UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

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

Date of report (Date of earliest event reported): **November 2, 2018**

USA Compression Partners, LP
(Exact Name of Registrant as Specified in Charter)

Delaware	**1-35779**	**75-2771546**
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

100 Congress Avenue **Suite 450** **Austin, TX**	**78701**
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code: **(512) 473-2662**

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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. ☒

ITEM 8.01. OTHER EVENTS.

On March 23, 2018, USA Compression Partners, LP (the "Partnership") and its wholly owned subsidiary, USA Compression Finance Corp. ("Finance Corp" and together with the Partnership, the "Issuers"), co-issued a private placement of $725.0 million aggregate principal amount of 6.875% senior notes due 2026 (the "Senior Notes"), which are guaranteed jointly and severally, on a senior unsecured basis, by the Partnership's existing subsidiaries other than Finance Corp (the "Guarantors"). In connection with the private placement of the Senior Notes, the Partnership and the Guarantors entered into a registration rights agreement with the initial purchasers of the Senior Notes obligating the Partnership and the Guarantors to file an exchange registration statement (the "Registration Statement") with the Securities and Exchange Commission to exchange the Senior Notes and related guarantees for registered notes and guarantees having substantially the same terms as the Senior Notes (the "Exchange Offer"). In connection with the Exchange Offer, the Partnership will become subject to the requirements of Rule 3-10 of Regulation S-X regarding financial statements of guarantors and issuers of guaranteed securities registered or being registered. The Partnership is filing on this Current Report on Form 8-K (this "Current Report") certain financial information required to be included in or incorporated by reference into the Registration Statement by Rule 3-10 of Regulation S-X.

Pursuant to Rule 3-10 of Regulation S-X, the Partnership is filing (i) as Exhibit 99.1 to this Current Report the audited combined financial statements of the CDM Compression Business ("CDM"), the predecessor of the Partnership for financial reporting purposes, as of December 31, 2017 and 2016, and for the years ended December 31, 2017, 2016 and 2015, previously included as Exhibit 99.1 to its Current Report on Form 8-K/A filed on June 11, 2018 (the "8-K/A"), which herein include new disclosures, primarily subsequent events, in Note 1, Note 2, Note 6, Note 8, Note 9 and Note 10 to CDM's combined financial statements, and (ii) as Exhibit 99.2 to this Current Report the unaudited pro forma condensed consolidated statements of operations of the Partnership and CDM for the year ended December 31, 2017 and for the six months ended June 30, 2018. The information in this Current Report is not an amendment to the 8-K/A and is not a restatement of the financial information included therein.

ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS.

(d) ***Exhibits.***

Exhibit No.	Description
23.1	Consent of Grant Thornton LLP.
99.1	Audited combined financial statements and related notes of CDM as of December 31, 2017 and 2016 and for the years ended December 31, 2017, 2016 and 2015.
99.2	Unaudited pro forma condensed consolidated statements of operations of the Partnership and CDM for the year ended December 31, 2017 and for the six months ended June 30, 2018.

SIGNATURE

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 hereunto duly authorized.

USA COMPRESSION PARTNERS, LP

By: USA Compression GP, LLC,
its General Partner

By: /s/ Christopher W. Porter
Christopher W. Porter
Vice President, General Counsel and Secretary

Dated November 2, 2018

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our report dated November 2, 2018, with respect to the combined financial statements of CDM Compression Business as of December 31, 2017 and 2016, and for each of the three years in the period ended December 31, 2017 included in this Current Report of USA Compression Partners, LP on Form 8-K. We hereby consent to the inclusion of said report in the Registration Statements of USA Compression Partners, LP on Form S-3 (No. 333-217391 and 333-211167) and Form S-8 (No. 333-187166).

/s/ GRANT THORNTON LLP

Houston, Texas
November 2, 2018

Exhibit 99.1

CDM Compression Business

Combined Financial Statements
With Report of Independent Registered Public Accounting Firm Thereon

Index to Financial Statements

CDM Compression Business Combined Financial Statements

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Unitholders
USA Compression Partners, LP

Opinion on the financial statements
We have audited the accompanying combined balance sheets of CDM Compression Business (as defined in Note 1) (the “Company”) as of December 31, 2017 and 2016, the related combined statements of operations, member’s equity, and cash flows for each of the three years in the period ended December 31, 2017, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

Basis for opinion
These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ GRANT THORNTON LLP

We have served as the Company’s auditor since 2017.

Houston, Texas
November 2, 2018

CDM Compression Business
Combined balance sheets
(in thousands)

	December 31, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 4,013	$ 14,181
Trade accounts receivable, net of allowance of $780 and $4,878	32,696	40,076
Related party receivables	45	219
Materials and supplies, net of allowance of $1,114 and $899	33,221	32,523
Other current assets	4,209	640
Total current assets	74,184	87,639
Property, plant and equipment	1,882,795	1,735,247
Less accumulated depreciation	(689,874)	(557,847)
	1,192,921	1,177,400
Other non-current assets	205	214
Intangible assets, net of accumulated amortization of $130,944 and $110,424	198,215	218,735
Goodwill	253,428	476,428
Total assets	$ 1,718,953	$ 1,960,416
LIABILITIES AND MEMBER’S EQUITY		
Current liabilities:		
Trade accounts payable	$ 1,383	$ 829
Related party payables	1,977	—
Deferred revenue	2,220	1,835
Other current liabilities	41,513	22,551
Total current liabilities	47,093	25,215
Deferred taxes	3,791	1,990
Other non-current liabilities	3,199	3,988
Commitments and contingencies		
Member’s equity	1,664,870	1,929,223
Total liabilities and member’s equity	$ 1,718,953	$ 1,960,416

See accompanying notes to combined financial statements.

CDM Compression Business
Combined statements of operations
(in thousands)

	Historical Year ended December 31, 2017	2016	2015
Revenues:			
Contract compression and treating revenues	$ 248,890	$ 238,687	$ 281,589
Installation services revenues	10,541	8,377	27,686
Related party revenues	17,240	16,873	15,200
Total revenues	276,671	263,937	324,475
Operating costs and expenses:			
Costs of revenues for compression and treating services, exclusive of depreciation and amortization	23,605	21,842	25,530
Cost of revenues for installation services, exclusive of depreciation and amortization	7,477	5,426	23,828
Operation and maintenance, exclusive of depreciation and amortization	94,122	85,630	89,943
Goodwill impairment	223,000	—	—
General and administrative	24,944	22,739	33,961
(Gain) Loss on asset sales, net	(367)	120	(603)
Depreciation and amortization	166,558	155,134	148,930
Total operating costs and expenses	539,339	290,891	321,589
Operating (loss) income	(262,668)	(26,954)	2,886
Other expense, net	(223)	(153)	(140)
(Loss) income before income tax expense (benefit)	(262,891)	(27,107)	2,746
Income tax expense (benefit)	1,843	(163)	(1,445)
Net (loss) income	$ (264,734)	$ (26,944)	$ 4,191

See accompanying notes to combined financial statements.

CDM Compression Business
Combined statements of member's equity
(in thousands)

	Member's equity
Balance at December 31, 2014	$ 1,930,817
Net income	4,191
Contributions from member, net	107,988
Balance at December 31, 2015	2,042,996
Net loss	(26,944)
Distributions to member, net	(86,829)
Balance at December 31, 2016	1,929,223
Net loss	(264,734)
Contributions from member, net	381
Balance at December 31, 2017	$ 1,664,870

See accompanying notes to combined financial statements.

