.

Terminaling services fees. Our terminaling services agreements are structured as either throughput agreements or storage agreements. Our throughput agreements contain provisions that require our customers to make minimum payments, which are based on contractually established minimum volume of throughput of the customer's product at our facilities over a stipulated period of time. Due to this minimum payment arrangement, we recognize a fixed amount of revenue from the customer over a certain period of time, even if the customer throughputs less than the minimum volume of product during that period. In addition, if a customer throughputs a volume of product exceeding the minimum volume, we would recognize additional revenue on this incremental volume. Our storage agreements require our customers to make minimum payments based on the volume of storage capacity available to the customer under the agreement, which results in a fixed amount of recognized revenue.

We refer to the fixed amount of revenue recognized pursuant to our terminaling services agreements as being "firm commitments." Revenue recognized in excess of firm commitments and revenue recognized based solely on the volume of product distributed or injected are referred to as "ancillary." In addition, "ancillary" revenue also includes fees received from ancillary services including heating and mixing of stored products, product transfer, railcar handling, butane

blending, proceeds from the sale of product gains, wharfage and vapor recovery.

The terminaling services fees by business segments were as follows (in thousands):

Terminaling Services Fees by Business Segment

	<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Gulf Coast terminals	\$ 57,148	\$ 58,718
Midwest terminals	7,963	5,635
Brownsville terminals	12,719	11,232
River terminals	10,449	8,588
Southeast terminals	57,715	65,578
West Coast terminals	39,822	40,360
Central services	—	—
Terminaling services fees	<u>\$ 185,816</u>	<u>\$ 190,111</u>

The decrease in terminaling services fees at our Gulf Coast terminals is primarily due to a customer terminating its terminaling services agreement effective December 31, 2020 at our Port Everglades North terminal. The available capacity was re-contracted during the fourth quarter of 2021.

Effective January 1, 2021, our customer has leased 100% of our Razorback system and assumed operatorship of the Razorback pipeline and the terminals in Mount Vernon, Missouri and in Rogers, Arkansas in our Midwest terminals segment. The fees associated with this lease agreement are recognized as terminaling services fees. Prior to January 1, 2021, we earned pipeline transportation fees at our Razorback pipeline based on an allocation of the aggregate fees charged under a capacity agreement with our customer who was contracted for 100% of our Razorback system through December 31, 2020.

The increase in terminaling services fees at our Brownsville terminals is primarily due to placing into service a newly constructed 175,000 barrel tank and construction of gasoline railcar loading capabilities during the first quarter of 2021.

The decrease in terminaling services fees at our Southeast terminals is primarily due to a customer terminating its terminaling services agreement effective December 31, 2020 at our Collins/Purvis, Mississippi terminal. During the second and third quarters of 2021 we re-contracted a portion of the available capacity. We are currently in the process of identifying potential parties to re-contract the remaining available capacity.

Included in terminaling services fees for the nine months ended September 30, 2021 and 2020, are fees charged to affiliates of approximately \$9.3 million and \$8.3 million, respectively.

The “firm commitments” and “ancillary” revenue included in terminaling services fees were as follows (in thousands):

Firm Commitments and Ancillary Revenue

	<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Firm commitments	\$ 152,240	\$ 157,633
Ancillary	33,576	32,478
Terminaling services fees	<u>\$ 185,816</u>	<u>\$ 190,111</u>

Pipeline transportation fees. We earned pipeline transportation fees at our Diamondback pipeline under a capacity reservation agreement that ended on May 26, 2021. Revenue associated with the capacity reservation agreement was recognized ratably over the respective term, regardless of whether the capacity was actually utilized. We earned pipeline transportation fees at our Razorback pipeline based on an allocation of the aggregate fees charged under the capacity agreement with our customer who was contracted for 100% of our Razorback system through December 31, 2020. Effective January 1, 2021, our customer has leased 100% of our Razorback system and assumed operatorship of the Razorback pipeline and the terminals in Mount Vernon, Missouri and in Rogers, Arkansas. Beginning in 2021, the fees associated with this lease agreement are recognized as terminaling services fees.

