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any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).

Yes

No

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

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

Large accelerated filer       Accelerated filer       Non-accelerated filer       Smaller reporting company   
(Do not check if a smaller reporting company)

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

As of June 30, 2014, 30,639,432 common units were outstanding. The aggregate market value of the common units held by non-affiliates of the registrant as of such date approximated \$1,051,991,075 based on the closing sale price on that date. There were 35,449,662 of the registrant's common units outstanding as of March 2, 2015.

DOCUMENTS INCORPORATED BY REFERENCE:      None.

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## PART I

### Item 1. Business

References in this annual report to “we,” “ours,” “us” or like terms when used in a historical context refer to the assets and operations of Martin Resource Management's business contributed to us in connection with our initial public offering on November 6, 2002. References in this annual report to “Martin Resource Management” refer to Martin Resource Management Corporation and its subsidiaries, unless the context otherwise requires. References in this annual report to the “Partnership” refer to Martin Midstream Partners L.P. and its subsidiaries, unless the content otherwise requires. You should read the following discussion of our financial condition and results of operations in conjunction with the consolidated financial statements and the notes thereto included elsewhere in this annual report. For more detailed information regarding the basis for presentation for the following information, you should read the notes to the consolidated financial statements included elsewhere in this annual report.

#### Forward-Looking Statements

This annual report on Form 10-K includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Statements included in this annual report that are not historical facts (including any statements concerning plans and objectives of management for future operations or economic performance, or assumptions or forecasts related thereto), are forward-looking statements. These statements can be identified by the use of forward-looking terminology including “forecast,” “may,” “believe,” “will,” “expect,” “anticipate,” “estimate,” “continue” or other similar words. These statements discuss future expectations, contain projections of results of operations or of financial condition or state other “forward-looking” information. We and our representatives may from time to time make other oral or written statements that are also forward-looking statements.

These forward-looking statements are made based upon management's current plans, expectations, estimates, assumptions and beliefs concerning future events impacting us and therefore involve a number of risks and uncertainties. We caution that forward-looking statements are not guarantees and that actual results could differ materially from those expressed or implied in the forward-looking statements.

Because these forward-looking statements involve risks and uncertainties, actual results could differ materially from those expressed or implied by these forward-looking statements for a number of important reasons, including those discussed below in “Item 1A. Risk Factors - Risks Related to our Business.”

#### Overview

We are a publicly traded limited partnership with a diverse set of operations focused primarily in the United States (“U.S.”) Gulf Coast region. Our four primary business lines include:

- Terminalling and storage services for petroleum products and by-products including the refining of naphthenic crude oil, blending and packaging of finished lubricants;
- Natural gas liquids transportation and distribution services and natural gas storage;
- Sulfur and sulfur-based products gathering, processing, marketing, manufacturing and distribution; and
- Marine transportation services for petroleum products and by-products.

The petroleum products and by-products we collect, transport, store and market are produced primarily by major and independent oil and gas companies who often turn to third parties, such as us, for the transportation and disposition of these products. In addition to these major and independent oil and gas companies, our primary customers include independent refiners, large chemical companies, fertilizer manufacturers and other wholesale purchasers of these products. We operate primarily in the U.S. Gulf Coast region. This region is a major hub for petroleum refining, natural gas gathering and processing, and support services for the exploration and production industry.

We were formed in 2002 by Martin Resource Management, a privately-held company whose initial predecessor was incorporated in 1951 as a supplier of products and services to drilling rig contractors. Since then, Martin Resource Management has expanded its operations through acquisitions and internal expansion initiatives as its management identified

and capitalized on the needs of producers and purchasers of petroleum products and by-products and other bulk liquids. Martin Resource Management is an important supplier and customer of ours. As of December 31, 2014, Martin Resource Management owned 17.7% of our total outstanding common limited partner units. Furthermore, Martin Resource Management controls Martin Midstream GP LLC (“MMGP”), our general partner, by virtue of its 51% voting interest in MMGP Holdings, LLC (“Holdings”), the sole member of MMGP. MMGP owns a 2.0% general partner interest in us and all of our incentive distribution rights. Martin Resource Management directs our business operations through its ownership interests in and control of our general partner.

We entered into an omnibus agreement dated November 1, 2002, with Martin Resource Management (the “Omnibus Agreement”) that governs, among other things, potential competition and indemnification obligations among the parties to the agreement, related party transactions, the provision of general administration and support services by Martin Resource Management and our use of certain of Martin Resource Management’s trade names and trademarks. Under the terms of the Omnibus Agreement, the employees of Martin Resource Management are responsible for conducting our business and operating our assets. The Omnibus Agreement was amended on November 25, 2009, to include processing crude oil into finished products including naphthenic lubricants, distillates, asphalt and other intermediate cuts. The Omnibus Agreement was amended further on October 1, 2012, to permit the Partnership to provide certain lubricant packaging products and services to Martin Resource Management.

The historical operation of our business segments by Martin Resource Management provides us with several decades of experience and a demonstrated track record of customer service across our operations. Our current lines of business have been developed and systematically integrated over this period of more than 60 years, including natural gas services (1950s); sulfur (1960s); marine transportation (late 1980s); and terminalling and storage (early 1990s). This development of a diversified and integrated set of assets and operations has produced a complementary portfolio of midstream services that facilitates the maintenance of long-term customer relationships and encourages the development of new customer relationships.

#### Primary Business Segments

Our primary business segments can be generally described as follows:

**Terminalling and Storage.** We own or operate 29 marine shore-based terminal facilities and 18 specialty terminal facilities located primarily in the U.S. Gulf Coast region that provide storage, refining, blending, packaging, and handling services for producers and suppliers of petroleum products and by-products, including the refining of naphthenic crude oil, blending and packaging of various grades and quantities of naphthenic lubricants and related products. Our facilities and resources provide us with the ability to handle various products that require specialized treatment, such as molten sulfur and asphalt. We also provide land rental to oil and gas companies along with storage and handling services for lubricants and fuels. We provide these terminalling and storage services on a fee basis primarily under long-term contracts. A significant portion of the contracts in this segment provide for minimum fee arrangements that are not based on the volumes handled.

**Natural Gas Services.** We distribute natural gas liquids (“NGLs”). We purchase NGLs primarily from refineries and natural gas processors. We store and transport NGLs for wholesale deliveries to propane retailers, refineries and industrial NGL users in Texas and the Southeastern U.S. We own a NGL pipeline, which spans approximately 200 miles from Kilgore, Texas to Beaumont, Texas. We own approximately 2.4 million barrels of underground storage capacity for NGLs. Additionally, we own 100% of the interests in Cardinal Gas Storage Partners LLC (“Cardinal”), which is focused on the development, construction, operation and management of natural gas storage facilities across northern Louisiana and Mississippi. We own a combined 20% interest in West Texas LPG Pipeline L.P. (“WTLPG”). WTLPG is operated by ONEOK Partners, L.P. (“ONEOK”), which owns the remaining 80.0% interest. WTLPG owns an approximate 2,300 mile common-carrier pipeline system that transports NGLs from New Mexico and Texas to Mont Belvieu, Texas for fractionation. This asset enables us to participate in the transportation of the growing NGL

production of West Texas and other basins along the WTLPG pipeline route. We owned six liquefied petroleum gas ("LPG") pressure barges, (collectively referred to as the "Floating Storage Assets"). These assets were primarily operated under the floating storage component of our NGL distribution business. On February 12, 2015, we sold the barges for \$41.3 million.

Sulfur Services. We have developed an integrated system of transportation assets and facilities relating to sulfur services. We process and distribute sulfur produced by oil refineries primarily located in the U.S. Gulf Coast region. We buy and sell molten sulfur on contracts that are tied to sulfur indices and tend to provide stable margins. We process molten sulfur into prilled or pelletized sulfur at our facilities in Port of Stockton, California and Beaumont, Texas on contracts that often provide guaranteed minimum fees. The sulfur we process and handle



is primarily used in the production of fertilizers and industrial chemicals. We own and operate six sulfur-based fertilizer production plants and one emulsified sulfur blending plant that manufactures primarily sulfur-based fertilizer products for wholesale distributors and industrial users. These plants are located in Illinois and Texas. Demand for our sulfur products exists in both the domestic and foreign markets, and we believe our asset base provides us with additional opportunities to handle increases in U.S. supply and access to foreign demand.

**Marine Transportation.** We operate a fleet of 42 inland marine tank barges, 25 inland push boats and four offshore tug and barge units that transport petroleum products and by-products largely in the U.S. Gulf Coast region. We provide these transportation services on a fee basis primarily under annual contracts and many of our customers have long standing contractual relationships with us. Our modernized asset base is attractive both to our existing customers as well as potential new customers. In addition, our fleet contains several vessels that reflect our focus on specialty products.

### Recent Developments

We believe one of the rationales driving investment in master limited partnerships, including us, is the opportunity for distribution growth offered by the partnerships. Such distribution growth is a function of having access to liquidity in the financial markets used for incremental capital investment (development projects and acquisitions) to grow distributable cash flow.

We continually adjust our business strategy to focus on maximizing liquidity, maintaining a stable asset base which generates fee based revenues not sensitive to commodity prices, and improving profitability by increasing asset utilization and controlling costs. Over the past year, we have had access to the capital markets and have appropriate levels of liquidity and operating cash flows to adequately fund our growth.

### Recent Acquisitions

**Cardinal Gas Storage.** On August 29, 2014, Redbird Gas Storage LLC ("Redbird"), a wholly owned subsidiary of the Partnership, completed the previously announced purchase of all of the outstanding membership interests of Cardinal from Energy Capital Partners I, LP, Energy Capital Partners I-A, LP, Energy Capital Partners I-B IP, LP and Energy Capital Partners I (Cardinal IP), LP (together, "ECP") for cash of approximately \$121.0 million. Prior to the acquisition, we owned an approximate 42.2% interest in the Category A membership interests in Cardinal. As a result of the acquisition, Redbird owns 100% of the outstanding membership interests in Cardinal. Concurrent with the closing of the transaction, we retired all of the project level financing of various Cardinal subsidiaries. This transaction and repayment of the project financings was funded with borrowings under our revolving credit facility. On October 27, 2014, Cardinal merged with and into Redbird, and Redbird subsequently changed its name to Cardinal.

**NGL Storage Assets.** On May 31, 2014, we acquired certain NGL storage assets, located in Arcadia, Louisiana, from Martin Resource Management for \$7.4 million. This transaction was funded with borrowings under our revolving credit facility.

**West Texas LPG Pipeline Limited Partnership.** On May 14, 2014, we acquired from a subsidiary of Atlas Pipeline Partners L.P. ("Atlas"), all of the outstanding membership interests in Atlas Pipeline NGL Holdings, LLC and Atlas Pipeline NGL Holdings II, LLC (collectively, "Atlas Holdings") for cash of approximately \$133.9 million. Atlas Holdings owned a 19.8% limited partnership interest and a 0.2% general partnership interest in WTLPG. WTLPG is currently operated by ONEOK, which owns the remaining 80.0% interest. WTLPG owns an approximate 2,300 mile common-carrier pipeline system that transports NGLs from New Mexico and Texas to Mont Belvieu, Texas for fractionation. This transaction was funded with borrowings under our revolving credit facility.

### Financing Activities

Public Offering. On September 29, 2014, we completed a public offering of 3,450,000 common units at a price of \$36.91 per common unit, before the payment of underwriters' discounts, commissions and offering expenses (per unit value is in dollars, not thousands). Total proceeds from the sale of the 3,450,000 common units, net of underwriters' discounts, commissions and offering expenses, were \$122.2 million. Our general partner contributed \$2.6 million in cash to us in conjunction with the issuance in order to maintain its 2.0% general partner interest in us. All of the net proceeds were used to reduce outstanding indebtedness under our revolving credit facility.

**Private Placement of Common Units.** On August 29, 2014, we closed a private equity sale with Martin Resource Management, under which Martin Resource Management invested \$45.0 million in cash in exchange for 1,171,265 common units. The pricing of \$38.42 per common unit was based on the 10-day weighted average price of our common units for the 10 trading days ending August 8, 2014 (per unit value is in dollars, not thousands). In connection with the issuance of these common units, our general partner contributed \$0.9 million in order to maintain its 2.0% general partner interest in us. All of the net proceeds were used to reduce outstanding indebtedness under our revolving credit facility.

**Amendment to Revolving Credit Facility.** On June 27, 2014, we increased the maximum amount of borrowings and letters of credit available under our revolving credit facility from \$637.5 million to \$900.0 million. In addition, we amended certain financial covenants that govern our credit facility.

**Public Offering.** On May 12, 2014, the Partnership completed a public offering of 3,600,000 common units at a price of \$41.51 per common unit, before the payment of underwriters' discounts, commissions and offering expenses (per unit value is in dollars, not thousands). Total proceeds from the sale of the 3,600,000 common units, net of underwriters' discounts, commissions and offering expenses, were \$143.4 million. Our general partner contributed \$3.1 million in cash to us in conjunction with the issuance in order to maintain its 2.0% general partner interest in us. All of the net proceeds were used to reduce outstanding indebtedness under our revolving credit facility.

**Equity Distribution Program.** In March 2014, we entered into an equity distribution agreement with multiple underwriters (the "Sales Agents") for the ongoing distribution of our common units. Pursuant to this program, we offered and sold common unit equity through the Sales Agents for aggregate proceeds of \$21.1 million for the year ended December 31, 2014. We paid \$0.4 million in compensation to the Sales Agents for the year ended December 31, 2014. Under the program, we issued 522,121 common units during the year ended December 31, 2014. Common units issued were at market prices prevailing at the time of the sale. We also received capital contributions from our general partner of \$0.4 million during the year ended December 31, 2014 related to these issuances to maintain its 2.0% general partner interest in us. The net proceeds from the common unit issuances were used to pay down outstanding amounts under our revolving credit facility.

**Issuance of 7.250% Senior Unsecured Notes Due 2021.** On April 1, 2014, we completed a private placement add-on of \$150.0 million of the 7.250% senior unsecured notes due 2021. We filed with the SEC a registration statement on Form S-4 to exchange these notes for substantially identical notes that are registered under the Securities Act and commenced an exchange offer on April 28, 2014. The exchange offer was completed during the second quarter of 2014.

**Redemption of 8.875% Senior Unsecured Notes Due 2018.** On April 1, 2014, we redeemed all \$175.0 million of the 8.875% senior unsecured notes due in 2018 from their holders. In conjunction with the redemption, the Partnership incurred a debt prepayment premium of \$7.8 million and a non-cash charge of \$3.9 million for the write-off of unamortized debt issuance costs and unamortized debt discount related to the redemption of the senior unsecured notes.

For a more detailed discussion regarding our financing activities, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources."

#### Subsequent Events

**Disposition of Floating Storage Assets.** On February 12, 2015, we sold the Floating Storage Assets for \$41.3 million. These assets were primarily operated under the floating storage component of our NGL distribution business. The proceeds from the disposition were used to reduce outstanding indebtedness under our revolving credit facility.

Quarterly Distribution. On January 22, 2015, we declared a quarterly cash distribution of \$0.8125 per common unit for the fourth quarter of 2014, or \$3.25 per common unit on an annualized basis, which was paid on February 13, 2015 to unitholders of record as of February 6, 2015. Additionally, we paid a distribution to our general partner in the amount of \$4.4 million. Of this amount, \$0.7 million is related to the base general partner distribution and \$3.7 million represents incentive distribution rights paid to our general partner.

Common Unit Grants. On January 5, 2015, we issued 84,750 restricted common units under our long-term incentive plan to the executive officers of our general partner and certain Martin Resource Management employees who provide services to us. These restricted units vest 100% on January 5, 2018.

Our Growth Strategy

The key components of our growth strategy are:

**Pursue Organic Growth Projects.** We continually evaluate economically attractive organic expansion opportunities in new or existing areas of operation that will allow us to leverage our existing market position and increase the distributable cash flow from our existing assets through improved utilization and efficiency.

**Pursue Internal Organic Growth by Attracting New Customers and Expanding Services Provided to Existing Customers.** Significant opportunities exist to expand our customer base across all four of our business segments and provide additional services and products to existing customers. We generally begin a relationship with a customer by transporting, storing or marketing a limited range of products and services. Expanding our customer base and our service and product offerings to existing customers is an efficient and cost effective method of achieving organic growth in revenues and cash flow.

**Pursue Strategic Acquisitions.** We continually monitor the marketplace to identify and pursue accretive acquisitions that expand the services and products we offer or that expand our geographic presence. After acquiring other businesses, we attempt to utilize our industry knowledge, network of customers and suppliers and strategic asset base to operate the acquired businesses more efficiently and competitively, thereby increasing revenues and cash flow. Our diversified base of operations provides multiple platforms for strategic growth through acquisitions.

**Pursue Strategic Commercial Alliances.** Many of our larger customers, which include major integrated energy companies, have established strategic alliances with midstream service providers such as us to address logistical and transportation problems or achieve operational synergies. We intend to pursue strategic commercial alliances with such customers in the future.

### Competitive Strengths

We believe we are well positioned to execute our business strategy because of the following competitive strengths:

**Fee Based Contracts.** We generate a majority of our cash flow from fee-based contracts with our customers. A significant portion of the fee-based contracts consist of reservation charges or minimum fee arrangements, which reduce the volatility of our cash flows due to volume fluctuations.

**Asset Base and Integrated Distribution Network.** We operate a diversified asset base that enables us to offer our customers an integrated distribution network consisting of transportation, terminalling and storage and midstream logistical services while minimizing our dependence on the availability and pricing of services provided by third parties. Our integrated distribution network enables us to provide customers with a complementary portfolio of transportation, terminalling, distribution and other midstream services for petroleum products and by-products.

**Strategically Located Assets.** We are one of the largest operators of marine service shore-based terminals in the U.S. Gulf Coast region providing broad geographic coverage and distribution capability of our products and services to our customers. Our natural gas storage and NGL distribution and storage assets are located in areas highly desirable for our customers. Finally, many of our sulfur services assets are strategically located to source sulfur from the largest refinery sources in the U.S.

**Specialized Transportation Equipment and Storage Facilities.** We have the assets and expertise to handle and transport certain petroleum products and by-products with unique requirements for transportation and storage. For example, we own facilities and resources to transport a variety of specialty products, including ammonia, molten sulfur and asphalt. Some of these specialty products require treatment across a wide range of temperatures ranging between approximately -30 to +400 degrees Fahrenheit to remain in liquid form, which our facilities are designed to accommodate. These capabilities help us enhance relationships with our customers by offering them services to handle their unique product requirements.

**Strong Industry Reputation and Established Relationships with Suppliers and Customers.** We have established a reputation in our industry as a reliable and cost-effective supplier of services to our customers and have a track record of safe, efficient operation of our facilities. Our management has also established long-term relationships with many

of our suppliers and customers. We benefit from our management's reputation and track record and from these long-term relationships.

**Experienced Management Team and Operational Expertise.** Members of our executive management team and the heads of our principal business lines have a significant amount of experience in the industries in which we operate. Our management team has a successful track record of creating internal growth and completing acquisitions. Our management

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team's experience and familiarity with our industry and businesses are important assets that assist us in implementing our business strategies.

### Terminalling and Storage Segment

**Industry Overview.** The U.S. petroleum distribution system moves petroleum products and by-products from oil refineries and natural gas processing facilities to end users. This distribution system is comprised of a network of terminals, storage facilities, pipelines, tankers, barges, railcars and trucks. Terminals play a key role in moving these products throughout the distribution system by providing storage, blending and other ancillary services.

Although many large energy and chemical companies own terminalling and storage facilities, these companies also use third-party terminalling and storage services. Major energy and chemical companies typically have a strong demand for terminals owned by independent operators when such terminals are strategically located at or near key transportation links, such as deep-water ports. Major energy and chemical companies also need independent terminal storage when their owned storage facilities are inadequate, either because of lack of capacity, the nature of the stored material or specialized handling requirements.

The Gulf Coast region is a major hub for petroleum refining. Approximately 50% of U.S. refining capacity exists in this region. Growth in the refining and natural gas processing industries has increased the volume of petroleum products and by-products that are transported within the Gulf Coast region, which consequently has increased the need for terminalling and storage services.

The marine and offshore oil and gas exploration and production industries use terminal facilities in the Gulf Coast region as shore bases that provide them logistical support services as well as provide a broad range of products, including fuel oil, lubricants, chemicals and supplies. The demand for these types of terminals, services and products is driven primarily by offshore exploration, development and production in the Gulf of Mexico. Offshore activity is greatly influenced by current and projected prices of oil and natural gas.

**Specialty Petroleum Terminals.** We own or operate 18 terminalling facilities providing storage, handling and transportation of various petroleum products and by-products. The locations and capabilities of our terminals are structured to complement our other businesses and reflect our strategy to provide a broad range of integrated services in the storage, handling and transportation of products. We developed our terminalling and storage assets by acquisition and upgrades of existing facilities as well as developing our own properties strategically located near rail, waterways and pipelines. We anticipate further expansion of our terminalling facilities through both acquisition and organic growth.

The Tampa terminal is located on approximately 10 acres of land owned by the Tampa Port Authority that was leased to us under a 10-year lease that commenced on December 16, 2006. This lease may be extended at the option of the tenant for two consecutive extension option periods of five years. The Stanolind terminal is located on approximately 11 acres of land owned by us located on the Neches River in Beaumont, Texas. The Neches terminal is a deep water marine terminal located near Beaumont, Texas, on approximately 50 acres of land owned by us, and an additional 96 acres leased to us under terms of a 20-year lease commencing May 1, 2014 with three five-year options. The Corpus Christi, Texas barge terminal is located on approximately 25 acres of land owned by us and has access to the waterfront via marine docks owned by the Port of Corpus Christi. The Corpus Christi, Texas crude terminal is located on 10 acres leased from the Port of Corpus Christi under terms of a five-year lease commencing on May 18, 2011 with five five-year extension options.

At the Tampa, Neches, Stanolind and Corpus Christi terminals, our customers are primarily large oil refining companies. We charge either a fixed monthly fee or a throughput fee for the use of our facilities based on the capacity of the applicable tank. We conduct a substantial portion of our terminalling and storage operations under long-term

contracts, which enhances the stability and predictability of our operations and cash flow. We attempt to balance our short-term and long-term terminalling contracts in order to allow us to maintain a consistent level of cash flow while maintaining flexibility to earn higher storage revenues when demand for storage space increases. In addition, a significant portion of the contracts for our specialty terminals provide for minimum fee arrangements that are not based on the volume handled.

In Houston, Texas, we operate a terminal used for lubricant blending, storage, packaging and distribution. This terminal is used as our central hub for bulk lubricant distribution where we receive, package and ship lubricants to our terminals or directly to customers.



In Smackover, Arkansas, we own a refinery and terminal where we process crude oil into finished products that include naphthenic lubricants, distillates, asphalt and other intermediates. This process is dedicated to an affiliate of Martin Resource Management through a long-term tolling agreement based on throughput rates and a monthly reservation fee.

In Smackover, Arkansas, we own and operate a terminal used for lubricant blending, processing, packaging, marketing and distribution. This terminal is used as our central hub for branded and private label packaged lubricants where we receive, package and ship heavy-duty, passenger car, and industrial lubricants to a network of retailers and distributors. A secondary warehousing and distribution operation is owned in Kansas City, Kansas, that allows us to serve markets that we cannot out of our Smackover facility.

In Kansas City, Missouri, we own and operate a plant that specializes in the processing and packaging of automotive, commercial and industrial greases.

In South Houston, Texas, we own an asphalt terminal whose use is dedicated to an affiliate of Martin Resource Management through a terminalling service agreement based on throughput rates.

In Port Neches, Texas, we own an asphalt terminal whose use is dedicated to an affiliate of Martin Resource Management through a terminalling service agreement based upon throughput rates.

In Omaha, Nebraska, we own an asphalt terminal whose use is dedicated to an affiliate of Martin Resource Management through a terminalling service agreement based on throughput rates.

In Beaumont, Texas we own a terminal where we receive natural gasoline via pipeline and then ship the product to our customers via other pipelines to which the facility is connected, referred to as the "Spindletop Terminal." Our fees for the use of this facility are based on the volume of barrels shipped from the terminal.

In Broussard, Louisiana, we own a lubricant terminal on leased land whose use is dedicated to an affiliate of Martin Resource Management through a terminalling service agreement based on throughput rates.

In Jennings, Louisiana, we own a lubricant terminal whose use is dedicated to an affiliate of Martin Resource Management through a terminalling service agreement based on throughput rates.

In Lake Charles, Louisiana, we own a lubricant terminal on leased land whose use is dedicated to an affiliate of Martin Resource Management through a terminalling service agreement based on throughput rates.

The following is a summary description of our shore-based specialty terminals:

| Terminal                      | Location              | Aggregate Capacity | Products   | Description  |
|-------------------------------|-----------------------|--------------------|--|--|
| Tampa (1)                     | Tampa, Florida        | 718,000 barrels    | Asphalt, sulfur and fuel oil   | Marine terminal, loading/unloading for vessels, barges, railcars and trucks                |
| Stanolind                     | Beaumont, Texas       | 581,000 barrels    | Asphalt, crude oil, sulfur, sulfuric acid and fuel oil                           | Marine terminal, marine dock for loading/unloading of vessels, barges, railcars and trucks |
| Neches                        | Beaumont, Texas       | 555,800 barrels    | Molten sulfur, ammonia, asphalt, fuel oil, crude oil and sulfur-based fertilizer | Marine terminal, loading/unloading for vessels, barges, railcars and trucks                |
| Corpus Christi Barge Terminal | Corpus Christi, Texas | 250,000 barrels    | Fuel oil and diesel  | Marine terminal, loading/unloading barges and  |

|   |                          |                 |           |   |
|---|--------------------------|-----------------|-----------|---|
| Corpus Christi<br>Crude Terminal<br>(2) | Corpus Christi,<br>Texas | 900,000 barrels | Crude oil | vessels and unloading trucks<br>Marine terminal,<br>loading/unloading barges and<br>vessels, trucks, and pipeline<br>access |
|---|--------------------------|-----------------|-----------|---|

This terminal is located on land owned by the Tampa Port Authority that was leased to us under a 10-year lease (1) that expires in December 2016. This lease may be extended at the option of the tenant for two consecutive option periods of five years.

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(2) Our Corpus Christi, Texas crude terminal is located on 10 acres leased from the Port of Corpus Christi under terms of a five-year lease commencing on May 18, 2011 with five five-year options.

The following is a summary description of our non shore-based specialty terminals:

| Terminal                          | Location                | Aggregate Capacity  | Products  | Description   |
|-----------------------------------|-------------------------|---|---|---|
| Channelview                       | Houston, Texas          | 44,000 sq. ft. Warehouse; 39,800 barrels                    | Lubricants  | Lubricants blending, storage, packaging and distribution    |
| Smackover Refinery                | Smackover, Arkansas     | 7,700 barrels per day                                       | Naphthenic lubricants, distillates, asphalt                     | Crude refining facility                                     |
| Martin Lubricants                 | Smackover, Arkansas     | 235,000 sq. ft. Warehouse; 3.9 million gallons bulk storage | Gard, SynGard, Unimark and Xtreme brands, and automotive grease | Lubricants packaging facility                               |
| Martin Lubricants                 | Kansas City, Kansas     | 65,000 sq. ft. Warehouse; 1.2 million gallons bulk storage  | Various   | Lubricants and grease warehousing and distribution facility |
| Martin Lubricants (6)             | Kansas City, Missouri   | 75,000 sq. ft. Warehouse; 0.2 million gallons bulk storage  | Automotive, commercial and industrial greases                   | Grease manufacturing and packaging facility                 |
| South Houston Asphalt             | Houston, Texas          | 71,400 barrels  | Asphalt   | Asphalt processing and storage                              |
| Port Neches Asphalt               | Port Neches, Texas      | 31,300 barrels  | Asphalt   | Asphalt processing and storage                              |
| Omaha Asphalt                     | Omaha, Nebraska         | 114,200 barrels   | Asphalt   | Asphalt processing and storage                              |
| Dunphy                            | Elko, Nevada            | 63,200 barrels  | Sulfuric acid   | Sulfuric acid storage                                       |
| Spindletop                        | Beaumont, Texas         | 90,000 barrels  | Natural gasoline  | Pipeline receipts and shipments                             |
| Broussard Bulk Facility (4)(5)(7) | Broussard, Louisiana    | 43,000 sq. ft. Warehouse; 8,200 barrels                     | Lubricants, fuel  | Lubricants and fuel storage                                 |
| Jennings Bulk Plant (5)           | Jennings, Louisiana     | 36,000 sq. ft. building; 6,000 barrels                      | Lubricants, fuel  | Lubricants and fuel storage                                 |
| Lake Charles (3)                  | Lake Charles, Louisiana | 18,000 sq. ft. Warehouse; 6,800 barrels                     | Lubricants  | Lubricants storage  |

This terminal is located on land owned by third parties and leased under a lease that expires in January 2016 and (3) can be extended by us through January 2021. This terminal was acquired from Martin Resource Management on January 31, 2011.

(4) This terminal is located on land owned by third parties and leased under a lease that expires in November 2015.

(5) These terminals were acquired from the purchase of Talen's on December 31, 2012.

This terminal contains a warehouse owned by third parties and leased under a lease that expires in December 2020 (6) and can be extended by us for two successive five-year periods and was acquired from the purchase of the NL Grease assets on June 13, 2013.

(7) This terminal is currently in caretaker status.

Marine Shore-Based Terminals. We own or operate 29 marine shore-based terminals along the Gulf Coast from Theodore, Alabama to Corpus Christi, Texas. Our terminalling assets are located at strategic distribution points for the products we handle and are in close proximity to our customers. We are one of the largest operators of marine shore-based terminals in the Gulf Coast region. These terminals are used to distribute and market fuel and lubricants. Additionally, full service terminals also provide shore bases for companies that are operating in the offshore exploration and production industry. Customers are primarily oil and gas exploration and production companies and oilfield service companies, such as drilling fluid companies, marine transportation companies and offshore construction companies. Shore bases typically provide logistical

support, including the storing and handling of tubular goods, loading and unloading bulk materials, providing facilities from which major and independent oil companies can communicate with and control offshore operations and leasing dockside facilities to companies which provide complementary products and services such as drilling fluids and cementing services. We generate revenues from our terminals that have shore bases by fees that we charge our customers under land rental contracts for the use of our terminal facility for these shore bases. These contracts generally provide us a fixed land rental fee and additional rental fees that are determined based on a percentage of the sales value of the products and services delivered from the shore base. In addition, Martin Resource Management, through contractual arrangements, pays us for terminalling and storage of fuels and lubricants at these terminal facilities.

Our 29 marine shore-based terminals are divided into two classes of terminals: (i) full service terminals and (ii) fuel and lubricant terminals.

**Full Service Terminals.** We own or operate 10 full service terminals. These facilities provide logistical support services and storage and handling services for fuel and lubricants. The significant difference between our full service terminals and our fuel and lubricant terminals is that our full service terminals generate additional revenues by providing shore bases to support our customer's operating activities related to the offshore exploration and production industry. One typical use for our shore bases is for drilling fluids manufacturers to manufacture and sell drilling fluids to the offshore drilling industry. Offshore drilling companies may also set up service facilities at these terminals to support their offshore operations. Customers of our full service terminals are primarily oil and gas exploration and production companies, oilfield service companies such as drilling fluids companies, marine transportation companies and offshore construction companies.

The following is a summary description of our 10 full service terminals:

| Terminal                   | Location                     | Aggregate Capacity (barrels) |
|----------------------------|------------------------------|------------------------------|
| Amelia 2 (3)(4)            | Amelia, Louisiana            | 13,100                       |
| Cameron East (2)           | Cameron, Louisiana           | 27,500                       |
| Dock 193 (7)(11)           | Gueydan, Louisiana           | 11,000                       |
| Fourchon 15 (3)(6)         | Fourchon, Louisiana          | 7,600                        |
| Freshwater City (7)(8)(9)  | Freshwater City, Louisiana   | 10,000                       |
| Harbor Island (1)          | Harbor Island, Texas         | 6,700                        |
| Intracoastal City-2 (3)(5) | Intracoastal City, Louisiana | 18,100                       |
| Pelican Island             | Galveston, Texas             | 88,400                       |
| Theodore                   | Theodore, Alabama            | 19,900                       |
| Venice (3)(10)             | Venice, Louisiana            | 25,100                       |

- (1) A portion of this terminal is located on land owned by a third party and leased under a lease that expires in January 2020 and can be extended by us through January 2025.
- (2) This terminal is located on land owned by third parties and leased under a lease that expires in March 2017 and can be extended by us through February 2022.
- (3) These terminals were acquired from Martin Resource Management on January 31, 2011.
- (4) This terminal is located on land owned by a third party and leased under a lease that expires in August 2018 and can be extended by us through August 2023.
- (5) This terminal is located on land owned by a third party and leased under a lease that expires in December 2015 and can be extended by us through December 2025.
- (6) This terminal is located on land owned by a third party and leased under a lease that expires in February 2017.
- (7) These terminals were acquired from the purchase of Talen's on December 31, 2012.
- (8) This terminal is located on land owned by a third party and leased under a lease that expires in March 2017.
- (9) This terminal has a warehousing agreement with a third party and under a lease that expires in March 2017.
- (10)

This terminal is located on land owned by third parties and leased under multiple leases that expire in September 2017 and can be extended by us through December 2027

(11) A portion of this terminal is located on land owned by a third party and leased under a lease that expires in May 2016.