CDM Compression Business
Combined cash flow statements
(in thousands)

	Year ended December 31,		
	2017	2016	2015
OPERATING ACTIVITIES:			
Net (loss) income	$ (264,734)	$ (26,944)	$ 4,191
Reconciliation of net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	166,558	155,134	148,930
Bad debt (reversal) expense	(1,777)	(593)	4,841
(Gain) loss on asset sales, net	(367)	120	(603)
Deferred income taxes	1,801	(155)	(1,461)
Goodwill impairment	223,000	—	—
Non-cash unit based compensation expense	4,048	3,539	3,972
Changes in operating assets and liabilities:			
Trade accounts receivable and related party receivables	9,331	25,578	14,595
Other current assets and materials and supplies	(4,266)	(682)	(4,093)
Trade accounts payable and related party payables	2,531	(2,291)	(60,667)
Other current liabilities and deferred revenues	613	(23,299)	50,003
Other non-current assets and liabilities, net	(782)	(344)	4,616
Net cash flows provided by operating activities	135,956	130,063	164,324
INVESTING ACTIVITIES:			
Capital expenditures	(157,292)	(61,575)	(267,147)
Proceeds from asset sales	14,834	24,808	17,342
Net cash flows used in investing activities	(142,458)	(36,767)	(249,805)
FINANCING ACTIVITIES:			
Drafts payable	—	—	(509)
(Distributions to) contributions from member, net	(3,666)	(90,367)	97,242
Net cash flows (used in) provided by financing activities	(3,666)	(90,367)	96,733
(Decrease) increase in cash and cash equivalents	(10,168)	2,929	11,252
Cash and cash equivalents, beginning of period	14,181	11,252	—
Cash and cash equivalents, end of period	$ 4,013	$ 14,181	$ 11,252
Supplemental cash flow information:			
Non-cash capital expenditures	$ 27,759	$ 9,024	$ 11,715
Non-cash contributions from member	$ 4,047	$ 3,538	$ 10,746

See accompanying notes to combined financial statements.

CDM Compression Business
Notes to combined financial statements
(Tabular dollar amounts are in thousands)

1. Organization and basis of presentation

Organization. These combined financial statements and related notes represent the natural gas contract compression and treating operations of CDM Resource Management LLC, a Delaware limited liability company formed in 2007 as a wholly-owned subsidiary of Regency Energy Partners LP ("Regency"), and CDM Environmental & Technical Services LLC, a Delaware limited liability company formed in 2016 as a wholly-owned subsidiary of ETC Compression, LLC ("ETC Compression"). Both Regency and ETC Compression are wholly-owned subsidiaries of Energy Transfer Partners L.P. ("ETP"). CDM Resource Management LLC and CDM Environmental & Technical Services LLC are referred to collectively herein as the "CDM Compression Business" or the "Company".

In October 2018, Energy Transfer Equity, L.P. ("ETE") and ETP completed the merger of ETP with a wholly-owned subsidiary of ETE in a unit-for-unit exchange (the "ETE Merger"). Following the closing of the ETE Merger, ETE changed its name to "Energy Transfer LP" and ETP changed its name to "Energy Transfer Operating, L.P."

The Company owns and operates a fleet of compressors used to provide turn-key natural gas compression services for customer specific systems. The Company also owns and operates a fleet of equipment used to provide treating services, such as carbon dioxide and hydrogen sulfide removal, natural gas cooling, and dehydration.

The Company's services can be divided into contract compression services and treating services. The natural gas contract compression services include designing, sourcing, owning, installing, operating, servicing, repairing and maintaining compressors and related equipment for which the Company guarantees its customers 98% mechanical availability for land installations and 96% mechanical availability for over-water installations. The Company focuses on meeting the complex requirements of field-wide compression applications, as opposed to targeting the compression needs of individual wells within a field. These field-wide applications include compression for natural gas gathering and natural gas processing. The Company believes that it improves the stability of cash flows by focusing on field-wide compression applications because such applications generally involve long-term installations of multiple large horsepower compression units. The Company has operations located in Texas, Oklahoma, Louisiana, Arkansas, Pennsylvania, New Mexico, Colorado, Ohio, and West Virginia. The treating business owns and operates a fleet of equipment used to provide treating services, such as carbon dioxide and hydrogen sulfide removal, natural gas cooling, dehydration and BTU management to natural gas producers and midstream pipeline companies and operations are primarily located in Texas, Louisiana and Arkansas.

Basis of presentation. The accompanying audited combined financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Certain expenses incurred by ETP are only indirectly attributable to the Company. As a result, certain assumptions and estimates are made in order to allocate a reasonable share of such expenses to the Company, so that the accompanying financial statements reflect substantially all costs of doing business. The allocations and related estimates and assumptions are described more fully in Note 3.

ETP allocated various corporate overhead expenses to the Company based on a percentage of assets, net income, or adjusted earnings before interest, taxes, depreciation and amortization ("EBITDA"). These allocations are not necessarily indicative of the cost that the Company would have incurred had it operated as an independent stand-alone entity. The Company has also relied upon ETP and its affiliates as a participant in ETP's credit facility. As a result, the historical financial statements may not fully reflect or be necessarily indicative of what the Company's financial position, results of operations and cash flows would have been or will be in the future.

A material amount of the Company's revenues are derived from related party transactions, as described more fully in Note 3. While these related party transactions are conducted in the ordinary course of business, the economics and profitability of these transactions may not be indicative of amounts that would normally be received had these transactions been executed with non-affiliated entities.

2. Summary of significant accounting policies

Use of estimates. These financial statements have been prepared in conformity with GAAP, which includes the use of estimates and assumptions by management that affect the reported amounts of assets, liabilities, revenues, expenses and disclosure of contingent assets and liabilities that exist at the date of the financial statements. Although these estimates are based on management's available knowledge of current and expected future events, actual results could be different from those estimates.

Cash and cash equivalents. Cash and cash equivalents include temporary cash investments with original maturities of three months or less. The Company participates in a centralized cash management function which ETP manages. Balances payable to or due from ETP generated under this arrangement are reflected as equity on the books and records of the Company. As of December 31, 2017 and 2016, the Company held cash in amounts greater than federally insured limits.

Allowance for doubtful accounts. Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts, which was $0.8 million and $4.9 million as of December 31, 2017 and 2016, respectively, is our best estimate of the amount of probable credit losses included in our existing accounts receivable. The Company determines its allowance for doubtful accounts based upon historical write-off experience and specific identification of unrecoverable amounts. The determination of the allowance for doubtful accounts requires the Company to make estimates and judgments regarding customers' ability to pay amounts due. On an ongoing basis, the Company conducts an evaluation of the financial strength of customers based on payment history, the overall business climate in which customers operate and specific identification of customer bad debt and make adjustments to the allowance as necessary. The evaluation of the Company's customers' financial strength is based on the aging of their respective receivables balance, customer correspondence and financial information. During the years ended December 31, 2017 and 2016, the Company reduced its allowance for doubtful accounts by $4.1 million and $1.0 million, respectively, due to collections and write-offs on accounts that had previously been reserved. During the years ended December 31, 2017, 2016 and 2015, the Company wrote-off $2.3 million, $0.4 million and $0.5 million, respectively, of accounts that had been previously reserved. Due to the decrease in the allowance for doubtful accounts during 2017 and 2016, the Company recognized a reduction of bad debt expense of $1.8 million and $0.6 million for the years ended December 31, 2017 and 2016, respectively. Bad debt expense for the year ended December 31, 2015 was $4.8 million.

Materials and supplies. Materials and supplies are mainly comprised of spare parts including compressor and engine parts, and lube oil, and are valued at the lower of average cost or net realizable value. The cost of inventory is determined using the weighted average cost method.

Property, plant and equipment. Property, plant and equipment is recorded at the actual cost of construction. Gains or losses on sales or retirements of assets are included in operating income unless the disposition is treated as discontinued operations. The costs of maintenance and repairs, which are not significant improvements, are expensed when incurred. Expenditures to extend the useful lives of the assets are capitalized.