The pipeline transportation fees by business segments were as follows (in thousands):

Pipeline Transportation Fees by Business Segment

	Nine months ended September 30,	
	2021	2020
Gulf Coast terminals	\$ —	\$ —
Midwest terminals	—	1,426
Brownsville terminals	638	1,205
River terminals	—	—
Southeast terminals	—	—
West Coast terminals	—	—
Central services	—	—
Pipeline transportation fees	<u>\$ 638</u>	<u>\$ 2,631</u>

Management fees. We manage and operate certain tank capacity at our Port Everglades South terminal for a major oil company and receive a reimbursement of its proportionate share of operating and maintenance costs. We manage and operate the Frontera joint venture and receive a management fee based on our costs incurred. We lease land under operating leases as the lessor or sublessor with third parties and affiliates. We manage and operate rail sites at certain Southeast terminals on behalf of a major oil company and receive reimbursement for operating and maintenance costs. We manage and operate terminals that are owned by affiliates of ArcLight, including for SeaPort Midstream Partners, LLC in Seattle, Washington and Portland, Oregon and another terminal for SeaPort Sound Terminal, LLC (“SeaPort Sound”) in Tacoma, Washington and receive a management fee based on our costs incurred. We also manage additional terminal facilities that are owned by affiliates of ArcLight, including Lucknow-Highspire Terminals, LLC, which operates terminals throughout Pennsylvania encompassing approximately 9.9 million barrels of storage capacity and we receive a management fee based on our costs incurred.

The management fees by business segments were as follows (in thousands):

Management Fees by Business Segment

	Nine months ended September 30,	
	2021	2020
Gulf Coast terminals	\$ 37	\$ 18
Midwest terminals	—	—
Brownsville terminals	4,048	4,002
River terminals	—	—
Southeast terminals	830	710
West Coast terminals	30	27
Central services	10,473	8,828
Management fees	<u>\$ 15,418</u>	<u>\$ 13,585</u>

Included in management fees for the nine months ended September 30, 2021 and 2020, are fees charged to affiliates of approximately \$14.5 million and \$12.8 million, respectively.

ANALYSIS OF COSTS AND EXPENSES

The operating costs and expenses of our operations include wages and employee benefits, utilities, communications, repairs and maintenance, rent, property taxes, vehicle expenses, environmental compliance costs, materials and supplies needed to operate our terminals and pipelines. Consistent with historical trends across our terminaling and transportation facilities, repairs and maintenance expenses can vary from period to period based on project maintenance schedules and other factors such as weather.

The operating costs and expenses of our operations were as follows (in thousands):

Operating Costs and Expenses

	<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Wages and employee benefits	\$ 39,604	\$ 36,828
Utilities and communication charges	7,266	6,652
Repairs and maintenance	9,238	11,117
Office, rentals and property taxes	11,516	10,309
Vehicles and fuel costs	778	801
Environmental compliance costs	4,174	2,772
Other	6,643	8,754
Operating costs and expenses	<u>\$ 79,219</u>	<u>\$ 77,233</u>

The operating costs and expenses of our business segments were as follows (in thousands):

Operating Costs and Expenses by Business Segment

	<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Gulf Coast terminals	\$ 16,484	\$ 16,373
Midwest terminals	1,743	1,996
Brownsville terminals	6,920	7,449
River terminals	4,823	4,188
Southeast terminals	17,641	17,330
West Coast terminals	14,454	14,014
Central services	17,154	15,883
Operating costs and expenses	<u>\$ 79,219</u>	<u>\$ 77,233</u>

General and administrative expenses cover the costs of corporate functions such as legal, accounting, treasury, insurance administration and claims processing, information technology, human resources, credit, payroll, taxes and other corporate services. General and administrative expenses also include third party accounting costs associated with annual and quarterly reports and tax return preparation and distribution, and legal fees. The general and administrative expenses were approximately \$17.4 million and \$16.4 million for the nine months ended September 30, 2021 and 2020, respectively.

Insurance expenses include charges for insurance premiums to cover costs of insuring activities such as property, casualty, pollution, automobile, directors' and officers' liability, and other insurable risks. For the nine months ended September 30, 2021 and 2020, the expense associated with insurance was approximately \$4.1 million and \$3.7 million, respectively.