Fuel and Lubricant Terminals. We own or operate 19 lubricant and fuel terminals located in the Gulf Coast region that provide storage and handling services for lubricants and fuel oil.

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The following is a summary description of our fuel and lubricant terminals:

| Terminal                  | Location                     | Aggregate Capacity (barrels) |
|---------------------------|------------------------------|------------------------------|
| Berwick (1)               | Berwick, Louisiana           | 24,600                       |
| Cameron 7 (9)(18)         | Cameron, Louisiana           | 15,400                       |
| Cameron 8 (9)(6)          | Cameron, Louisiana           | 31,900                       |
| Cameron West (5)(20)      | Cameron, Louisiana           | 17,900                       |
| Dulac (9)(11)             | Dulac, Louisiana             | 1,800                        |
| Fourchon (8)              | Fourchon, Louisiana          | 80,900                       |
| Fourchon 16 (9)(15)       | Fourchon, Louisiana          | 16,400                       |
| Fourchon 17 (9)(12)       | Fourchon, Louisiana          | 41,200                       |
| Fourchon T (4)(10)        | Fourchon, Louisiana          | 39,100                       |
| Freeport                  | Freeport, Texas              | 8,600                        |
| Galveston T (4)(17)       | Galveston Texas              | 10,400                       |
| Intracoastal City (7)(20) | Intracoastal City, Louisiana | 45,900                       |
| Lake Charles T (4)(16)    | Lake Charles, Louisiana      | 1,000                        |
| Morgan City DWC 31(9)(14) | Morgan City, Louisiana       | 7,100                        |
| Pascagoula (18)           | Pascagoula, Mississippi      | 11,000                       |
| Port Arthur (4)(19)       | Port Arthur, Texas           | 16,300                       |
| Port O'Connor (2)         | Port O'Connor, Texas         | 6,600                        |
| River Ridge (9)(13)       | River Ridge, Louisiana       | 8,700                        |
| Sabine Pass (3)(20)       | Sabine Pass, Texas           | 16,500                       |

- (1) This terminal is located on land owned by third parties and leased under a lease that expires in September 2017.
- (2) This terminal is located on land owned by a third party and leased under a lease that expires in March 2015. We intend to extend this lease.
- (3) This terminal is located on land owned by a third party and leased under a lease that expires in September 2016 and can be extended by us through September 2036.
- (4) These terminals were acquired from the purchase of Talen's on December 31, 2012.
- (5) This terminal is located on land owned by a third party and leased under a lease that expires in February 2018 and can be extended by us through February 2033.
- (6) This terminal is located on land owned by a third party and leased under a lease that expires in July 2016 and can be extended by us through July 2036.
- (7) A portion of this location is leased pursuant to a month-to-month throughput agreement and a portion is under a lease, which expires April of 2015. We intend to renew the lease.
- (8) This terminal is located on land owned by a third party at which we throughput lubricants and fuel oil pursuant to an agreement that expires in May 2027.
- (9) These terminals were acquired from Martin Resource Management on January 31, 2011.
- (10) This terminal is located on land owned by a third party at which we throughput lubricants and fuel oil pursuant to an agreement that expires in October 2018 and can be extended by us through October 2038.
- (11) This terminal is located on land owned by third parties and leased under a lease that expires in December 2021 and can be extended by us through December 2041.
- (12) This terminal is located on land owned by third parties and leased under a lease that expires in December 2018 and can be extended by us through December 2023.
- (13) This terminal is located on land owned by third parties and leased under multiple leases that expire in April 2019 and February 2020.  
This terminal is located on land owned by third parties and leased under a lease that expires in December 2019
- (14) and can be extended by us through December 2034. In addition, there is an office sublease that expires December 2019.
- (15) This terminal is located on land owned by third parties and leased under multiple leases that expire in July 2017, July 2016, and March 2017. These leases can be extended by us through July 2022, July 2026, and March 2022,

respectively.

(16) This terminal is located on land owned by third parties and leased under a lease that expires in April 2018 and can be extended by us through April 2023.

(17) This terminal was converted from full services terminals to fuel and lube terminals during 2013.

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- (18) This terminal is located on land owned by a third party and leased under a lease that expires in July 2017 and can be extended by us through July 2027.
- (19) This terminal is located on land owned by third parties and leased under a lease that expires in November 2015 and can be extended by us through November 2025.
- (20) These terminals are currently in caretaker status.

**Competition.** We compete with independent terminal operators and major energy and chemical companies that own their own terminalling and storage facilities. Many customers prefer to contract with independent terminal operators rather than terminal operators owned by integrated energy and chemical companies that may have refining or marketing interests that compete with the customers.

Independent terminal owners generally compete on the basis of the location and versatility of terminals, service and price. A favorably-located terminal has access to various cost effective transportation modes, both to and from the terminal, such as waterways, railroads, roadways and pipelines. Terminal versatility depends upon the operator's ability to handle diverse products, some of which have complex or specialized handling and storage requirements. The service function of a terminal includes, among other things, the safe storage of product at specified temperature, moisture and other conditions and receiving and delivering product to and from the terminal. All of these services must be in compliance with applicable environmental and other regulations.

We successfully compete for terminal customers because of the strategic location of our terminals along the Gulf Coast, our integrated transportation services, our reputation, the prices we charge for our services and the quality and versatility of our services. Additionally, while some companies have significantly more terminalling and storage capacity than us, not all terminalling and storage facilities located in the markets we serve are equipped to properly handle specialty products such as asphalt, sulfur and anhydrous ammonia.

The principal competitive factors affecting our terminals, which provide fuel and lubricants distribution and marketing, as well as shore bases at certain terminals, are the locations of the facilities, availability of competing logistical support services and the experience of personnel and dependability of service. The distribution and marketing of our lubricant products is brand sensitive and we encounter brand loyalty competition. Shore base rental contracts are generally long-term contracts and provide more protection from competition. Our primary competitors for both lubricants and shore bases include several independent operations as well as major companies that maintain their own similarly equipped marine terminals, shore bases and fuel and lubricant supply sources.

#### Natural Gas Services Segment

**Industry Overview.** NGLs are produced through natural gas processing and as a by-product of crude oil refining. NGLs include ethane, propane, normal butane, iso butane and natural gasoline and other products.

Ethane is almost entirely used as a petrochemical feedstock in the production of ethylene and propylene. Propane is used as a petrochemical feedstock in the production of ethylene and propylene, as a fuel for heating, for industrial applications, as motor fuel and as a refrigerant. Normal butane is used as a petrochemical feedstock, as a blend stock for motor gasoline and as a component in aerosol propellants. Normal butane can also be made into iso butane through isomerization. Iso butane is used in the production of motor gasoline, alkylation and as a component in aerosol propellants. Natural gasoline is used as a component of motor gasoline, as a petrochemical feedstock and as a diluent.

**Facilities.** We purchase NGLs primarily from major domestic oil refiners and natural gas processors. We transport NGLs using Martin Resource Management's land transportation fleet or by contracting with common carriers, owner-operators and railroad tank cars. We typically enter into annual contracts with independent retail propane distributors to deliver their estimated annual volume requirements based on prevailing market prices. Dependable

delivery is very important to these customers and in some cases may be more important than price. We ensure adequate supply of NGLs through:

- storage of NGLs purchased in off-peak months;
- efficient use of the transportation fleet of vehicles owned by Martin Resource Management; and
- product management expertise to obtain supplies when needed.

The following is a summary description of our owned and leased NGL facilities:

| NGL Facility        | Location                     | Capacity          | Description                 |
|---------------------|------------------------------|-------------------|-----------------------------|
| Wholesale terminals | Arcadia, Louisiana           | 2,400,000 barrels | Underground storage         |
|                     | Breaux Bridge, Louisiana (1) | 503,000 barrels   | Underground storage         |
|                     | Hattiesburg, Mississippi (1) | 115,000 barrels   | Underground storage         |
|                     | Mt. Belvieu, Texas (1)       | 95,000 barrels    | Underground storage         |
| Retail terminals    | Kilgore, Texas               | 90,000 gallons    | Retail propane distribution |
|                     | Longview, Texas              | 30,000 gallons    | Retail propane distribution |
|                     | Henderson, Texas             | 12,000 gallons    | Retail propane distribution |

(1) We lease our underground storage at Breaux Bridge, Louisiana, Hattiesburg, Mississippi, and Mont Belvieu, Texas, from third parties under one-year lease agreements.

Our NGL customers consist of refiners, industrial processors and retail propane distributors. For the year ended December 31, 2014, we sold approximately 90% of our NGL volume to refiners and industrial processors and approximately 10% of our NGL volume to independent retail propane distributors located in Texas and the southeastern U.S.

We generally maintain consistent margins in our natural gas services business because we attempt to pass increases and decreases in the cost of NGLs directly to our customers. We generally try to coordinate our sales and purchases of NGLs based on the same daily price index of NGLs in order to decrease the impact of NGL price volatility on our profitability.

**Natural Gas Storage.** Cardinal is focused on the development, construction, operation and management of natural gas storage facilities across northern Louisiana and Mississippi. On August 29, 2014, we acquired the remaining outstanding 57.8% interest in Cardinal from ECP. As a result of the acquisition, we own 100% of the outstanding membership interests in Cardinal. Concurrent with the closing of the transaction, we retired all of the project level financing of various Cardinal subsidiaries. This transaction and repayment of the project financings was funded with borrowings under our revolving credit facility. On October 27, 2014, Cardinal merged with and into Redbird, and Redbird subsequently changed its name to Cardinal.

Natural gas storage facilities provide a staging and warehousing function for seasonal swings in demand relative to supply, as well as an essential reliability cushion against disruptions in natural gas supply, demand and transportation by allowing natural gas to be injected into, withdrawn from or warehoused in such storage facilities as dictated by market conditions. The long term demand for storage services in the U.S. is driven primarily by the long-term demand for natural gas and the overall lack of balance between the supply of and demand for natural gas on a seasonal, monthly, daily or other basis. In general and on a long-term basis, to the extent the overall demand for natural gas increases and such growth includes higher demand from seasonal or weather-sensitive end-users (such as gas-fired power generators and residential and commercial consumers), demand for natural gas storage services should also grow. In addition, any factors that contribute to more frequent and severe imbalances between the supply of and demand for natural gas, whether caused by supply or demand fluctuations, should increase the need for and the value of storage services. On a short term basis, storage demand and values are also significantly influenced by operational imbalances, near term seasonal spreads, shorter term spreads and basis differentials.

Cardinal facilities are summarized below:

| Facility Name / Location | Facility Type | Storage Capacity | Percent of Capacity Contracted | Weighted Average Life of Remaining Contract Term |
|--------------------------|---------------|------------------|--------------------------------|--|
|                          | Salt dome     |                  | 71%                            | 2.2 years  |

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|  |                    |                               |      |           |
|--|--------------------|-------------------------------|------|-----------|
| Arcadia Gas Storage, LLC Bienville Parish, Louisiana       |                    | 17.5 billion cubic feet (bcf) |      |           |
| Cadeville Gas Storage, LLC Ouachita Parish, Louisiana      | Depleted reservoir | 17.0 bcf                      | 100% | 8.4 years |
| Perryville Gas Storage, LLC Franklin Parish, Louisiana     | Salt dome          | 8.7 bcf                       | 98%  | 4.0 years |
| Monroe Gas Storage Company, LLC Monroe County, Mississippi | Depleted reservoir | 7.0 bcf                       | 100% | < 1 year  |

These facilities were developed to provide producers, end users, local distribution companies, pipelines and energy marketers with high-deliverability storage services and hub services.

NGL Marine Storage. We owned six LPG pressure barges, which we acquired in February 2013. These assets were primarily operated under the floating storage component of our NGL distribution business. On February 3, 2015, we agreed to sell the barges for \$41.3 million. The transaction closed on February 12, 2015.

LPG Pipeline Investment. On May 14, 2014, we acquired a combined 20% interest in WTLPG. WTLPG owns an approximate 2,300 mile common-carrier pipeline system that transports NGLs from New Mexico and Texas to Mont Belvieu, Texas for fractionation. This acquisition will enable the Partnership to participate in the transportation of the growing NGL production of West Texas and other basins along the WTLPG pipeline route.

Competition. We compete with large integrated NGL producers and marketers, as well as small local independent marketers. The primary components of competition related to our natural gas storage operations are location, rates, terms and flexibility of service and supply. Our natural gas storage facilities compete with other storage providers and increased competition could result from newly developed storage facilities or expanded capacity from existing competitors.

Seasonality. The level of NGL supply and demand is subject to changes in domestic production, weather, inventory levels and other factors. While production is not seasonal, residential, refinery, and wholesale demand is highly seasonal. This imbalance causes increases in inventories during summer months when consumption is low and decreases in inventories during winter months when consumption is high. If inventories are low at the start of the winter, higher prices are more likely to occur during the winter. Additionally, abnormally cold weather can put extra upward pressure on propane prices during the winter because there are less readily available sources of additional supply except for imports, which are less accessible and may take several weeks to arrive. General economic conditions and inventory levels have a greater impact on industrial and refinery use of NGLs than the weather.

#### Sulfur Services Segment

Industry Overview. Sulfur is a natural element and is required to produce a variety of industrial products. In the U.S., approximately 10 million tons of sulfur are consumed annually with the Tampa, Florida area being the largest single market. Currently, all sulfur produced in the U.S. is “recovered sulfur,” or sulfur that is a by-product from oil refineries and natural gas processing plants. Sulfur production in the U.S. is principally located along the Gulf Coast, along major inland waterways and in some areas of the western U.S.

Sulfur is an important plant nutrient and is primarily used in the manufacture of phosphate fertilizers with the balance used for industrial purposes. The primary application of sulfur in fertilizers occurs in the form of sulfuric acid. Burning sulfur creates sulfur dioxide, which is subsequently oxidized and dissolved in water to create sulfuric acid. The sulfuric acid is then combined with phosphate rock to make phosphoric acid, the base material for most high-grade phosphate fertilizers.

Sulfur-based fertilizers are manufactured chemicals containing nutrients known to improve the fertility of soils. Nitrogen, phosphorus, potassium and sulfur are the four most important nutrients for crop growth. These nutrients are found naturally in soils. However, soils used for agriculture become depleted of these nutrients and frequently require fertilizers rich in these essential nutrients to restore fertility.

Industrial sulfur products (including sulfuric acid) are used in a wide variety of industries. For example, these products are used in power plants, paper mills, auto and tire manufacturing plants, food processing plants, road construction, cosmetics and pharmaceuticals.

Our Operations and Products. We maintain an integrated system of transportation assets and facilities relating to our sulfur services. We gather molten sulfur from refiners, primarily located on the Gulf Coast. We transport sulfur by

inland and offshore barges, railcars and trucks. In the U.S., recovered sulfur is mainly kept in liquid form from production to usage at a temperature of approximately 275 degrees Fahrenheit. Because of the temperature requirement, the sulfur industry uses specialized equipment to store and transport molten sulfur. We have the necessary assets and expertise to handle the unique requirements for transportation and storage of molten sulfur.

The terms of our commercial sulfur contracts typically range from one to five years in length. We handle molten sulfur on cost-plus contracts and margin-based contracts, and the prices in such contracts are usually tied to a published market indicator and fluctuate according to the price movement of the indicator. We also provide barge transportation and tank storage services to large integrated oil companies that produce sulfur and fertilizer manufacturers that consume sulfur under transportation and storage contracts with remaining terms from one to two years in duration.

The sulfur assets located at the Port of Stockton in California are used to process (prill) molten sulfur into pellets. The Stockton facility can process approximately 1,000 metric tons of molten sulfur per day and the resulting dry pellets are stored in bulk until sold into certain U.S. and international agricultural markets. In 2006, we completed the construction of a sulfur priller at our Neches facility in Beaumont, Texas with construction of a second priller completed in 2009. Forming capacity was further increased in 2012 with the addition of a granulator. The two Beaumont prillers along with the granulator have the capacity to process approximately 5,500 metric tons of molten sulfur per day. We process molten sulfur into formed sulfur on take-or-pay fee contracts, providing refiners access to the export market for the sale of their residual sulfur.

In September 2007, we completed construction of a sulfuric acid production facility at our Plainview, Texas location. This facility processes molten sulfur to produce approximately 150,000 tons of sulfuric acid per year. This acid production provides a dedicated supply of raw material sulfuric acid to our ammonium sulfate production plant that was completed in March of 2011. The ammonium sulfate plant produces approximately 400 tons per day of quality ammonium sulfate and is marketed to our customers throughout the U.S. The sulfuric acid produced and not consumed by the captive ammonium sulfate production is sold to Martin Resource Management which markets the excess production to third parties.

Fertilizer and related sulfur products are a natural extension of our molten sulfur business because of our access to sulfur and our distribution capabilities. These products allow us to leverage the Sulfur Services segment of our business. Our annual fertilizer and industrial sulfur products sales have grown significantly as a result of acquisitions and internal growth.

In the U.S., fertilizer is generally sold to farmers through local dealers. These dealers are typically owned and supplied by much larger wholesale distributors. We sell to these wholesale distributors. Our industrial sulfur products are marketed primarily in the southern U.S., where many paper manufacturers and power plants are located. Our products are sold in accordance with price lists that vary from state to state. These price lists are updated periodically to reflect changes in seasonal or competitive prices. We transport our fertilizer and industrial sulfur products to our customers using third-party common carriers. We utilize rail shipments for large volume and long distance shipments where available.

We manufacture and market the following sulfur-based fertilizer and related sulfur products:

**Plant nutrient sulfur products.** We produce plant nutrient and agricultural ground sulfur products at our facilities in Odessa, Texas, Seneca, Illinois and Cactus, Texas. Our plant nutrient sulfur product is a 90% degradable sulfur product marketed under the Disper-Sul® trade name and sold throughout the U.S. to direct application agricultural markets. Our agricultural ground sulfur products are used primarily in the western U.S. on grapes and vegetable crops.

**Ammonium sulfate products.** We produce various grades of ammonium sulfate including granular, coarse and standard grades, a 40% ammonium sulfate solution. These products primarily serve direct application agricultural markets. We blend our ammonium sulfate to make custom grades of lawn and garden fertilizer at our facility in Salt Lake City, Utah. We package these custom grade products under both proprietary and private labels and sell them to major retail distributors and other retail customers of these products.

**Industrial sulfur products.** We produce industrial sulfur products such as elemental pastille sulfur, industrial ground sulfur products, and emulsified sulfur. We produce elemental pastille sulfur at our Odessa, Texas and Seneca, Illinois facilities. Elemental pastille sulfur is used to increase the efficiency of the coal-fired precipitators in the power industry. These industrial ground sulfur products are also used in a variety of dusting and wettable sulfur applications such as rubber manufacturing, fungicides, sugar and animal feeds. We produce emulsified sulfur at our Texarkana, Texas facility. Emulsified sulfur is primarily used to control the sulfur content in the pulp and paper manufacturing processes.

Liquid sulfur products. We produce ammonium thiosulfate at our Neches terminal facility in Beaumont, Texas. This agricultural sulfur product is a clear liquid containing 12% nitrogen and 26% sulfur. This product serves as a liquid plant nutrient used directly through spray rigs or irrigation systems. It is also blended with other nitrogen phosphorus potassium liquids or suspensions as well. Our market is predominantly the Mid-South U.S. and Coastal Bend area of Texas.

Our Sulfur Services Facilities.

We own 56 railcars and lease 105 railcars equipped to transport molten sulfur. We own the following marine assets and use them to transport molten sulfur from our Beaumont, Texas terminal to our Tampa, Florida terminal as well as provide third party marine transportation services to others:

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| Asset               | Class of Equipment  | Capacity/Horsepower | Products Transported |
|---------------------|---------------------|---------------------|----------------------|
| Margaret Sue        | Offshore tank barge | 10,450 long tons    | Molten sulfur        |
| M/V Martin Explorer | Offshore tugboat    | 7,200 horsepower    | N/A                  |
| M/V Martin Express  | Inland push boat    | 1,200 horsepower    | N/A                  |
| MGM 101             | Inland tank barge   | 2,450 long tons     | Molten sulfur        |
| MGM 102             | Inland tank barge   | 2,450 long tons     | Molten sulfur        |

We own the following sulfur forming facilities as part of our sulfur services business:

| Terminal | Location             | Daily Production Capacity | Products Stored                       |
|----------|----------------------|---------------------------|---------------------------------------|
| Neches   | Beaumont, Texas      | 5,500 metric tons per day | Molten, prilled and granulated sulfur |
| Stockton | Stockton, California | 1,000 metric tons per day | Molten and prilled sulfur             |

We lease 132 railcars to transport our fertilizer products. We own the following manufacturing plants as part of our sulfur services business:

| Facility                | Location             | Annual Capacity | Description                         |
|-------------------------|----------------------|-----------------|-------------------------------------|
| Fertilizer plant        | Plainview, Texas     | 150,000 tons    | Fertilizer production               |
| Fertilizer plant        | Beaumont, Texas      | 110,000 tons    | Liquid sulfur fertilizer production |
| Fertilizer plants       | Odessa, Texas        | 35,000 tons     | Dry sulfur fertilizer production    |
| Fertilizer plant        | Seneca, Illinois     | 36,000 tons     | Dry sulfur fertilizer production    |
| Fertilizer plant        | Salt Lake City, Utah | 25,000 tons     | Blending and packaging              |
| Fertilizer plant        | Cactus, Texas        | 20,000 tons     | Dry sulfur fertilizer production    |
| Industrial sulfur plant | Texarkana, Texas     | 18,000 tons     | Emulsified sulfur production        |
| Sulfuric acid plant     | Plainview, Texas     | 150,000 tons    | Sulfuric acid production            |

Competition. We own one of the four vessels currently used to transport molten sulfur between U.S. ports on the Gulf of Mexico and Tampa, Florida. Phosphate fertilizer manufacturers consume a vast majority of the sulfur produced in the U.S., which they purchase from resellers as well as directly from producers. We compete primarily with U.S. producers that sell directly to consumers with access to transportation and storage assets as well as foreign suppliers from Mexico or Venezuela that may sell into the Florida market. Our sulfur-based fertilizer products compete with several large fertilizer and sulfur products manufacturers. However, the close proximity of our manufacturing plants to our customer base is a competitive advantage for us in the markets we serve and allows us to minimize freight costs and respond quickly to customer requests. Our sulfuric acid products compete with regional producers and importers in the South and Southwest portion of the U.S. from Louisiana to California.

Seasonality. Sales of our agricultural fertilizer products are partly seasonal as a result of increased demand during the growing season.

#### Marine Transportation Segment

Industry Overview. The U.S. inland waterway system is a vast and heavily used transportation system. This inland waterway system is composed of a network of interconnected rivers and canals that serve as water highways and is used to transport vast quantities of products annually. This waterway system extends approximately 26,000 miles, of which 12,000 miles are generally considered significant for domestic commerce.

The Gulf Coast region is a major hub for petroleum refining. The petroleum refining process generates products and by-products that require transportation in large quantities from the refinery or processor. Convenient access to and use of this waterway system by the petroleum and petrochemical industry is a major reason for the current location of U.S. refineries and petrochemical facilities. The marine transportation industry uses push boats and tugboats as power sources and tank barges for freight capacity. The combination of the power source and tank barge freight capacity is called a tow.

Marine Fleet. We utilize a fleet of inland and offshore tows that provide marine transportation of petroleum products and by-products produced in oil refining and natural gas processing. Our marine transportation business operates coastwise along the Gulf of Mexico and East Coast and on the U.S. inland waterway system, primarily between domestic ports along the Gulf of Mexico, Intracoastal Waterway, the Mississippi River system and the Tennessee-Tombigbee Waterway system. Additionally, we participate in Caribbean, Central America, and South American transport. Our inland tows generally consist of one push boat and one to three tank barges, depending upon the horsepower of the push boat, the river or canal capacity and conditions, and customer requirements. Each of our offshore tows consist of one tugboat, with much greater horsepower than an inland push boat, and one large tank barge. We transport asphalt, fuel oil, gasoline, sulfur and other bulk liquids.

The following is a summary description of the marine vessels we use in our marine transportation business:

| Class of Equipment   | Number in Class | Capacity/Horsepower               | Description of Products Carried                   |
|----------------------|-----------------|-----------------------------------|---|
| Inland tank barges   | 12              | Under 20,000 barrels              | Asphalt, crude oil, fuel oil, gasoline and sulfur |
| Inland tank barges   | 30              | 20,000 - 31,000 barrels           | Asphalt, crude oil, fuel oil and gasoline         |
| Inland push boats    | 25              | 800 - 3,800 horsepower            | N/A   |
| Offshore tank barges | 4               | 45,000 barrels and 95,000 barrels | Asphalt, fuel oil and NGLs                        |
| Offshore tugboats    | 4               | 2,400 - 7,200 horsepower          | N/A   |

Our largest marine transportation customers include major and independent oil and gas refining companies, petroleum marketing companies and Martin Resource Management. We conduct our marine transportation services on a fee basis primarily under annual contracts.

We are a party to a marine transportation agreement under which we provide marine transportation services to Martin Resource Management on a spot contract basis at applicable market rates. Effective each January 1, this agreement automatically renews for consecutive one-year periods unless either party terminates the agreement by giving written notice to the other party at least 60 days prior to the expiration of the then-applicable term.

Competition. We compete primarily with other marine transportation companies. Competition in this industry has historically been based primarily on price. However, customers are placing an increased emphasis on safety, environmental compliance, quality of service and the availability of a single source of supply of services. Specifically, customers are increasingly seeking suppliers that can offer marine, land, rail and terminal distribution services while providing a high level of flexibility, health, safety, environmental and financial responsibility, adequate insurance and quality of services consistent with the customer's standards.

In addition to competitors that provide marine transportation services, we also compete with providers of other modes of transportation, such as rail, trucks and, to a lesser extent, pipelines. For example, a typical two inland barge unit carries a volume of product equal to approximately 80 railcars or 250 tanker trucks. Pipelines generally provide a less expensive form of transportation than marine transportation. However, pipelines are not able to transport most of the products we transport and are generally a less flexible form of transportation because they are limited to the fixed point-to-point distribution of commodities in high volumes over extended periods of time.

#### Our Relationship with Martin Resource Management

Martin Resource Management is engaged in the following principal business activities:

providing land transportation of various liquids using a fleet of trucks and road vehicles and road trailers;

distributing fuel oil, asphalt, sulfuric acid, marine fuel and other liquids;

providing marine bunkering and other shore-based marine services in Alabama, Louisiana, Florida, Mississippi and Texas;

operating a crude oil gathering business in Stephens, Arkansas;

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providing crude oil gathering, refining, and marketing services of base oils, asphalt, and distillate products in Smackover, Arkansas;

providing crude oil marketing and transportation from the well head to the end market;

operating an environmental consulting company;

operating an engineering services company;

supplying employees and services for the operation of our business;

operating a natural gas optimization business; and

operating, solely for our account, the asphalt facilities in Omaha, Nebraska, Port Neches, Texas and South Houston, Texas.

We are and will continue to be closely affiliated with Martin Resource Management as a result of the following relationships.

#### Ownership

Martin Resource Management owns approximately 17.7% of the outstanding limited partner units. In addition, Martin Resource Management controls MMGP, our general partner, by virtue of its 51% voting interest in Holdings, the sole member of MMGP. MMGP owns a 2.0% general partner interest in us and all of our incentive distribution rights.

#### Management

Martin Resource Management directs our business operations through its ownership interests in and control of our general partner. We benefit from our relationship with Martin Resource Management through access to a significant pool of management expertise and established relationships throughout the energy industry. We do not have employees. Martin Resource Management employees are responsible for conducting our business and operating our assets on our behalf.

#### Related Party Agreements

The Omnibus Agreement with Martin Resource Management requires us to reimburse Martin Resource Management for all direct expenses it incurs or payments it makes on our behalf or in connection with the operation of our business. We reimbursed Martin Resource Management for \$183.2 million, \$177.1 million and \$157.8 million of direct costs and expenses for the years ended December 31, 2014, 2013 and 2012, respectively. There is no monetary limitation on the amount we are required to reimburse Martin Resource Management for direct expenses.

In addition to the direct expenses, under the Omnibus Agreement, we are required to reimburse Martin Resource Management for indirect general and administrative and corporate overhead expenses. For the years ended December 31, 2014, 2013, and 2012, the conflicts committee of our general partner (“Conflicts Committee”) approved reimbursement amounts of \$12.5 million, \$10.6 million and \$7.6 million, respectively, reflecting our allocable share of such expenses. The Conflicts Committee will review and approve future adjustments in the reimbursement amount for indirect expenses, if any, annually. These indirect expenses covered the centralized corporate functions Martin Resource Management provides for us, such as accounting, treasury, clerical, engineering, legal, billing, information technology, administration of insurance, general office expenses and employee benefit plans and other general

corporate overhead functions we share with Martin Resource Management's retained businesses. The Omnibus Agreement also contains significant non-compete provisions and indemnity obligations. Martin Resource Management also licenses certain of its trademarks and trade names to us under the Omnibus Agreement.

Other agreements include, but are not limited to, a motor carrier agreement, marine transportation agreements, terminal services agreements, a tolling agreement, and a sulfuric acid sales agency agreement. Pursuant to the terms of the Omnibus Agreement, we are prohibited from entering into certain material agreements with Martin Resource Management without the approval of the Conflicts Committee.

For a more comprehensive discussion concerning the Omnibus Agreement and the other agreements that we have entered into with Martin Resource Management, please see “Item 13. Certain Relationships and Related Transactions, and Director Independence.”

#### Commercial

We have been and anticipate that we will continue to be both a significant customer and supplier of products and services offered by Martin Resource Management. Our motor carrier agreement with Martin Resource Management provides us with access to Martin Resource Management’s fleet of road vehicles and road trailers to provide land transportation in the areas served by Martin Resource Management. Our ability to utilize Martin Resource Management’s land transportation operations is currently a key component of our integrated distribution network.

In the aggregate, our purchases from Martin Resource Management accounted for approximately 7% of our total cost of products sold during for the year ended December 31, 2014 and 8% of our total cost of products sold for the years ended December 31, 2013, and 2012. We also purchase marine fuel from Martin Resource Management, which we account for as an operating expense.

Correspondingly, Martin Resource Management is one of our significant customers. Our sales to Martin Resource Management accounted for approximately 6% of our total revenues for each of the years ended December 31, 2014, 2013 and 2012. We have entered into certain agreements with Martin Resource Management pursuant to which we provide terminalling and storage and marine transportation services to its subsidiary, Martin Energy Services, LLC (“MES”), and MES provides terminal services to us to handle lubricants, greases and drilling fluids. Additionally, we have entered into a long-term, fee for services-based tolling agreement with Martin Resource Management where Martin Resource Management agrees to pay us for the processing of its crude oil into finished products, including naphthenic lubricants, distillates, asphalt and other intermediate cuts.

For a more comprehensive discussion concerning the Omnibus Agreement and the other agreements that we have entered into with Martin Resource Management, please see “Item 13. Certain Relationships and Related Transactions, and Director Independence.”

#### Approval and Review of Related Party Transactions

If we contemplate entering into a transaction, other than a routine or in the ordinary course of business transaction, in which a related person will have a direct or indirect material interest, the proposed transaction is submitted for consideration to the board of directors of our general partner or to our management, as appropriate. If the board of directors is involved in the approval process, it determines whether to refer the matter to the Conflicts Committee, as provided under our limited partnership agreement. If a matter is referred to the Conflicts Committee, it obtains information regarding the proposed transaction from management and determines whether to engage independent legal counsel or an independent financial advisor to advise the members of the committee regarding the transaction. If the Conflicts Committee retains such counsel or financial advisor, it considers such advice and, in the case of a financial advisor, such advisor’s opinion as to whether the transaction is fair and reasonable to us and to our unitholders.

#### Insurance

Our deductible for onshore physical damage resulting from named windstorms is 5% of the total value located at an individual location subject to an overall minimum deductible of \$4.0 million for damage caused by the named windstorm at all locations. Our onshore program currently provides \$40.0 million per occurrence for named windstorm events. For non-windstorm events, our deductible applicable to onshore physical damage is \$1.25 million per occurrence. Business interruption coverage in connection with a windstorm event is subject to the same \$40.0

million per occurrence and aggregate limit as the property damage coverage and a waiting period of 45 days. For non-windstorm events, our waiting period applicable to business interruption is 30 days.

Our deductible for physical damage at our refining, blending and packaging division in Smackover, Arkansas is \$0.5 million per occurrence. The waiting period applicable to business interruption is 30 days.