Property, plant and equipment consist of the following:

	December 31,	
	2017	2016
Compression equipment (6 - 30 years)	$ 1,606,065	$ 1,511,974
Treaters and buildings (5 - 20 years)	148,738	135,316
Other (3 - 20 years)	69,753	56,625
Construction in process	58,239	31,332
Property, plant and equipment	1,882,795	1,735,247
Less accumulated depreciation	(689,874)	(557,847)
Property, plant and equipment, net	$ 1,192,921	$ 1,177,400

Depreciation expense related to property, plant and equipment was $146.0 million, $134.6 million, and $128.4 million for the years ended December 31, 2017, 2016 and 2015, respectively.

Intangible assets. As of December 31, 2017, intangible assets consisted of trade names and customer relations, and are amortized on a straight line basis over their estimated useful lives, which is the period over which the assets are expected to contribute directly or indirectly to the Company's future cash flows. The estimated useful lives range from 8 to 30 years.

The Company assesses long-lived assets, including property, plant and equipment and intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is assessed by comparing the carrying amount of an asset to undiscounted future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amounts exceed the fair value of the assets. The Company did not record any impairment in 2017, 2016 or 2015.

Goodwill. Goodwill is not amortized, but is tested for impairment annually during the fourth quarter, or more frequently if impairment indicators arise that suggest the carrying value of goodwill may not be recovered. The entire Company has been determined to be a single reporting unit. The Company has the option to first assess qualitative factors to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount as a basis for determining whether further impairment testing is necessary. Impairment is indicated when the carrying amount of a reporting unit exceeds its fair value. At the time it is determined that an impairment has occurred, the carrying value of the goodwill is written down to its fair value.

In order to determine fair value, management makes certain estimates and assumptions, including, among other things, changes in general economic conditions in regions in which the assets are located, the availability and prices of natural gas, management's ability to negotiate favorable sales agreements, the risks that natural gas exploration and production activities will not occur or be successful, dependence on certain significant customers and producers of natural gas, and competition from other companies. While management believes it has made reasonable assumptions to calculate the fair value, if future results are not consistent with estimates, we could be exposed to future impairment losses that could be material to the Company's results of operations.

For 2015 and 2016, the Company did not record any goodwill impairment based on the qualitative assessment utilized in the annual goodwill impairment test.

For 2017, the Company performed a quantitative assessment for its annual goodwill impairment test and determined its fair value using a weighted combination of the discounted cash flow method and the guideline company method. Determining the fair value of a reporting unit requires judgment and the use of significant estimates and assumptions. Such estimates and assumptions include revenue growth rates, operating margins, weighted average costs of capital and future market conditions, among others. The Company believes the estimates and assumptions used in the impairment assessment are reasonable and based on available market information, but variations in any of the assumptions could result in materially different calculations of fair value and determinations of whether or not an impairment is indicated. Under the discounted cash flow method, the Company determined fair value based on estimated future cash flows including estimates for capital expenditures, discounted to present value using the risk-adjusted industry rate, which reflects the overall level of inherent risk of the Company. Cash flow projections are derived from one year budgeted amounts and five year operating forecasts plus an estimate of later period cash flows, all of which are developed by management. Subsequent period cash flows are developed using growth rates that management believes are reasonably likely to occur. Under the guideline company method, the Company determined its estimated fair value by applying valuation multiples of comparable publicly-traded companies to the projected EBITDA of the Company and then averaging that estimate with similar historical calculations using a three year average. In addition, the Company estimated a reasonable control premium representing the incremental value that accrues to the majority owner from the opportunity to dictate the strategic and operational actions of the business. Additionally, the Company has considered the presence and probability of subsequent events on market transactions in estimating the fair value of the Company.

One key assumption for the measurement of goodwill impairment is management's estimate of future cash flows and EBITDA. These estimates are based on the annual budget for the upcoming year and forecasted amounts for

multiple subsequent years. The annual budget process is typically completed near the annual goodwill impairment testing date, and management uses the most recent information for the annual impairment tests. The forecast is also subjected to a comprehensive update annually in conjunction with the annual budget process and is revised periodically to reflect new information and/or revised expectations.

Based on the completion of the annual goodwill impairment testing as described above, the Company recorded a $223.0 million impairment for the year ended December 31, 2017.

Subsequent to the $223.0 million impairment in 2017, the Company's goodwill balance is $253.4 million. Upon the closing of the Transactions discussed in Note 10, management considered whether the fair value implied by the contribution transaction potentially indicated a further impairment of the Company's goodwill; management concluded that no further impairment was indicated. However, the Company's remaining goodwill balance could be subject to further impairment as a result of one or more events in future periods, including (i) changes in any of the assumptions discussed above or (ii) changes within the combined entity subsequent to the closing of the contribution transaction. Also upon the closing of the Transactions discussed in Note 10, the Company was deemed to be the accounting acquirer of USA Compression Partners, LP (the "Partnership") in the business combination because the Company's ultimate parent company obtained control of the Partnership through its control of the Partnership's General Partner. Consequently, the Company's assets and liabilities, including goodwill, retained their historical carrying values. The Partnership's assets acquired and liabilities assumed by the Company were recorded at their fair values measured as of the closing date. The excess of the assumed purchase price of the Partnership over the estimated fair values of the Partnership's net assets acquired was recorded as goodwill.

Revenue recognition. The Company earns revenue from contract compression and treating services. An allowance for doubtful accounts is determined based on historical write-off experience and specific identification of unrecoverable amounts.

Revenues from natural gas contract compression and treating services are recognized under either a fixed fee contract or a throughput contract. Services under fixed fee contracts are billed and revenue is recorded monthly as the services are provided. Services under throughput contracts are billed based upon a rate per thousand cubic feet ("Mcf") applied to the volume of natural gas compressed as determined by gas flow meter readings.

Installation services revenue and expense consist of certain expenses incurred by the Company while contracting with third-party vendors during the installation of a compression unit, and the Company subsequently bills the customers for the cost of the installation as costs are incurred and recognizes revenue on a percentage of completion basis. Accordingly, the amount of these expenses are reflected both as a revenue and as an expense in the Company's statements of operations in accordance with FASB Accounting Standards Codification ("FASB ASC") 605, "*Revenue Recognition*". The excess of amounts billed over revenue recognized is recorded as deferred revenue.

Income taxes. The Company is generally not subject to income taxes, except as discussed below. The Company is subject to the gross margins tax enacted by the state of Texas. The Company follows the guidance for uncertainties in income taxes where a liability for an unrecognized tax benefit is recorded for a tax position that does not meet the "more likely than not" criteria. The Company has not recorded any uncertain tax positions meeting the more likely than not criteria as of December 31, 2017, 2016 and 2015. The Company recognized current state income tax expense of $42.1 thousand and $15.4 thousand for the years ended December 31, 2017 and 2015 and current state income tax benefit of $7.4 thousand for the year ended December 31, 2016. The Company recognized deferred state income tax benefit $155.2 thousand and $1.5 million for the years ended December 31, 2016 and 2015, respectively, and a deferred state income tax expense of $1.8 million for the year ended December 31, 2017.

Equity based compensation. The Company accounts for equity-based compensation by recognizing the grant-date fair value of awards into expense as they are earned, using an estimated forfeiture rate. The forfeiture rate assumption is reviewed annually to determine whether any adjustments to expense are required. Equity-based compensation reflected in these combined financial statements reflects the fair value of unit awards granted by ETP to management of the CDM Compression Business, as described in Note 8.

Fair value measures. The Company measures the fair value of financial assets and liabilities, as well as non-financial assets and liabilities using a three-tiered fair value hierarchy. This hierarchy prioritizes inputs to valuation techniques used in fair value calculations. The three levels of inputs are defined as follows:

- Level 1—unadjusted quoted prices for identical assets or liabilities in active markets;
- Level 2—inputs that are observable in the marketplace other than those classified as Level 1; and
- Level 3—inputs that are unobservable in the marketplace and significant to the valuation.

The Company attempts to maximize the use of observable inputs and minimize the use of unobservable inputs. If a financial instrument uses inputs that fall in different levels of the hierarchy, the instrument will be categorized based upon the lowest level of input that is significant to the fair value calculation.