Deferred compensation expense includes expense associated with awards granted to certain employees who provide service to us that vest over future service periods. The expense associated with these deferred compensation awards was approximately \$1.2 million and \$1.6 million for the nine months ended September 30, 2021 and 2020, respectively.

For the nine months ended September 30, 2021 and 2020, depreciation and amortization expense was approximately \$44.7 million and \$42.6 million, respectively. The increase in depreciation and amortization expense for the nine months ended September 30, 2021 is attributable to placing expansion projects in service throughout the past year.

For the nine months ended September 30, 2021 and 2020, interest expense was approximately \$22.3 million and \$23.9 million, respectively. The decrease in interest expense for the nine months ended September 30, 2021 is attributable to decreases in LIBOR based interest rates.

ANALYSIS OF INVESTMENTS IN UNCONSOLIDATED AFFILIATES

Our investments in unconsolidated affiliates include a 42.5% Class A ownership interest in BOSTCO and a 50% ownership interest in Frontera. BOSTCO is a terminal facility located on the Houston Ship Channel that encompasses approximately 7.1 million barrels of distillate, residual and other black oil product storage. Class A and Class B ownership interests share in cash distributions on a 96.5% and 3.5% basis, respectively. Class B ownership interests do not have voting rights and are not required to make capital investments. Frontera is a terminal facility located in Brownsville, Texas that encompasses approximately 1.7 million barrels of light petroleum product storage, as well as related ancillary facilities.

Earnings from investments in unconsolidated affiliates was as follows (in thousands):

	<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
BOSTCO	\$ 4,156	\$ 3,942
Frontera	1,592	1,850
Total earnings from investments in unconsolidated affiliates	<u>\$ 5,748</u>	<u>\$ 5,792</u>

Additional capital investments in unconsolidated affiliates for the funding of growth projects was as follows (in thousands):

	<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
BOSTCO	\$ 3,349	\$ 5,679
Frontera	—	—
Additional capital investments in unconsolidated affiliates	<u>\$ 3,349</u>	<u>\$ 5,679</u>

Cash distributions received from unconsolidated affiliates was as follows (in thousands):

	<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
BOSTCO	\$ 8,090	\$ 8,254
Frontera	3,164	1,633
Cash distributions received from unconsolidated affiliates	<u>\$ 11,254</u>	<u>\$ 9,887</u>

LIQUIDITY AND CAPITAL RESOURCES

Our primary liquidity needs are to fund our debt service obligations, working capital requirements and capital projects, including additional investments and expansion, development and acquisition opportunities. We expect to fund any additional investments, capital projects and future expansion, development and acquisition opportunities with cash flows from operations and additional borrowings under our revolving credit facility.

Net cash provided by (used in) operating activities, investing activities and financing activities were as follows (in thousands):

	<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Net cash provided by operating activities	\$ 83,223	\$ 94,741
Net cash used in investing activities	\$ (41,792)	\$ (59,246)
Net cash used in financing activities	\$ (40,980)	\$ (34,173)

The decrease in net cash provided by operating activities is primarily related to the timing of working capital requirements.

The decrease in net cash used in investing activities is primarily related to less construction spend in 2021.

Additional investments and expansion capital projects at our terminals have been approved and currently are, or will be, under construction with estimated completion dates throughout 2022. At September 30, 2021, the remaining expenditures to complete the approved projects are estimated to be approximately \$30 million. These expenditures primarily relate to the construction costs associated with the expansion of our Brownsville and West Coast operations.

The increase in net cash used in financing activities includes a decrease of approximately \$9.7 million in net borrowings under our revolving credit facility primarily due to less spend on growth capital projects in 2021 and a decrease of approximately \$3.1 million in distributions to TLP Finance.