Loss of, or damage to, our vessels and cargo is insured through hull and cargo insurance policies. Vessel operating liabilities such as collision, cargo, environmental and personal injury are insured primarily through our participation in mutual insurance associations and other reinsurance arrangements, pursuant to which we are potentially exposed to assessments in the



event claims by us or other members exceed available funds and reinsurance. Protection and indemnity (“P&I”) insurance coverage is provided by P&I associations and other insurance underwriters. Our vessels are entered in P&I associations that are parties to a pooling agreement, known as the International Group Pooling Agreement (“Pooling Agreement”) through which approximately 90% of the world's ocean-going tonnage is reinsured through a group reinsurance policy. With regard to collision coverage, the first \$1.0 million of coverage is insured by our hull policy and any excess is insured by a P&I association. We insure our owned cargo through a domestic insurance company. We insure cargo owned by third parties through our P&I coverage. As a member of P&I associations that are parties to the Pooling Agreement, we are subject to supplemental calls payable to the associations of which we are a member, based on our claims record and the other members of the other P&I associations that are parties to the Pooling Agreement. Except for our marine operations, we self-insure against liability exposure up to a predetermined amount, beyond which we are covered by catastrophe insurance coverage.

For marine claims, our insurance covers up to \$1.0 billion of liability per accident or occurrence. We believe our current insurance coverage is adequate to protect us against most accident related risks involved in the conduct of our business. However, there can be no assurance that all risks are adequately insured against, that any particular claim will be paid by the insurer, or that we will be able to procure adequate insurance coverage at commercially reasonable rates in the future.

#### Environmental and Regulatory Matters

Our activities are subject to various federal, state and local laws and regulations, as well as orders of regulatory bodies, governing a wide variety of matters, including marketing, production, pricing, community right-to-know, protection of the environment, safety and other matters.

#### Environmental

We are subject to complex federal, state, and local environmental laws and regulations governing the discharge of materials into the environment or otherwise relating to protection of human health, natural resources and the environment. These laws and regulations can impair our operations that affect the environment in many ways, such as requiring the acquisition of permits to conduct regulated activities; restricting the manner in which we can release materials into the environment; requiring remedial activities or capital expenditures to mitigate pollution from former or current operations; and imposing substantial liabilities on us for pollution resulting from our operations. Many environmental laws and regulations can impose joint and several, strict liability, and any failure to comply with environmental laws and regulations may result in the assessment of administrative, civil, and criminal penalties, the imposition of investigatory and remedial obligations, and, in some circumstances, the issuance of injunctions that can limit or prohibit our operations.

The clear trend in environmental regulation is to place more restrictions and limitations on activities that may affect the environment, and, thus, any changes in environmental laws and regulations that result in more stringent and costly waste handling, storage, transport, disposal, or remediation requirements could have a material adverse effect on our operations and financial position. Moreover, there is inherent risk of incurring significant environmental costs and liabilities in the performance of our operations due to our handling of petroleum products and by-products, chemical substances, and wastes as well as the accidental release or spill of such materials into the environment. Consequently, we cannot provide assurance that we will not incur significant costs and liabilities as result of such handling practices, releases or spills, including those relating to claims for damage to property and persons. In the event of future increases in costs, we may be unable to pass on those increases to our customers. While we believe that we are in substantial compliance with current environmental laws and regulations and that continued compliance with existing requirements would not have a material adverse impact on us, we cannot provide any assurance that our environmental compliance expenditures will not have a material adverse effect on us in the future.

## Superfund

The Federal Comprehensive Environmental Response, Compensation and Liability Act, as amended, (“CERCLA”), also known as the “Superfund” law, and similar state laws, impose liability without regard to fault or the legality of the original conduct, on certain classes of “responsible persons,” including the owner or operator of a site where regulated hazardous substances have been released into the environment and companies that disposed or arranged for the disposal of the hazardous substances found at such site. Under CERCLA, these responsible persons may be subject to joint and several strict liability for the costs of cleaning up the hazardous substances that have been released into the environment, for damages to natural resources, and for the costs of certain health studies, and it is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by the release of hazardous substances into the environment. Although certain hydrocarbons are not subject to CERCLA’s reach because “petroleum” is excluded from

CERCLA's definition of a "hazardous substance," in the course of our ordinary operations we will generate wastes that may fall within the definition of a "hazardous substance." We are not subject to any notification that we may be potentially responsible for cleanup costs under CERCLA.

#### Solid Waste

We generate both hazardous and nonhazardous solid wastes, which are subject to requirements of the federal Resource Conservation and Recovery Act, as amended ("RCRA") and comparable state statutes. From time to time, the U.S. Environmental Protection Agency ("EPA") has considered making changes in nonhazardous waste standards that would result in stricter disposal requirements for these wastes. Furthermore, it is possible some wastes generated by us that are currently classified as nonhazardous may in the future be designated as "hazardous wastes," resulting in the wastes being subject to more rigorous and costly disposal requirements. Changes in applicable regulations may result in an increase in our capital expenditures or operating expenses.

We currently own or lease, and have in the past owned or leased, properties that have been used for the manufacturing, processing, transportation and storage of petroleum products and by-products. Solid waste disposal practices within oil and gas related industries have improved over the years with the passage and implementation of various environmental laws and regulations. Nevertheless, a possibility exists that petroleum and other solid wastes may have been disposed of on or under various properties owned or leased by us during the operating history of those facilities. In addition, a number of these properties have been operated by third parties over whom we had no control as to such entities' handling of petroleum, petroleum by-products or other wastes and the manner in which such substances may have been disposed of or released. State and federal laws and regulations applicable to oil and natural gas wastes and properties have gradually become more strict and, under such laws and regulations, we could be required to remove or remediate previously disposed wastes or property contamination, including groundwater contamination, even under circumstances where such contamination resulted from past operations of third parties.

#### Clean Air Act

Our operations are subject to the federal Clean Air Act ("CAA"), as amended, and comparable state statutes. Amendments to the CAA adopted in 1990 contain provisions that may result in the imposition of increasingly stringent pollution control requirements with respect to air emissions from the operations of our terminal facilities, processing and storage facilities and fertilizer and related products manufacturing and processing facilities. Such air pollution control requirements may include specific equipment or technologies to control emissions, permits with emissions and operational limitations, pre-approval of new or modified projects or facilities producing air emissions, and similar measures. For example, the Neches Terminal is located in an EPA-designated ozone non-attainment area, referred to as the Beaumont/Port Arthur non-attainment area, which is subject to a EPA-adopted 8-hour standard for complying with the national standard for ozone. In addition, existing sources of air emissions in the Beaumont/Port Arthur area are already subject to stringent emission reduction requirements. Failure to comply with applicable air statutes or regulations may lead to the assessment of administrative, civil or criminal penalties, and/or result in the limitation or cessation of construction or operation of certain air emission sources. We believe our operations, including our manufacturing, processing and storage facilities and terminals, are in substantial compliance with applicable requirements of the CAA and analogous state laws.

**Global Warming and Climate Change.** Recent scientific studies have suggested that emissions of certain gases, commonly referred to as "greenhouse gases" and including carbon dioxide and methane, may be contributing to warming of the Earth's atmosphere. In response to such studies, the U.S. Congress has from time to time considered climate change-related legislation to restrict greenhouse gas emissions. At least 17 states have already taken legal measures to reduce emissions of greenhouse gases, primarily through the planned development of greenhouse gas emission inventories and/or regional greenhouse gas cap and trade programs. Also, as a result of the U.S. Supreme Court's decision on April 2, 2007, in *Massachusetts, et al. v. EPA*, the EPA eventually concluded that it is required to

regulate greenhouse gas emissions from mobile sources (e.g., cars and trucks) even if Congress does not adopt new legislation specifically addressing emissions of greenhouse gases. The Court's holding in Massachusetts that greenhouse gases fall under the federal CAA's definition of air pollutant has also led the EPA to determine that regulation of greenhouse gas emissions from stationary sources under various Clean Air Act programs is required. To that end, EPA promulgated regulations, referred to as the Tailoring Rule, 75 Fed. Reg. 31514, to begin gradually subjecting stationary greenhouse gas emission sources to various Clean Air Act programs, including permitting programs applicable to new and existing major sources of greenhouse gas emissions. To date, such requirements have not had a substantial effect upon our operations. Still, new legislation or regulatory programs that restrict emissions of greenhouse gases in areas in which we conduct business could adversely affect our operations and demand for our services.

#### Clean Water Act

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The Federal Water Pollution Control Act, as amended, also known as the Clean Water Act, and analogous state laws impose restrictions and controls on the discharge of pollutants into federal and state waters. Regulations promulgated under these laws require entities that discharge into federal and state waters obtain National Pollutant Discharge Elimination System (“NPDES”) and/or state permits authorizing these discharges. The Clean Water Act and analogous state laws assess penalties for releases of unauthorized pollutants into the water and impose substantial liability for the costs of removing spills from such waters. In addition, the Clean Water Act and analogous state laws require that individual permits or coverage under general permits be obtained by covered facilities for discharges of storm water runoff and that applicable facilities develop and implement plans for the management of storm water runoff (referred to as storm water pollution prevention plans (“SWPPPs”)) as well as for the prevention and control of oil spills (referred to as spill prevention, control and countermeasure (“SPCC”) plans). As part of the regular overall evaluation of our on-going operations, we are reviewing and, as necessary, updating SWPPPs for certain of our facilities, including facilities recently acquired. In addition, we have reviewed our SPCC plans and, where necessary, amended such plans to comply with applicable regulations adopted by the EPA. We believe that compliance with the conditions of such permits and plans will not have a material effect on our operations.

#### Oil Pollution Act

The Oil Pollution Act of 1990, as amended (“OPA”) imposes a variety of regulations on “responsible parties” related to the prevention of oil spills and liability for damages resulting from such spills in U.S. waters. A “responsible party” includes the owner or operator of a facility or vessel or the lessee or permittee of the area in which an offshore facility is located. The OPA assigns liability to each responsible party for oil removal costs and a variety of public and private damages including natural resource damages. Under the OPA, vessels and shore facilities handling, storing, or transporting oil are required to develop and implement oil spill response plans, and vessels greater than 300 tons in weight must provide to the U.S. Coast Guard evidence of financial responsibility to cover the costs of cleaning up oil spills from such vessels. The OPA also requires that all newly constructed tank barges engaged in oil transportation in the U.S. be double hulled and all existing single hull tank barges be retrofitted with double hulls or phased out by 2015. We believe we are in substantial compliance with all of the oil spill-related and financial responsibility requirements. Nonetheless, in the aftermath of the Deepwater Horizon incident in 2010, Congress has from time to time considered oil spill related legislation that could have the effect of substantially increasing financial responsibility requirements and potential fines and damages for violations and discharges subject to the OPA, and similar legislation. Any such changes in law affecting areas where we conduct business could materially affect our operations.

#### Safety Regulation

The Company’s marine transportation operations are subject to regulation by the U.S. Coast Guard, federal laws, state laws and certain international treaties. Tank ships, push boats, tugboats and barges are required to meet construction and repair standards established by the American Bureau of Shipping, a private organization, and the U.S. Coast Guard and to meet operational and safety standards presently established by the U.S. Coast Guard. We believe our marine operations and our terminals are in substantial compliance with current applicable safety requirements.

#### Occupational Health Regulations

The workplaces associated with our manufacturing, processing, terminal and storage facilities are subject to the requirements of the federal Occupational Safety and Health Act (“OSHA”) and comparable state statutes. We believe we have conducted our operations in substantial compliance with OSHA requirements, including general industry standards, record keeping requirements and monitoring of occupational exposure to regulated substances. Our marine vessel operations are also subject to safety and operational standards established and monitored by the U.S. Coast Guard.

In general, we expect to increase our expenditures relating to compliance with likely higher industry and regulatory safety standards such as those described above. These expenditures cannot be accurately estimated at this time, but we do not expect them to have a material adverse effect on our business.

#### Jones Act

The Jones Act is a federal law that restricts maritime transportation between locations in the U.S. to vessels built and registered in the U.S. and owned and manned by U.S. citizens. Since we engage in maritime transportation between locations in the U.S., we are subject to the provisions of the law. As a result, we are responsible for monitoring the ownership of our subsidiaries that engage in maritime transportation and for taking any remedial action necessary to ensure that no violation of the Jones Act ownership restrictions occurs. The Jones Act also requires that all U.S.-flagged vessels be manned by U.S.

citizens. Foreign-flagged seamen generally receive lower wages and benefits than those received by U.S. citizen seamen. This requirement significantly increases operating costs of U.S.-flagged vessel operations compared to foreign-flagged vessel operations. Certain foreign governments subsidize their nations' shipyards. This results in lower shipyard costs both for new vessels and repairs than those paid by U.S.-flagged vessel owners. The U.S. Coast Guard and American Bureau of Shipping maintain the most stringent regimen of vessel inspection in the world, which tends to result in higher regulatory compliance costs for U.S.-flagged operators than for owners of vessels registered under foreign flags of convenience.

#### Merchant Marine Act of 1936

The Merchant Marine Act of 1936 is a federal law that provides that, upon proclamation by the President of the U.S. of a national emergency or a threat to the national security, the U.S. Secretary of Transportation may requisition or purchase any vessel or other watercraft owned by U.S. citizens (including us, provided that we are considered a U.S. citizen for this purpose). If one of our push boats, tugboats or tank barges were purchased or requisitioned by the U.S. government under this law, we would be entitled to be paid the fair market value of the vessel in the case of a purchase or, in the case of a requisition, the fair market value of charter hire. However, if one of our push boats or tugboats is requisitioned or purchased and its associated tank barge is left idle, we would not be entitled to receive any compensation for the lost revenues resulting from the idled barge. We also would not be entitled to be compensated for any consequential damages we suffer as a result of the requisition or purchase of any of our push boats, tugboats or tank barges.

#### Employees

We do not have any employees. Under our Omnibus Agreement with Martin Resource Management, Martin Resource Management provides us with corporate staff and support services. These services include centralized corporate functions, such as accounting, treasury, engineering, information technology, insurance, administration of employee benefit plans and other corporate services. Martin Resource Management employs approximately 921 individuals, including 62 employees represented by labor unions, who provide direct support to our operations as of December 31, 2014.

#### Financial Information about Segments

Information regarding our operating revenues and identifiable assets attributable to each of our segments is presented in Note 20 to our consolidated financial statements included in this annual report on Form 10-K.

#### Access to Public Filings

We provide public access to our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to these reports filed with the SEC under the Securities and Exchange Act of 1934. These documents may be accessed free of charge on our website at the following address: [www.martinmidstream.com](http://www.martinmidstream.com). These documents are provided as soon as is reasonably practicable after their filing with the SEC. This website address is intended to be an inactive, textual reference only, and none of the material on this website is part of this report. These documents may also be found at the SEC's website at [www.sec.gov](http://www.sec.gov).

#### Item 1A. Risk Factors

Limited partner interests are inherently different from the capital stock of a corporation, although many of the business risks to which we are subject are similar to those that would be faced by a corporation engaged in a business similar to ours. If any of the following risks were actually to occur, our business, financial condition or results of operations could be materially adversely affected. In this case, we might not be able to pay distributions on our

common units, the trading price of our common units could decline and unitholders could lose all or part of their investment. These risk factors should be read in conjunction with the other detailed information concerning us set forth herein.

#### Risks Relating to Our Business

Important factors that could cause actual results to differ materially from our expectations include, but are not limited to, the risks set forth below. The risks described below should not be considered to be comprehensive and all-inclusive. Many of such factors are beyond our ability to control or predict. Unitholders are cautioned not to put undue reliance on forward-looking statements. Additional risks that we do not yet know of or that we currently think are immaterial may also impair our business operations, financial condition and results of operations.



We may not have sufficient cash after the establishment of cash reserves and payment of our general partner's expenses to enable us to pay the minimum quarterly distribution each quarter.

We may not have sufficient available cash each quarter in the future to pay the minimum quarterly distributions on all our units. Under the terms of our partnership agreement, we must pay our general partner's expenses and set aside any cash reserve amounts before making a distribution to our unitholders. The amount of cash we can distribute on our common units principally depends upon the amount of net cash generated from our operations, which will fluctuate from quarter to quarter based on, among other things:

- the costs of acquisitions, if any;
- the prices of petroleum products and by-products;
- fluctuations in our working capital;
- the level of capital expenditures we make;
- restrictions contained in our debt instruments and our debt service requirements;
- our ability to make working capital borrowings under our credit facility; and
- the amount, if any, of cash reserves established by our general partner in its discretion.

Unitholders should also be aware that the amount of cash we have available for distribution depends primarily on our cash flow, including cash flow from working capital borrowings, and not solely on profitability, which will be affected by non-cash items. In addition, our general partner determines the amount and timing of asset purchases and sales, capital expenditures, borrowings, issuances of additional partnership securities and the establishment of reserves, each of which can affect the amount of cash available for distribution to our unitholders. As a result, we may make cash distributions during periods when we record losses and may not make cash distributions during periods when we record net income.

Restrictions in our credit facility could prevent us from making distributions to our unitholders.

The payment of principal and interest on our indebtedness reduces the cash available for distribution to our unitholders. In addition, we are prohibited by our credit facility from making cash distributions during a default or an event of default under our credit facility or if the payment of a distribution would cause a default or an event of default thereunder. Our leverage and various limitations in our credit facility may reduce our ability to incur additional debt, engage in certain transactions, and capitalize on acquisition or other business opportunities that could increase cash flows and distributions to our unitholders.

Debt we owe or incur in the future could limit our flexibility to obtain financing and to pursue other business opportunities.

Our indebtedness could have important consequences, including the following:

- our ability to obtain additional financing, if necessary, for working capital, capital expenditures, acquisitions or other purposes may be impaired or such financing may not be available on favorable terms;
- our funds available for operations, future business opportunities and distributions to unitholders will be reduced by that portion of our cash flows required to make interest payments on the debt;

- we may be more vulnerable to competitive pressures or a downturn in our business or the economy generally; and
- our flexibility in responding to changing business and economic conditions may be limited.

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

expenditures, selling assets or seeking additional equity capital. We may not be able to effect any of these actions on satisfactory terms or at all.

If we do not have sufficient capital resources for acquisitions or opportunities for expansion, our growth will be limited.

We intend to explore acquisition opportunities in order to expand our operations and increase our profitability. We may finance acquisitions through public and private financing, or we may use our limited partner interests for all or a portion of the consideration to be paid in acquisitions. Distributions of cash with respect to these equity securities or limited partner interests may reduce the amount of cash available for distribution to the common units. In addition, in the event our limited partner interests do not maintain a sufficient valuation, or potential acquisition candidates are unwilling to accept our limited partner interests as all or part of the consideration, we may be required to use our cash resources, if available, or rely on other financing arrangements to pursue acquisitions. If we use funds from operations, other cash resources or increased borrowings for an acquisition, the acquisition could adversely impact our ability to make our minimum quarterly distributions to our unitholders. Additionally, if we do not have sufficient capital resources or are not able to obtain financing on terms acceptable to us for acquisitions, our ability to implement our growth strategies may be adversely impacted.

A higher cost of capital relative to our peers could limit our ability to grow through acquisitions.

In order to expand our operations and increase profitability, we explore acquisition opportunities. When competing for acquisition targets, firms with a lower cost of capital will be in a stronger position to secure the acquisition. A higher cost of capital relative to our peers could put us in a weaker position to grow through acquisitions.

We are exposed to counterparty risk in our credit facility and related interest rate protection agreements.

We rely on our credit facility to assist in financing a significant portion of our working capital, acquisitions and capital expenditures. Our ability to borrow under our credit facility may be impaired because:

- one or more of our lenders may be unable or otherwise fail to meet its funding obligations;

- the lenders do not have to provide funding if there is a default under the credit facility or if any of the representations or warranties included in the credit facility are false in any material respect; and

- if any lender refuses to fund its commitment for any reason, whether or not valid, the other lenders are not required to provide additional funding to make up for the unfunded portion.

If we are unable to access funds under our credit facility, we will need to meet our capital requirements, including some of our short-term capital requirements, using other sources. Alternative sources of liquidity may not be available on acceptable terms, if at all. If the cash generated from our operations or the funds we are able to obtain under our credit facility or other sources of liquidity are not sufficient to meet our capital requirements, then we may need to delay or abandon capital projects or other business opportunities, which could have a material adverse effect on our business, financial condition and results of operations.

In addition, we have from time to time entered into interest rate protection agreements to manage our interest rate risk exposure by fixing a portion of the interest expense we pay on our long-term debt under our credit facility.

Uncertainty in the global economy and banking markets exists, which could affect whether the counterparties to such interest rate protection agreements are able to honor their agreements. If the counterparties fail to honor their commitments, we could experience higher interest rates, which could have a material adverse effect on our business, financial condition and results of operations. In addition, if the counterparties fail to honor their commitments, we also

may be required to replace such interest rate protection agreements with new interest rate protection agreements, and such replacement interest rate protection agreements may be at higher rates than our current interest rate protection agreements, which could have a material adverse effect on our business, financial condition and results of operations.

The impacts of climate-related initiatives at the international, federal and state levels remain uncertain at this time.

Currently, there are numerous international, federal and state-level initiatives and proposals addressing domestic and global climate issues. Within the U.S., most of these proposals would regulate and/or tax, in one fashion or another, the production of carbon dioxide and other “greenhouse gases” to facilitate the reduction of carbon compound emissions to the atmosphere and provide tax and other incentives to produce and use more “clean energy.” Costs to comply with future climate-related initiatives could have a material impact on our business, financial condition and results of operations.

Our recent and future acquisitions may not be successful, may substantially increase our indebtedness and contingent liabilities and may create integration difficulties.

As part of our business strategy, we intend to acquire businesses or assets we believe complement our existing operations. We may not be able to successfully integrate recent or any future acquisitions into our existing operations or achieve the desired profitability from such acquisitions. These acquisitions may require substantial capital expenditures and the incurrence of additional indebtedness. If we make acquisitions, our capitalization and results of operations may change significantly. Further, any acquisition could result in:

- post-closing discovery of material undisclosed liabilities of the acquired business or assets;
- the unexpected loss of key employees or customers from the acquired businesses;
- difficulties resulting from our integration of the operations, systems and management of the acquired business; and
- an unexpected diversion of our management's attention from other operations.

If recent or any future acquisitions are unsuccessful or result in unanticipated events or if we are unable to successfully integrate acquisitions into our existing operations, such acquisitions could adversely affect our results of operations, cash flow and ability to make distributions to our unitholders.

Adverse weather conditions, including droughts, hurricanes, tropical storms and other severe weather, could reduce our results of operations and ability to make distributions to our unitholders.

Our distribution network and operations are primarily concentrated in the Gulf Coast region and along the Mississippi River inland waterway. Weather in these regions is sometimes severe (including tropical storms and hurricanes) and can be a major factor in our day-to-day operations. Our marine transportation operations can be significantly delayed, impaired or postponed by adverse weather conditions, such as fog in the winter and spring months and certain river conditions. Additionally, our marine transportation operations and our assets in the Gulf of Mexico, including our barges, push boats, tugboats and terminals, can be adversely impacted or damaged by hurricanes, tropical storms, tidal waves or other related events. Demand for our lubricants and the diesel fuel we throughput in our Terminalling and Storage segment can be affected if offshore drilling operations are disrupted by weather in the Gulf of Mexico.

National weather conditions have a substantial impact on the demand for our products. Unusually warm weather during the winter months can cause a significant decrease in the demand for NGL products. Likewise, extreme weather conditions (either wet or dry) can decrease the demand for fertilizer. For example, an unusually wet spring can delay planting of seeds, which can leave insufficient time to apply fertilizer at the planting stage. Conversely, drought conditions can kill or severely stunt the growth of crops, thus eliminating the need to nurture plants with fertilizer. Any of these or similar conditions could result in a decline in our net income and cash flow, which would reduce our ability to make distributions to our unitholders.

If we incur material liabilities that are not fully covered by insurance, such as liabilities resulting from accidents on rivers or at sea, spills, fires or explosions, our results of operations and ability to make distributions to our unitholders could be adversely affected.

Our operations are subject to the operating hazards and risks incidental to terminalling and storage, marine transportation and the distribution of petroleum products and by-products and other industrial products. These hazards and risks, many of which are beyond our control, include:

• accidents on rivers or at sea and other hazards that could result in releases, spills and other environmental damages,  
• personal injuries, loss of life and suspension of operations;

• leakage of NGLs, natural gas, and other petroleum products and by-products;

• fires and explosions;

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• damage to transportation, terminalling and storage facilities and surrounding properties caused by natural disasters;  
and

• terrorist attacks or sabotage.

Our insurance coverage may not be adequate to protect us from all material expenses related to potential future claims for personal-injury and property damage, including various legal proceedings and litigation resulting from these hazards and risks. If we incur material liabilities that are not covered by insurance, our operating results, cash flow and ability to make distributions to our unitholders could be adversely affected.

Changes in the insurance markets attributable to the effects of Hurricanes Katrina, Rita and Ike and their aftermath may make some types of insurance more difficult or expensive for us to obtain. As a result, we may be unable to secure the levels and types of insurance we would otherwise have secured prior to such events. Moreover, the insurance that may be available to us may be significantly more expensive than our existing insurance coverage.

The price volatility of petroleum products and by-products could reduce our liquidity and results of operations and ability to make distributions to our unitholders.

We purchase petroleum products and by-products, such as molten sulfur, fuel oils, NGLs, lubricants, and other bulk liquids and sell these products to wholesale and bulk customers and to other end users. We also generate revenues through the terminalling and storage of certain products for third parties. The price and market value of petroleum products and by-products could be, and has recently been, volatile. Our liquidity and revenues have been adversely affected by this volatility during periods of decreasing prices because of the reduction in the value and resale price of our inventory. In addition, our liquidity and costs have been adversely affected during periods of increasing prices because of the increased costs associated with our purchase of petroleum products and by-products. Future price volatility could have an adverse impact on our liquidity and results of operations, cash flow and ability to make distributions to our unitholders.

Increasing energy prices could adversely affect our results of operations.

Increasing energy prices could adversely affect our results of operations. Diesel fuel, natural gas, chemicals and other supplies are recorded in operating expenses. An increase in price of these products would increase our operating expenses, which could adversely affect our results of operations including net income and cash flows. We cannot assure unitholders that we will be able to pass along increased operating expenses to our customers.

Increased competition from alternative natural gas transportation and storage options and alternative fuel sources could have a significant financial impact on us.

Our ability to renew or replace existing contracts at rates sufficient to maintain current revenues and cash flows could be adversely affected by activities of other interstate and intrastate pipelines and storage facilities that may expand or construct competing transportation and storage systems. In addition, future pipeline transportation and storage capacity could be constructed in excess of actual demand and with lower fuel requirements, operating and maintenance costs than our facilities, which could reduce the demand for and the rates that we receive for our services in particular areas. Further, natural gas also competes with alternative energy sources available to our customers that are used to generate electricity, such as hydroelectric power, solar, wind, nuclear, coal and fuel oil.

Demand for a portion of our terminalling and storage services is substantially dependent on the level of offshore oil and gas exploration, development and production activity.

The level of offshore oil and gas exploration, development and production activity historically has been volatile and is likely to continue to be so in the future. The level of activity is subject to large fluctuations in response to relatively minor changes in a variety of factors that are beyond our control, including:

- prevailing oil and natural gas prices and expectations about future prices and price volatility;
- the cost of offshore exploration for and production and transportation of oil and natural gas;
- worldwide demand for oil and natural gas;
- consolidation of oil and gas and oil service companies operating offshore;



- availability and rate of discovery of new oil and natural gas reserves in offshore areas;
- local and international political and economic conditions and policies;
- technological advances affecting energy production and consumption;
- weather conditions;
- environmental regulation; and
- the ability of oil and gas companies to generate or otherwise obtain funds for exploration and production.

We expect levels of offshore oil and gas exploration, development and production activity to continue to be volatile and affect demand for our terminalling and storage services.

Our NGL and sulfur-based fertilizer products are subject to seasonal demand and could cause our revenues to vary.

The demand for NGLs and natural gas is highest in the winter. Therefore, revenue from our natural gas services business is higher in the winter than in other seasons. Our sulfur-based fertilizer products experience an increase in demand during the spring, which increases the revenue generated by this business line in this period compared to other periods. The seasonality of the revenue from these products may cause our results of operations to vary on a quarter-to-quarter basis and thus could cause our cash available for quarterly distributions to fluctuate from period to period.

The highly competitive nature of our industry could adversely affect our results of operations and ability to make distributions to our unitholders.

We operate in a highly competitive marketplace in each of our primary business segments. Most of our competitors in each segment are larger companies with greater financial and other resources than we possess. We may lose customers and future business opportunities to our competitors and any such losses could adversely affect our results of operations and ability to make distributions to our unitholders.

Our business is subject to compliance with environmental laws and regulations that could expose us to significant costs and liabilities and adversely affect our results of operations and ability to make distributions to our unitholders.

Our business is subject to federal, state and local environmental laws and regulations governing the discharge of materials into the environment or otherwise relating to protection of human health, natural resources and the environment. These laws and regulations may impose numerous obligations that are applicable to our operations, such as: requiring the acquisition of permits to conduct regulated activities; restricting the manner in which we can release materials into the environment; requiring remedial activities or capital expenditures to mitigate pollution from former or current operations; and imposing substantial liabilities on us for pollution resulting from our operations. Numerous governmental authorities, such as the U.S. Environmental Protection Agency and analogous state agencies, have the power to enforce compliance with these laws and regulations and the permits issued under them, oftentimes requiring difficult and costly actions. Many environmental laws and regulations can impose joint and several strict liability, and any failure to comply with environmental laws, regulations and permits may result in the assessment of administrative, civil and criminal penalties, the imposition of investigatory and remedial obligations and, in some circumstances, the issuance of injunctions that can limit or prohibit our operations. The clear trend in environmental regulation is to place more restrictions and limitations on activities that may affect the environment, and, thus, any changes in environmental laws and regulations that result in more stringent and costly waste handling, storage,

transport, disposal or remediation requirements could have a material adverse effect on our operations and financial position.

The loss or insufficient attention of key personnel could negatively impact our results of operations and ability to make distributions to our unitholders.

Our success is largely dependent upon the continued services of members of the senior management team of Martin Resource Management. Those senior officers have significant experience in our businesses and have developed strong relationships with a broad range of industry participants. The loss of any of these executives could have a material adverse effect on our relationships with these industry participants, our results of operations and our ability to make distributions to our unitholders.

We do not have employees. We rely solely on officers and employees of Martin Resource Management to operate and manage our business. Martin Resource Management operates businesses and conducts activities of its own in which we have no economic interest. There could be competition for the time and effort of the officers and employees who provide services to our general partner. If these officers and employees do not or cannot devote sufficient attention to the management and operation of our business, our results of operations and ability to make distributions to our unitholders may be reduced.

Our loss of significant commercial relationships with Martin Resource Management could adversely impact our results of operations and ability to make distributions to our unitholders.

Martin Resource Management provides us with various services and products pursuant to various commercial contracts. The loss of any of these services and products provided by Martin Resource Management could have a material adverse impact on our results of operations, cash flow and ability to make distributions to our unitholders. Additionally, we provide terminalling and storage, processing and marine transportation services to Martin Resource Management to support its businesses under various commercial contracts. The loss of Martin Resource Management as a customer could have a material adverse impact on our results of operations, cash flow and ability to make distributions to our unitholders.

Our business could be adversely affected if operations at our transportation, terminalling and storage and distribution facilities experienced significant interruptions. Our business could also be adversely affected if the operations of our customers and suppliers experienced significant interruptions.

Our operations are dependent upon our terminalling and storage facilities and various means of transportation. We are also dependent upon the uninterrupted operations of certain facilities owned or operated by our suppliers and customers. Any significant interruption at these facilities or inability to transport products to or from these facilities or to or from our customers for any reason would adversely affect our results of operations, cash flow and ability to make distributions to our unitholders. Operations at our facilities and at the facilities owned or operated by our suppliers and customers could be partially or completely shut down, temporarily or permanently, as the result of any number of circumstances that are not within our control, such as:

- catastrophic events, including hurricanes;
- environmental remediation;
- labor difficulties; and
- disruptions in the supply of our products to our facilities or means of transportation.

Additionally, terrorist attacks and acts of sabotage could target oil and gas production facilities, refineries, processing plants, terminals and other infrastructure facilities. Any significant interruptions at our facilities, facilities owned or operated by our suppliers or customers, or in the oil and gas industry as a whole caused by such attacks or acts could have a material adverse effect on our results of operations, cash flow and ability to make distributions to our unitholders.

Political, regulatory and economic factors could significantly affect our operations, the manner in which we conduct our business and slow our rate of growth.

Due to changes in the political climate as a result of the outcome of recent state elections and the Congressional election in the U.S., we cannot predict with any certainty the nature and extent of the changes in federal, state and local laws, regulations and policy we will face, or the effect of such elections on any pending legislation. Any

increased regulation, new policy initiatives, increased taxes or any other changes in federal law may have an adverse effect on our business, financial condition and results of operations.

NASDAQ does not require a publicly traded partnership like us to comply with certain of its corporate governance requirements, and therefore, unitholders do not have the same protections afforded to shareholders of corporations subject to all NASDAQ requirements.

Because we are a publicly traded partnership, the Nasdaq Global Select Market ("NASDAQ") does not require our general partner to have a majority of independent directors on its board of directors or to establish a compensation committee or nominating and corporate governance committee. Accordingly, unitholders do not have the same protections afforded to certain corporations that are subject to all of NASDAQ corporate governance requirements.