As of December 31, 2017 and 2016, the Company did not have financial instruments whose fair value was determined using available market information and valuation methodologies. The carrying amount of cash and cash equivalents, accounts receivable and accounts payable approximates fair value due to their short-term maturities.

Operating Segment. The Company operates in a single business segment, the compression services business.

Recent accounting pronouncements.

ASU 2017-04

In January 2017, the FASB issued ASU No. 2017-04 "Intangibles-Goodwill and other (Topic 350), *Simplifying the test for goodwill impairment*. ("ASU 2017-04"). The amendments in this update remove the second step of the two-step test currently required by Topic 350. An entity will apply a one-step quantitative test and record the amount of goodwill impairment as the excess of a reporting unit's carrying amount over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. The new guidance does not amend the optional qualitative assessment of goodwill impairment. This ASU is effective for financial statements issued for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019, with early adoption permitted. The Company expects that adoption of this standard will change the approach for testing goodwill for impairment; however, this standard requires prospective application and therefore will only impact periods subsequent to adoption. The Company adopted this ASU for its annual goodwill impairment test in the fourth quarter of 2017.

ASU 2014-09

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09"), which clarifies the principles for recognizing revenue based on the core principle that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

On January 1, 2018, the Company adopted ASU 2014-09 using the modified retrospective method applied to those contracts which were not completed as of January 1, 2018. The Company identified no material impact on its historical revenues upon initial application of ASU 2014-09, and as such have not recognized any cumulative catch-up effect to the opening balance of its members' capital as of January 1, 2018. Additionally, the application of ASU 2014-09 has no material impact on any current financial statement line items and the expanded disclosures as required by ASU 2014-09 are reflected in the unaudited combined financial statements for annual and interim reporting periods beginning after December 31, 2017.

ASU 2016-02

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, *Leases (Topic 842)* ("ASU 2016-02"), which establishes the principles that lessees and lessors shall apply to report useful information to users of financial statements about the amount, timing, and uncertainty of cash flows arising from a lease. ASU 2016-02 is

effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the impact that adopting this new standard will have on the combined financial statements and related disclosures.

3. Related party transactions

In the ordinary course of business, the Company conducts business with various affiliated entities of ETP including Regency Intrastate Gas, LP ("RIGS"), Edwards Lime Gathering LLC ("ELG"), SEC Energy Products & Services, L.P. ("SEC") and certain wholly-owned subsidiaries of ETP. As of December 31, 2017 and 2016, details of the Company's related party receivables and payables were as follows:

	December 31,	
	2017	2016
Related party receivables:		
RIGS	$ 15	$ 219
ELG	30	—
Total related party receivables	$ 45	$ 219
Related party payables:		
SEC	$ 1,977	$ —
Total related party payables	$ 1,977	$ —

Accounts receivable and payable that relate to revenues and expenses between the Company and ETP have been reclassified to member's equity as there is no expectation that these amounts will be settled in cash.

Cost allocation. Expenses of employees whose work directly impacts the assets of the Company are charged directly to the Company and recorded as part of operation and maintenance and general and administrative expenses, as applicable. In addition, ETP has allocated certain overhead costs associated with general and administrative services, including salaries and benefits, facilities, insurance, information services, human resources and other support departments to the Company. Where costs incurred on the Company's behalf cannot be determined by specific identification, the costs are primarily allocated to the Company based on an average percentage of fixed assets, net income and adjusted EBITDA. The Company believes these allocations are a reasonable reflection of the utilization of services provided. However, the allocations may not fully reflect the expenses that would have been incurred had the Company been a stand-alone company during the periods presented. During the years ended December 31, 2017, 2016, and 2015, ETP allocated general and administrative expenses of $3.6 million, $4.7 million, and $5.1 million, respectively, to the Company.

4. Concentration risk

The following table provides information about the extent of reliance on major customers and suppliers. No external customer amounted to 10% or more of revenue transactions for the years ended December 31, 2017, 2016, or 2015. Total cost of sales from transactions with an external supplier amounting to 10% or more of cost of sales are disclosed below:

	Year ended December 31,		
	2017	2016	2015
Supplier:			
Supplier A	$ —	$ —	$ 8,215
Supplier B	$ 3,678	$ —	$ —

5. Intangible assets

Activity related to intangible assets, net consisted of the following:

	Customer relations	Trade names	Total
Balance, December 31, 2015	$ 192,040	$ 47,214	$ 239,254
Amortization expense	(17,244)	(3,275)	(20,519)
Balance, December 31, 2016	174,796	43,939	218,735
Amortization expense	(17,245)	(3,275)	(20,520)
Balance, December 31, 2017	$ 157,551	$ 40,664	$ 198,215

The average remaining amortization periods for customer relations and trade names are 9 and 12 years, respectively. The expected amortization of the intangible assets for each of the five succeeding years is $20.5 million.

6. Commitments and contingencies

Environmental. The Company's operations are subject to federal, state and local laws and rules and regulations regarding water quality, hazardous and solid waste management, air quality control and other environmental matters. These laws, rules and regulations require the Company to conduct its operations in a specified manner and to obtain and comply with a wide variety of environmental registrations, licenses, permits, inspections and other approvals. Failure to comply with applicable environmental laws, rules and regulations may expose the Company to significant fines, penalties and/or interruptions in operations. The Company's environmental policies and procedures are designed to achieve compliance with such applicable laws and regulations. These evolving laws and regulations and claims for damages to property, employees, other persons and the environment resulting from current or past operations may result in significant expenditures and liabilities in the future.

Leases. The Company maintains both capital leases, primarily related to office space, and operating leases primarily related to certain equipment leased by the Company. For the capital leases, the Company held $7.6 million and $7.6 million, in property, plant and equipment as of December 31, 2017 and 2016, respectively, representing the present value of the future minimum lease payments to be made during the term of the lease determined at the inception of the lease. The Company recorded $1.2 million and $1.0 million as of December 31, 2017 and 2016, respectively, as the current portion of the lease obligation, which is included in other current liabilities, and $3.2 million and $4.0 million as of December 31, 2017 and 2016, respectively, as the long-term portion of the lease obligation, included in other non-current liabilities on the balance sheet.

The following table is a schedule of future minimum lease payments for office space and certain equipment leased by the Company that had initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2017:

Years ending December 31:	
2018	$ 3,438
2019	2,235
2020	963
2021	559
2022	566
Thereafter	1,008
Total minimum lease payments	$ 8,769

Total rent expense for operating leases, including those leases with terms of less than one year, was $3.6 million, $4.0 million and $3.8 million for the years ended December 31, 2017, 2016, and 2015, respectively.

Sales tax audit. The Company has historically claimed the manufacturing exemption from sales tax in Texas, as is common in the industry. The exemption is based on the fact that the Company's natural gas compression equipment is used in the process of treating natural gas for ultimate use and sale. In a recent audit by the Texas Comptroller's

office, the Comptroller has challenged the applicability of the manufacturing exemption to the Company. The period being audited is from August 2006 to August 2007, and liability for that period is potentially covered by an indemnity obligation from the Company's prior owners. The Company may also have liability for periods since 2008, and prospectively, if the Comptroller's challenge is ultimately successful. An audit of the 2008 period has commenced. In April 2013, an independent audit review agreed with the Comptroller's position. The Company continues to disagree with this position and intends to seek redetermination and other relief. In June 2018, the Company concluded an accrual should be made for these open audits and recorded a $44.9 million accrued liability as of June 30, 2018. Any liability assumed by the Partnership for the periods prior to April 2, 2018, the Transactions Date discussed in Note 10, will be covered by an indemnity between the Partnership and ETP.

In addition to the matters discussed above, the Company is involved in legal, tax and regulatory proceedings before various courts, regulatory commissions and governmental agencies regarding matters arising in the ordinary course of business, none of which are believed to be potentially material to the Company at this time.