Third amended and restated senior secured credit facility. Our revolving credit facility provides for a maximum borrowing line of credit equal to \$850 million. At our request, the maximum borrowing line of credit may be increased by an additional \$250 million, subject to the approval of the administrative agent and the receipt of additional commitments from one or more lenders. The terms of our revolving credit facility include covenants that restrict our ability to make cash distributions, acquisitions and investments, including investments in joint ventures. We may make distributions of cash to the extent of our “available cash” as defined in our LLC agreement. We may make acquisitions and investments that meet the definition of “permitted acquisitions”; “other investments” which may not exceed 5% of “consolidated net tangible assets”; and additional future “permitted JV investments” up to \$175 million, which may include additional investments in BOSTCO. The principal balance of loans and any accrued and unpaid interest are due and payable in full on the maturity date, March 13, 2022, and is therefore presented as a current liability in our consolidated balance sheet as of September 30 2021. We expect to renew or extend our revolving credit facility prior to the maturity date.

We may elect to have loans under our revolving credit facility bear interest either (i) at a rate of LIBOR plus a margin ranging from 1.75% to 2.75% depending on the total leverage ratio then in effect, or (ii) at the base rate plus a margin ranging from 0.75% to 1.75% depending on the total leverage ratio then in effect. We also pay a commitment fee on the unused amount of commitments, ranging from 0.375% to 0.5% per annum, depending on the total leverage ratio then in effect. Our obligations under our revolving credit facility are secured by a first priority security interest in favor of the lenders in the majority of our assets, including our investments in unconsolidated affiliates. At September 30, 2021, our outstanding borrowings under our revolving credit facility were \$345.0 million.

Our revolving credit facility also contains customary representations and warranties (including those relating to organization and authorization, compliance with laws, absence of defaults, material agreements and litigation) and customary events of default (including those relating to monetary defaults, covenant defaults, cross defaults, changes in our control and bankruptcy events). The primary financial covenants contained in our revolving credit facility are (i) a

total leverage ratio test (not to exceed 5.25 to 1.0), (ii) a senior secured leverage ratio test (not to exceed 3.75 to 1.0), and (iii) a minimum interest coverage ratio test (not less than 2.75 to 1.0). These financial covenants are based on a non-GAAP, defined financial performance measure within our revolving credit facility known as “Consolidated EBITDA.” We were in compliance with all financial covenants as of and during the three and nine months ended September 30, 2021 and the year ended December 31, 2020.

If we were to fail a financial performance covenant, or any other covenant contained in our revolving credit facility, we would seek a waiver from our lenders under such facility. If we were unable to obtain a waiver from our lenders and the default remained uncured after any applicable grace period, we would be in breach of our revolving credit facility, and the lenders would be entitled to declare all outstanding borrowings immediately due and payable.

Senior notes. On February 12, 2018, the Company and TLP Finance Corp., our wholly owned subsidiary, issued at par \$300 million of 6.125% senior notes, due in 2026. The senior notes remain outstanding and the Company is voluntarily filing with the Securities and Exchange Commission pursuant to the covenants contained in the senior notes. The senior notes contain customary covenants (including those relating to our voluntary filing of this report and certain restrictions and obligations with respect to types of payments we may make, indebtedness we may incur, transactions we may pursue, or changes in our control) and customary events of default (including those relating to monetary defaults, covenant defaults, cross defaults and bankruptcy events). We may, at any time and from time to time, seek to retire or purchase our outstanding debt through cash purchases, open-market purchases, privately negotiated transactions or otherwise. Such repurchases, if any, will be upon such terms and at such prices as we may determine, and will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information contained in this Item 3 updates, and should be read in conjunction with, information set forth in Part II, Item 7A of our Annual Report on Form 10-K, filed on March 5, 2021 in addition to the interim unaudited consolidated financial statements, accompanying notes and Management’s Discussion and Analysis of Financial Condition and Results of Operations presented in Part 1, Items 1 and 2 of this Quarterly Report on Form 10-Q. There are no material changes in the market risks faced by us from those reported in our Annual Report on Form 10-K for the year ended December 31, 2020.

Market risk is the risk of loss arising from adverse changes in market rates and prices. A principal market risk to which we are exposed is interest rate risk associated with borrowings under our revolving credit facility. Borrowings under our revolving credit facility bear interest at a variable rate based on LIBOR or the lender’s base rate. At September 30, 2021, we had outstanding borrowings of \$345.0 million under our revolving credit facility. Based on the outstanding balance of our variable-interest-rate debt at September 30, 2021, assuming market interest rates increase or decrease by 100 basis points, the potential annual increase or decrease in interest expense is approximately \$3.5 million.