Our marine transportation business could be adversely affected if we do not satisfy the requirements of the Jones Act or if the Jones Act were modified or eliminated.

The Jones Act is a federal law that restricts domestic marine transportation in the U.S. to vessels built and registered in the U.S. Furthermore, the Jones Act requires that the vessels be manned and owned by U.S. citizens. If we fail to comply with these requirements, our vessels lose their eligibility to engage in coastwise trade within U.S. Domestic waters.

The requirements that our vessels be U.S. built and manned by U.S. citizens, the crewing requirements and material requirements of the Coast Guard and the application of U.S. labor and tax laws significantly increase the costs of U.S. flagged vessels when compared with foreign-flagged vessels. During the past several years, certain interest groups have lobbied Congress to repeal the Jones Act to facilitate foreign flag competition for trades and cargoes reserved for U.S. flagged vessels under the Jones Act and cargo preference laws. If the Jones Act were to be modified to permit foreign competition that would not be subject to the same U.S. government imposed costs, we may need to lower the prices we charge for our services in order to compete with foreign competitors, which would adversely affect our cash flow and ability to make distributions to our unitholders.

Our marine transportation business could be adversely affected if the U.S. Government purchases or requisitions any of our vessels under the Merchant Marine Act.

We are subject to the Merchant Marine Act of 1936, which provides that, upon proclamation by the President of the U.S. of a national emergency or a threat to the national security, the U.S. Secretary of Transportation may requisition or purchase any vessel or other watercraft owned by U.S. citizens (including us, provided that we are considered a U.S. citizen for this purpose). If one of our push boats, tugboats or tank barges were purchased or requisitioned by the U.S. government under this law, we would be entitled to be paid the fair market value of the vessel in the case of a purchase or, in the case of a requisition, the fair market value of charter hire. However, if one of our push boats or tugboats is requisitioned or purchased and its associated tank barge is left idle, we would not be entitled to receive any compensation for the lost revenues resulting from the idled barge. We also would not be entitled to be compensated for any consequential damages we suffer as a result of the requisition or purchase of any of our push boats, tugboats or tank barges. If any of our vessels are purchased or requisitioned for an extended period of time by the U.S. government, such transactions could have a material adverse effect on our results of operations, cash flow and ability to make distributions to our unitholders.

Our interest rate swap activities could have a material adverse effect on our earnings, profitability, liquidity, cash flows and financial condition.

We enter into interest rate swap agreements from time to time to manage some of our exposure to interest rate volatility. These swap agreements involve risks, such as the risk that counterparties may fail to honor their obligations under these arrangements. In addition, these arrangements may not be effective in reducing our exposure to changes in interest rates. When we use forward-starting interest rate swaps, there is a risk that we will not complete the long-term borrowing against which the swap is intended to hedge. If such events occur, our results of operations may be adversely affected.

The industry in which we operate is highly competitive, and increased competitive pressure could adversely affect our business and operating results.

We compete with similar enterprises in our respective areas of operation. Some of our competitors are large oil, natural gas and petrochemical companies that have greater financial resources and access to supplies of NGLs than we do. In addition, our customers who are significant producers of natural gas may develop their own gathering,

processing and transportation systems in lieu of using ours. Likewise, our customers who produce NGLs may develop their own systems to transport NGLs in lieu of using ours. Our ability to renew or replace existing contracts with our customers at rates sufficient to maintain current revenues and cash flows could be adversely affected by the activities of our competitors and our customers. All of these competitive pressures could have a material adverse effect on our business, results of operations, financial condition and ability to make cash distributions to our unitholders.

Information technology systems present potential targets for cyber security attacks, which could adversely affect our business.

We are reliant on technology to improve efficiency in our business. Information technology systems are critical to our operations. These systems could be a potential target for a cyber security attack as they are used to store and process

sensitive information regarding our operations, financial position, and information pertaining to our customers and vendors. While we take the utmost precautions, we cannot guarantee safety from all threats and attacks. Any successful breach of security could result in the spread of inaccurate or confidential information, disruption of operations, environmental harm, endangerment of employees, damage to our assets, and increased costs to respond. Any of these instances could have a negative impact on cash flows, litigation status and/or our reputation, which could have a material adverse affect on our business, financial conditions and operations.

If we are deemed an “investment company” under the Investment Company Act of 1940, it would adversely affect the price of our common units and could have a material adverse effect on our business.

Our assets include interests in joint ventures, specifically a 20.0% interest in WTLPG. This joint venture interest may be deemed to be “investment securities” within the meaning of the Investment Company Act of 1940, or the Investment Company Act. If a sufficient amount of our assets are deemed to be “investment securities” within the meaning of the Investment Company Act, and we are unable to rely on an exemption under the Investment Company Act, we would either have to register as an investment company under the Investment Company Act, obtain exemptive relief from the SEC or modify our organizational structure or our contract rights to fall outside the definition of an investment company. Registering as an investment company could, among other things, materially limit our ability to engage in transactions with affiliates, including the purchase and sale of certain securities or other property to or from our affiliates, restrict our ability to borrow funds or engage in other transactions involving leverage and require us to add additional directors who are independent of us or our affiliates. The occurrence of some or all of these events may have a material adverse effect on our business.

Moreover, treatment of us as an investment company would prevent our qualification as a partnership for federal income tax purposes in which case we would be treated as a corporation for federal income tax purposes, and be subject to federal income tax at the corporate tax rate, significantly reducing the cash available for distributions. Additionally, distributions to the unitholders would be taxed again as corporate distributions and none of our income, gains, losses or deductions would flow through to the unitholders.

Additionally, as a result of our desire to avoid having to register as an investment company under the Investment Company Act, we may have to forego potential future acquisitions of interests in companies that may be deemed to be investment securities within the meaning of the Investment Company Act or dispose of our current interests in any of our assets that are deemed to be “investment securities.”

#### Risks Relating to an Investment in the Common Units

Units available for future sales by us or our affiliates could have an adverse impact on the price of our common units or on any trading market that may develop.

Common units will generally be freely transferable without restriction or further registration under the Securities Act, except that any common units held by an “affiliate” of ours may not be resold publicly except in compliance with the registration requirements of the Securities Act or under an exemption under Rule 144 or otherwise.

Our partnership agreement provides that we may issue an unlimited number of limited partner interests of any type without a vote of the unitholders. Our general partner may also cause us to issue an unlimited number of additional common units or other equity securities of equal rank with the common units, without unitholder approval, in a number of circumstances such as:

the issuance of common units in additional public offerings or in connection with acquisitions that increase cash flow from operations on a pro forma, per unit basis;

the conversion of subordinated units into common units;

the conversion of units of equal rank with the common units into common units under some circumstances; or

- the conversion of our general partner's general partner interest in us and its incentive distribution rights into common units as a result of the withdrawal of our general partner.

Our partnership agreement does not restrict our ability to issue equity securities ranking junior to the common units at any time. Any issuance of additional common units or other equity securities would result in a corresponding decrease in the

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proportionate ownership interest in us represented by, and could adversely affect the cash distributions to and market price of, common units then outstanding.

Under our partnership agreement, our general partner and its affiliates have the right to cause us to register under the Securities Act and applicable state securities laws the offer and sale of any units that they hold. Subject to the terms and conditions of our partnership agreement, these registration rights allow the general partner and its affiliates or their assignees holding any units to require registration of any of these units and to include any of these units in a registration by us of other units, including units offered by us or by any unitholder. Our general partner will continue to have these registration rights for two years following its withdrawal or removal as a general partner. In connection with any registration of this kind, we will indemnify each unitholder participating in the registration and its officers, directors, and controlling persons from and against any liabilities under the Securities Act or any applicable state securities laws arising from the registration statement or prospectus. Except as described below, the general partner and its affiliates may sell their units in private transactions at any time, subject to compliance with applicable laws. Our general partner and its affiliates, with our concurrence, have granted comparable registration rights to their bank group to which their partnership units have been pledged.

The sale of any common or subordinated units could have an adverse impact on the price of the common units or on any trading market that may develop.

Unitholders have less power to elect or remove management of our general partner than holders of common stock in a corporation. It is unlikely that our common unitholders will have sufficient voting power to elect or remove our general partner without the consent of Martin Resource Management and its affiliates.

Unlike the holders of common stock in a corporation, unitholders have only limited voting rights on matters affecting our business and therefore limited ability to influence management's decisions regarding our business. Unitholders did not elect our general partner or its directors and will have no right to elect our general partner or its directors on an annual or other continuing basis. Martin Resource Management elects the directors of our general partner. Although our general partner has a fiduciary duty to manage our partnership in a manner beneficial to us and our unitholders, the directors of our general partner also have a fiduciary duty to manage our general partner in a manner beneficial to Martin Resource Management and its shareholders.

If unitholders are dissatisfied with the performance of our general partner, they will have a limited ability to remove our general partner. Our general partner generally may not be removed except upon the vote of the holders of at least 66 2/3% of the outstanding units voting together as a single class. As of December 31, 2014, Martin Resource Management owned 17.7% of our total outstanding common limited partner units.

Unitholders' voting rights are further restricted by our partnership agreement provision prohibiting any units held by a person owning 20% or more of any class of units then outstanding, other than our general partner, its affiliates, their transferees and persons who acquired such units with the prior approval of our general partner's directors, from voting on any matter. In addition, our partnership agreement contains provisions limiting the ability of unitholders to call meetings or to acquire information about our operations, as well as other provisions limiting the unitholders' ability to influence the manner or direction of management.

As a result of these provisions, it will be more difficult for a third party to acquire our partnership without first negotiating the acquisition with our general partner. Consequently, it is unlikely the trading price of our common units will ever reflect a takeover premium.

Our general partner's discretion in determining the level of our cash reserves may adversely affect our ability to make cash distributions to our unitholders.

Our partnership agreement requires our general partner to deduct from operating surplus cash reserves that it determines in its reasonable discretion to be necessary to fund our future operating expenditures. In addition, our partnership agreement permits our general partner to reduce available cash by establishing cash reserves for the proper conduct of our business, to comply with applicable law or agreements to which we are a party, or to provide funds for future distributions to partners. These cash reserves will affect the amount of cash available for distribution to our unitholders.

Unitholders may not have limited liability if a court finds that we have not complied with applicable statutes or that unitholder action constitutes control of our business.

The limitations on the liability of holders of limited partner interests for the obligations of a limited partnership have not been clearly established in some states. The holder of one of our common units could be held liable in some circumstances for our obligations to the same extent as a general partner if a court were to determine that:

- we had been conducting business in any state without compliance with the applicable limited partnership statute or the right or the exercise of the right by our unitholders as a group to remove or replace our general partner, to approve some amendments to our partnership agreement, or to take other action under our partnership agreement constituted participation in the “control” of our business.

Our general partner generally has unlimited liability for our obligations, such as our debts and environmental liabilities, except for our contractual obligations that are expressly made without recourse to our general partner. In addition, under some circumstances, a unitholder may be liable to us for the amount of a distribution for a period of nine years from the date of the distribution.

Our partnership agreement contains provisions that reduce the remedies available to unitholders for actions that might otherwise constitute a breach of fiduciary duty by our general partner.

Our partnership agreement limits the liability and reduces the fiduciary duties of our general partner to the unitholders. Our partnership agreement also restricts the remedies available to unitholders for actions that would otherwise constitute breaches of our general partner's fiduciary duties. For example, our partnership agreement:

permits our general partner to make a number of decisions in its “sole discretion.” This entitles our general partner to consider only the interests and factors that it desires, and it has no duty or obligation to give any consideration to any interest of, or factors affecting, us, our affiliates or any limited partner;

- provides that our general partner is entitled to make other decisions in its “reasonable discretion,” which may reduce the obligations to which our general partner would otherwise be held;

generally provides that affiliated transactions and resolutions of conflicts of interest not involving a required vote of unitholders must be “fair and reasonable” to us and that, in determining whether a transaction or resolution is “fair and reasonable,” our general partner may consider the interests of all parties involved, including its own; and

provides that our general partner and its officers and directors will not be liable for monetary damages to us, our limited partners or assignees for errors of judgment or for any acts or omissions if our general partner and those other persons acted in good faith.

Unitholders are treated as having consented to the various actions contemplated in our partnership agreement and conflicts of interest that might otherwise be considered a breach of fiduciary duties under applicable state law.

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

Our general partner may also cause us to issue an unlimited number of additional common units or other equity securities of equal rank with the common units, without unitholder approval, in a number of circumstances such as:

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the issuance of common units in additional public offerings or in connection with acquisitions that increase cash flow from operations on a pro forma, per unit basis;

the conversion of subordinated units into common units;

the conversion of units of equal rank with the common units into common units under some circumstances; or

- the conversion of our general partner's general partner interest in us and its incentive distribution rights into common units as a result of the withdrawal of our general partner.

We may issue an unlimited number of limited partner interests of any type without the approval of our unitholders. Our partnership agreement does not give our unitholders the right to approve our issuance of equity securities ranking junior to the common units at any time.

The issuance of additional common units or other equity securities of equal or senior rank will have the following effects:

• our unitholders' proportionate ownership interest in us will decrease;

• the amount of cash available for distribution on a per unit basis may decrease;

• because a lower percentage of total outstanding units will be subordinated units, the risk that a shortfall in the payment of the minimum quarterly distribution will be borne by our common unitholders will increase;

• the relative voting strength of each previously outstanding unit will diminish;

• the market price of the common units may decline; and

• the ratio of taxable income to distributions may increase.

The control of our general partner may be transferred to a third party and that party could replace our current management team, without unitholder consent.

Our general partner may transfer its general partner interest to a third party in a merger or in a sale of all or substantially all of its assets without the consent of the unitholders. Furthermore, there is no restriction in our partnership agreement on the ability of the owner of our general partner to transfer its ownership interest in our general partner to a third party. A new owner of our general partner could replace the directors and officers of our general partner with its own designees and control the decisions taken by our general partner.

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

If at any time our general partner and its affiliates own more than 80% of the common units, our general partner will have the right, but not the obligation, which it may assign to any of its affiliates or to us, to acquire all, but not less than all, of the remaining common units held by unaffiliated persons at a price not less than the then-current market price. As a result, unitholders may be required to sell their common units at an undesirable time or price and may not receive any return on their investment. Unitholders may also incur a tax liability upon a sale of their units. No provision in our partnership agreement, or in any other agreement we have with our general partner or Martin Resource Management, prohibits our general partner or its affiliates from acquiring more than 80% of our common units. For additional information about this call right and unitholders' potential tax liability, please see "Risk Factors - Tax Risks - Tax gain or loss on the disposition of our common units could be different than expected."

Our common units have a limited trading volume compared to other publicly traded securities.

Our common units are quoted on the NASDAQ under the symbol "MMLP." However, daily trading volumes for our common units are, and may continue to be, relatively small compared to many other securities quoted on the NASDAQ. The price of our common units may, therefore, be volatile.

Failure to achieve and maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on our unit price.

In order to comply with Section 404 of the Sarbanes-Oxley Act, we periodically document and test our internal control procedures. Section 404 of the Sarbanes-Oxley Act requires annual management assessments of the effectiveness of our internal controls over financial reporting addressing these assessments. During the course of our testing we may identify deficiencies, which we may not be able to address in time to meet the deadline imposed by the Sarbanes-Oxley Act for compliance with the requirements of Section 404. In addition, if we fail to maintain the adequacy of our internal controls, as

such standards are modified, supplemented or amended from time to time, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal controls over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act. Failure to achieve and maintain an effective internal control environment could have a material adverse effect on the price of our common units.

#### Risks Relating to Our Relationship with Martin Resource Management

Cash reimbursements due to Martin Resource Management may be substantial and will reduce our cash available for distribution to our unitholders.

Under our Omnibus Agreement with Martin Resource Management, Martin Resource Management provides us with corporate staff and support services on behalf of our general partner that are substantially identical in nature and quality to the services it conducted for our business prior to our formation. The Omnibus Agreement requires us to reimburse Martin Resource Management for the costs and expenses it incurs in rendering these services, including an overhead allocation to us of Martin Resource Management's indirect general and administrative expenses from its corporate allocation pool. These payments may be substantial. Payments to Martin Resource Management will reduce the amount of available cash for distribution to our unitholders.

Martin Resource Management has conflicts of interest and limited fiduciary responsibilities, which may permit it to favor its own interests to the detriment of our unitholders.

As of December 31, 2014, Martin Resource Management owned 17.7% of our total outstanding common limited partner units and a 51% voting interest in Holdings, the sole member of MMGP. MMGP owns a 2.0% general partnership interest in us and all of our incentive distribution rights. Conflicts of interest may arise between Martin Resource Management and our general partner, on the one hand, and our unitholders, on the other hand. As a result of these conflicts, our general partner may favor its own interests and the interests of Martin Resource Management over the interests of our unitholders. Potential conflicts of interest between us, Martin Resource Management and our general partner could occur in many of our day-to-day operations including, among others, the following situations:

• Officers of Martin Resource Management who provide services to us also devote significant time to the businesses of Martin Resource Management and are compensated by Martin Resource Management for that time;

• Neither our partnership agreement nor any other agreement requires Martin Resource Management to pursue a business strategy that favors us or utilizes our assets or services. Martin Resource Management's directors and officers have a fiduciary duty to make these decisions in the best interests of the shareholders of Martin Resource Management without regard to the best interests of the unitholders;

• Martin Resource Management may engage in limited competition with us;

• Our general partner is allowed to take into account the interests of parties other than us, such as Martin Resource Management, in resolving conflicts of interest, which has the effect of reducing its fiduciary duty to our unitholders;

• Under our partnership agreement, our general partner may limit its liability and reduce its fiduciary duties, while also restricting the remedies available to our unitholders for actions that, without the limitations and reductions, might constitute breaches of fiduciary duty. As a result of purchasing units, our unitholders will be treated as having consented to some actions and conflicts of interest that, without such consent, might otherwise constitute a breach of fiduciary or other duties under applicable state law;

• Our general partner determines which costs incurred by Martin Resource Management are reimbursable by us;

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

Our general partner controls the enforcement of obligations owed to us by Martin Resource Management;



Our general partner decides whether to retain separate counsel, accountants or others to perform services for us;

The audit committee of our general partner retains our independent auditors;

In some instances, our general partner may cause us to borrow funds to permit us to pay cash distributions, even if the purpose or effect of the borrowing is to make incentive distributions; and

- Our general partner has broad discretion to establish financial reserves for the proper conduct of our business. These reserves also will affect the amount of cash available for distribution.

Martin Resource Management and its affiliates may engage in limited competition with us.

Martin Resource Management and its affiliates may engage in limited competition with us. For a discussion of the non-competition provisions of the Omnibus Agreement, please see “Item 13. Certain Relationships and Related Transactions, and Director Independence.” If Martin Resource Management does engage in competition with us, we may lose customers or business opportunities, which could have an adverse impact on our results of operations, cash flow and ability to make distributions to our unitholders.

If Martin Resource Management were ever to file for bankruptcy or otherwise default on its obligations under its credit facility, amounts we owe under our credit facility may become immediately due and payable and our results of operations could be adversely affected.

If Martin Resource Management were ever to commence or consent to the commencement of a bankruptcy proceeding or otherwise default on its obligations under its credit facility, its lenders could foreclose on its pledge of the interests in our general partner and take control of our general partner. If Martin Resources Management no longer controls our general partner, the lenders under our credit facility may declare all amounts outstanding thereunder immediately due and payable. In addition, either a judgment against Martin Resource Management or a bankruptcy filing by or against Martin Resource Management could independently result in an event of default under our credit facility if it could reasonably be expected to have a material adverse effect on us. If our lenders do declare us in default and accelerate repayment, we may be required to refinance our debt on unfavorable terms, which could negatively impact our results of operations and our ability to make distributions to our unitholders. A bankruptcy filing by or against Martin Resource Management could also result in the termination or material breach of some or all of the various commercial contracts between us and Martin Resource Management, which could have a material adverse impact on our results of operations, cash flow and ability to make distributions to our unitholders.

## Tax Risks

The IRS could treat us as a corporation for tax purposes, which would substantially reduce the cash available for distribution to unitholders.

The anticipated after-tax economic benefit of an investment in us depends largely on our classification as a partnership for federal income tax purposes. Despite the fact that we are organized as a limited partnership under Delaware law, it is possible in certain circumstances for a partnership such as ours to be treated as a corporation for federal income tax purposes. In order for us to be classified as a partnership for U.S. federal income tax purposes, more than 90% of our gross income each year must be “qualifying income” under Section 7704 of the U.S. Internal Revenue Code of 1986, as amended (the “Internal Revenue Code”). “Qualifying income” includes income and gains derived from the transportation, storage, processing and marketing of crude oil, natural gas and products thereof. Other types of qualifying income include interest (other than from a financial business), dividends, gains from the sale of real property and gains from the sale or other disposition of capital assets held for the production of income that otherwise constitutes qualifying income.

Although we intend to meet this gross income requirement, we may not find it possible, regardless of our efforts, to meet this gross income requirement or may inadvertently fail to meet this gross income requirement. If we do not meet this gross income requirement for any taxable year and the U.S. Internal Revenue Service (“IRS”) does not determine that such failure was inadvertent, we would be treated as a corporation for such taxable year and each taxable year thereafter. Moreover, current law may change so as to cause us to be treated as a corporation for federal income tax purposes or otherwise subject us to entity-level taxation. At the federal level, members of Congress have considered substantive changes to the existing U.S. tax laws that would have affected certain publicly traded partnerships. Although the legislation considered would not have appeared to affect our tax treatment, we are unable to predict whether any such change or other proposals will ultimately be

enacted. Moreover, any modification to the federal income tax laws and interpretations thereof may or may not be applied retroactively. Any such changes could negatively impact the value of an investment in our common units. At the state level, because of widespread state budget deficits and other reasons, several states are evaluating ways to subject partnerships to entity-level taxation through the imposition of state income, franchise and other forms of taxation. For example, we are required to pay a Texas margin tax at a maximum effective rate of 0.7% of our gross income apportioned to Texas in the prior year. Imposition of any such tax on us by any other state will reduce the cash available for distribution to you.

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

Our partnership agreement provides that if a law is enacted or existing law is modified or interpreted in a manner that subjects us to taxation as a corporation or otherwise subjects us to entity-level taxation for federal, state or local income tax purposes, then the minimum quarterly distribution amount and the target distribution amount will be adjusted to reflect the impact of that law on us.

A successful IRS contest of the federal income tax positions we take could adversely affect the market for our common units and the costs of any contest will be borne by our unitholders, debt security holders and our general partner.

The IRS may adopt positions that differ from our counsel's conclusions. It may be necessary to resort to administrative or court proceedings to sustain some or all of our counsel's conclusions or the positions we take. A court may not agree with some or all our counsel's conclusions or the positions we take. Any contest with the IRS may materially and adversely impact the market for our common units and the prices at which they trade. In addition, the costs of any contest with the IRS will be borne directly or indirectly by all of our unitholders, debt security holders and our general partner.

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

Unitholders may be required to pay federal income taxes and, in some cases, state, local and foreign income taxes on their share of our taxable income even if they receive no cash distributions from us. Unitholders may not receive cash distributions from us equal to their share of our taxable income or even the tax liability that results from the taxation of their share of our taxable income.

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

If our unitholders sell their common units, they will recognize gain or loss equal to the difference between the amount realized and their tax basis in those common units. Prior distributions in excess of the total net taxable income unitholders were allocated for a common unit, which decreased unitholder tax basis in that common unit, will, in effect, become taxable income to our unitholders if the common unit is sold at a price greater than their tax basis in that common unit, even if the price they receive is less than their original cost. A substantial portion of the amount realized, whether or not representing gain, may be ordinary income to our unitholders. Should the IRS successfully contest some positions we take, our unitholders could recognize more gain on the sale of units than would be the case under those positions without the benefit of decreased income in prior years. In addition, if our unitholders sell their

units, they may incur a tax liability in excess of the amount of cash they receive from the sale.

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

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

We treat a purchaser of our common units as having the same tax benefits without regard to the seller's identity. The IRS may challenge this treatment, which could adversely affect the value of the common units.

Because we cannot match transferors and transferees of common units and because of other reasons, we have adopted depreciation positions that may not conform to all aspects of the U.S. Department of the Treasury's regulations ("Treasury regulations"). Any position we take that is inconsistent with applicable Treasury regulations may have to be disclosed on our federal income tax return. This disclosure increases the likelihood that the IRS will challenge our positions and propose adjustments to some or all of our unitholders. A successful IRS challenge to those positions could adversely affect the amount of tax benefits available to our unitholders. It also could affect the timing of these tax benefits or the amount of gain from the sale of common units and could have a negative impact on the value of our common units or result in audit adjustments to our unitholders' tax returns.

Unitholders may be subject to state, local and foreign taxes and return filing requirements as a result of investing in our common units.

In addition to federal income taxes, unitholders may be subject to other taxes, such as state, local and foreign income taxes, unincorporated business taxes and estate, inheritance, or intangible taxes that are imposed by the various jurisdictions in which we do business or own property. Unitholders may be required to file state, local and foreign income tax returns and pay state and local income taxes in some or all of the various jurisdictions in which we do business or own property and may be subject to penalties for failure to comply with those requirements. We own property and/or conduct business in Alabama, Arizona, Arkansas, California, Florida, Georgia, Illinois, Indiana, Kansas, Louisiana, Minnesota, Mississippi, Missouri, Nebraska, Nevada, New Mexico, Oklahoma, Pennsylvania, Tennessee, Texas, Utah, and West Virginia. We may do business or own property in other states or foreign countries in the future. It is the unitholder's responsibility to file all federal, state, local and foreign tax returns. Our counsel has not rendered an opinion on the state, local or foreign tax consequences of an investment in our common units.

There are limits on the deductibility of our losses that may adversely affect our unitholders.

There are a number of limitations that may prevent unitholders from using their allocable share of our losses as a deduction against unrelated income. In cases when our unitholders are subject to the passive loss rules (generally, individuals and closely-held corporations), any losses generated by us will only be available to offset our future income and cannot be used to offset income from other activities, including other passive activities or investments. Unused losses may be deducted when the unitholder disposes of its entire investment in us in a fully taxable transaction with an unrelated party. A unitholder's share of our net passive income may be offset by unused losses from us carried over from prior years but not by losses from other passive activities, including losses from other publicly traded partnerships. Other limitations that may further restrict the deductibility of our losses by a unitholder include the at-risk rules and the prohibition against loss allocations in excess of the unitholder's tax basis in its units.

The tax treatment of publicly traded partnerships or an investment in our units could be subject to potential legislative, judicial or administrative changes and differing interpretations, possibly on a retroactive basis.

The present U.S. federal income tax treatment of publicly traded partnerships, including us, or an investment in our common units may be modified by administrative, legislative or judicial interpretation at any time. Any modification to the U.S. federal income tax laws and interpretations thereof may or may not be applied retroactively and could make it more difficult or impossible to meet the exception for us to be treated as a partnership for U.S. federal income tax purposes that is not taxable as a corporation (referred to as the "Qualifying Income Exception"), affect or cause us to change our business activities, affect the tax considerations of an investment in us, change the character or treatment of portions of our income and adversely affect an investment in our common units. For example, the Obama administration's budget proposal for fiscal year 2016 recommends that certain publicly traded partnerships earning income from activities related to fossil fuels be taxed as corporations beginning in 2021. Also, from time to time,

members of Congress have considered substantive changes to the existing U.S. tax laws including the definition of qualifying income under Section 7704(d) of the Internal Revenue Code and the treatment of certain types of income earned from profits interests in partnerships. It is possible that these efforts could result in changes to the existing U.S. tax laws that affect publicly traded partnerships, including us. We are unable to predict whether any of these changes or other proposals will ultimately be enacted. Any such changes could negatively impact the value of an investment in our common units.

The sale or exchange of 50% or more of our capital and profits interests during any 12-month period will result in the termination of our partnership for federal income tax purposes.

We will be considered to have terminated for federal income tax purposes if there is a sale or exchange of 50% or more of the total interests in our capital and profits within a 12-month period. Our termination would, among other things, result in the closing of our taxable year for all unitholders, which would result in us filing two tax returns for one fiscal year. For purposes of determining whether the 50% threshold is met, multiple sales of the same units are counted only once. Our termination could also result in a deferral of depreciation deductions allowable in computing our taxable income. In the case of a unitholder reporting on a taxable year other than a fiscal year ending December 31, the closing of our taxable year may also result in more than 12 months of our taxable income or loss being includable in his taxable income for the year of termination. Our termination currently would not affect our classification as a partnership for federal income tax purposes, but instead, we would be treated as a new partnership for tax purposes. If treated as a new partnership, we must make new tax elections and could be subject to penalties if we are unable to determine that a termination occurred. The IRS recently announced a relief procedure whereby, if a publicly traded partnership that has technically terminated requests and the IRS grants special relief, among other things, the partnership will be allowed to provide only a single Schedule K-1 to unitholders for the tax year in which the termination occurred.

We prorate our items of income, gain, loss and deduction between transferors and transferees of our units each month based upon the ownership of our units on the first day of each month, instead of on the basis of the date a particular unit is transferred. The IRS may challenge this treatment, which could change the allocation of items of income, gain, loss and deduction among our unitholders.

We prorate our items of income, gain, loss and deduction between transferors and transferees of our units each month based upon the ownership of our units on the first day of each month, instead of on the basis of the date a particular unit is transferred. The use of this proration method may not be permitted under existing Treasury regulations. The U.S. Department of the Treasury issued proposed Treasury regulations that provide a safe harbor pursuant to which publicly traded partnerships may use a similar monthly convention to allocate tax items among transferor and transferee unitholders. Nonetheless, the proposed Treasury regulations do not specifically authorize the use of the proration method we have adopted. Therefore, the use of this proration method may not be permitted under existing Treasury regulations, and, accordingly, our counsel is unable to opine as to the validity of this method. If the IRS were to challenge this method or new Treasury regulations were issued, we may be required to change the allocation of items of income, gain, loss and deduction among our unitholders.

A unitholder whose units are loaned to a “short seller” to cover a short sale of units may be considered as having disposed of those units. If so, he would no longer be treated for tax purposes as a partner with respect to those units during the period of the loan and may recognize gain or loss from the disposition.

Because a unitholder whose units are loaned to a “short seller” to cover a short sale of units may be considered as having disposed of the loaned units, he may no longer be treated for tax purposes as a partner with respect to those units during the period of the loan to the short seller and the unitholder may recognize gain or loss from such disposition. Moreover, during the period of the loan to the short seller any of our income, gain, loss or deduction with respect to those units may not be reportable by the unitholder and any cash distributions received by the unitholder as to those units could be fully taxable as ordinary income. Our counsel has not rendered an opinion regarding the treatment of a unitholder where common units are loaned to a short seller to cover a short sale of common units; therefore, unitholders desiring to assure their status as partners and avoid the risk of gain recognition from a loan to a short seller are urged to modify any applicable brokerage account agreements to prohibit their brokers from borrowing their units.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

A description of our properties is contained in “Item 1. Business” and is incorporated herein by reference.

We believe we have satisfactory title to our assets. Some of the easements, rights-of-way, permits, licenses or similar documents relating to the use of the properties that have been transferred to us in connection with our initial public offering and the assets we acquired in our acquisitions, required the consent of third parties, which in some cases is a governmental entity. We believe we have obtained sufficient third-party consents, permits and authorizations for the transfer of assets necessary for us to operate our business in all material respects. With respect to any third-party consents, permits or authorizations that have not been obtained, we believe the failure to obtain these consents, permits or authorizations will not have a material adverse effect on the operation of our business. Title to our property may be subject to encumbrances, including liens in favor of our secured lender. We believe none of these encumbrances materially detract from the value of our properties or our interest in these properties or materially interfere with their use in the operation of our business.

Item 3. Legal Proceedings

From time to time, we are subject to certain legal proceedings, claims and disputes that arise in the ordinary course of our business. Although we cannot predict the outcomes of these legal proceedings, we do not believe these actions, in the aggregate, will have a material adverse impact on our financial position, results of operations or liquidity. A description of our legal proceedings is included in “Item 8. Financial Statements and Supplementary Data, Note 22. Commitments and Contingencies”, and is incorporated herein by reference.

Item 4. Mine Safety Disclosures

Not applicable.