7. Benefits

ETP provides medical, dental, and other healthcare benefits to employees. The total amount incurred by ETP for the benefit of employees of the Company for the years ended December 31, 2017, 2016, and 2015, was $7.4 million, $5.8 million and $4.9 million, respectively, which was allocated to the Company and recorded in operation and maintenance and general and administrative expenses, as appropriate. ETP also provides a matching contribution to its employees' 401(k) accounts. The total amount of matching contributions incurred for the benefit of employees of the Company for the years ended December 31, 2017, 2016, and 2015 was $3.0 million, $2.7 million and $2.7 million, respectively, which was allocated to the Company and recorded in operation and maintenance and general and administrative expenses as appropriate. ETP also provides a 3% profit sharing contribution to employee 401(k) accounts for all employees with base compensation below a specified threshold. The contribution is in addition to the 401(k) matching contribution and employees become vested in the profit sharing contribution based on years of service.

8. Equity-based compensation

ETP has long-term incentive plans for its employees, officers and directors, which provide for various types of awards, including options to purchase ETP common units, restricted units, phantom units, distribution equivalent rights ("DERs"), ETP common unit appreciation rights, and other unit-based awards. ETP has granted restricted unit awards to employees that vest over a specified time period, typically a five-year service vesting requirement, with vesting based on continued employment as of each applicable vesting date. Upon vesting, ETP common units are issued. These unit awards entitle the recipients of the unit awards to receive, with respect to each ETP common unit subject to such award that has not either vested or been forfeited, a cash payment equal to each cash distribution per ETP common unit made by ETP on its common units promptly following each such distribution by ETP to its unitholders. All unit based compensation awards are treated as equity within these financial statements.

Employees of the Company have been granted awards under these long-term incentive plans, and therefore the Company has recognized unit-based compensation expense of $4.0 million, $3.5 million, and $4.0 million, recorded in general and administrative expense in the statements of operations of the Company for the years ended December 31, 2017, 2016, and 2015, respectively.

The unit and per-unit amounts disclosed in the remainder of this note reflect amounts related to ETP. These amounts have been retrospectively adjusted to reflect a 1.5 to one unit-for-unit exchange related to the merger of ETP and Sunoco Logistics Partners L.P. in April 2017 and a 0.4124 to one unit-for unit exchange related to the merger of ETP and Regency Energy Partners LP in April 2015. The unit and per-unit amounts do not reflect the conversion of ETP units to ETE units as a result of the ETE Merger in October 2018.

The restricted units granted are valued at the market price as of the date issued. The weighted average fair value of the units granted during the years ended December 31, 2017, 2016, and 2015 was $18.75, $24.25 and $28.48, respectively. These awards are service condition (time-based) grants that generally vest 60% at the end of the third year of service and 40% at the end of the fifth year of service. ETP recognizes compensation expense on a

straight-line basis over the requisite service period for the restricted unit grants. Distributions on the restricted units will be paid concurrent with ETP's distribution for its common units.

	Number of phantom units		Weighted average fair value
Outstanding, December 31, 2014	430,030	$	35.97
Granted	61,568	$	22.88
Vested	(85,248)	$	35.98
Forfeited	(71,996)	$	38.68
Outstanding, December 31, 2015	334,354	$	32.98
Granted	147,384	$	24.22
Vested	(42,964)	$	40.28
Forfeited	(9.239)	$	28.58
Outstanding, December 31, 2016	429,535	$	29.34
Granted	2,500	$	18.75
Vested	(95,499)	$	36.94
Forfeited	(11,614)	$	27.41
Outstanding, December 31, 2017	324,922	$	27.10

The Company expects to recognize $4.5 million of unit-based compensation expense related to non-vested phantom units over a period of 1.2 years. During the years ended December 31, 2017, 2016 and 2015, amounts the Company paid related to the cash settlement of vested awards under the long-term incentive plans were approximately $0.6 million, $0.9 million and $0, respectively. The total fair value and intrinsic value of the phantom units vested under the long-term incentive plans was approximately $1.6 million, $1.0 million and $2.0 million during the years ended December 31, 2017, 2016 and 2015, respectively.

9. Other current assets and other current liabilities

Other current assets include $3.8 million and $0.5 million of miscellaneous prepaid expenses as of December 31, 2017 and 2016, respectively. Other current liabilities include $28.3 million and $12.3 million of accrued expenses and $10.7 million and $9.3 million of accrued payroll and benefits as of December 31, 2017, and 2016, respectively.

10. Subsequent events

CDM Acquisition

On April 2, 2018, (the "Transactions Date"), the transactions contemplated by the Contribution Agreement dated January 15, 2018 were consummated, pursuant to which, among other things, the Partnership acquired all of the issued and outstanding membership interests of the Company from ETP (the "CDM Acquisition") in exchange for aggregate consideration of approximately $1.7 billion, consisting of (i) 19,191,351 common units representing limited partner interests in the Partnership (the "common units"), (ii) 6,397,965 Class B units representing limited partner interests in the Partnership ("Class B Units") and (iii) $1.232 billion in cash (including estimated customary closing adjustments).

For the outstanding restricted unit awards granted to the Company's employees, the vesting of the award was not automatically accelerated upon the closing of the CDM Acquisition. Replacement awards were issued by the Partnership for certain of the outstanding awards.

General Partner Purchase Agreement

On the Transactions Date, and in connection with the closing of the CDM Acquisition, the transactions contemplated by the Purchase Agreement dated January 15, 2018 were consummated, by and among ETE, Energy Transfer Partners, L.L.C., USA Compression Holdings, LLC ("USA Compression Holdings") and, solely for certain

purposes therein, R/C IV USACP Holdings, L.P. and ETP, pursuant to which, among other things, ETE acquired from USA Compression Holdings (i) all of the outstanding limited liability company interests in the General Partner and (ii) 12,466,912 common units for cash consideration paid by ETE to USA Compression Holdings equal to $250.0 million (the “GP Purchase”). Upon the closing of the ETE Merger, ETE contributed to ETP all of the interests in the General Partner and the 12,466,912 common units.

Equity Restructuring Agreement

On the Transactions Date, and in connection with the closing of the CDM Acquisition, the transactions contemplated by the Equity Restructuring Agreement dated January 15, 2018 were consummated, pursuant to which, among other things, the Partnership, the General Partner and ETE agreed to cancel the Partnership’s Incentive Distribution Rights and convert the General Partner Interest (as defined in the Equity Restructuring Agreement) into a non-economic general partner interest, in exchange for the Partnership’s issuance of 8,000,000 common units to the General Partner (the “Equity Restructuring”).

The CDM Acquisition, GP Purchase and Equity Restructuring are collectively referred to as the “Transactions.”

Senior Notes

On March 23, 2018, the Partnership and its wholly-owned finance subsidiary, USA Compression Finance Corp (“Finance Corp”), co-issued $725.0 million aggregate principal amount of senior notes that mature on April 1, 2026 (the “Senior Notes). The Senior Notes accrue interest from March 23, 2018 at the rate of 6.875% per year. Interest on the Senior Notes is payable semi-annually in arrears on each April 1 and October 1, commencing on October 1, 2018.