We do not purchase or market products that we handle or transport and, therefore, we do not have material direct exposure to changes in commodity prices, except for the value of product gains arising from certain of our terminaling services agreements with our customers. We do not use derivative commodity instruments to manage the commodity risk associated with the product we may own at any given time. Generally, to the extent we are entitled to retain product pursuant to terminaling services agreements with our customers, we sell the product to our customers on a contractually established periodic basis; the sales price is based on industry indices.

ITEM 4. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit to the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified by the Commission’s rules and forms, and that information is accumulated and communicated to the management of the Company, including the Company’s principal executive and principal financial officer (whom we refer to as the Certifying Officers), as appropriate to allow timely decisions regarding required disclosure. The management of the

Company evaluated, with the participation of the Certifying Officers, the effectiveness of our disclosure controls and procedures as of September 30, 2021, pursuant to Rule 13a-15(b) under the Exchange Act. Based upon that evaluation, the Certifying Officers concluded that, as of September 30, 2021, our disclosure controls and procedures were effective. There were no changes in our internal control over financial reporting that occurred during our most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II. Other Information

ITEM 1. LEGAL PROCEEDINGS

See Part I, Item 1, Note 12 to our unaudited consolidated financial statements entitled “Legal proceedings” which is incorporated into this item by reference.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the risk factors and other cautionary statements described under the heading “Item 1A. Risk Factors” included in our Annual Report on Form 10-K filed on March 5, 2021, which could materially affect our business, financial condition, or future results. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition, or future results.

There have been no material changes from risk factors as previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2020, filed on March 5, 2021.

ITEM 6. EXHIBITS

Exhibit number	Description of exhibits
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following financial information from the Quarterly Report on Form 10-Q of TransMontaigne Partners LLC and subsidiaries for the quarter ended September 30, 2021, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) consolidated balance sheets, (ii) consolidated statements of operations, (iii) consolidated statements of equity, (iv) consolidated statements of cash flows and (v) notes to consolidated financial statements.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: November 12, 2021

TRANSMONTAIGNE PARTNERS LLC

By: /s/ FREDERICK W. BOUTIN
Frederick W. Boutin
Chief Executive Officer

By: /s/ ROBERT T. FULLER
Robert T. Fuller
Chief Financial Officer

**Certification Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002**

I, Frederick W. Boutin, Chief Executive Officer of TransMontaigne Partners LLC, a Delaware limited liability company (the "Company"), certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of TransMontaigne Partners LLC for the fiscal quarter ended September 30, 2021;
2. Based on my knowledge, this report 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures within 90 days of this report and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2021

/s/ FREDERICK W. BOUTIN
Frederick W. Boutin
Chief Executive Officer

**Certification Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002**

I, Robert T. Fuller, Chief Financial Officer of TransMontaigne Partners LLC, a Delaware limited liability company (the "Company"), certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of TransMontaigne Partners LLC for the fiscal quarter ended September 30, 2021;
2. Based on my knowledge, this report 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures within 90 days of this report and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2021

/s/ ROBERT T. FULLER

Robert T. Fuller
Chief Financial Officer

**Certification of Chief Executive Officer
Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002
(18 U.S.C. Section 1350)**

The undersigned, the Chief Executive Officer of TransMontaigne Partners LLC, a Delaware limited liability company (the "Company"), hereby certifies that, to his knowledge on the date hereof:

- (a) the Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended September 30, 2021, filed on the date hereof with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ FREDERICK W. BOUTIN

Frederick W. Boutin
Chief Executive Officer
November 12, 2021

Certification of Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002
(18 U.S.C. Section 1350)

The undersigned, the Chief Financial Officer of TransMontaigne Partners LLC, a Delaware limited liability company (the "Company"), hereby certifies that, to his knowledge on the date hereof:

- (a) the Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended September 30, 2021, filed on the date hereof with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ ROBERT T. FULLER

Robert T. Fuller
Chief Financial Officer
November 12, 2021