## PART II

## Item 5. Market for Our Common Equity, Related Unitholder Matters and Issuer Purchases of Equity Securities

## Market Information and Holders

Our common units are traded on the NASDAQ under the symbol “MMLP.” As of March 2, 2015 there were approximately 292 holders of record and approximately 28,326 beneficial owners of our common units. The following table sets forth the high and low sale prices of our common units for the periods indicated, based on the daily composite listing of stock transactions for NASDAQ during those periods:

|                | Year Ended December 31, 2014 |         | Year Ended December 31, 2013 |         |
|----------------|------------------------------|---------|------------------------------|---------|
|                | High                         | Low     | High                         | Low     |
| First Quarter  | \$44.36                      | \$40.28 | \$38.52                      | \$31.93 |
| Second Quarter | \$43.48                      | \$39.22 | \$46.20                      | \$37.73 |
| Third Quarter  | \$41.64                      | \$35.75 | \$47.02                      | \$42.28 |
| Fourth Quarter | \$37.40                      | \$25.80 | \$48.53                      | \$40.90 |

## Cash Distributions

The following table sets forth the quarterly cash distribution declared and paid for our common units during the periods indicated:

| Declared for Quarter Ending | Distribution Per Common Unit | Date Declared    | Date Paid         |
|-----------------------------|------------------------------|------------------|-------------------|
| December 31, 2014           | \$0.8125                     | January 22, 2015 | February 13, 2015 |
| September 30, 2014          | \$0.8125                     | October 23, 2014 | November 14, 2014 |
| June 30, 2014               | \$0.7925                     | July 24, 2014    | August 14, 2014   |
| March 31, 2014              | \$0.7875                     | April 23, 2014   | May 15, 2014      |
| December 31, 2013           | \$0.7850                     | January 23, 2014 | February 14, 2014 |
| September 30, 2013          | \$0.7825                     | October 24, 2013 | November 14, 2013 |
| June 30, 2013               | \$0.7800                     | July 25, 2013    | August 14, 2013   |
| March 31, 2013              | \$0.7750                     | April 25, 2013   | May 15, 2013      |

## Cash Distribution Policy

Within 45 days after the end of each quarter, we distribute all of our available cash, as defined in our partnership agreement, to unitholders of record on the applicable record date. Our general partner has broad discretion to establish cash reserves that it determines are necessary or appropriate to properly conduct our business. These can include cash reserves for future capital and maintenance expenditures, reserves to stabilize distributions of cash to the unitholders and our general partner, reserves to reduce debt, or, as necessary, reserves to comply with the terms of any of our agreements or obligations. Our distributions are effectively made 98% to unitholders and 2.0% to our general partner, subject to the payment of incentive distributions to our general partner if certain target cash distribution levels to common unitholders are achieved. Distributions to our general partner increase to 15%, 25% and 50% based on incremental distribution thresholds as set forth in our partnership agreement. On October 2, 2012, our general partner executed Amendment No. 3 to the Second Amended and Restated Agreement of Limited Partnership of the Partnership (“the Partnership Agreement Amendment”). The Partnership Agreement Amendment provides that our general partner, currently the holder of the incentive distribution rights, shall forego the next \$18.0 million in incentive distributions that it would otherwise be entitled to receive. Additionally, on May 5, 2014, the owner of our general partner agreed to forego an additional \$3.0 million in incentive distributions. As of March 2, 2015, the amount of incentive distributions the general partner has foregone is \$21.0 million, and incentive distributions were paid in conjunction with the fourth quarter 2014 cash distribution paid on February 13, 2015.

Our ability to distribute available cash is contractually restricted by the terms of our credit facility. Our credit facility contains covenants requiring us to maintain certain financial ratios. We are prohibited from making any distributions to unitholders if the distribution would cause a default or an event of default, or a default or an event of default exists, under our

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credit facility. Please read “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Description of Our Credit Facility.”

#### Item 6. Selected Financial Data

The following table sets forth selected financial data and other operating data of the Partnership for the years ended December 31, 2014, 2013, 2012, 2011 and 2010 and is derived from the audited consolidated financial statements of the Partnership.

The following selected financial data are qualified by reference to and should be read in conjunction with the Partnership's Consolidated Financial Statements and Notes thereto and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this document.

|  | 2014  | 2013        | 2012        | 2011        | 2010      |
|--|---|-------------|-------------|-------------|-----------|
|  | (Dollars in thousands, except per unit amounts) |             |             |             |           |
| Revenues   | \$1,642,141                                     | \$1,612,739 | \$1,490,361 | \$1,242,490 | \$880,115 |
| Income (loss) from continuing operations                             | \$(6,367)                                       | \$(14,562)  | \$37,122    | \$13,367    | \$19,472  |
| Income (loss) from discontinued operations, net of tax               | (5,338)   | 1,208       | 64,865      | 9,392       | 8,061     |
| Net income (loss)  | \$(11,705)                                      | \$(13,354)  | \$101,987   | \$22,759    | \$27,533  |
| Net income (loss) attributable to limited partners                   | \$(15,176)                                      | \$(13,047)  | \$92,617    | \$17,945    | \$11,045  |
| Net income (loss) per limited partner unit – continuing operations   | \$(0.27)  | \$(0.54)    | \$1.32      | \$0.57      | \$0.25    |
| Net income (loss) per limited partner unit – discontinued operations | (0.22)  | 0.04        | 2.64        | 0.35        | 0.38      |
| Net income (loss) per limited partner unit                           | \$(0.49)  | \$(0.50)    | \$3.96      | \$0.92      | \$0.63    |
| Total assets   | \$1,553,919                                     | \$1,097,919 | \$1,012,996 | \$1,069,108 | \$864,425 |
| Long-term debt   | \$902,005                                       | \$658,695   | \$474,992   | \$458,941   | \$372,862 |
| Cash dividends per common unit (in dollars)                          | \$3.18  | \$3.11      | \$3.06      | \$3.05      | \$3.00    |

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

### Overview

We are a publicly traded limited partnership with a diverse set of operations focused primarily in the United States ("U.S.") Gulf Coast region. Our four primary business lines include:

- Terminalling and storage services for petroleum products and by-products including the refining of naphthenic crude oil, blending and packaging of finished lubricants;

- Natural gas liquids transportation and distribution services and natural gas storage;

- Sulfur and sulfur-based products gathering, processing, marketing, manufacturing and distribution; and

- Marine transportation services for petroleum products and by-products.

The petroleum products and by-products we collect, transport, store and market are produced primarily by major and independent oil and gas companies who often turn to third parties, such as us, for the transportation and disposition of these products. In addition to these major and independent oil and gas companies, our primary customers include independent refiners, large chemical companies, fertilizer manufacturers and other wholesale purchasers of these products. We operate primarily in the U.S. Gulf Coast region. This region is a major hub for petroleum refining, natural gas gathering and processing, and support services for the exploration and production industry.

We were formed in 2002 by Martin Resource Management, a privately-held company whose initial predecessor was incorporated in 1951 as a supplier of products and services to drilling rig contractors. Since then, Martin Resource Management has expanded its operations through acquisitions and internal expansion initiatives as its management identified and capitalized on the needs of producers and purchasers of petroleum products and by-products and other bulk liquids. Martin Resource Management is an important supplier and customer of ours. As of December 31, 2014, Martin Resource Management owned 17.7% of our total outstanding common limited partner units. Furthermore, Martin Resource Management controls Martin Midstream GP LLC ("MMGP"), our general partner, by virtue of its 51% voting interest in MMGP Holdings, LLC ("Holdings"), the sole member of MMGP. MMGP owns a 2.0% general partner interest in us and all of our incentive distribution rights. Martin Resource Management directs our business operations through its ownership interests in and control of our general partner.

We entered into an omnibus agreement dated November 1, 2002, with Martin Resource Management (the "Omnibus Agreement") that governs, among other things, potential competition and indemnification obligations among the parties to the agreement, related party transactions, the provision of general administration and support services by Martin Resource Management and our use of certain of Martin Resource Management's trade names and trademarks. Under the terms of the Omnibus Agreement, the employees of Martin Resource Management are responsible for conducting our business and operating our assets.

Martin Resource Management has operated our business since 2002. Martin Resource Management began operating our natural gas services business in the 1950s and our sulfur business in the 1960s. It began our marine transportation business in the late 1980s. It entered into our fertilizer and terminalling and storage businesses in the early 1990s. In recent years, Martin Resource Management has increased the size of our asset base through expansions and strategic acquisitions.

### Recent Developments

We believe one of the rationales driving investment in master limited partnerships, including us, is the opportunity for distribution growth offered by the partnerships. Such distribution growth is a function of having access to liquidity in the financial markets used for incremental capital investment (development projects and acquisitions) to grow distributable cash flow.

We continually adjust our business strategy to focus on maximizing liquidity, maintaining a stable asset base which generates fee based revenues not sensitive to commodity prices, and improving profitability by increasing asset utilization and controlling costs. Over the past year, we have had access to the capital markets and have appropriate levels of liquidity and operating cash flows to adequately fund our growth.

## Recent Acquisitions

**Cardinal Gas Storage.** On August 29, 2014, Redbird Gas Storage LLC ("Redbird"), a wholly owned subsidiary of the Partnership, completed the previously announced purchase of all of the outstanding membership interests of Cardinal Gas Storage Partners LLC ("Cardinal") from Energy Capital Partners I, LP, Energy Capital Partners I-A, LP, Energy Capital Partners I-B IP, LP and Energy Capital Partners I (Cardinal IP), LP (together, "ECP") for cash of approximately \$121.0 million. Prior to the acquisition, we owned an approximate 42.2% interest in the Category A membership interests in Cardinal. As a result of the acquisition, Redbird owns 100% of the outstanding membership interests in Cardinal. Concurrent with the closing of the transaction, we retired all of the project level financing of various Cardinal subsidiaries. This transaction and repayment of the project financings was funded with borrowings under our revolving credit facility. On October 27, 2014, Cardinal merged with and into Redbird, and Redbird subsequently changed its name to Cardinal.

**NGL Storage Assets.** On May 31, 2014, we acquired certain natural gas liquids ("NGL") storage assets, located in Arcadia, Louisiana, from Martin Resource Management for \$7.4 million. This transaction was funded with borrowings under our revolving credit facility.

**West Texas LPG Pipeline Limited Partnership.** On May 14, 2014, we acquired from a subsidiary of Atlas Pipeline Partners L.P. ("Atlas"), all of the outstanding membership interests in Atlas Pipeline NGL Holdings, LLC and Atlas Pipeline NGL Holdings II, LLC (collectively, "Atlas Holdings") for cash of approximately \$133.9 million. Atlas Holdings owned a 19.8% limited partnership interest and a 0.2% general partnership interest in West Texas LPG Pipeline Limited Partnership ("WTLPG"). WTLPG is currently operated by ONEOK Partners, L.P. ("ONEOK"), which owns the remaining 80.0% interest. WTLPG owns an approximate 2,300 mile common-carrier pipeline system that transports NGLs from New Mexico and Texas to Mont Belvieu, Texas for fractionation. This transaction was funded with borrowings under our revolving credit facility.

## Financing Activities

**Public Offering.** On September 29, 2014, we completed a public offering of 3,450,000 common units at a price of \$36.91 per common unit, before the payment of underwriters' discounts, commissions and offering expenses (per unit value is in dollars, not thousands). Total proceeds from the sale of the 3,450,000 common units, net of underwriters' discounts, commissions and offering expenses, were \$122.2 million. Our general partner contributed \$2.6 million in cash to us in conjunction with the issuance in order to maintain its 2.0% general partner interest in us. All of the net proceeds were used to reduce outstanding indebtedness under our revolving credit facility.

**Private Placement of Common Units.** On August 29, 2014, we closed a private equity sale with Martin Resource Management, under which Martin Resource Management invested \$45.0 million in cash in exchange for 1,171,265 common units (per unit value is in dollars, not thousands). The pricing of \$38.42 per common unit was based on the 10-day weighted average price of our common units for the 10 trading days ending August 8, 2014. In connection with the issuance of these common units, our general partner contributed \$0.9 million in order to maintain its 2.0% general partner interest in us. All of the net proceeds were used to reduce outstanding indebtedness under our revolving credit facility.

**Amendment to Revolving Credit Facility.** On June 27, 2014, we increased the maximum amount of borrowings and letters of credit available under our revolving credit facility from \$637.5 million to \$900.0 million. In addition, we amended certain financial covenants that govern our credit facility.

**Public Offering.** On May 12, 2014, the Partnership completed a public offering of 3,600,000 common units at a price of \$41.51 per common unit, before the payment of underwriters' discounts, commissions and offering expenses (per unit value is in dollars, not thousands). Total proceeds from the sale of the 3,600,000 common units, net of

underwriters' discounts, commissions and offering expenses, were \$143.4 million. Our general partner contributed \$3.1 million in cash to us in conjunction with the issuance in order to maintain its 2.0% general partner interest in us. All of the net proceeds were used to reduce outstanding indebtedness under our revolving credit facility.

Equity Distribution Program. In March 2014, we entered into an equity distribution agreement with multiple underwriters (the "Sales Agents") for the ongoing distribution of our common units. Pursuant to this program, we offered and sold common unit equity through the Sales Agents for aggregate proceeds of \$21.1 million for the year ended December 31, 2014. We paid \$0.4 million in compensation to the Sales Agents for the year ended December 31, 2014. Under the the program, we issued 522,121 common units during the year ended December 31, 2014. Common units issued were at market prices prevailing at the time of the sale. We also received capital contributions from our general partner of \$0.4 million during the year ended December 31, 2014 related to these issuances to maintain its 2.0% general partner interest in us. The net proceeds from the common unit issuances were used to pay down outstanding amounts under our revolving credit facility.

Issuance of 7.250% Senior Unsecured Notes Due 2021. On April 1, 2014, we completed a private placement add-on of \$150.0 million of the 7.250% senior unsecured notes due 2021. We filed with the SEC a registration statement on Form S-4 to exchange these notes for substantially identical notes that are registered under the Securities Act and commenced an exchange offer on April 28, 2014. The exchange offer was completed during the second quarter of 2014.

Redemption of 8.875% Senior Unsecured Notes Due 2018. On April 1, 2014, we redeemed all \$175.0 million of the 8.875% senior unsecured notes due in 2018 from their holders. In conjunction with the redemption, the Partnership incurred a debt prepayment premium of \$7.8 million and a non-cash charge of \$3.9 million for the write-off of unamortized debt issuance costs and unamortized debt discount related to the redemption of the senior unsecured notes.

For a more detailed discussion regarding our financing activities, see “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources.”

#### Subsequent Events

Disposition of Floating Storage Assets. On February 12, 2015, we sold six liquefied petroleum gas pressure barges, collectively referred to as the ("Floating Storage Assets") for \$41.3 million. These assets were primarily operated under the floating storage component of our NGL distribution business. The proceeds from the disposition were used to reduce outstanding indebtedness under our revolving credit facility.

Quarterly Distribution. On January 22, 2015, we declared a quarterly cash distribution of \$0.8125 per common unit for the fourth quarter of 2014, or \$3.25 per common unit on an annualized basis, which was paid on February 13, 2015 to unitholders of record as of February 6, 2015. Additionally, we paid a distribution to our general partner in the amount of \$4.4 million. Of this amount, \$0.7 million is related to the base general partner distribution and \$3.7 million represents incentive distribution rights paid to our general partner.

Common Unit Grants. On January 5, 2015, we issued 84,750 restricted common units under our long-term incentive plan to the executive officers of our general partner and certain Martin Resource Management employees who provide services to us. These restricted units vest 100% on January 5, 2018.

#### Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based on the historical consolidated financial statements included elsewhere herein. We prepared these financial statements in conformity with United States generally accepted accounting principles (“U.S. GAAP” or “GAAP”). The preparation of these financial statements required us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. We based our estimates on historical experience and on various other assumptions we believe to be reasonable under the circumstances. We routinely evaluate these estimates, utilizing historical experience, consultation with experts and other methods we consider reasonable in the particular circumstances. Our results may differ from these estimates, and any effects on our business, financial position or results of operations resulting from revisions to these estimates are recorded in the period in which the facts that give rise to the revision become known. Changes in these estimates could materially affect our financial position, results of operations or cash flows. You should also read Note 2, “Significant Accounting Policies” in Notes to Consolidated Financial Statements. The following table evaluates the potential impact of estimates utilized during the periods ended December 31, 2014 and 2013:



| Description                     | Judgments and Uncertainties   | Effect if Actual Results Differ from Estimates and Assumptions   |
|---------------------------------|---|--|
| Allowance for Doubtful Accounts | We evaluate the collectability of our accounts receivable based on factors such as the customer's ability to pay, the age of the receivable and our historical collection experience. A deterioration in any of these factors could result in an increase in the allowance for doubtful accounts balance. | If actual collection results are not consistent with our judgments, we may experience an increase in uncollectible receivables. A 10% increase in our allowance for doubtful accounts would result in a decrease in net income of approximately \$0.2 million. |
| Depreciation                    |   |  |

Depreciation expense is computed using the straight-line method over the useful life of the assets.

Determination of depreciation expense requires judgment regarding estimated useful lives and salvage values of property, plant and equipment. As circumstances warrant, estimates are reviewed to determine if any changes in the underlying assumptions are needed.

The lives of our fixed assets range from 3 - 50 years. If the depreciable lives of our assets were decreased by 10%, we estimate that annual depreciation expense would increase approximately \$7.2 million, resulting in a corresponding reduction in net income.

#### Impairment of Long-Lived Assets

We periodically evaluate whether the carrying value of long-lived assets has been impaired when circumstances indicate the carrying value of the assets may not be recoverable. These evaluations are based on undiscounted cash flow projections over the remaining useful life of the asset. The carrying value is not recoverable if it exceeds the sum of the undiscounted cash flows. Any impairment loss is measured as the excess of the asset's carrying value over its fair value.

Our impairment analyses require management to use judgment in estimating future cash flows and useful lives, as well as assessing the probability of different outcomes.

Applying this impairment review methodology, we recorded an impairment charge of \$3.4 million in our Marine Transportation segment in 2014. No impairment was recorded in 2013.

#### Impairment of Goodwill

Goodwill is subject to a fair-value based impairment test on an annual basis, or more frequently if events or changes in circumstances indicate that the fair value of any of our reporting units is less than its carrying amount.

We determine fair value using accepted valuation techniques, including discounted cash flow, the guideline public company method and the guideline transaction method. These analyses require management to make assumptions and estimates regarding industry and economic factors, future operating results and discount rates. We conduct impairment testing using present economic conditions, as well as future expectations.

We completed the most recent review of goodwill as of August 31, 2014 and determined there was no impairment. Additionally, management is aware of no change in circumstance which would indicate a need for an interim impairment evaluation.

#### Purchase Price Allocations

We allocate the purchase price of an acquired business to its identifiable assets (including identifiable intangible assets) and liabilities based on their fair values at the date of acquisition. Any excess of purchase price in excess of amounts allocated to identifiable assets and liabilities is recorded as goodwill. As additional information becomes available, we may adjust the preliminary allocation for a period of up to one year.

The determination of fair values of acquired assets and liabilities requires a significant level of management judgment. Fair values are estimated using various methods as deemed appropriate. For significant transactions, third party assessments may be utilized to assist in the valuation process.

If subsequent factors indicate that estimates and assumptions used to allocate costs to acquired assets and liabilities differ from actual results, the allocation between goodwill, other intangible assets and fixed assets could significantly differ. Any such differences could impact future earnings through depreciation and amortization expense. Additionally, if estimated results supporting the valuation of goodwill or other

intangible assets are not achieved, impairments could result.

#### Asset Retirement Obligations

Asset retirement obligations (“AROs”) associated with a contractual or regulatory remediation requirement are recorded at fair value in the period in which the obligation can be reasonably estimated and depreciated over the life of the related asset or contractual term. The liability is determined using a credit-adjusted risk-free interest rate and is accreted over time until the obligation is settled.

Determining the fair value of AROs requires management judgment to evaluate required remediation activities, estimate the cost of those activities and determine the appropriate interest rate.

If actual results differ from judgments and assumptions used in valuing an ARO, we may experience significant changes in ARO balances. The establishment of an ARO has no initial impact on earnings.

#### Environmental Liabilities

We estimate environmental liabilities using both internal and external resources. Activities include feasibility studies and other evaluations management considers appropriate. Environmental liabilities are recorded in the period in which the obligation can be reasonably estimated.

Estimating environmental liabilities requires significant management judgment as well as possible use of third party specialists knowledgeable in such matters.

Environmental liabilities have not adversely affected our results of operations or financial condition in the past, and we do not anticipate that they will in the future.

#### Our Relationship with Martin Resource Management

Martin Resource Management directs our business operations through its ownership and control of our general partner and under the Omnibus Agreement. In addition to the direct expenses, under the Omnibus Agreement, we are required to reimburse Martin Resource Management for indirect general and administrative and corporate overhead expenses. For the years ended December 31, 2014, 2013 and 2012, the conflicts committee of our general partner (“Conflicts Committee”) approved reimbursement amounts of \$12.5 million, \$10.6 million and \$7.6 million, respectively, reflecting our allocable share of such expenses. The Conflicts Committee will review and approve future adjustments in the reimbursement amount for indirect expenses, if any, annually.

We are required to reimburse Martin Resource Management for all direct expenses it incurs or payments it makes on our behalf or in connection with the operation of our business. Martin Resource Management also licenses certain of its trademarks and trade names to us under the Omnibus Agreement.

We are both an important supplier to and customer of Martin Resource Management. Among other things, we sell sulfuric acid and provide marine transportation and terminalling and storage services to Martin Resource Management. We purchase land transportation services and marine fuel from Martin Resource Management. All of these services and goods are purchased and sold pursuant to the terms of a number of agreements between us and Martin Resource Management.

For a more comprehensive discussion concerning the Omnibus Agreement and the other agreements that we have entered into with Martin Resource Management, please see “Item 13. Certain Relationships and Related Transactions, and Director Independence.”

#### How We Evaluate Our Operations

Our management uses a variety of financial and operational measurements other than our financial statements prepared in accordance with U.S. GAAP to analyze our performance. These include: (1) net income before interest expense, income tax expense, and depreciation and amortization (“EBITDA”), (2) adjusted EBITDA and (3) distributable cash flow. Our management views these measures as important performance measures of core profitability for our operations and the ability to generate and distribute cash flow, and as key components of our internal financial reporting. We believe investors benefit from having access to the same financial measures that our management uses.

EBITDA and Adjusted EBITDA. Certain items excluded from EBITDA and adjusted EBITDA are significant components in understanding and assessing an entity's financial performance, such as cost of capital and historic costs of depreciable assets. We have included information concerning EBITDA and adjusted EBITDA because they provide investors and management with additional information to better understand the following: financial performance of our assets without regard to financing methods, capital structure or historical cost basis; our operating performance and return on capital as compared to those of other similarly situated entities; and the viability of acquisitions and

capital expenditure projects. Our method of computing adjusted EBITDA may not be the same method used to compute similar measures reported by other entities. The economic substance behind our use of adjusted EBITDA is to measure the ability of our assets to generate cash sufficient to pay interest costs, support our indebtedness and make distributions to our unit holders.

**Distributable Cash Flow.** Distributable cash flow is a significant performance measure used by our management and by external users of our financial statements, such as investors, commercial banks and research analysts, to compare basic cash flows generated by us to the cash distributions we expect to pay our unitholders. Distributable cash flow is also an important financial measure for our unitholders since it serves as an indicator of our success in providing a cash return on investment. Specifically, this financial measure indicates to investors whether or not we are generating cash flow at a level that can sustain or support an increase in our quarterly distribution rates. Distributable cash flow is also a quantitative standard used throughout the investment community with respect to publicly-traded partnerships because the value of a unit

of such an entity is generally determined by the unit's yield, which in turn is based on the amount of cash distributions the entity pays to a unitholder.

EBITDA, adjusted EBITDA and distributable cash flow should not be considered alternatives to, or more meaningful than, net income, cash flows from operating activities, or any other measure presented in accordance with U.S. GAAP. Our method of computing these measures may not be the same method used to compute similar measures reported by other entities.

#### Non-GAAP Financial Measures

The following table reconciles the non-GAAP financial measurements used by management to our most directly comparable GAAP measures for the years ended December 31, 2014, 2013, and 2012, which represents EBITDA, Adjusted EBITDA and Distributable Cash Flow from continuing operations.

#### Reconciliation of EBITDA, Adjusted EBITDA, and Distributable Cash Flow

|   | Year Ended December 31, |             |           |
|---|-------------------------|-------------|-----------|
|   | 2014                    | 2013        | 2012      |
| Net income (loss)   | \$(11,705 )             | \$(13,354 ) | \$101,987 |
| Less: (Income) loss from discontinued operations, net of income taxes                         | 5,338                   | (1,208 )    | (64,865 ) |
| Income (loss) from continuing operations  | (6,367 )                | (14,562 )   | 37,122    |
| Adjustments:  |                         |             |           |
| Interest expense  | 42,203                  | 42,495      | 30,665    |
| Income tax expense  | 1,137                   | 753         | 3,557     |
| Depreciation and amortization   | 68,830                  | 50,962      | 42,063    |
| EBITDA  | 105,803                 | 79,648      | 113,407   |
| Adjustments:  |                         |             |           |
| Equity in (income) loss of unconsolidated entities  | (5,466 )                | 53,048      | 1,113     |
| (Gain) loss on sale of property, plant and equipment  | 1,353                   | (217 )      | 795       |
| Gain on sale of equity method investment  | —                       | (750 )      | (486 )    |
| Gain on involuntary conversion of property, plant and equipment                               | —                       | (909 )      | —         |
| Impairment of long lived asset  | 3,445                   | —           | —         |
| Unrealized mark to market on commodity derivatives  | 818                     | —           | —         |
| Reduction in fair value of investment in Cardinal due to purchase of the controlling interest | 30,102                  | —           | —         |
| Debt prepayment premium   | 7,767                   | 272         | 2,470     |
| Distributions from unconsolidated entities  | 4,323                   | 3,476       | 3,961     |
| Mont Belvieu indemnity escrow payment   | —                       | —           | (375 )    |
| Unit-based compensation   | 817                     | 911         | 385       |
| Adjusted EBITDA   | 148,962                 | 135,479     | 121,270   |
| Adjustments:  |                         |             |           |
| Interest expense  | (42,203 )               | (42,495 )   | (30,665 ) |
| Income tax expense  | (1,137 )                | (753 )      | (3,557 )  |
| Amortization of deferred debt issuance costs  | 6,263                   | 3,700       | 3,290     |
| Amortization of debt discount   | 1,305                   | 306         | 581       |
| Amortization of debt premium  | (245 )                  | —           | —         |
| Payments of installment notes payable and capital lease obligations                           | —                       | (307 )      | (279 )    |
| Deferred income taxes   | —                       | —           | 402       |
| Payments for plant turnaround costs   | (3,974 )                | —           | (2,107 )  |
| Maintenance capital expenditures  | (14,556 )               | (11,445 )   | (8,658 )  |

|                         |          |          |          |
|-------------------------|----------|----------|----------|
| Distributable Cash Flow | \$94,415 | \$84,485 | \$80,277 |
|-------------------------|----------|----------|----------|

Results of Operations

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The results of operations for the years ended December 31, 2014, 2013, and 2012 have been derived from our consolidated financial statements.

We evaluate segment performance on the basis of operating income, which is derived by subtracting cost of products sold, operating expenses, selling, general and administrative expenses, and depreciation and amortization expense from revenues. The following table sets forth our operating revenues and operating income by segment for the years ended December 31, 2014, 2013, and 2012.

Our consolidated results of operations are presented on a comparative basis below. There are certain items of income and expense which we do not allocate on a segment basis. These items, including equity in earnings (loss) of unconsolidated entities, interest expense, and indirect selling, general and administrative expenses, are discussed after the comparative discussion of our results within each segment.

The Natural Gas Services segment information below excludes the discontinued operations of the Floating Storage Assets disposed of on February 12, 2015 for the years ended December 31, 2014 and 2013 and the natural gas gathering and processing assets for the year ended December 31, 2012. See Item 8, Note 5.

|  | Operating Revenues | Revenues Intersegment Eliminations | Operating Revenues after Eliminations | Operating Income (loss) | Operating Income Intersegment Eliminations | Operating Income (loss) after Eliminations |
|--|--------------------|------------------------------------|---------------------------------------|-------------------------|--|--|
| (In thousands)                               |                    |                                    |                                       |                         |  |  |
| Year Ended December 31, 2014:                |                    |                                    |                                       |                         |  |  |
| Terminalling and storage                     | \$326,654          | \$(5,191)                          | \$321,463                             | \$27,007                | \$(2,014)                                  | \$24,993                                   |
| Natural gas services                         | 1,013,835          | —                                  | 1,013,835                             | 30,610                  | 3,964                                      | 34,574                                     |
| Sulfur services                              | 215,471            | —                                  | 215,471                               | 25,656                  | (6,191)                                    | 19,465                                     |
| Marine transportation                        | 97,049             | (5,677)                            | 91,372                                | 3,310                   | 4,241                                      | 7,551                                      |
| Indirect selling, general and administrative | —                  | —                                  | —                                     | (18,712)                | —  | (18,712)                                   |
| Total  | \$1,653,009        | \$(10,868)                         | \$1,642,141                           | \$67,871                | \$—  | \$67,871                                   |
| Year Ended December 31, 2013:                |                    |                                    |                                       |                         |  |  |
| Terminalling and storage                     | \$341,966          | \$(4,756)                          | \$337,210                             | \$35,282                | \$(2,427)                                  | \$32,855                                   |
| Natural gas services                         | 966,909            | —                                  | 966,909                               | 28,003                  | 2,521                                      | 30,524                                     |
| Sulfur services                              | 213,124            | —                                  | 213,124                               | 26,002                  | (4,491)                                    | 21,511                                     |
| Marine transportation                        | 99,511             | (4,015)                            | 95,496                                | 9,014                   | 4,397                                      | 13,411                                     |
| Indirect selling, general and administrative | —                  | —                                  | —                                     | (16,837)                | —  | (16,837)                                   |
| Total  | \$1,621,510        | \$(8,771)                          | \$1,612,739                           | \$81,464                | \$—  | \$81,464                                   |
| Year Ended December 31, 2012:                |                    |                                    |                                       |                         |  |  |
| Terminalling and storage                     | \$322,175          | \$(4,652)                          | \$317,523                             | \$27,944                | \$(2,541)                                  | \$25,403                                   |
| Natural gas services                         | 825,506            | —                                  | 825,506                               | 13,924                  | 1,471                                      | 15,395                                     |
| Sulfur services                              | 261,584            | —                                  | 261,584                               | 37,262                  | 4,647                                      | 41,909                                     |
| Marine transportation                        | 88,815             | (3,067)                            | 85,748                                | 6,751                   | (3,577)                                    | 3,174                                      |
| Indirect selling, general and administrative | —                  | —                                  | —                                     | (12,046)                | —  | (12,046)                                   |
| Total  | \$1,498,080        | \$(7,719)                          | \$1,490,361                           | \$73,835                | \$—  | \$73,835                                   |





## Terminalling and Storage Segment

## Comparative Results of Operations for the Twelve Months Ended December 31, 2014 and 2013

|  | Year Ended December |            | Variance   | Percent Change |
|--|---------------------|------------|------------|----------------|
|  | 31, 2014            | 2013       |            |                |
|  | (In thousands)      |            |            |                |
| Revenues:  |                     |            |            |                |
| Services   | \$ 135,697          | \$ 120,717 | \$ 14,980  | 12%            |
| Products   | 190,957             | 221,249    | (30,292 )  | (14)%          |
| Total revenues   | 326,654             | 341,966    | (15,312 )  | (4)%           |
| Cost of products sold  | 175,246             | 197,974    | (22,728 )  | (11)%          |
| Operating expenses   | 83,504              | 74,441     | 9,063      | 12%            |
| Selling, general and administrative expenses                       | 3,565               | 3,238      | 327        | 10%            |
| Depreciation and amortization                                      | 37,622              | 31,823     | 5,799      | 18%            |
|  | 26,717              | 34,490     | (7,773 )   | (23)%          |
| Other operating income   | 290                 | 792        | (502 )     | 63%            |
| Operating income   | \$ 27,007           | \$ 35,282  | \$(8,275 ) | (23)%          |
| Lubricant sales volumes (gallons)                                  | 32,418              | 39,342     | (6,924 )   | (18)%          |
| Shore-based throughput volumes (gallons)                           | 253,262             | 270,522    | (17,260 )  | (6)%           |
| Smackover refinery throughput volumes (barrels per day)            | 6,159               | 6,912      | (753 )     | (11)%          |
| Corpus Christi crude terminal throughput volumes (barrels per day) | 164,223             | 108,652    | 55,571     | 51%            |

Services revenues. Services revenue increased \$7.7 million attributable to increased throughput volumes at our crude terminal in Corpus Christi, Texas. In addition, \$4.7 million of the increase is due to revenues generated by our Smackover refinery related to increased tolling fees resulting from a new contract effective July 1, 2013. Our new Dunphy terminal in Elko, Nevada, which was placed in service in May 2014, also contributed to \$1.2 million of the increase.

Products revenues. A 23% decrease in sales volumes at our blending and packaging facilities resulted in a \$36.6 million reduction in product revenues. Product sales volumes from our shore-based terminals decreased 3%, resulting in a \$2.2 million reduction in product revenues. The average sales price at our blending and packaging facilities increased 7%, resulting in a \$10.2 million increase in product revenues. The average sales price at our shore-based terminals decreased 2%, resulting in a \$1.7 million decrease in product revenues.

Cost of products sold. A 23% decrease in sales volumes at our blending and packaging facilities resulted in a \$33.2 million decrease in cost of products sold. Product sales volumes from our shore-based terminals decreased 3%, resulting in a \$2.0 million decrease in cost of products sold. Increased average cost at our blending and packaging facilities of 10% resulted in an increase of \$13.6 million in cost of products sold. Decreased average cost at our shore-based terminals of 2% resulted in a decrease of \$1.1 million in cost of products sold.