Prior to April 1, 2021, the Partnership may redeem up to 35% of the aggregate principal amount of the Senior Notes at a redemption price equal to 106.875% of the principal amount, plus accrued and unpaid interest, if any, to the redemption date, in an amount not greater than the net proceeds from one or more equity offerings, provided that at least 65% of the aggregate principal amount of the Senior Notes remains outstanding immediately after the occurrence of such redemption (excluding Senior Notes held by us and our subsidiaries) and redemption occurs within 180 days of the date of the closing of such equity offering. Prior to April 1, 2021, the Partnership may redeem all or a part of the Senior Notes at a redemption price equal to the sum of (i) the principal amount thereof, plus (ii) a make-whole premium at the redemption date, plus accrued and unpaid interest, if any, to the redemption date. On or after April 1, 2021, the Partnership may redeem all or a part of the Senior Notes at redemption prices (expressed as percentages of the principal amount) equal to 105.156% for the twelve-month period beginning on April 1, 2021, 103.438% for the twelve-month period beginning on April 1, 2022, 101.719% for the twelve-month period beginning on April 1, 2023 and 100.00% beginning on April 1, 2024 and at any time thereafter, plus accrued and unpaid interest, if any, to the applicable redemption date. If the Partnership experiences a change of control followed by a ratings decline, unless the Partnership has previously exercised or concurrently exercises the right to redeem the Senior Notes (as described above), the Partnership may be required to offer to repurchase the Senior Notes at a purchase price equal to 101% of the principal amount repurchased, plus accrued and unpaid interest, if any, to the repurchase date.

There are no financial maintenance covenants associated with the Senior Notes.

In connection with issuing the Senior Notes, the Partnership incurred certain issuance costs in the amount of $17.3 million which will be amortized over the term of the Senior Notes using the effective interest method.

The Senior Notes are fully and unconditionally guaranteed (the “Guarantees”), jointly and severally, on a senior unsecured basis by all of the Partnership’s existing subsidiaries (other than Finance Corp), and will be fully and unconditionally guaranteed, jointly and severally, by each of the Partnership’s future restricted subsidiaries that either borrows under, or guarantees, its revolving credit facility or guarantees certain of its other indebtedness (collectively, the “Guarantors”). The Senior Notes and the Guarantees are general unsecured obligations and rank equally in right of payment with all of the Guarantors’ and the Partnership’s existing and future senior indebtedness and senior to the Guarantors’ and the Partnership’s future subordinated indebtedness, if any. The Senior Notes and the Guarantees are effectively subordinated in right of payment to all of the Guarantors’ and the Partnership’s

existing and future secured debt, including debt under the Partnership's revolving credit facility and guarantees thereof, to the extent of the value of the assets securing such debt, and are structurally subordinated to all indebtedness of any of the Partnership's subsidiaries that do not guarantee the Senior Notes.

The Partnership has no assets or operations independent of its subsidiaries, and there are no significant restrictions upon its ability to obtain funds from its subsidiaries by dividend or loan. Each of the Guarantors is 100% owned by the Partnership. None of the assets of the Partnership's subsidiaries represent restricted net assets pursuant to Rule 4-08(e)(3) of Regulation S-X under the Securities Act of 1933, as amended.

The Senior Notes were issued in a private placement on March 23, 2018, and the Partnership has agreed to register the Senior Notes with the SEC by March 23, 2019 or be subject to certain penalties.

Subsidiary Guarantors

On April 20, 2017, the Partnership filed a Registration Statement on Form S-3 (the "Registration Statement") with the SEC to register the issuance and sale of, among other securities, debt securities, which may be co-issued by Finance Corp (together with the Partnership, the "Issuers") and fully and unconditionally guaranteed on a joint and several basis by the Partnership's operating subsidiaries for the benefit of each Holder and the Trustee. Such guarantees will be subject to release, subject to certain limitations, as follows (i) upon the sale, exchange or transfer, by way of a merger or otherwise, to any Person that is not the Partnership's Affiliate, of all of the Partnership's direct or indirect limited partnership or other equity interest in such Subsidiary Guarantor; or (ii) upon delivery by an Issuer of a written notice to the Trustee of the release or discharge of all guarantees by such Subsidiary Guarantor of any Debt of the Issuers other than obligations arising under the indenture governing such debt and any debt securities issued under such indenture, except a discharge or release by or as a result of payment under such guarantees. Capitalized terms used but not defined in this paragraph are defined in the Form of Indenture filed as Exhibit 4.1 to the Registration Statement.

Credit Facility Amendment and Restatement

On April 2, 2018, the Partnership entered into the Sixth Amended and Restated Credit Agreement (the "Sixth A&R Credit Agreement") by and among the Partnership, as borrower, USAC OpCo 2, LLC, USAC Leasing 2, LLC, USA Compression Partners, LLC, USAC Leasing, LLC, CDM Resource Management LLC, CDM Environmental & Technical Services LLC and USA Compression Finance Corp. ("Finance Corp"), the lenders party thereto from time to time, JPMorgan Chase Bank, N.A., as agent and an LC issuer, JPMorgan Chase Bank, N.A., Barclays Bank PLC, Regions Capital Markets, a division of Regions Bank, RBC Capital Markets and Wells Fargo Bank, N.A., as joint lead arrangers and joint book runners, Barclays Bank PLC, Regions Bank, RBC Capital Markets and Wells Fargo Bank, N.A., as syndication agents, and MUFG Union Bank, N.A., SunTrust Bank and The Bank of Nova Scotia, as senior managing agents.
The Sixth A&R Credit Agreement has an aggregate commitment of $1.6 billion (subject to availability under the Partnership's borrowing base), with a further potential increase of $400 million, and has a maturity date of April 2, 2023.

The Sixth A&R Credit Agreement permits the Partnership to make distributions of available cash to unitholders so long as (a) no default under the facility has occurred, is continuing or would result from the distribution, (b) immediately prior to and after giving effect to such distribution, the Partnership is in compliance with the facility's financial covenants and (c) immediately after giving effect to such distribution, the Partnership has availability under the revolving credit facility of at least $100 million. In addition, the revolving credit facility contains various covenants that may limit, among other things, the Partnership's ability to (subject to exceptions):

- grant liens;
- make certain loans or investments;
- incur additional indebtedness or guarantee other indebtedness;

- enter into transactions with affiliates;
- merge or consolidate;
- sell our assets; or
- make certain acquisitions.

The revolving credit facility also contains various financial covenants, including covenants requiring the Partnership to maintain:

- a minimum EBITDA to interest coverage ratio of 2.5 to 1.0, determined as of the last day of each fiscal quarter; and
- a maximum funded debt to EBITDA ratio, determined as of the last day of each fiscal quarter, for the annualized trailing three months of (a) 5.75 to 1.0 through the end of the fiscal quarter ending March 31, 2019, (b) 5.5 to 1.0 through the end of the fiscal quarter ending December 31, 2019 and (c) 5.00 to 1.0 thereafter, in each case subject to a provision for increases to such thresholds by 0.5 in connection with certain future acquisitions for the six consecutive month period following the period in which any such acquisition occurs.

If a default exists under the Sixth A&R Credit Agreement, the lenders will be able to accelerate the maturity on the amount then outstanding and exercise other rights and remedies.

In connection with entering into the Sixth A&R Credit Agreement, the Partnership paid certain upfront fees and arrangement fees to the arrangers, syndication agents and senior managing agents of the Sixth A&R Credit Agreement in the amount of $14.9 million during the three months ended June 30, 2018. These fees were capitalized to loan costs and will be amortized through April 2023. Amounts borrowed and repaid under the Sixth A&R Credit Agreement may be re-borrowed.

As of June 30, 2018, the Partnership was in compliance with all of its covenants under the Sixth A&R Credit Agreement.

As of June 30, 2018, the Partnership had outstanding borrowings under the Sixth A&R Credit Agreement of $950.0 million, $650.0 million of borrowing base availability and, subject to compliance with the applicable financial covenants, available borrowing capacity of $500.1 million. The Partnership's interest rate in effect for all borrowings under the Sixth A&R Credit Agreement as of June 30, 2018 was 4.56% with a weighted average interest rate of 4.54% during the three months ended June 30, 2018. There were no letters of credit issued as of June 30, 2018.

The Sixth A&R Credit Agreement matures in April 2023 and the Partnership expects to maintain it for the term. The facility is a "revolving credit facility" that includes a lock box arrangement, whereby remittances from customers are forwarded to a bank account controlled by the administrative agent and are applied to reduce borrowings under the facility.

Subsequent events have been evaluated through the date the financial statements were available to be issued.

Unaudited Pro Forma Condensed Consolidated Financial Statements

Introduction

The Unaudited Pro Forma Condensed Consolidated Financial Statements (the “pro forma financial statements”) combine the historical consolidated financial statements of CDM Resource Management LLC and CDM Environmental & Technical Services LLC (collectively “CDM”), the accounting acquirer of USA Compression Partners, LP (the “Partnership”), and the historical consolidated financial statements of the Partnership, the acquired entity, to illustrate the effect of the Transactions described below.

The following pro forma financial statements were based on, and should be read in conjunction with, (i) the accompanying notes to the Unaudited Pro Forma Condensed Consolidated Financial Statements, (ii) the audited historical consolidated financial statements and related notes thereto of CDM, also filed with this Current Report on Form 8-K, (iii) the audited historical consolidated financial statements and related notes thereto of the Partnership, included in its annual report on Form 10-K for the year ended December 31, 2017 and (iv) the unaudited historical condensed consolidated financial statements and related notes thereto of the Partnership, included in its quarterly report on Form 10-Q for the six months ended June 30, 2018.

The historical consolidated financial statements have been adjusted in the pro forma financial statements to give effect to pro forma events that are (a) directly attributable to the transactions described below, (b) factually supportable and (c) expected to have a continuing impact on the combined results. The Unaudited Pro Forma Condensed Consolidated Statements of Operations (the “pro forma statements of operations”) for the six months ended June 30, 2018 and the year ended December 31, 2017, give effect to the transactions described below as if they occurred on January 1, 2017. The pro forma statement of operations for the six months ended June 30, 2018 includes (i) the historical unaudited condensed consolidated statement of operations of the Partnership for the six months ended June 30, 2018, which includes the results of operations for CDM for the three months ended March 31, 2018 and the results of the combined businesses for the three months ended June 30, 2018, (ii) the historical unaudited condensed consolidated statement of operations for USA Compression Partners, LP for the three months ended March 31, 2018, which reflects the results of operations prior to the Transactions described below, and (iii) the pro forma adjustments described in Note 1. The Unaudited Condensed Consolidated Balance Sheet as of June 30, 2018 is not presented since the transactions are reflected in the Partnership’s historical balance sheet as of June 30, 2018 and no pro forma adjustments for the Transactions are required.

The pro forma financial statements have been prepared under the rules and regulations of the Securities and Exchange Commission. The pro forma financial statements have been presented for informational purposes only and are based upon available information and certain assumptions that the Partnership’s management believes are reasonable under the circumstances. These pro forma financial statements are not necessarily indicative of what the combined entity’s results of operations would have been had the Transactions been completed on the date indicated. We have incurred and expect to incur additional costs to integrate CDM and the Partnership’s businesses. The pro forma financial statements do not reflect the cost of any integration activities or benefits that may result from synergies related to the Transactions that may be derived from any integration activities. In addition, the pro forma financial statements do not purport to project the future results of operations of the combined entity.

Description of the Transactions

General Partner Purchase Agreement

On April 2, 2018 (the “Transactions Date”), and in connection with the closing of the CDM Acquisition discussed below, the transactions contemplated by the Purchase Agreement dated January 15, 2018, by and among Energy Transfer Equity, L.P. (“ETE”), Energy Transfer Partners, L.L.C., USA Compression Holdings, LLC (“USA Compression Holdings”) and, solely for certain purposes therein, R/C IV USACP Holdings, L.P. and Energy Transfer Partners, L.P. (“ETP”) were consummated, pursuant to which, among other things, ETE acquired from USA Compression Holdings (i) all of the outstanding limited liability company interests in the Partnership’s general partner and (ii) 12,466,912 common units representing limited partner interests in the Partnership (the “common

units") for cash consideration paid by ETE to USA Compression Holdings equal to $250.0 million (the "GP Purchase").

Equity Restructuring Agreement

On April 2, 2018, and in connection with the closing of the CDM Acquisition discussed below, we consummated the transactions contemplated by the Equity Restructuring Agreement dated January 15, 2018, pursuant to which, among other things, the Partnership, USA Compression GP, LLC (the "General Partner") and ETE agreed to cancel the Partnership's Incentive Distribution Rights ("IDRs") and convert the General Partner Interest (as defined in the Equity Restructuring Agreement) into a non-economic general partner interest, in exchange for the Partnership's issuance of 8,000,000 common units to the General Partner (the "Equity Restructuring").

CDM Acquisition

On April 2, 2018, the Partnership consummated the transactions contemplated by the Contribution Agreement dated January 15, 2018, pursuant to which, among other things, the Partnership acquired all of the issued and outstanding membership interests of CDM from ETP (the "CDM Acquisition"), in exchange for aggregate consideration of approximately $1.7 billion, consisting of (i) 19,191,351 common units, (ii) 6,397,965 Class B units representing limited partner interests in us ("Class B Units") and (iii) $1.232 billion in cash (including estimated customary closing adjustments).

The GP Purchase, Equity Restructuring and CDM Acquisition are collectively referred to as the "Transactions."

Senior Notes

On March 23, 2018, to finance a portion of the cash purchase price for the CDM Acquisition, the Partnership and USA Compression Finance Corp. co-issued $725.0 million aggregate principal amount of senior notes that mature on April 1, 2026. The notes accrue interest from March 23, 2018 at the rate of 6.875% per year. Interest on the notes will be paid semi-annually in arrears on each April 1 and October 1, commencing on October 1, 2018.

Preferred Units and Warrants

On April 2, 2018, funds for a portion of the cash purchase price for the CDM Acquisition were provided through the issuance by the Partnership in a private placement of $500.0 million in the aggregate of (i) newly established Series A Perpetual Preferred Units representing limited partner interests in the Partnership (the "Preferred Units") and (ii) warrants to purchase common units pursuant to a Series A Preferred Unit and Warrant Purchase Agreement dated January 15, 2018, with certain investment funds managed or sub-advised by EIG Global Energy Partners ("EIG") and other investment vehicles unaffiliated with EIG (the "Warrants"). The Partnership issued 500,000 Preferred Units with a face value of $1,000 per Preferred Unit and issued two tranches of Warrants to the preferred unitholders, which included Warrants to purchase 5,000,000 common units with a strike price of $17.03 per unit and 10,000,000 common units with a strike price of $19.59 per unit. The Warrants may be exercised by the holders thereof at any time beginning on the one year anniversary of the closing date and before the tenth anniversary of the closing date.

Revolving Credit Facility

On April 2, 2018, the Partnership entered into the Sixth Amended and Restated Credit Agreement ("Sixth A&R Credit Agreement"). The Sixth A&R Credit Agreement, among other things, (a) increased the commitments under the revolving credit facility under the Sixth A&R Credit Agreement (the "Revolving Credit Facility") to $1.6 billion from $1.1 billion, (b) extended the termination date (and the maturity date of the obligations thereunder) from January 6, 2020 to April 2, 2023, (c) subject to the terms in the Sixth A&R Credit Agreement, permits up to $400.0 million of future increases in borrowing capacity and (d) made certain changes to the covenants under the Revolving Credit Facility.

Accounting Acquirer

CDM is deemed to be the accounting acquirer of the Partnership in the business combination because its ultimate parent company obtained control of the Partnership through its acquisition of the limited liability company interests in the General Partner. Consequently, CDM is the predecessor of the Partnership for financial reporting purposes and the historical consolidated financial statements of the Partnership relating to periods prior to the Transactions Date, but filed subsequently reflect those of CDM, as the accounting acquirer. CDM's assets and liabilities retained their historical carrying values. The Partnership's assets acquired and liabilities assumed by CDM have been recorded at their fair values measured as of the Transactions Date. The excess of the assumed purchase price of the Partnership over the estimated fair values of the Partnership's net assets acquired has been recorded as goodwill. The assumed purchase price and fair value of the Partnership was determined using a combination of an income and cost valuation methodology, the fair value of the Partnership's common units as of the Transactions Date and the consideration paid by ETE for the limited liability company interests in the General Partner and IDRs. The valuation and purchase price allocation is considered final.