Operating expenses. Increased expenses at our specialty terminals accounted for \$6.2 million of the total increase, primarily attributable to the Corpus Christi crude terminal. Our shore-based terminal expenses increased \$0.4 million primarily due to repair and maintenance cost at the terminals. In addition, \$2.5 million of the increase is attributable to the Smackover refining assets, primarily as a result of increased compensation expense.

Selling, general and administrative expenses. The increase in selling, general and administrative expenses is primarily attributable to increased compensation expense.

Depreciation and amortization. The increase in depreciation and amortization is due to the impact of recent capital expenditures.

Other operating income. Other operating income consists primarily of business interruption recoveries in 2014 and a gain on an involuntary conversion of property, plant and equipment in 2013.

## Comparative Results of Operations for the Twelve Months Ended December 31, 2013 and 2012

|   | Year Ended December |          | Variance | Percent Change |
|---|---------------------|----------|----------|----------------|
|   | 31, 2013            | 2012     |          |                |
|   | (In thousands)      |          |          |                |
| Revenues:   |                     |          |          |                |
| Services  | \$120,717           | \$94,895 | \$25,822 | 27%            |
| Products  | 221,249             | 227,280  | (6,031)  | (3)%           |
| Total revenues  | 341,966             | 322,175  | 19,791   | 6%             |
| Cost of products sold                                   | 197,974             | 207,699  | (9,725)  | (5)%           |
| Operating expenses                                      | 74,441              | 58,766   | 15,675   | 27%            |
| Selling, general and administrative expenses            | 3,238               | 4,671    | (1,433)  | (31)%          |
| Depreciation and amortization                           | 31,823              | 22,976   | 8,847    | 39%            |
| Other operating income (loss)                           | 34,490              | 28,063   | 6,427    | 23%            |
| Operating income  | 792                 | (119)    | 911      | 766%           |
|   | \$35,282            | \$27,944 | \$7,338  | 26%            |
| Lubricant sales volumes (gallons)                       | 39,342              | 38,107   | 1,235    | 3%             |
| Shore-based throughput volumes (gallons)                | 270,522             | 218,494  | 52,028   | 24%            |
| Smackover refinery throughput volumes (barrels per day) | 6,912               | 5,994    | 918      | 15%            |
| Corpus Christi crude terminal (barrels per day)         | 108,652             | 55,529   | 53,123   | 96%            |

Services revenues. Services revenue increased primarily due to \$17.7 million attributable to our new crude terminal in Corpus Christi, Texas, which was placed into service in May 2012. In addition, \$5.2 million of the increase is due to revenues generated by our Talen's acquisition on December 31, 2012. The remaining increase is primarily due to increased throughput at the Smackover refinery.

Products revenues. An 8% increase in sales volumes at our blending and packaging facilities resulted in a \$10.7 million positive impact on product revenues. Product sales volumes from our shore-based terminals decreased 7%, resulting in a \$5.6 million reduction in product revenues. The average sales price at our blending and packaging facilities decreased 5%, resulting in a \$7.8 million decrease in product revenues. The average sales price at our shore-based terminals decreased 4%, resulting in a \$3.3 million decrease in product revenues.

Cost of products sold. An 8% increase in sales volumes at our blending and packaging facilities resulted in a \$9.4 million increase in cost of products sold, which was partially offset by a 7% decrease in sales volumes at our shore-based terminals, resulting in a \$5.2 million decrease in cost of products sold. Decreased average cost at our blending and packaging facilities of 8% resulted in a decrease of \$10.0 million in cost of products sold. Decreased average cost at our shore-based terminals of 5% resulted in a decrease of \$3.9 million in cost of products sold.

Operating expenses. Increased expenses at our specialty terminals accounted for \$6.9 million of the total increase, primarily attributable to the Corpus Christi crude terminal. Our shore-based terminal expenses increased \$1.7 million primarily due to the acquisition of the Talen's terminals. In addition, \$7.1 million of the increase is attributable to the Smackover refining assets, primarily as a result of increased utilities and repair and maintenance expense.

Selling, general and administrative expenses. The decrease in selling, general and administrative expenses is primarily related to decreased advertising expense in our blending and packaging operations.

Depreciation and amortization. The increase in depreciation and amortization is due to the impact of recent capital expenditures.

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Other operating income (loss). Other operating income in 2013 is primarily attributable to a gain on an involuntary conversion of property, plant and equipment.

#### Natural Gas Services Segment

#### Comparative Results of Operations for the Twelve Months Ended December 31, 2014 and 2013

|  | Year Ended December 31, |          | Variance | Percent Change |
|--|-------------------------|----------|----------|----------------|
|  | 2014                    | 2013     |          |                |
|  | (In thousands)          |          |          |                |
| Revenues:                                    |                         |          |          |                |
| Services                                     | \$22,991                | \$—      | \$22,991 |                |
| Products                                     | 990,844                 | 966,909  | 23,935   | 2%             |
| Total revenues                               | 1,013,835               | 966,909  | 46,926   | 5%             |
| Cost of products sold                        | 950,742                 | 930,315  | 20,427   | 2%             |
| Operating expenses                           | 10,797                  | 3,918    | 6,879    | 176%           |
| Selling, general and administrative expenses | 8,596                   | 3,731    | 4,865    | 130%           |
| Depreciation and amortization                | 13,090                  | 962      | 12,128   | 1,261%         |
|  | 30,610                  | 27,983   | 2,627    | 9%             |
| Other operating income                       | —                       | 20       | (20)     | (100)%         |
| Operating income                             | \$30,610                | \$28,003 | \$2,607  | 9%             |
| Distributions from unconsolidated entities   | \$4,323                 | \$3,476  | \$847    | 24%            |
| NGLs Volumes (barrels)                       | 19,793                  | 14,874   | 4,919    | 33%            |

Revenues. Services revenue for 2014 are attributable to the acquisition of Cardinal on August 29, 2014. NGL sales volumes increased 33%, positively impacting product revenues by \$246.2 million. Our NGL average sales price per barrel decreased \$14.95, or 23%, resulting in an offsetting decrease to product revenues of \$222.3 million.

Cost of products sold. Our average cost per barrel decreased \$14.51, or 23%. Our margins decreased by \$0.43, or 17.0%, per barrel during the period. The impact of lower prices reduced cost of products sold by \$287.2 million while the growth in volumes increased our costs \$307.7 million.

Operating expenses. Operating expenses increased \$5.3 million due to the acquisition of Cardinal. In addition, compensation costs and repair and maintenance expenses increased \$0.7 million and \$0.6 million, respectively, as a result of the acquisition of NGL storage assets from Martin Resource Management.

Selling, general and administrative expenses. Selling, general and administrative expenses increased \$2.7 million due to the acquisition of Cardinal. Also contributing to the increase was compensation expense of \$1.0 million and property taxes of \$0.5 million.

Depreciation and amortization. Depreciation and amortization increased due to the acquisition of Cardinal.

## Comparative Results of Operations for the Twelve Months Ended December 31, 2013 and 2012

|  | Year Ended December |           | Variance  | Percent Change |
|--|---------------------|-----------|-----------|----------------|
|  | 2013                | 2012      |           |                |
|  | (In thousands)      |           |           |                |
| Revenues                                     | \$966,909           | \$825,506 | \$141,403 | 17%            |
| Cost of products sold                        | 930,315             | 803,195   | 127,120   | 16%            |
| Operating expenses                           | 3,918               | 3,550     | 368       | 10%            |
| Selling, general and administrative expenses | 3,731               | 4,236     | (505 )    | (12)%          |
| Depreciation and amortization                | 962                 | 601       | 361       | 60%            |
|  | 27,983              | 13,924    | 14,059    | 101%           |
| Other operating income                       | 20                  | —         | 20        |                |
| Operating income                             | \$28,003            | \$13,924  | \$14,079  | 101%           |
| Distributions from unconsolidated entities   | \$3,476             | \$3,961   | \$(485 )  | (12)%          |
| NGLs Volumes (barrels)                       | 14,874              | 12,080    | 2,794     | 23%            |

Revenues. Natural gas services sales volumes increased 23%, positively impacting revenues by \$181.6 million, primarily as a result of us entering the Louisiana butane market during April 2012. Our NGL average sales price per barrel decreased \$3.33, or 5%, resulting in an offsetting decrease to revenues of \$40.2 million.

Cost of products sold. Our average cost per barrel decreased \$3.94, or 6%. Our margins increased \$0.61, or 33%, per barrel during the period, primarily related to increased margins resulting from our entrance into the Louisiana butane market in April 2012. The impact of lower prices reduced cost of products sold \$58.6 million while the growth in volumes increased our costs \$185.7 million.

Operating expenses. Operating expenses increased \$0.4 million primarily due to higher property and liability premiums.

Selling, general and administrative expenses. Selling, general and administrative expenses decreased \$0.5 million primarily due to a decrease in bad debt expense of \$1.0 million, offset by increased compensation expense of \$0.3 million.

Depreciation and amortization. The increase in depreciation and amortization is due to the impact of recent capital expenditures.

## Sulfur Services Segment

## Comparative Results of Operations for the Twelve Months Ended December 31, 2014 and 2013

|  | Year Ended December 31, |          | Variance | Percent Change |
|--|-------------------------|----------|----------|----------------|
|  | 2014                    | 2013     |          |                |
|  | (In thousands)          |          |          |                |
| Revenues:                                    |                         |          |          |                |
| Services                                     | \$12,149                | \$12,004 | \$145    | 1%             |
| Products                                     | 203,322                 | 201,120  | 2,202    | 1%             |
| Total revenues                               | 215,471                 | 213,124  | 2,347    | 1%             |
| Cost of products sold                        | 160,144                 | 158,085  | 2,059    | 1%             |
| Operating expenses                           | 17,136                  | 16,975   | 161      | 1%             |
| Selling, general and administrative expenses | 4,359                   | 4,083    | 276      | 7%             |
| Depreciation and amortization                | 8,176                   | 7,979    | 197      | 2%             |
| Operating income                             | \$25,656                | \$26,002 | \$(346)  | (1)%           |
| Sulfur (long tons)                           | 847.7                   | 836.6    | 11.1     | 1%             |
| Fertilizer (long tons)                       | 306.6                   | 273.0    | 33.6     | 12%            |
| Sulfur services volumes (long tons)          | 1,154.3                 | 1,109.6  | 44.7     | 4%             |

Revenues. Product revenue increased \$7.9 million as a result of a 4% increase in sales volumes, attributable primarily to 12% increase in fertilizer volumes, and were offset by a decrease of \$5.7 million due to a 3% decline in sales prices for both sulfur and fertilizer products.

Cost of products sold. A 4% increase in sales volumes increased cost of products sold by \$6.2 million. A 3% decrease in prices reduced our cost by \$4.1 million. Margin per ton decreased \$1.38, or 4%.

Operating expenses. Our operating expenses increased due to higher railcar lease expense of \$0.3 million and a \$0.1 million decrease in outside towing expenses.

Selling, general and administrative expenses. Selling, general and administrative expenses increased as a result of increased compensation and travel expense.

Depreciation and amortization. The increase in depreciation and amortization is due to the impact of recent capital expenditures.



## Comparative Results of Operations for the Twelve Months Ended December 31, 2013 and 2012

|  | Year Ended December |          | Variance    | Percent Change |
|--|---------------------|----------|-------------|----------------|
|  | 31, 2013            | 2012     |             |                |
|  | (In thousands)      |          |             |                |
| Revenues:                                    |                     |          |             |                |
| Services                                     | \$12,004            | \$11,702 | \$302       | 3%             |
| Products                                     | 201,120             | 249,882  | (48,762 )   | (20)%          |
| Total revenues                               | 213,124             | 261,584  | (48,460 )   | (19)%          |
| Cost of products sold                        | 158,085             | 195,314  | (37,229 )   | (19)%          |
| Operating expenses                           | 16,975              | 17,404   | (429 )      | (2)%           |
| Selling, general and administrative expenses | 4,083               | 3,975    | 108         | 3%             |
| Depreciation and amortization                | 7,979               | 7,371    | 608         | 8%             |
|  | 26,002              | 37,520   | (11,518 )   | (31)%          |
| Other operating loss                         | —                   | (258 )   | 258         | 100%           |
| Operating income                             | \$26,002            | \$37,262 | \$(11,260 ) | (30)%          |
| Sulfur (long tons)                           | 836.6               | 959.9    | (123.3 )    | (13)%          |
| Fertilizer (long tons)                       | 273.0               | 306.1    | (33.1 )     | (11)%          |
| Sulfur services volumes (long tons)          | 1,109.6             | 1,266.0  | (156.4 )    | (12)%          |

Revenues. The increase in service revenue is attributable to increased contract rates. Product revenue declined \$28.3 million as a result of a 12% decrease in sales volumes. The volume reduction was primarily related to the conversion of a buy/sell contract with a major customer to a fee-based handling contract. Additionally, product revenues decreased \$20.4 million due to an 8% decline in overall sales prices. The sales price of sulfur and fertilizer products decreased 14% and 3%, respectively.

Cost of products sold. A 12% decrease in sales volumes reduced cost of products sold by \$22.3 million. An 8% decrease in prices reduced our cost by an additional \$14.9 million. Margin per ton decreased \$4.32, or 10%, resulting in a decline in gross margin of \$11.5 million, primarily attributable to the decline in market prices discussed above. Also contributing to the decline in the gross margin of our fertilizer business was significant downtime attributable to plant turnarounds at our Plainview and Neches production facilities. Costs associated with these turnarounds were \$1.2 million higher than the same period of 2012.

Operating expenses. Our operating expenses decreased due to \$0.8 million less in outside towing expenses offset by increased compensation expense of \$0.6 million.

Selling, general and administrative expenses. Selling, general and administrative expenses increased as a result of increased compensation expense.

Depreciation and amortization. The increase in depreciation and amortization is due to the impact of recent capital expenditures.

Other operating loss. Other operating loss represents losses on the disposal of property, plant and equipment in 2012.

## Marine Transportation Segment

## Comparative Results of Operations for the Twelve Months Ended December 31, 2014 and 2013

|  | Year Ended December |          | Variance  | Percent Change |
|--|---------------------|----------|-----------|----------------|
|  | 31, 2014            | 2013     |           |                |
|  | (In thousands)      |          |           |                |
| Revenues                                     | \$97,049            | \$99,511 | \$(2,462) | (2)%           |
| Operating expenses                           | 77,964              | 79,306   | (1,342)   | (2)%           |
| Selling, general and administrative expenses | 1,084               | 1,347    | (263)     | (20)%          |
| Impairment of long lived asset               | (3,445)             | —        | (3,445)   |                |
| Depreciation and amortization                | 9,942               | 10,198   | (256)     | (3)%           |
|  | 11,504              | 8,660    | 2,844     | 33%            |
| Other operating income (loss)                | (1,304)             | 354      | (1,658)   | (468)%         |
| Operating income                             | \$10,200            | \$9,014  | \$1,186   | 13%            |

**Inland Revenues.** A \$2.3 million increase in inland revenues is primarily attributable to increased utilization of the inland fleet. Offsetting this increase was a \$1.3 million decrease in pass-through revenues.

**Offshore Revenues.** Revenue from offshore operations decreased \$4.0 million due to a decrease in utilization of the offshore fleet resulting from downtime associated with regulatory inspections and maintenance.

**Operating expenses.** Operating expenses decreased \$1.3 million due to less outside towing expense of \$1.3 million, barge lease rental of \$0.8 million, ancillary expenses (primarily fuel) of \$1.7 million. Offsetting these decreases were increases in repairs and maintenance of \$2.7 million.

**Selling, general and administrative expenses.** Selling, general and administrative expenses decreased primarily due to an increase in cost recoveries associated with management of marine vessels owned by the sulfur services and natural gas services segments.

**Depreciation and amortization.** Depreciation and amortization decreased as a result of the disposal of equipment, offset by increases in depreciable assets related to recent capital expenditures.

**Impairment of long-lived assets.** Impairment of long-lived assets represents the write-down of one offshore tow which was the result of the decision to remove that asset from service and ultimately dispose of it.

**Other operating income (loss).** Other operating income (loss) represents gains and losses from the disposition of property, plant and equipment.

## Comparative Results of Operations for the Twelve Months Ended December 31, 2013 and 2012

|  | Year Ended December |          | Variance | Percent Change |
|--|---------------------|----------|----------|----------------|
|  | 31, 2013            | 2012     |          |                |
|  | (In thousands)      |          |          |                |
| Revenues                                     | \$99,511            | \$88,815 | \$10,696 | 12%            |
| Operating expenses                           | 79,306              | 70,342   | 8,964    | 13%            |
| Selling, general and administrative expenses | 1,347               | 566      | 781      | 138%           |
| Depreciation and amortization                | 10,198              | 11,115   | (917)    | (8)%           |
|  | 8,660               | 6,792    | 1,868    | 28%            |

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|                               |         |         |   |         |      |
|-------------------------------|---------|---------|---|---------|------|
| Other operating income (loss) | 354     | (41     | ) | 395     | 963% |
| Operating income              | \$9,014 | \$6,751 |   | \$2,263 | 34%  |

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Inland Revenues. An \$11.2 million increase in inland revenues is primarily attributable to \$8.4 million from the Talen's acquisition and \$3.1 million from the Florida Marine Assets.

Offshore Revenues. Revenue from offshore operations increased \$0.4 million due to an increase in utilization. Ancillary revenue, primarily fuel, decreased \$1.0 million.

Operating expenses. Operating expenses increased \$9.0 million as a result of costs and expenses associated with the acquisitions of the Talen's and Florida Marine Assets.

Selling, general and administrative expenses. Selling, general and administrative expenses increased primarily as a result of the 2012 period including the recovery of a previously uncollectible customer receivable.

Depreciation and amortization. Depreciation and amortization decreased as a result of the disposal of equipment, offset by increases in depreciable assets related to recent capital expenditures.

Other operating income (loss). Other operating income (loss) increased as a result of gains recognized on the disposal of equipment in 2013.

Equity in Earnings (Loss) of Unconsolidated Entities

|   | Year Ended December |             | Variance | Percent Change |
|---|---------------------|-------------|----------|----------------|
|   | 31, 2014            | 2013        |          |                |
|   | (In thousands)      |             |          |                |
| Equity in earnings of WTLPG               | \$3,076             | \$—         | 3,076    |                |
| Equity in earnings (loss) of Cardinal     | 892                 | (54,226 )   | 55,118   | 102%           |
| Equity in earnings of MET                 | 1,498               | 1,738       | (240 )   | 14%            |
| Equity in loss of Caliber                 | —                   | (560 )      | 560      | 100%           |
| Equity in loss of unconsolidated entities | \$5,466             | \$(53,048 ) | \$58,514 | 110%           |

The investment in WTLPG was acquired in May 2014.

Equity in loss of Cardinal in 2013 includes \$54.1 million of impairment related to the long-lived assets of Monroe Gas Storage Company LLC ("Monroe"), a subsidiary of Cardinal. On August 29, 2014, the Partnership acquired the remaining 57.8% Category A interest in Cardinal it did not previously own, and began consolidating Cardinal's results.

Equity in earnings of Martin Energy Trading LLC ("MET") represents dividends on our 100% investment in its preferred interests. The MET investment was acquired in March 2013. In August 2014, MET converted its preferred equity to subordinated debt, resulting in a Partnership note receivable from MET.

The investment in Caliber was acquired in June 2012 and sold in November 2013.

|                                    | Year Ended December |          | Variance    | Percent Change |
|------------------------------------|---------------------|----------|-------------|----------------|
|                                    | 2013                | 2012     |             |                |
|                                    | (In thousands)      |          |             |                |
| Equity in loss of Cardinal         | \$(54,226 )         | \$(943 ) | \$(53,283 ) | 5,650%         |
| Equity in earnings of MET          | 1,738               | —        | 1,738       |                |
| Equity in loss of Caliber          | (560 )              | (190 )   | (370 )      | 195%           |
| Equity in earnings of Pecos Valley | —                   | 20       | (20 )       | (100)%         |

Equity in loss of unconsolidated entities \$(53,048 ) \$(1,113 ) \$(51,935 ) 4,666%

Equity in loss of Cardinal in 2013 includes \$54.1 million of impairment related to the long-lived assets of Monroe, a subsidiary of Cardinal.

Equity in earnings of MET represents dividends on our 100% investment in its preferred interests. The MET investment was acquired in March 2013. In August 2014, MET converted its preferred equity to subordinated debt, resulting in a Partnership note receivable from MET.

Initial equity in earnings (loss) of Caliber and Pecos Valley were recorded in June 2012. The Caliber and Pecos Valley investments were sold in November 2013 and August 2012, respectively.

### Interest Expense

#### Comparative Components of Interest Expense, Net for the Twelve Months Ended December 31, 2014 and 2013

|  | Year Ended December |          | Variance  | Percent Change |
|--|---------------------|----------|-----------|----------------|
|  | 31, 2014            | 2013     |           |                |
|  | (In thousands)      |          |           |                |
| Revolving loan facility                      | \$12,684            | \$7,683  | \$5,001   | 65%            |
| 8.875 % senior unsecured notes               | 3,882               | 15,531   | (11,649 ) | (75)%          |
| 7.250 % senior unsecured notes               | 26,252              | 16,061   | 10,191    | 63%            |
| Amortization of deferred debt issuance costs | 6,263               | 3,700    | 2,563     | 69%            |
| Amortization of debt discount and premium    | 1,059               | 306      | 753       | 246%           |
| Cash settlements on interest rate swaps      | (6,692 )            | —        | (6,692 )  |                |
| Other  | 944                 | 310      | 634       | 205%           |
| Capitalized interest                         | (1,437 )            | (1,096 ) | (341 )    | (31)%          |
| Interest income                              | (752 )              | —        | (752 )    |                |
| Total interest expense, net                  | \$42,203            | \$42,495 | \$(292 )  | (1)%           |

#### Comparative Components of Interest Expense, Net for the Twelve Months Ended December 31, 2013 and 2012

|  | Year Ended December |          | Variance   | Percent Change |
|--|---------------------|----------|------------|----------------|
|  | 31, 2013            | 2012     |            |                |
|  | (In thousands)      |          |            |                |
| Revolving loan facility  | \$7,683             | \$9,644  | \$(1,961 ) | (20)%          |
| 8.875 % senior unsecured notes   | 15,531              | 16,413   | (882 )     | (5)%           |
| 7.250 % senior unsecured notes   | 16,061              | —        | 16,061     |                |
| Amortization of deferred debt issuance costs   | 3,700               | 3,290    | 410        | 12%            |
| Amortization of debt discount  | 306                 | 581      | (275 )     | (47)%          |
| Interest costs attributable to the recast financial information of certain blending and packaging assets | —                   | 1,549    | (1,549 )   | (100)%         |
| Other  | 310                 | 324      | (14 )      | (4)%           |
| Capitalized interest   | (1,096 )            | (1,136 ) | 40         | 4%             |
| Total interest expense, net  | \$42,495            | \$30,665 | \$11,830   | 39%            |

### Indirect Selling, General and Administrative Expenses

|   | Year Ended December |          | Variance | Percent Change | Year Ended December |          | Variance | Percent Change |
|---|---------------------|----------|----------|----------------|---------------------|----------|----------|----------------|
|   | 31, 2014            | 2013     |          |                | 31, 2013            | 2012     |          |                |
|   | (In thousands)      |          |          |                | (In thousands)      |          |          |                |
| Indirect selling, general and administrative expenses | \$18,712            | \$16,837 | \$1,875  | 11%            | \$16,837            | \$12,046 | \$4,791  | 40%            |



The increase in indirect selling, general and administrative expenses for both 2014 and 2013 is primarily a result of higher allocated overhead expenses from Martin Resource Management as a result of increased time spent on Partnership activities.

Martin Resource Management allocates to us a portion of its indirect selling, general and administrative expenses for services such as accounting, treasury, clerical, engineering, legal, billing, information technology, administration of insurance, general office expenses and employee benefit plans and other general corporate overhead functions we share with Martin Resource Management retained businesses. This allocation is based on the percentage of time spent by Martin Resource Management personnel that provide such centralized services. GAAP also permits other methods for allocation of these expenses, such as basing the allocation on the percentage of revenues contributed by a segment. The allocation of these expenses between Martin Resource Management and us is subject to a number of judgments and estimates, regardless of the method used. We can provide no assurances that our method of allocation, in the past or in the future, is or will be the most accurate or appropriate method of allocation for these expenses. Other methods could result in a higher allocation of selling, general and administrative expense to us, which would reduce our net income.

Under the Omnibus Agreement, we are required to reimburse Martin Resource Management for indirect general and administrative and corporate overhead expenses. The Conflicts Committee approved the following reimbursement amounts:

|   | Year Ended December |          | Variance | Percent Change | Year Ended December |         | Variance | Percent Change |
|---|---------------------|----------|----------|----------------|---------------------|---------|----------|----------------|
|   | 31, 2014            | 2013     |          |                | 31, 2013            | 2012    |          |                |
|   | (In thousands)      |          |          |                | (In thousands)      |         |          |                |
| Conflicts Committee approved reimbursement amount | \$12,535            | \$10,621 | \$1,914  | 18%            | \$10,621            | \$7,593 | \$3,028  | 40%            |

The amounts reflected above represent our allocable share of such expenses. The Conflicts Committee will review and approve future adjustments in the reimbursement amount for indirect expenses, if any, annually.

## Liquidity and Capital Resources

### General

Our primary sources of liquidity to meet operating expenses, pay distributions to our unitholders and fund capital expenditures are cash flows generated by our operations and access to debt and equity markets, both public and private. We have recently completed several transactions that have improved our liquidity position, helping fund our acquisitions and organic growth projects.

As a result of these financing activities, discussed in further detail below, management believes that expenditures for our current capital projects will be funded with cash flows from operations, current cash balances and our current borrowing capacity under the expanded revolving credit facility. However, it may be necessary to raise additional funds to finance our future capital requirements.

Our ability to satisfy our working capital requirements, to fund planned capital expenditures and to satisfy our debt service obligations will also depend upon our future operating performance, which is subject to certain risks. Please read "Item 1A. Risk Factors - Risks related to Our Business" for a discussion of such risks.

### Recent Debt Financing Activity



On June 27, 2014, we increased the maximum amount of borrowings and letters of credit under our revolving credit facility from \$637.5 million to \$900.0 million utilizing the accordion feature of our revolving credit facility.

In April 2014, we completed a \$150.0 million private placement add-on of 7.250% senior unsecured notes due in 2021. We filed with the SEC a registration statement to exchange these notes for substantially identical notes that are registered under the Securities Act and completed the exchange offer during the second quarter of 2014.

On April 1, 2014, we redeemed all \$175.0 million of the 8.875% senior unsecured notes due in 2018 from their holders.

On February 18, 2014, we increased the maximum amount of borrowings and letters of credit under our revolving credit facility from \$600.0 million to \$637.5 million utilizing the accordion feature of our revolving credit facility.

#### Recent Equity Markets Activity

On September 29, 2014, we completed a public offering of 3,450,000 common units at a price of \$36.91 per common unit, before the payment of underwriters' discounts, commissions and offering expenses (per unit value is in dollars, not thousands). Total proceeds from the sale of the 3,450,000 common units, net of underwriters' discounts, commissions and offering expenses, were \$122.2 million. Our general partner contributed \$2.6 million in cash to us in conjunction with the issuance in order to maintain its 2.0% general partner interest in us. The net proceeds from the common unit issuance were used to pay down outstanding amounts under our revolving credit facility.

On August 29, 2014, we closed a private equity sale with Martin Resource Management, under which Martin Resource Management invested \$45.0 million in cash in exchange for 1,171,265 common units. The pricing of \$38.42 per common unit was based on the 10-day weighted average price of our common units for the 10 trading days ending August 8, 2014 (per unit value is in dollars, not thousands). In connection with the issuance of these common units, our general partner contributed \$0.9 million in order to maintain its 2.0% general partner interest in us. The proceeds from the common unit issuance were used to pay down outstanding amounts under our revolving credit facility.

On May 12, 2014, we completed a public offering of 3,600,000 common units at a price of \$41.51 per common unit, before the payment of underwriters' discounts, commissions and offering expenses (per unit value is in dollars, not thousands). Total proceeds from the sale of the 3,600,000 common units, net of underwriters' discounts, commissions and offering expenses, were \$143.4 million. Our general partner contributed \$3.1 million in cash to us in conjunction with the issuance in order to maintain its 2.0% general partner interest in us. The net proceeds from the common unit issuance were used to pay down outstanding amounts under our revolving credit facility.

In March 2014, we entered into an equity distribution agreement with the Sales Agents for the ongoing distribution of our common units. Pursuant to this program, we offered and sold common unit equity through the Sales Agents for aggregate proceeds of \$21.1 million for the year ended December 31, 2014. We paid \$0.4 million in compensation to the Sales Agents for the year ended December 31, 2014. Under the program, we issued 522,121 common units during the year ended December 31, 2014. Common units issued were at market prices prevailing at the time of the sale. We also received capital contributions from our general partner of \$0.4 million during the year ended December 31, 2014 related to these issuances to maintain its 2.0% general partner interest in us. The net proceeds from the common unit issuances were used to pay down outstanding amounts under our revolving credit facility.

Due to the foregoing, we believe that cash generated from operations and our borrowing capacity under our credit facility will be sufficient to meet our working capital requirements and anticipated maintenance capital expenditures in 2015.

Finally, our ability to satisfy our working capital requirements, to fund planned capital expenditures and to satisfy our debt service obligations will depend upon our future operating performance, which is subject to certain risks. Please read "Item 1A. Risk Factors - Risks Relating to Our Business" for a discussion of such risks.

#### Cash Flows - Twelve Months Ended December 31, 2014 Compared to Twelve Months Ended December 31, 2013

The following table details the cash flow changes between the twelve months ended December 31, 2014 and 2013:

| Years Ended       |      | Variance | Percent Change |
|-------------------|------|----------|----------------|
| December 31, 2014 | 2013 |          |                |
| (In thousands)    |      |          |                |

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Net cash provided by (used in):

|  |             |            |             |        |
|--|-------------|------------|-------------|--------|
| Operating activities                                 | \$115,580   | \$112,183  | \$3,397     | 3%     |
| Investing activities                                 | (324,663 )  | (186,777 ) | (137,886 )  | (74)%  |
| Financing activities                                 | 192,583     | 85,974     | 106,609     | 124%   |
| Net increase (decrease) in cash and cash equivalents | \$(16,500 ) | \$11,380   | \$(27,880 ) | (245)% |

The change in net cash provided by operating activities includes an increase in operating results from continuing operations plus other non cash items of \$7.5 million, distributions from WTLPG of \$2.6 million, and a \$10.1 million

unfavorable variance in working capital. Changes in working capital are primarily affected by the timing of payments of trade and other accounts payable as well as the collections of trade and other accounts receivable. In addition, cash used in discontinued operations decreased \$2.0 million in 2014.

Net cash used in investing activities in 2014 includes the \$133.9 million net investment in WTLPG. Acquisition expenditures increased \$71.4 million, including the Cardinal acquisition of \$100.2 million, net of cash acquired. Contributions to unconsolidated entities and capital expenditures decreased \$27.5 million and \$7.9 million in 2014, respectively. Net cash used in discontinued investing activities of \$42.6 million in 2013 is attributable to the purchase of the six pressure barges which were sold in February 2015. There was no cash provided by or used in discontinued investing activities in 2014.

Net cash provided by financing activities increased for the year ended December 31, 2014 as a result of: (i) \$338.7 million in equity offering proceeds, including \$7.0 million from the general partner; (ii) a \$228.8 decrease in net proceeds from long-term debt (borrowings less repayments); (iii) a \$12.8 million increase in cash distributions; and (iv) a \$5.4 million reduction in the payment of debt issuance costs.

#### Cash Flows - Twelve Months Ended December 31, 2013 Compared to Twelve Months Ended December 31, 2012

The following table details the cash flow changes between the twelve months ended December 31, 2013 and 2012:

|  | Years Ended       |                   | Variance   | Percent Change |
|--|-------------------|-------------------|------------|----------------|
|  | December 31, 2013 | December 31, 2012 |            |                |
|  | (In thousands)    |                   |            |                |
| Net cash provided by (used in):                      |                   |                   |            |                |
| Operating activities                                 | \$ 112,183        | \$ 32,678         | \$ 79,505  | 243%           |
| Investing activities                                 | (186,777 )        | (15,036 )         | (171,741 ) | (1,142)%       |
| Financing activities                                 | 85,974            | (12,746 )         | 98,720     | 775%           |
| Net increase (decrease) in cash and cash equivalents | \$ 11,380         | \$ 4,896          | \$ 6,484   | 132%           |

Net cash provided by operating activities increased for the year ended December 31, 2013 due to a \$76.0 million favorable variance in working capital. Changes in working capital are primarily affected by the timing of payments of trade and other accounts payable as well as the collections of trade and other accounts receivable.

Net cash used in investing activities increased for the year ended December 31, 2013 due to a \$314.2 million increase in cash used by discontinued operations, primarily resulting from the \$274.8 million in proceeds from the 2012 sale of the Prism assets. In addition, acquisition expenditures decreased \$193.3 million in 2013. Also positively impacting 2012 was \$56.0 million of proceeds from the sale of acquired assets.

Net cash provided by (used in) financing activities increased for the year ended December 31, 2013 due to: (i) lower expenditures of \$146.0 million related to assets purchased from Martin Resource Management; (ii) \$168.0 million increase in net proceeds from long-term debt (borrowings less repayments); (iii) \$198.3 million decrease in proceeds from equity offerings; (iv) \$8.1 million in increased cash distributions; and (v) an \$8.9 million increase of debt issuance costs.

#### Capital Expenditures

Our operations require continual investment to upgrade or enhance operations and to ensure compliance with safety, operational, and environmental regulations. Our capital expenditures consist primarily of:

- maintenance capital expenditures made to maintain existing assets and operations;

- expansion capital expenditures to acquire assets to grow our business, to expand existing facilities, such as projects that increase operating capacity, or to reduce operating costs; and
- plant turnaround costs made at our refinery to perform maintenance, overhaul and repair operations and to inspect, test and replace process materials and equipment.

The following table summarizes maintenance and expansion capital expenditures, excluding amounts paid for acquisitions, for the periods presented:

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|                                  | Three Months Ended |          | Years Ended    |          |
|----------------------------------|--------------------|----------|----------------|----------|
|                                  | December 31,       |          | December 31,   |          |
|                                  | 2014               | 2013     | 2014           | 2013     |
|                                  | (In thousands)     |          | (In thousands) |          |
| Expansion capital expenditures   | \$29,465           | \$26,483 | \$74,727       | \$87,601 |
| Maintenance capital expenditures | 1,296              | 3,972    | 14,556         | 11,445   |
| Plant turnaround costs           | (26                | ) —      | 3,974          | —        |
| Total                            | \$30,735           | \$30,455 | \$93,257       | \$99,046 |

Expansion capital expenditures were made primarily in our Terminalling and Storage and Natural Gas Services segments during the three and twelve months ended December 31, 2014. Within our Terminalling and Storage segment, expenditures were made primarily at our Corpus Christi crude terminal, Smackover refinery, and certain smaller organic growth projects ongoing in our specialty terminalling operations. Within our Natural Gas Services segment, expenditures were made primarily on certain organic growth projects ongoing in our Natural Gas Services operations. Maintenance capital expenditures were made primarily in our Terminalling and Storage, Marine Transportation, and Sulfur Services segments to maintain our existing assets and operations during the three and twelve months ended December 31, 2014.

Expansion capital expenditures were made primarily in our Terminalling and Storage segment during the three and twelve months ended December 31, 2013. Within our Terminalling and Storage segment, expenditures were made primarily at our Corpus Christi crude terminal, Smackover refinery, and certain smaller organic growth projects ongoing in our specialty terminalling operations. Maintenance capital expenditures were made primarily in our Terminalling and Storage, Marine Transportation, and Sulfur Services segments to maintain our existing assets and operations during the three and twelve months ended December 31, 2013.

#### Capital Resources

Historically, we have generally satisfied our working capital requirements and funded our capital expenditures with cash generated from operations and borrowings. We expect our primary sources of funds for short-term liquidity will be cash flows from operations and borrowings under our credit facility.

As of December 31, 2014, we had \$902.0 million of outstanding indebtedness, consisting of outstanding borrowings of \$402.0 million (including unamortized premium) in senior unsecured notes and \$500.0 million under our revolving credit facility.

Total Contractual Cash Obligations. A summary of our total contractual cash obligations as of December 31, 2014, is as follows (dollars in thousands):

| Type of Obligation                 | Payments due by period |                    |           |           |                |
|------------------------------------|------------------------|--------------------|-----------|-----------|----------------|
|                                    | Total Obligation       | Less than One Year | 1-3 Years | 3-5 Years | Due Thereafter |
| Revolving credit facility          | \$500,000              | \$—                | \$—       | \$500,000 | \$—            |
| 2021 senior unsecured notes        | 402,005                | —                  | —         | —         | 402,005        |
| Throughput commitment              | 39,405                 | 5,109              | 10,716    | 11,416    | 12,164         |
| Operating leases                   | 38,301                 | 11,421             | 16,176    | 5,082     | 5,622          |
| Interest expense: <sup>1</sup>     |                        |                    |           |           |                |
| Revolving credit facility          | 47,211                 | 14,591             | 29,182    | 3,438     | —              |
| 2021 Senior unsecured notes        | 178,833                | 29,000             | 58,000    | 58,000    | 33,833         |
| Total contractual cash obligations | \$1,205,755            | \$60,121           | \$114,074 | \$577,936 | \$453,624      |

<sup>4</sup>Interest commitments are estimated using our current interest rates for the respective credit agreements over their remaining terms.

Letter of Credit. At December 31, 2014, we had outstanding irrevocable letters of credit in the amount of \$8.6 million, which were issued under our revolving credit facility.

Off Balance Sheet Arrangements. We do not have any off-balance sheet financing arrangements.

## Description of Our Long-Term Debt

### 2021 Senior Notes

We and Martin Midstream Finance Corp., a subsidiary of us (collectively, the “Issuers”), entered into (i) an Indenture, dated as of February 11, 2013 (the “2021 Indenture”) among the Issuers, certain subsidiary guarantors (the “2021 Guarantors”) and Wells Fargo Bank, National Association, as trustee (the “2021 Trustee”) and (ii) a Registration Rights Agreement, dated as of February 11, 2013 (the “2021 Registration Rights Agreement”), among the Issuers, the 2021 Guarantors and Wells Fargo Securities, LLC, RBC Capital Markets, LLC, RBS Securities Inc., SunTrust Robinson Humphrey, Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representatives of a group of initial purchasers, in connection with a private placement to eligible purchasers of \$250.0 million in aggregate principal amount of the Issuers' 7.250% senior unsecured notes due 2021 (the “2021 Notes”). On April 1, 2014, we completed a private placement add-on of \$150.0 million of the 2021 Notes.

**Interest and Maturity.** The Issuers issued the 2021 Notes pursuant to the 2021 Indenture in transactions exempt from registration requirements under the Securities Act of 1933, as amended (the “Securities Act”). The 2021 Notes were resold to qualified institutional buyers pursuant to Rule 144A under the Securities Act and to persons outside the United States pursuant to Regulation S under the Securities Act. The 2021 Notes will mature on February 15, 2021. The interest payment dates are February 15 and August 15.

**Optional Redemption.** Prior to February 15, 2016, the Issuers have the option on any one or more occasions to redeem up to 35% of the aggregate principal amount of the 2021 Notes issued under the 2021 Indenture, at a redemption price of 107.250% of the principal amount, plus accrued and unpaid interest, if any, to the redemption date of the 2021 Notes with the proceeds of certain equity offerings. Prior to February 15, 2017, the Issuers may on any one or more occasions redeem all or a part of the 2021 Notes at the 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 February 15, 2017, the Issuers may on any one or more occasions redeem all or a part of the 2021 Notes at the redemption prices (expressed as percentages of principal amount) equal to 103.625% for the twelve-month period beginning on February 15, 2017, 101.813% for the twelve-month period beginning on February 15, 2018 and 100.00% for the twelve-month period beginning on February 15, 2019 and at any time thereafter, plus accrued and unpaid interest, if any, to the applicable redemption date on the 2021 Notes.

**Certain Covenants.** The 2021 Indenture restricts our ability and the ability of certain of our subsidiaries to: (i) sell assets including equity interests in our subsidiaries; (ii) pay distributions on, redeem or repurchase our units or redeem or repurchase our subordinated debt; (iii) make investments; (iv) incur or guarantee additional indebtedness or issue preferred units; (v) create or incur certain liens; (vi) enter into agreements that restrict distributions or other payments from our restricted subsidiaries to us; (vii) consolidate, merge or transfer all or substantially all of our assets; (viii) engage in transactions with affiliates; (ix) create unrestricted subsidiaries; (x) enter into sale and leaseback transactions; or (xi) engage in certain business activities. These covenants are subject to a number of important exceptions and qualifications. If the 2021 Notes achieve an investment grade rating from each of Moody's Investors Service, Inc. and Standard & Poor's Ratings Services and no Default (as defined in the 2021 Indenture) has occurred and is continuing, many of these covenants will terminate.

**Events of Default.** The 2021 Indenture provides that each of the following is an Event of Default: (i) default for 30 days in the payment when due of interest on the 2021 Notes; (ii) default in payment when due of the principal of, or premium, if any, on the 2021 Notes; (iii) failure by us to comply with certain covenants relating to asset sales, repurchases of the 2021 Notes upon a change of control and mergers or consolidations; (iv) failure by us for 180 days after notice to comply with our reporting obligations under the Securities Exchange Act of 1934; (v) failure by us for



60 days after notice to comply with any of the other agreements in the 2021 Indenture; (vi) default under any mortgage, indenture or instrument governing any indebtedness for money borrowed or guaranteed by us or any of our restricted subsidiaries, whether such indebtedness or guarantee now exists or is created after the date of the 2021 Indenture, if such default: (a) is caused by a payment default; or (b) results in the acceleration of such indebtedness prior to its stated maturity, and, in each case, the principal amount of the indebtedness, together with the principal amount of any other such indebtedness under which there has been a payment default or acceleration of maturity, aggregates \$20.0 million or more, subject to a cure provision; (vii) failure by us or any of our restricted subsidiaries to pay final judgments aggregating in excess of \$20.0 million, which judgments are not paid, discharged or stayed for a period of 60 days; (viii) except as permitted by the 2021 Indenture, any subsidiary guarantee is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force or effect, or any 2021 Guarantor, or any person acting on behalf of any Guarantor, denies or disaffirms its obligations under its subsidiary guarantee; and (ix) certain events of bankruptcy, insolvency or reorganization described in the 2021 Indenture with respect to the Issuers or

any of our restricted subsidiaries that is a significant subsidiary or any group of restricted subsidiaries that, taken together, would constitute a significant subsidiary of us. Upon a continuing Event of Default, the 2021 Trustee, by notice to the Issuers, or the holders of at least 25% in principal amount of the then outstanding 2021 Notes, by notice to the Issuers and the 2021 Trustee, may declare the 2021 Notes immediately due and payable, except that an Event of Default resulting from entry into a bankruptcy, insolvency or reorganization with respect to the Issuers, any restricted subsidiary of us that is a significant subsidiary or any group of its restricted subsidiaries that, taken together, would constitute a significant subsidiary of us, will automatically cause the 2021 Notes to become due and payable.

#### Revolving Credit Facility

On November 10, 2005, we entered into a \$225.0 million multi-bank credit facility, which was subsequently amended most recently on June 27, 2014 when we increased our maximum amount of borrowings to \$900.0 million utilizing the accordion feature of our revolving credit facility.

As of December 31, 2014, we had \$500.0 million outstanding under the revolving credit facility and \$8.6 million of letters of credit issued, leaving a maximum available to be borrowed under our credit facility for future revolving credit borrowings and letters of credit of \$391.4 million. Subject to the financial covenants contained in our credit facility and based on our existing EBITDA (as defined in our credit facility) calculations, as of December 31, 2014, we have the ability to incur approximately \$104.2 million of that amount.

The revolving credit facility is used for ongoing working capital needs and general partnership purposes, and to finance permitted investments, acquisitions and capital expenditures. During the year ended December 31, 2014, the level of outstanding draws on our credit facility ranged from a low of \$220.0 million to a high of \$659.0 million.

The credit facility is guaranteed by substantially all of our subsidiaries. Obligations under the credit facility are secured by first priority liens on substantially all of our assets and those of the guarantors, including, without limitation, inventory, accounts receivable, bank accounts, marine vessels, equipment, fixed assets and the interests in our subsidiaries and certain of our equity method investees.

We may prepay all amounts outstanding under the credit facility at any time without premium or penalty (other than customary LIBOR breakage costs), subject to certain notice requirements. The credit facility requires mandatory prepayments of amounts outstanding thereunder with the net proceeds of certain asset sales, equity issuances and debt incurrences.

Indebtedness under the credit facility bears interest at our option at the Eurodollar Rate (the British Bankers Association LIBOR Rate) plus an applicable margin or the Base Rate (the highest of the Federal Funds Rate plus 0.50%, the 30-day Eurodollar Rate plus 1.0%, or the administrative agent's prime rate) plus an applicable margin. We pay a per annum fee on all letters of credit issued under the credit facility, and we pay a commitment fee per annum on the unused revolving credit availability under the credit facility. The letter of credit fee, the commitment fee and the applicable margins for our interest rate vary quarterly based on our leverage ratio (as defined in the credit facility, being generally computed as the ratio of total funded debt to consolidated earnings before interest, taxes, depreciation, amortization and certain other non-cash charges) and are as follows:

| Leverage Ratio   | Base Rate<br>Loans |   | Eurodollar<br>Rate<br>Loans |   | Letters of<br>Credit |   |
|--|--------------------|---|-----------------------------|---|----------------------|---|
| Less than 3.00 to 1.00   | 0.75               | % | 1.75                        | % | 1.75                 | % |
| Greater than or equal to 3.00 to 1.00 and less than 3.50 to 1.00 | 1.00               | % | 2.00                        | % | 2.00                 | % |
| Greater than or equal to 3.50 to 1.00 and less than 4.00 to 1.00 | 1.25               | % | 2.25                        | % | 2.25                 | % |

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|  |      |   |      |   |      |   |
|--|------|---|------|---|------|---|
| Greater than or equal to 4.00 to 1.00 and less than 4.50 to 1.00 | 1.50 | % | 2.50 | % | 2.50 | % |
| Greater than or equal to 4.50 to 1.00                            | 1.75 | % | 2.75 | % | 2.75 | % |

The applicable margin for revolving loans that are LIBOR loans ranges from 1.75% to 2.75% and the applicable margin for revolving loans that are base prime rate loans ranges from 0.75% to 1.75%. The applicable margin for LIBOR borrowings at December 31, 2014 is 2.75%.

The credit facility includes financial covenants that are tested on a quarterly basis, based on the rolling four-quarter period that ends on the last day of each fiscal quarter. The maximum permitted leverage ratio is 5.25 to 1.00 with a temporary springing provision to 5.50 to 1.00 under certain scenarios. The maximum permitted senior leverage ratio (as defined in the credit facility but generally computed as the ratio of total secured funded debt to consolidated earnings before interest, taxes, depreciation, amortization and certain other non-cash charges) is 3.50 to 1.00. The minimum interest coverage ratio (as defined in the credit facility but generally computed as the ratio of consolidated earnings before interest, taxes, depreciation, amortization and certain other non-cash charges to consolidated interest charges) is 2.50 to 1.00.

In addition, the credit facility contains various covenants, which, among other things, limit our and our subsidiaries' ability to: (i) grant or assume liens; (ii) make investments (including investments in our joint ventures) and acquisitions; (iii) enter into certain types of hedging agreements; (iv) incur or assume indebtedness; (v) sell, transfer, assign or convey assets; (vi) repurchase our equity, make distributions and certain other restricted payments, but the credit facility permits us to make quarterly distributions to unitholders so long as no default or event of default exists under the credit facility; (vii) change the nature of our business; (viii) engage in transactions with affiliates; (ix) enter into certain burdensome agreements; (x) make certain amendments to the Omnibus Agreement and our material agreements; (xi) make capital expenditures; and (xii) permit our joint ventures to incur indebtedness or grant certain liens.

The credit facility contains customary events of default, including, without limitation, (i) failure to pay any principal, interest, fees, expenses or other amounts when due; (ii) failure to meet the quarterly financial covenants; (iii) failure to observe any other agreement, obligation, or covenant in the credit facility or any related loan document, subject to cure periods for certain failures; (iv) the failure of any representation or warranty to be materially true and correct when made; (v) our, or any of our subsidiaries' default under other indebtedness that exceeds a threshold amount; (vi) bankruptcy or other insolvency events involving us or any of our subsidiaries; (vii) judgments against us or any of our subsidiaries, in excess of a threshold amount; (viii) certain ERISA events involving us or any of our subsidiaries, in excess of a threshold amount; (ix) a change in control (as defined in the credit facility); and (x) the invalidity of any of the loan documents or the failure of any of the collateral documents to create a lien on the collateral.

The credit facility also contains certain default provisions relating to Martin Resource Management. If Martin Resource Management no longer controls our general partner, the lenders under the credit facility may declare all amounts outstanding thereunder immediately due and payable. In addition, an event of default by Martin Resource Management under its credit facility could independently result in an event of default under our credit facility if it is deemed to have a material adverse effect on us.

If an event of default relating to bankruptcy or other insolvency events occurs with respect to us or any of our subsidiaries, all indebtedness under our credit facility will immediately become due and payable. If any other event of default exists under our credit facility, the lenders may terminate their commitments to lend us money, accelerate the maturity of the indebtedness outstanding under the credit facility and exercise other rights and remedies. In addition, if any event of default exists under our credit facility, the lenders may commence foreclosure or other actions against the collateral.

As of March 2, 2015, our outstanding indebtedness includes \$493.0 million under our credit facility.

We are subject to interest rate risk on our credit facility due to the variable interest rate and may enter into interest rate swaps to reduce this variable rate risk.

Seasonality

A substantial portion of our revenues are dependent on sales prices of products, particularly NGLs and fertilizers, which fluctuate in part based on winter and spring weather conditions. The demand for NGLs is strongest during the winter heating season and the refinery blending season. The demand for fertilizers is strongest during the early spring planting season. However, our Terminalling and Storage and Marine Transportation segments and the molten sulfur business are typically not impacted by seasonal fluctuations. A significant portion of our net income is derived from our terminalling and storage, sulfur and marine transportation businesses. Therefore, we do not expect that our overall net income will be impacted by seasonality factors. However, extraordinary weather events, such as hurricanes, have in the past, and could in the future, impact our Terminalling and Storage and Marine Transportation segments.

#### Impact of Inflation

Inflation did not have a material impact on our results of operations in 2014, 2013 or 2012. Although the impact of inflation has been insignificant in recent years, it is still a factor in the U.S. economy and may increase the cost to acquire or

replace property, plant and equipment. It may also increase the costs of labor and supplies. In the future, increasing energy prices could adversely affect our results of operations. Diesel fuel, natural gas, chemicals and other supplies are recorded in operating expenses. An increase in price of these products would increase our operating expenses which could adversely affect net income. We cannot provide assurance that we will be able to pass along increased operating expenses to our customers.

#### Environmental Matters

Our operations are subject to environmental laws and regulations adopted by various governmental authorities in the jurisdictions in which these operations are conducted. We incurred no material environmental costs, liabilities or expenditures to mitigate or eliminate environmental contamination during 2014, 2013 or 2012.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

**Commodity Risk.** The Partnership from time to time uses derivatives to manage the risk of commodity price fluctuation. Commodity risk is the adverse effect on the value of a liability or future purchase that results from a change in commodity price. We have established a hedging policy and monitor and manage the commodity market risk associated with potential commodity risk exposure. In addition, we focus on utilizing counterparties for these transactions whose financial condition is appropriate for the credit risk involved in each specific transaction.

**Interest Rate Risk.** We are exposed to changes in interest rates as a result of our credit facility, which had a weighted-average interest rate of 2.92% as of December 31, 2014. Based on the amount of unhedged floating rate debt owed by us on December 31, 2014, the impact of a 1% increase in interest rates on this amount of debt would result in an increase in interest expense and a corresponding decrease in net income of approximately \$5.0 million annually.

We are not exposed to changes in interest rates with respect to our senior unsecured notes as these obligations are fixed rate. The estimated fair value of the senior unsecured notes was approximately \$385.1 million as of December 31, 2014, based on market prices of similar debt at December 31, 2014. Market risk is estimated as the potential decrease in fair value of our long-term debt resulting from a hypothetical increase of 1% in interest rates. Such an increase in interest rates would result in approximately an \$18.1 million decrease in fair value of our long-term debt at December 31, 2014.

Item 8. Financial Statements and Supplementary Data

The following financial statements of Martin Midstream Partners L.P. (Partnership) are listed below:

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| Reports of Independent Registered Public Accounting Firm   | <u>68</u> |
| Consolidated Balance Sheets as of December 31, 2014 and 2013   | <u>70</u> |
| Consolidated Statements of Operations for the years ended December 31, 2014, 2013 and 2012           | <u>71</u> |
| Consolidated Statements of Comprehensive Income for the years ended December 31, 2014, 2013 and 2012 | <u>74</u> |
| Consolidated Statements of Changes in Capital for the years ended December 31, 2014, 2013 and 2012   | <u>75</u> |
| Consolidated Statements of Cash Flows for the years ended December 31, 2014, 2013 and 2012           | <u>76</u> |
| Notes to Consolidated Financial Statements   | <u>77</u> |



Report of Independent Registered Public Accounting Firm

The Board of Directors  
Martin Midstream GP LLC:

We have audited the accompanying consolidated balance sheets of Martin Midstream Partners L.P. and subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income, changes in capital, and cash flows for each of the years in the three-year period ended December 31, 2014. These consolidated financial statements are the responsibility of Martin Midstream's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Martin Midstream Partners L.P. and subsidiaries as of December 31, 2014 and 2013 and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Martin Midstream Partners L.P. and subsidiaries' internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control—Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 2, 2015 expressed an unqualified opinion on the effectiveness of Martin Midstream Partners L.P. and subsidiaries' internal control over financial reporting.

/s/ KPMG LLP

Dallas, Texas  
March 2, 2015

Report of Independent Registered Public Accounting Firm

The Board of Directors  
Martin Midstream GP LLC:

We have audited Martin Midstream Partners L.P. and subsidiaries' internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control—Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Martin Midstream's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting in Item 9A(b). Our responsibility is to express an opinion on Martin Midstream's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Martin Midstream Partners L.P. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control – Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

On August 29, 2014, Martin Midstream Partners L.P. acquired the remaining 57.8% ownership interest in Cardinal Gas Storage Partners LLC (Cardinal) which it did not previously own, and management excluded from its assessment of the effectiveness of Martin Midstream's internal control over financial reporting as of December 31, 2014, Cardinal's internal control over financial reporting associated with total assets of \$480,981,387 and total revenues of \$22,990,774 included in the consolidated financial statements of Martin Midstream Partners L.P. and subsidiaries as of and for the year ended December 31, 2014. Our audit of internal control also excluded an evaluation of the internal control over financial reporting of Cardinal.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Martin Midstream Partners L.P. and subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income, changes in capital, and cash flows for each of the years in the three-year period ended December 31, 2014, and our report dated March 2, 2015 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Dallas, Texas  
March 2, 2015

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MARTIN MIDSTREAM PARTNERS L.P.  
CONSOLIDATED BALANCE SHEETS  
(Dollars in thousands)

|   | December 31, |             |
|---|--------------|-------------|
|   | 2014         | 2013        |
| Assets  |              |             |
| Cash  | \$42         | \$16,542    |
| Accounts and other receivables, less allowance for doubtful accounts of \$1,620 and \$2,492, respectively | 134,173      | 163,855     |
| Product exchange receivables  | 3,046        | 2,727       |
| Inventories   | 88,718       | 94,902      |
| Due from affiliates   | 14,512       | 12,099      |
| Other current assets  | 6,772        | 7,353       |
| Assets held for sale  | 40,488       | —           |
| Total current assets  | 287,751      | 297,478     |
| Property, plant and equipment, at cost  | 1,343,674    | 929,183     |
| Accumulated depreciation  | (345,397     | ) (304,808  |
| Property, plant and equipment, net  | 998,277      | 624,375     |
| Goodwill  | 23,802       | 23,802      |
| Investment in unconsolidated entities   | 134,506      | 128,662     |
| Debt issuance costs, net  | 13,118       | 15,659      |
| Notes receivable - Martin Energy Trading LLC  | 15,000       | —           |
| Intangibles and other assets, net   | 81,465       | 7,943       |
|   | \$1,553,919  | \$1,097,919 |
| Liabilities and Partners' Capital   |              |             |
| Trade and other accounts payable  | \$125,332    | \$142,951   |
| Product exchange payables   | 10,396       | 9,595       |
| Due to affiliates   | 4,872        | 2,596       |
| Income taxes payable  | 1,174        | 1,204       |
| Other accrued liabilities   | 21,801       | 20,242      |
| Total current liabilities   | 163,575      | 176,588     |
| Long-term debt  | 902,005      | 658,695     |
| Other long-term obligations   | 2,668        | 2,219       |
| Total liabilities   | 1,068,248    | 837,502     |
| Commitments and contingencies   |              |             |
| Partners' capital   | 485,671      | 260,417     |
|   | \$1,553,919  | \$1,097,919 |

See accompanying notes to consolidated financial statements.

MARTIN MIDSTREAM PARTNERS L.P.  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(Dollars in thousands, except per unit amounts)

|   | Year Ended December 31, |             |           |
|---|-------------------------|-------------|-----------|
|   | 2014                    | 2013        | 2012      |
| Revenues:   |                         |             |           |
| Terminalling and storage *  | \$ 130,506              | \$ 115,965  | \$ 90,243 |
| Marine transportation *   | 91,372                  | 95,496      | 85,748    |
| Natural gas storage services  | 22,991                  | —           | —         |
| Sulfur services   | 12,149                  | 12,004      | 11,702    |
| Product sales: *  |                         |             |           |
| Natural gas services  | 990,844                 | 966,909     | 825,506   |
| Sulfur services   | 203,322                 | 201,120     | 249,882   |
| Terminalling and storage  | 190,957                 | 221,245     | 227,280   |
|   | 1,385,123               | 1,389,274   | 1,302,668 |
| Total revenues  | 1,642,141               | 1,612,739   | 1,490,361 |
| Costs and expenses:   |                         |             |           |
| Cost of products sold: (excluding depreciation and amortization)                                  |                         |             |           |
| Natural gas services *  | 948,765                 | 928,725     | 801,724   |
| Sulfur services *   | 159,782                 | 157,723     | 194,952   |
| Terminalling and storage *  | 172,069                 | 195,640     | 205,588   |
|   | 1,280,616               | 1,282,088   | 1,202,264 |
| Expenses:   |                         |             |           |
| Operating expenses *  | 184,049                 | 170,155     | 146,287   |
| Selling, general and administrative *   | 36,316                  | 29,236      | 25,494    |
| Impairment of long lived assets   | 3,445                   | —           | —         |
| Depreciation and amortization   | 68,830                  | 50,962      | 42,063    |
| Total costs and expenses  | 1,573,256               | 1,532,441   | 1,416,108 |
| Other operating income (loss)   | (1,014 )                | 1,166       | (418 )    |
| Operating income  | 67,871                  | 81,464      | 73,835    |
| Other income (expense):   |                         |             |           |
| Equity in earnings (loss) of unconsolidated entities  | 5,466                   | (53,048 )   | (1,113 )  |
| Debt prepayment premium   | (7,767 )                | (272 )      | (2,470 )  |
| Interest expense, net   | (42,203 )               | (42,495 )   | (30,665 ) |
| Reduction in fair value of investment in Cardinal due to the purchase of the controlling interest | (30,102 )               | —           | —         |
| Other, net  | 1,505                   | 542         | 1,092     |
| Total other income (expense)  | (73,101 )               | (95,273 )   | (33,156 ) |
| Net income (loss) before taxes  | (5,230 )                | (13,809 )   | 40,679    |
| Income tax expense  | (1,137 )                | (753 )      | (3,557 )  |
| Income (loss) from continuing operations  | (6,367 )                | (14,562 )   | 37,122    |
| Income (loss) from discontinued operations, net of income taxes                                   | (5,338 )                | 1,208       | 64,865    |
| Net income (loss)   | (11,705 )               | (13,354 )   | 101,987   |
| Less general partner's interest in net (income) loss  | (3,503 )                | 267         | (4,748 )  |
| Less pre-acquisition income allocated to Parent   | —                       | —           | (4,622 )  |
| Less loss allocable to unvested restricted units  | 32                      | 40          | —         |
| Limited partner's interest in net income (loss)   | \$(15,176 )             | \$(13,047 ) | \$92,617  |

\*Related Party Transactions Shown Below

See accompanying notes to consolidated financial statements.

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MARTIN MIDSTREAM PARTNERS L.P.  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(Dollars in thousands, except per unit amounts)

## \*Related Party Transactions Included Above

|  | Year Ended December 31, |          |          |
|--|-------------------------|----------|----------|
|  | 2014                    | 2013     | 2012     |
| Revenues:  |                         |          |          |
| Terminalling and storage   | \$74,467                | \$71,517 | \$64,669 |
| Marine transportation  | 24,389                  | 24,654   | 17,494   |
| Product sales  | 7,661                   | 4,698    | 7,201    |
| Costs and expenses:  |                         |          |          |
| Cost of products sold: (excluding depreciation and amortization) |                         |          |          |
| Natural gas services   | 37,703                  | 32,639   | 27,512   |
| Sulfur services  | 18,390                  | 18,161   | 16,968   |
| Terminalling and storage   | 36,341                  | 48,868   | 48,375   |
| Expenses:  |                         |          |          |
| Operating expenses   | 79,577                  | 70,333   | 58,834   |
| Selling, general and administrative                              | 23,679                  | 17,689   | 13,678   |

See accompanying notes to consolidated financial statements.

MARTIN MIDSTREAM PARTNERS L.P.  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(Dollars in thousands, except per unit amounts)

|  | Year Ended December 31, |             |            |
|--|-------------------------|-------------|------------|
|  | 2014                    | 2013        | 2012       |
| Allocation of net income (loss) attributable to:             |                         |             |            |
| Limited partner interest:                                    |                         |             |            |
| Continuing operations  | \$(8,255                | ) \$(14,227 | ) \$30,915 |
| Discontinued operations                                      | (6,921                  | ) 1,180     | 61,702     |
|  | \$(15,176               | ) \$(13,047 | ) \$92,617 |
| General partner interest:                                    |                         |             |            |
| Continuing operations  | \$1,906                 | \$ (291     | ) \$1,585  |
| Discontinued operations                                      | 1,597                   | 24          | 3,163      |
|  | \$3,503                 | \$ (267     | ) \$4,748  |
| Net income (loss) per unit attributable to limited partners: |                         |             |            |
| Basic:   |                         |             |            |
| Continuing operations  | \$(0.27                 | ) \$(0.54   | ) \$1.32   |
| Discontinued operations                                      | (0.22                   | ) 0.04      | 2.64       |
|  | \$(0.49                 | ) \$(0.50   | ) \$3.96   |
| Weighted average limited partner units - basic               | 30,785                  | 26,558      | 23,362     |
| Diluted:   |                         |             |            |
| Continuing operations  | \$(0.27                 | ) \$(0.54   | ) \$1.32   |
| Discontinued operations                                      | (0.22                   | ) 0.04      | 2.64       |
|  | \$(0.49                 | ) \$(0.50   | ) \$3.96   |
| Weighted average limited partner units - diluted             | 30,785                  | 26,558      | 23,365     |

See accompanying notes to consolidated financial statements.



MARTIN MIDSTREAM PARTNERS L.P.  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
(Dollars in thousands)

|  | Year Ended December 31, |             |           |
|--|-------------------------|-------------|-----------|
|  | 2014                    | 2013        | 2012      |
| Net income (loss)  | \$(11,705 )             | \$(13,354 ) | \$101,987 |
| Other comprehensive income adjustments:                    |                         |             |           |
| Changes in fair values of commodity cash flow hedges       | —                       | —           | 126       |
| Commodity cash flow hedging gains reclassified to earnings | —                       | —           | (752 )    |
| Other comprehensive loss                                   | —                       | —           | (626 )    |
| Comprehensive income (loss)                                | \$(11,705 )             | \$(13,354 ) | \$101,361 |

See accompanying notes to consolidated financial statements.