USA Compression Partners, LP
Pro Forma Condensed Consolidated Statement of Operations
Year ended December 31, 2017
(unaudited, in thousands)

	CDM Historical	USA Compression Partners, LP Historical	Pro Forma Adjustments	Pro Forma Combined
Revenues:				
Contract operations	$ 248,890	$ 264,315	$ —	$ 513,205
Parts and service	10,541	15,907	—	26,448
Related party revenues	17,240	—	—	17,240
Total revenues	276,671	280,222	—	556,893
Costs and expenses:				
Cost of operations, exclusive of depreciation and amortization	125,204	92,591	—	217,795
Selling, general and administrative	24,944	47,483	(1,406)(a)	71,021
Depreciation and amortization	166,558	98,603	10,658 (b)	275,819
Loss (gain) on sale of assets	(367)	(507)	—	(874)
Impairment of goodwill	223,000	—	—	223,000
Impairment of compression equipment	—	4,972	—	4,972
Total costs and expenses	539,339	243,142	9,252	791,733
Operating income (loss)	(262,668)	37,080	(9,252)	(234,840)
Other income (expense):				
Interest expense, net	—	(25,129)	(58,271)(c)	(83,400)
Other	(223)	27	—	(196)
Total other expense	(223)	(25,102)	(58,271)	(83,596)
Net income (loss) before income tax expense	(262,891)	11,978	(67,523)	(318,436)
Income tax expense	1,843	538	—	2,381
Net income (loss)	(264,734)	11,440	(67,523)	(320,817)
Less: Preferred unit distributions	—	—	(48,750)(d)	(48,750)
Net income (loss) attributable to Common and Class B unitholders' interests	$ (264,734)	$ 11,440	$ (116,273)	$ (369,567)
Net income (loss) allocated to:				
General partner's interest in net income		$ 1,493	$ (1,493)(e)	$ —
Limited partners' interest in net income (loss):				
Common and Class B units		$ 9,947		$ (369,567)
Weighted average common units outstanding				
Basic		61,555	27,191 (f)	88,746
Diluted		61,835		88,746
Weighted average Class B units outstanding - basic and diluted		—	6,398 (g)	6,398
Basic and diluted net income (loss) per limited partner unit		$ 0.16		$ (3.88)
Distributions declared per common unit		$ 2.10		$ 2.10

USA Compression Partners, LP
Pro Forma Condensed Consolidated Statement of Operations
Six months ended June 30, 2018
(unaudited, in thousands)

	USA Compression Partners, LP Historical Six Months Ended June 30, 2018	USA Compression Partners, LP Historical Three Months Ended March 31, 2018	Pro Forma Adjustments	Pro Forma Combined Six Months Ended June 30, 2018
Revenues:				
Contract operations	$ 225,068	$ 76,716	$ —	$ 301,784
Parts and service	9,824	1,023	—	10,847
Related party revenues	8,536	—	—	8,536
Total revenues	243,428	77,739	—	321,167
Costs and expenses:				
Cost of operations, exclusive of depreciation and amortization	94,868	25,543	(318)(h)	120,093
Selling, general and administrative	35,138	33,495	(33,660)(a)	34,973
Depreciation and amortization	97,540	25,112	2,664 (b)	125,316
Loss (gain) on sale of assets	11,078	(324)	—	10,754
Total costs and expenses	238,624	83,826	(31,313)	291,137
Operating income (loss)	4,804	(6,087)	31,313	30,030
Other income (expense):				
Interest expense, net	(25,682)	(9,219)	(15,069)(c)	(49,970)
Other	(1)	6	—	5
Total other expense	(25,683)	(9,213)	(15,069)	(49,965)
Net income (loss) before income tax expense (benefit)	(20,879)	(15,300)	16,245	(19,934)
Income tax expense (benefit)	(706)	70	—	(636)
Net income (loss)	(20,173)	(15,370)	16,245	(19,298)
Less: Preferred unit distributions	(12,054)	—	(12,322)(d)	(24,376)
Net income (loss) attributable to Common and Class B unitholders' interests	$ (32,227)	$ (15,370)	$ 3,923	$ (43,674)
Net income (loss) allocated to:				
General partner's interest in net income	$ —	$ (773)	$ 773 (e)	$ —
Limited partners' interest in net income (loss):				
Common and Class B units	$ (32,227)	$ (14,597)		$ (43,674)
Weighted average common units outstanding				
Basic	58,722	62,264	27,191 (f)	88,746
Diluted	58,722	62,264		88,746
Weighted average Class B units outstanding - basic and diluted	6,398	—	6,398 (g)	6,398
Basic and diluted net income (loss) per limited partner unit	$ (1.64)	$ (0.23)		$ (0.46)
Distributions declared per common unit	$ 0.525	$ 0.525		$ 1.05

USA Compression Partners, LP
Notes to Pro Forma Condensed Consolidated Financial Statements
(unaudited)

Note 1: Adjustments to the Unaudited Pro Forma Condensed Consolidated Statements of Operations

a. Reflects adjustment to remove historical direct and incremental transaction expenses related to the CDM Acquisition. For the year ended December 31, 2017, these transaction expenses were $1.4 million of legal, accounting and other fees. For the six months ended June 30, 2018, these transaction expenses include: (i) $2.3 million of severance charges, (ii) $6.8 million for non-cash unit-based compensation expenses for the change in control of the General Partner which resulted in immediate vesting of outstanding time and performance based phantom units granted to certain employees and (iii) $24.6 million of legal, accounting and other fees.

b. Adjustments to depreciation and amortization resulting from the adjustment of the Partnership's assets and liabilities to their estimated fair values. Under the acquisition method of accounting, the tangible and intangible assets acquired and liabilities assumed are recorded at their estimated fair values.

c. Reflects the estimated interest expense associated with the debt incurred to fund the CDM Acquisition and the fees and expenses related to the Transactions. Debt incurred to finance the CDM Acquisition consists of (i) $707.8 million aggregate principal amount of senior notes, net of related debt issuance costs, and (ii) $83.3 million of borrowings under our Revolving Credit Facility. To the extent the actual interest rates are higher than estimated, additional interest expense will be incurred and such expense could be material. A 0.125% increase in the interest rate associated with the Revolving Credit Facility would increase interest expense $1.1 million and $0.3 million for the year ended December 31, 2017 and six months ended June 30, 2018, respectively.

	Incremental Interest Expense	
(in thousands)	**Year Ended December 31, 2017**	**Six Months Ended June 30, 2018**
Cash interest (i)	$ 52,459	$ 13,225
Amortization of debt issuance costs	5,812	1,844
Total incremental interest expense	$ 58,271	$ 15,069

(i) Cash interest expense was calculated using a 3.14% and 3.67% average interest rate on the Revolving Credit Facility for the year ended December 31, 2017 and six months ended June 30, 2018, respectively, and 6.875% annual interest rate on the senior notes.

d. Reflects $48.8 million and $24.4 million of distributions for the year ended December 31, 2017 and six months ended June 30, 2018, respectively, on 500,000 Preferred Units. The Preferred Units have a face value of $1,000 per Preferred Unit and accrue distributions at a rate of 9.75% per annum. The distributions are payable quarterly.

e. Reflects the conversion of the general partner interest into a non-economic general partner interest in connection with the Equity Restructuring.

f. Reflects 19,191,351 common units issued to finance a portion of the CDM Acquisition and 8,000,000 common units issued in exchange for the cancellation of the IDRs and conversion of the general partner interest into a non-economic general partner interest.

g. Reflects 6,397,965 Class B Units issued to finance a portion of the CDM Acquisition.

h. Reflects adjustment to remove $0.3 million of severance charges representing operating expenses that are historical direct and incremental transaction expenses related to the CDM Acquisition.