MARTIN MIDSTREAM PARTNERS L.P.  
CONSOLIDATED STATEMENTS OF CHANGES IN CAPITAL  
(Dollars in thousands)

|  | Partners' Capital     |              |            | General Partner Amount | Accumulated Comprehensive Income |            |
|--|-----------------------|--------------|------------|------------------------|----------------------------------|------------|
|  | Parent Net Investment | Common Units | Amount     |                        | Amount                           | Amount     |
| Balances – December 31, 2011   | \$51,571              | 20,471,776   | \$279,562  | \$5,428                | \$626                            | \$337,187  |
| Net Income   | 4,622                 | —            | 92,617     | 4,748                  | —                                | 101,987    |
| Issuance of common units   | —                     | 6,095,000    | 194,170    | —                      | —                                | 194,170    |
| Issuance of restricted units   | —                     | 6,250        | —          | —                      | —                                | —          |
| General partner contribution   | —                     | —            | —          | 4,145                  | —                                | 4,145      |
| Cash distributions (\$3.06 per unit)   | —                     | —            | (70,679 )  | (5,849 )               | —                                | (76,528 )  |
| Excess purchase price over carrying value of acquired assets                                   | —                     | —            | (142,075 ) | —                      | —                                | (142,075 ) |
| Excess carrying value of the assets over the purchase price paid by Martin Resource Management | —                     | —            | (4,268 )   | —                      | —                                | (4,268 )   |
| Unit-based compensation  | —                     | —            | 385        | —                      | —                                | 385        |
| Purchase of treasury units   | —                     | (6,250 )     | (222 )     | —                      | —                                | (222 )     |
| Contributions to parent  | (56,193 )             | —            | —          | —                      | —                                | (56,193 )  |
| Adjustment in fair value of derivatives  | —                     | —            | —          | —                      | (626 )                           | (626 )     |
| Balances – December 31, 2012   | —                     | 26,566,776   | 349,490    | 8,472                  | —                                | 357,962    |
| Net loss   | —                     | —            | (13,087 )  | (267 )                 | —                                | (13,354 )  |
| Issuance of restricted units   | —                     | 64,500       | —          | —                      | —                                | —          |
| Forfeiture of restricted units   | —                     | (250 )       | —          | —                      | —                                | —          |
| General partner contribution   | —                     | —            | —          | 37                     | —                                | 37         |
| Cash distributions (\$3.11 per unit)   | —                     | —            | (82,735 )  | (1,853 )               | —                                | (84,588 )  |
| Excess purchase price over carrying value of acquired assets                                   | —                     | —            | (301 )     | —                      | —                                | (301 )     |
| Unit-based compensation  | —                     | —            | 911        | —                      | —                                | 911        |
| Purchase of treasury units   | —                     | (6,000 )     | (250 )     | —                      | —                                | (250 )     |
| Balances – December 31, 2013   | —                     | 26,625,026   | 254,028    | 6,389                  | —                                | 260,417    |
| Net loss   | —                     | —            | (15,208 )  | 3,503                  | —                                | (11,705 )  |
| Issuance of common units   | —                     | 8,743,386    | 331,728    | —                      | —                                | 331,728    |
| Issuance of restricted units   | —                     | 8,900        | —          | —                      | —                                | —          |
| Forfeiture of restricted units   | —                     | (5,000 )     | —          | —                      | —                                | —          |
| General partner contribution   | —                     | —            | —          | 7,007                  | —                                | 7,007      |
| Purchase of treasury units   | —                     | (6,400 )     | (277 )     | —                      | —                                | (277 )     |
| Cash distributions (\$3.18 per unit)   | —                     | —            | (95,197 )  | (2,171 )               | —                                | (97,368 )  |
| Excess purchase price over carrying value of acquired assets                                   | —                     | —            | (4,948 )   | —                      | —                                | (4,948 )   |
| Unit-based compensation  | —                     | —            | 817        | —                      | —                                | 817        |
| Balances – December 31, 2014   | \$—                   | 35,365,912   | \$470,943  | \$14,728               | \$—                              | \$485,671  |

See accompanying notes to consolidated financial statements.

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MARTIN MIDSTREAM PARTNERS L.P.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Dollars in thousands)

|   | Year Ended December 31, |             |            |
|---|-------------------------|-------------|------------|
|   | 2014                    | 2013        | 2012       |
| Cash flows from operating activities:   |                         |             |            |
| Net income (loss)   | \$(11,705 )             | \$(13,354 ) | \$101,987  |
| Less: (Income) loss from discontinued operations  | 5,338                   | (1,208 )    | (64,865 )  |
| Net income (loss) from continuing operations  | (6,367 )                | (14,562 )   | 37,122     |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities:          |                         |             |            |
| Depreciation and amortization   | 68,830                  | 50,962      | 42,063     |
| Amortization of deferred debt issue costs   | 6,263                   | 3,700       | 3,290      |
| Amortization of discount on notes payable   | 1,305                   | 306         | 581        |
| Amortization of premium on notes payable  | (245 )                  | —           | —          |
| Deferred income taxes   | —                       | —           | 402        |
| (Gain) loss on disposition or sale of property, plant, and equipment                              | 1,353                   | (217 )      | 795        |
| Gain on sale of equity method investment  | —                       | (750 )      | (486 )     |
| Impairment of long lived assets   | 3,445                   | —           | —          |
| Equity in (income) loss of unconsolidated entities  | (5,466 )                | 53,048      | 1,113      |
| Reduction in fair value of investment in Cardinal due to the purchase of the controlling interest | 30,102                  | —           | —          |
| Unrealized mark-to-market on derivatives  | 818                     | —           | —          |
| Unit-based compensation   | 817                     | 911         | 385        |
| Preferred dividends from Martin Energy Trading  | 1,498                   | 1,738       | —          |
| Return on investment  | 2,600                   | —           | —          |
| Other   | —                       | 6           | —          |
| Change in current assets and liabilities, excluding effects of acquisitions and dispositions:     |                         |             |            |
| Accounts and other receivables  | 29,025                  | 26,270      | (56,856 )  |
| Product exchange receivables  | (319 )                  | 689         | 14,230     |
| Inventories   | 5,680                   | 4,559       | (2,733 )   |
| Due from affiliates   | (2,413 )                | 1,244       | (20,135 )  |
| Other current assets  | 4,123                   | (5,432 )    | 3,046      |
| Trade and other accounts payable  | (26,349 )               | (9,978 )    | 17,595     |
| Product exchange payables   | 801                     | (2,592 )    | (25,126 )  |
| Due to affiliates   | 2,276                   | (1,203 )    | 18,976     |
| Income taxes payable  | (30 )                   | (357 )      | 367        |
| Other accrued liabilities   | 1,084                   | 10,749      | (1,463 )   |
| Change in other non-current assets and liabilities  | 181                     | (1,449 )    | 872        |
| Net cash provided by continuing operating activities  | 119,012                 | 117,642     | 34,038     |
| Net cash used in discontinued operating activities  | (3,432 )                | (5,459 )    | (1,360 )   |
| Net cash provided by operating activities   | 115,580                 | 112,183     | 32,678     |
| Cash flows from investing activities:   |                         |             |            |
| Payments for property, plant, and equipment   | (84,307 )               | (92,243 )   | (93,640 )  |
| Acquisitions, net of cash acquired  | (102,696 )              | (31,321 )   | (224,603 ) |
| Proceeds from sale of acquired assets   | —                       | —           | 56,000     |
| Payments for plant turnaround costs   | (3,974 )                | —           | (2,107 )   |
| Proceeds from sale of property, plant, and equipment  | 1,030                   | 5,576       | 44         |

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|  |              |            |            |
|--|--------------|------------|------------|
| Proceeds from sale of equity method investment   | —            | 750        | 531        |
| Proceeds from involuntary conversion of property, plant and equipment                      | 2,475        | 2,200      | —          |
| Investments in unconsolidated entities   | (134,030 )   | —          | (775 )     |
| Milestone distributions from ECP   | —            | —          | 2,208      |
| Return of investments from unconsolidated entities   | 225          | 1,738      | 5,980      |
| Contributions to unconsolidated entities for operations                                    | (3,386 )     | (30,877 )  | (30,279 )  |
| Net cash used in continuing investing activities   | (324,663 )   | (144,177 ) | (286,641 ) |
| Net cash provided by (used in) discontinued investing activities                           | —            | (42,600 )  | 271,605    |
| Net cash used in investing activities  | (324,663 )   | (186,777 ) | (15,036 )  |
| Cash flows from financing activities:  |              |            |            |
| Payments of long-term debt   | (1,533,087 ) | (650,000 ) | (706,000 ) |
| Payments of notes payable and capital lease obligations                                    | —            | (8,809 )   | (6,556 )   |
| Proceeds from long-term debt   | 1,493,250    | 839,000    | 727,000    |
| Net proceeds from issuance of common units   | 331,728      | —          | 194,170    |
| General partner contributions  | 7,007        | 37         | 4,145      |
| Excess purchase price over carrying value of acquired assets                               | (4,948 )     | (301 )     | (142,075 ) |
| Excess carrying value of assets over the purchase price paid by Martin Resource Management | —            | —          | (4,268 )   |
| Purchase of treasury units   | (277 )       | (250 )     | (222 )     |
| Decrease in affiliate funding of investments in unconsolidated entities                    | —            | —          | (2,208 )   |
| Payments of debt issuance costs  | (3,722 )     | (9,115 )   | (204 )     |
| Cash distributions paid  | (97,368 )    | (84,588 )  | (76,528 )  |
| Net cash provided by (used in) financing activities  | 192,583      | 85,974     | (12,746 )  |
| Net increase (decrease) in cash  | (16,500 )    | 11,380     | 4,896      |
| Cash at beginning of period  | 16,542       | 5,162      | 266        |
| Cash at end of period  | \$42         | \$16,542   | \$5,162    |

See accompanying notes to consolidated financial statements.

MARTIN MIDSTREAM PARTNERS L.P.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Dollars in thousands, except where otherwise indicated)

(1) Organization and Description of Business

Martin Midstream Partners L.P. (the "Partnership") is a publicly traded limited partnership with a diverse set of operations focused primarily in the United States "U.S." Gulf Coast region. Its four primary business lines include: terminalling and storage services for petroleum products and by-products including the refining of naphthenic crude oil, blending and packaging of finished lubricants; natural gas services, including liquids transportation and distribution services and natural gas storage; sulfur and sulfur-based products processing, manufacturing, marketing and distribution; and marine transportation services for petroleum products and by-products.

The petroleum products and by-products the Partnership collects, transports, stores and distributes are produced primarily by major and independent oil and gas companies who often turn to third parties, such as the Partnership, for the transportation and disposition of these products. In addition to these major and independent oil and gas companies, the Partnership's primary customers include independent refiners, large chemical companies, fertilizer manufacturers and other wholesale purchasers of these products. The Partnership operates primarily in the U.S. Gulf Coast region, which is a major hub for petroleum refining, natural gas gathering and processing and support services for the oil and gas exploration and production industry.

On August 30, 2013, Martin Resource Management completed the sale of a 49% non-controlling voting interest (50% economic interest) in MMGP Holdings, LLC ("Holdings"), a newly-formed sole member of Martin Midstream GP LLC ("MMGP"), the general partner of the Partnership, to certain affiliated investment funds managed by Alinda Capital Partners ("Alinda"). Upon closing the transaction, Alinda appointed two representatives to serve on the board of directors of the general partner of the Partnership.

(2) Significant Accounting Policies

(a) Principles of Presentation and Consolidation

The consolidated financial statements include the financial statements of the Partnership and its wholly-owned subsidiaries and equity method investees. In the opinion of the management of the Partnership's general partner, all adjustments and elimination of significant intercompany balances necessary for a fair presentation of the Partnership's results of operations, financial position and cash flows for the periods shown have been made. All such adjustments are of a normal recurring nature. In addition, the Partnership evaluates its relationships with other entities to identify whether they are variable interest entities under certain provisions of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"), 810-10 and to assess whether it is the primary beneficiary of such entities. If the determination is made that the Partnership is the primary beneficiary, then that entity is included in the consolidated financial statements in accordance with ASC 810-10. No such variable interest entities exist as of December 31, 2014 or 2013.

As discussed in Note 5, on February 12, 2015, the Partnership sold all six 16,101 barrel liquefied petroleum gas ("LPG") pressure barges, collectively referred to as the "Floating Storage Assets." These assets were acquired on February 28, 2013. On December 19, 2014, the Partnership made the decision to dispose of the Floating Storage Assets. As a result, the Partnership has classified the Floating Storage Assets as held for sale at December 31, 2014 and has presented the results of operations and cash flows of the Floating Storage Assets as discontinued operations for the year ended December 31, 2014. The Partnership has retrospectively adjusted its prior period consolidated financial statements to comparably classify the amounts related to the operations and cash flows of the Floating

Storage Assets as discontinued operations.

On October 2, 2012, the Partnership, which owned 10.74% of the Class A interests and 100% of the Class B interests, acquired all of the remaining Class A interests in Redbird Gas Storage LLC ("Redbird") from Martin Underground Storage, Inc. ("MUS"), a subsidiary of Martin Resource Management. Redbird was formed by the Partnership and Martin Resource Management in 2011 to invest in Cardinal Gas Storage Partners LLC ("Cardinal").

On October 2, 2012, the Partnership acquired from Cross Oil Refining and Marketing, Inc. ("Cross"), a wholly-owned subsidiary of Martin Resource Management, certain specialty lubricant product blending and packaging assets ("Blending and Packaging Assets").

MARTIN MIDSTREAM PARTNERS L.P.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Dollars in thousands, except where otherwise indicated)

The acquisitions of the Redbird Class A interests and the Blending and Packaging Assets were considered a transfer of net assets between entities under common control. The acquisitions of the Redbird Class A interests and the Blending and Packaging Assets are recorded at amounts based on the historical carrying value of these assets at October 2, 2012, and the Partnership is required to update its historical financial statements to include the activities of the Redbird Class A interests and the Blending and Packaging Assets as of the date of common control. The Partnership's accompanying historical financial statements have been retrospectively updated to reflect the effects on financial position, cash flows and results of operations attributable to the activities of the Redbird Class A interests and the Blending and Packaging Assets as if the Partnership owned these assets for the periods presented. Net income attributable to the Redbird Class A interests and the activities of the Blending and Packaging Assets for periods prior to the Partnership's acquisition of the assets is not allocated to the general and limited partners for purposes of calculating net income per limited partner unit. See Note 16. As discussed further in Note 4, on August 29, 2014, the Partnership acquired the remaining outstanding interests in Cardinal from Energy Capital Partners ("ECP").

As discussed in Note 5, on July 31, 2012, the Partnership completed the sale of its East Texas and Northwest Louisiana natural gas gathering and processing assets. These assets, along with additional gathering and processing assets discussed in Note 5 are collectively referred to as the "Prism Assets." The Partnership has presented the results of operations and cash flows of the Prism Assets as discontinued operations for the year ended December 31, 2012.

(b) Product Exchanges

The Partnership enters into product exchange agreements with third parties, whereby the Partnership agrees to exchange natural gas liquids ("NGLs") and sulfur with third parties. The Partnership records the balance of exchange products due to other companies under these agreements at quoted market product prices and the balance of exchange products due from other companies at the lower of cost or market. Cost is determined using the first-in, first-out ("FIFO") method. Product exchanges with the same counterparty are entered into in contemplation of one another and are combined. The net amount related to location differentials is reported in "Product sales" or "Cost of products sold" in the Consolidated Statements of Operations.

(c) Inventories

Inventories are stated at the lower of cost or market. Cost is generally determined by using the FIFO method for all inventories except lubricants and lubricants packaging inventories. Lubricants and lubricants packaging inventories cost is determined using standard cost, which approximates actual cost, computed on a FIFO basis.

(d) Revenue Recognition

Terminalling and Storage – Revenue is recognized for storage contracts based on the contracted monthly tank fixed fee. For throughput contracts, revenue is recognized based on the volume moved through the Partnership's terminals at the contracted rate. For the Partnership's tolling agreement, revenue is recognized based on the contracted monthly reservation fee and throughput volumes moved through the facility. When lubricants and drilling fluids are sold by truck or rail, revenue is recognized upon delivering product to the customers as title to the product transfers when the customer physically receives the product.

Natural Gas Services – NGL distribution revenue is recognized when product is delivered by truck to the Partnership's NGL customers, which occurs when the customer physically receives the product. When product is sold in storage, or by pipeline, the Partnership recognizes NGL distribution revenue when the customer receives the product from either the storage facility or pipeline. Natural gas storage revenue is recognized when the service is provided to the customer.



Sulfur Services – Revenue from sulfur product sales is recognized when the customer takes title to the product. Revenue from sulfur services is recognized as deliveries are made during each monthly period.

Marine Transportation – Revenue is recognized for time charters based on a per day rate. For contracted trips, revenue is recognized upon completion of the particular trip.

MARTIN MIDSTREAM PARTNERS L.P.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Dollars in thousands, except where otherwise indicated)

(e) Equity Method Investments

The Partnership uses the equity method of accounting for investments in unconsolidated entities where the ability to exercise significant influence over such entities exists. Investments in unconsolidated entities consist of capital contributions and advances plus the Partnership's share of accumulated earnings as of the entities' latest fiscal year-ends, less capital withdrawals and distributions. Investments in excess of the underlying net assets of equity method investees, specifically identifiable to property, plant and equipment, are amortized over the useful life of the related assets. Excess investment representing equity method goodwill is not amortized but is evaluated for impairment, annually. Under certain provisions of ASC 350-20, related to goodwill, this goodwill is not subject to amortization and is accounted for as a component of the investment. Equity method investments are subject to impairment under the provisions of ASC 323-10, which relates to the equity method of accounting for investments in common stock. No portion of the net income from these entities is included in the Partnership's operating income.

(f) Property, Plant, and Equipment

Owned property, plant, and equipment is stated at cost, less accumulated depreciation. Owned buildings and equipment are depreciated using straight-line method over the estimated lives of the respective assets.

Equipment under capital leases is stated at the present value of minimum lease payments less accumulated amortization. Equipment under capital leases is amortized on a straight line basis over the estimated useful life of the asset.

Routine maintenance and repairs are charged to operating expense while costs of betterments and renewals are capitalized. When an asset is retired or sold, its cost and related accumulated depreciation are removed from the accounts, and the difference between net book value of the asset and proceeds from disposition is recognized as gain or loss.

(g) Goodwill and Other Intangible Assets

Goodwill is subject to a fair-value based impairment test on an annual basis, or more often if events or circumstances indicate there may be impairment. The Partnership is required to identify its reporting units and determine the carrying value of each reporting unit by assigning the assets and liabilities, including the existing goodwill and intangible assets. The Partnership is required to determine the fair value of each reporting unit and compare it to the carrying amount of the reporting unit. To the extent the carrying amount of a reporting unit exceeds the fair value of the reporting unit, the Partnership would be required to perform the second step of the impairment test, as this is an indication that the reporting unit goodwill may be impaired.

All four of the Partnership's reporting units, terminalling and storage, natural gas services, sulfur services and marine transportation, contain goodwill.

The Partnership has performed the annual impairment tests as of August 31, 2014, 2013, and 2012. The determination of fair value for 2013 and 2012 for each reporting unit was based on the weighted average of two valuation techniques: (i) the discounted cash flow method and (ii) the guideline public company method. Fair value for 2014 for the terminalling and storage and marine transportation reporting units was determined based on weighted average of the discounted cash flow method, the guideline public company method and the guideline transaction method. No change was made in the 2014 methodology for determining fair value of the natural gas services and sulfur services segments. At August 31, 2014, 2013, and 2012, the estimated fair value of each of the four reporting units was in

excess of its carrying value, resulting in no impairment.

No triggering events occurred that would cause the Partnership to perform an impairment test at either December 31, 2014 or 2013.

Significant changes in these estimates and assumptions could materially affect the determination of fair value for each reporting unit which could give rise to future impairment. Changes to these estimates and assumptions can include, but may not be limited to, varying commodity prices, volume changes and operating costs due to market conditions and/or alternative providers of services.

Other intangible assets that have finite lives are tested for impairment when events or circumstances indicate that the carrying value may not be recoverable. An impairment is indicated if the carrying amount of a long-lived intangible asset

MARTIN MIDSTREAM PARTNERS L.P.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Dollars in thousands, except where otherwise indicated)

exceeds the sum of the undiscounted future cash flows expected to result from the use and eventual disposition of the asset. If impairment is indicated, the Partnership would record an impairment loss equal to the difference between the carrying value and the fair value of the asset. There were no intangible asset impairments in 2014, 2013 or 2012.

(h) Debt Issuance Costs

Debt issuance costs relating to the Partnership's revolving credit facility and senior unsecured notes are deferred and amortized over the terms of the debt arrangements.

In connection with the issuance, amendment, expansion and restatement of debt arrangements, the Partnership incurred debt issuance costs of \$3,722, \$9,114 and \$204 in the years ended December 31, 2014, 2013 and 2012, respectively.

Due to the redemption of the remaining \$175,000 of 8.875% senior unsecured notes in 2014 and a reduction in the number of lenders under the Partnership's multi-bank credit agreement, \$3,078, \$502 and \$0 of the existing debt issuance costs were determined not to have continuing benefit and were expensed during the years ended December 31, 2014, 2013 and 2012, respectively. Remaining unamortized deferred issuance costs are amortized over the term of the revised debt arrangement.

Amortization of debt issuance costs, which is included in interest expense, totaled \$6,263, \$3,700 and \$3,290 for the years ended December 31, 2014, 2013 and 2012, respectively. Accumulated amortization amounted to \$5,488 and \$5,270 at December 31, 2014 and 2013, respectively.

(i) Impairment of Long-Lived Assets

In accordance with ASC 360-10, long-lived assets, such as property, plant and equipment, and intangible assets with definite lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell and would no longer be depreciated. The assets and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the balance sheet.

In the third quarter of 2014, the Partnership identified a triggering event related to one offshore tow in the Marine Transportation segment. The triggering event was the tow's inability to generate cash flows in recent quarters. As a result, an impairment charge of \$3,445 was recorded in the Marine Transportation segment results of operations in the third quarter of 2014. No other triggering events occurred in 2014, 2013 or 2012 that would require an additional assessment for impairment of long-lived assets.

(j) Asset Retirement Obligations

Under ASC 410-20, which relates to accounting requirements for costs associated with legal obligations to retire tangible, long-lived assets, the Partnership records an asset retirement obligation ("ARO") at fair value in the period in which it is incurred by increasing the carrying amount of the related long-lived asset. In each subsequent period, the liability is accreted over time towards the ultimate obligation amount and the capitalized costs are depreciated over the

useful life of the related asset.

(k) Derivative Instruments and Hedging Activities

In accordance with certain provisions of ASC 815-10 related to accounting for derivative instruments and hedging activities, all derivatives and hedging instruments are included in the Consolidated Balance Sheets as an asset or liability measured at fair value and changes in fair value are recognized currently in earnings unless specific hedge accounting criteria are met. If a derivative qualifies for hedge accounting, changes in the fair value can be offset against the change in the fair value of the hedged item through earnings or recognized in other comprehensive income until such time as the hedged item is recognized in earnings.

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Derivative instruments not designated as hedges are marked to market with all market value adjustments being recorded in the Consolidated Statements of Operations. As of December 31, 2014, the Partnership did not have any hedging instruments outstanding. Fair value changes associated with the Partnership's hedges have been recorded in accumulated other comprehensive income ("AOCI") as a component of equity during 2012.

(l) Comprehensive Income

Comprehensive income includes net income and other comprehensive income. Other comprehensive income for the Partnership includes unrealized gains and losses on derivative financial instruments. In accordance with ASC 815-10, the Partnership records deferred hedge gains and losses on its derivative financial instruments that qualify as cash flow hedges as other comprehensive income.

(m) Use of Estimates

Management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with accounting principles generally accepted in the U.S. Actual results could differ from those estimates.

(n) Indirect Selling, General and Administrative Expenses

Indirect selling, general and administrative expenses are incurred by Martin Resource Management and allocated to the Partnership to cover costs of centralized corporate functions such as accounting, treasury, engineering, information technology, risk management and other corporate services. Such expenses are based on the percentage of time spent by Martin Resource Management's personnel that provide such centralized services. Under an omnibus agreement with Martin Resource Management, the Partnership is required to reimburse Martin Resource Management for indirect general and administrative and corporate overhead expenses. For the years ended December 31, 2014, 2013 and 2012, the conflicts committee of the Partnership's general partner ("Conflicts Committee") approved reimbursement amounts of \$12,535, \$10,621 and \$7,593, respectively, reflecting the Partnership's allocable share of such expenses. The Conflicts Committee will review and approve future adjustments in the reimbursement amount for indirect expenses, if any, annually.

(o) Environmental Liabilities and Litigation

The Partnership's policy is to accrue for losses associated with environmental remediation obligations when such losses are probable and reasonably estimable. Accruals for estimated losses from environmental remediation obligations generally are recognized no later than completion of the remedial feasibility study. Such accruals are adjusted as further information develops or circumstances change. Costs of future expenditures for environmental remediation obligations are not discounted to their present value. Recoveries of environmental remediation costs from other parties are recorded as assets when their receipt is deemed probable.

(p) Accounts Receivable and Allowance for Doubtful Accounts.

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is the Partnership's best estimate of the amount of probable credit losses in the Partnership's existing accounts receivable.

(q) Deferred Catalyst Costs

The cost of the periodic replacement of catalysts is deferred and amortized over the catalyst's estimated useful life, which ranges from 12 to 36 months.

(r) Deferred Turnaround Costs

The Partnership capitalizes the cost of major turnarounds and amortizes these costs over the estimated period to the next turnaround, which ranges from 12 to 36 months.

(s) Income Taxes

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With respect to the Partnership's taxable subsidiary (Woodlawn Pipeline Co., Inc.) and the Blending and Packaging Assets prior to the date of acquisition from Cross, income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

As discussed further in Note 19, the assets of the Partnership's taxable subsidiary Woodlawn Pipeline Co., Inc were disposed of on July 31, 2012. The entity was dissolved on December 31, 2012.

(3)Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue which it expects to be entitled for the transfer of promised goods and services to customers. The ASU will replace most existing revenue recognition guidance in U.S. generally accepted accounting principles ("U.S. GAAP" or "GAAP") when it becomes effective. The new standard is effective on January 1, 2017 and early application is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. The Partnership is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures. The Partnership has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

In April 2014, the FASB issued ASU 2014-08, Presentation of Financial Statements and Property, Plant and Equipment: Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. The ASU changes the requirements for reporting discontinued operations. A discontinued operation may include a component of an entity or a group of components of an entity, or a business. A disposal of a component of an entity or a group of components of any entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results. Examples include a disposal of a geographic area, a major line of business or a major equity method investment. Additionally, the update requires expanded disclosures about discontinued operations that will provide financial statement users with more information about the assets, liabilities, income and expenses of discontinued operations. This update is effective prospectively for the Partnership's fiscal year beginning January 1, 2015 and early adoption is permitted. The standard primarily involves presentation and disclosure and therefore is not expected to have a material impact on the Partnership's financial condition, results of operations or cash flows.

In February 2013, the FASB amended the provisions of ASC 220 related to AOCI, which does not change the current requirements for reporting net income or other comprehensive income in financial statements. The standard requires entities to provide information about the amounts reclassified out of AOCI by component. The entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of AOCI by the respective line items of net income but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under U.S. GAAP that provide additional detail about those amounts. This amended guidance was adopted by the Partnership effective January 1, 2013. As this new guidance only requires enhanced disclosure, adoption did not impact the Partnership's financial position or results of operations.



(4) Acquisitions

Cardinal Gas Storage Partners LLC

On August 29, 2014, the Partnership acquired from ECP all of ECP's approximate 57.8% Category A membership interests in Cardinal for cash consideration of approximately \$120,973, subject to certain post-closing adjustments. Prior to the acquisition, the Partnership owned an approximate 42.2% interest in the Category A membership interests in Cardinal. Based on the application of purchase accounting, the Partnership reduced the carrying value of its existing investment in Cardinal at the acquisition date by \$30,102, which was recognized in the Partnership's Consolidated Statements of Operations for the year ended December 31, 2014. Concurrent with the closing of the transaction, the Partnership retired all of the project level

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financing of various Cardinal subsidiaries. The Partnership funded the acquisition and repayment of the project financings with borrowings under its revolving credit facility and the use of restricted cash acquired.

The total purchase price is as follows:

|   |           |
|---|-----------|
| Cash payment for 57.8% interest in Cardinal                                 | \$120,973 |
| Fair value of the Partnership's previously owned 42.2% interest in Cardinal | 87,613    |
| Total   | \$208,586 |

Assets acquired and liabilities assumed were recorded in the Natural Gas Services segment at fair value in the following purchase price allocation which was finalized in the fourth quarter of 2014:

|                               |            |
|-------------------------------|------------|
| Restricted cash               | \$17,566   |
| Other current assets          | 9,385      |
| Property, plant and equipment | 390,895    |
| Intangible and other assets   | 80,135     |
| Project level finance debt    | (282,087 ) |
| Other current liabilities     | (6,713 )   |
| Other non-current liabilities | (595 )     |
| Total                         | \$208,586  |

Intangible assets consist of above-market gas storage customer contracts which are amortized based upon the terms of the individual contracts. The weighted average life of these contracts, based upon contracted volumes, is 5.1 years.

The Partnership's results of operations from the Cardinal acquisition include revenues of \$22,991 and net income of \$1,916 for the period from August 29, 2014 to December 31, 2014.

#### Natural Gas Liquids ("NGL") Storage Assets

On May 31, 2014, the Partnership acquired certain NGL storage assets, located in Arcadia, Louisiana, from a subsidiary of Martin Resource Management for \$7,388. This acquisition is considered a transfer of net assets between entities under common control. The acquisition of these assets was recorded at the historical carrying value of the assets at the acquisition date. The Partnership recorded the purchase in the following allocation:

|                               |         |
|-------------------------------|---------|
| Property, plant and equipment | \$2,453 |
| Current liabilities           | (13 )   |
|                               | \$2,440 |

The excess of the purchase price over the carrying value of the assets of \$4,948 was recorded as an adjustment to "Partners' capital." This transaction was funded with borrowings under the Partnership's revolving credit facility. As no individual line item of the historical financial statements of the assets was in excess of 3% of the Partnership's relative financial statement captions, the Partnership elected not to retrospectively recast the historical financial information to include these assets.

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West Texas LPG Pipeline Limited Partnership

On May 14, 2014, the Partnership acquired from a subsidiary of Atlas Pipeline Partners L.P. ("Atlas"), all of the outstanding membership interests in Atlas Pipeline NGL Holdings, LLC and Atlas Pipeline NGL Holdings II, LLC (collectively, "Atlas Holdings") for cash of approximately \$134,400. The purchase price was subsequently reduced \$501 due to a post-closing working capital adjustment. This transaction was recorded in "Investments in unconsolidated entities" in the Partnership's Consolidated Balance Sheet. Atlas Holdings owned a 19.8% limited partnership interest and a 0.2% general partnership interest in West Texas LPG Pipeline L.P. ("WTLPG"). At the time of the purchase, WTLPG was operated by Chevron Pipe Line Company. The 80% interest was subsequently sold to ONEOK Partners, L.P. who assumed operational responsibility. WTLPG owns an approximate 2,300 mile common-carrier pipeline system that transports NGLs from New Mexico and Texas to Mont Belvieu, Texas for fractionation. This acquisition will enable the Partnership to participate in the transportation of the growing NGL production of West Texas and other basins along the WTLPG pipeline route. This acquisition of the WTLPG business complements the Partnership's existing East Texas NGL pipeline that delivers Y-grade NGLs from East Texas production areas into Beaumont, Texas on a smaller scale. This transaction was funded with borrowings under the Partnership's revolving credit facility.

Pro Forma Unaudited Financial Information for Cardinal and WTLPG

The following pro forma unaudited consolidated results of operations have been prepared as if the acquisitions of Cardinal and WTLPG occurred at the beginning of fiscal 2013:

|  | Year Ended December 31, |             |
|--|-------------------------|-------------|
|  | 2014                    | 2013        |
| Revenue:   |                         |             |
| As reported  | \$1,642,141             | \$1,612,739 |
| Pro forma  | \$1,688,629             | \$1,665,501 |
| Net income (loss) from continuing operations attributable to limited partners:                     |                         |             |
| As reported  | \$(8,255)               | \$(14,227)  |
| Pro forma  | \$1,676                 | \$(120,785) |
| Net income (loss) from discontinued operations attributable to limited partners:                   |                         |             |
| As reported  | \$(6,921)               | \$1,180     |
| Pro forma  | \$(6,921)               | \$1,180     |
| Net income (loss) from continuing operations per unit attributable to limited partners - basic     |                         |             |
| As reported  | \$(0.27)                | \$(0.54)    |
| Pro forma  | \$0.05                  | \$(4.55)    |
| Net income (loss) from discontinued operations per unit attributable to limited partners - basic   |                         |             |
| As reported  | \$(0.22)                | \$0.04      |
| Pro forma  | \$(0.22)                | \$0.04      |
| Net income (loss) from continuing operations per unit attributable to limited partners - diluted   |                         |             |
| As reported  | \$(0.27)                | \$(0.54)    |
| Pro forma  | \$0.05                  | \$(4.55)    |
| Net income (loss) from discontinued operations per unit attributable to limited partners - diluted |                         |             |
| As reported  | \$(0.22)                | \$0.04      |

Pro forma

\$(0.22 ) \$0.04

Pro forma adjustments included above are based upon currently available information which includes certain estimates and assumptions. Although actual results could differ from the pro forma results, the Partnership believes the pro forma results provide a reasonable basis for presenting the the significant effects of the transactions. However, the pro forma results are not necessarily indicative of the results that would have occurred if the transactions had occurred at the beginning of fiscal 2013.

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#### Marine Transportation Equipment Purchase

On September 30, 2013, the Partnership acquired two previously leased inland tank barges from Martin Resource Management for \$7,100. This acquisition is considered a transfer of net assets between entities under common control. The acquisition of these assets was recorded at the historical carrying value of the assets at the acquisition date. The Partnership recorded \$6,799 to property, plant and equipment in the Marine Transportation segment and the excess of the purchase price over the carrying value of the assets of \$301 was recorded as an adjustment to partners' capital. This transaction was funded with borrowings under the Partnership's revolving credit facility.

#### Sulfur Production Facility

On August 5, 2013, the Partnership acquired a plant nutrient sulfur production facility in Cactus, Texas for \$4,118. The transaction was accounted for under the acquisition method of accounting in accordance with ASC 805 relating to business combinations. This transaction was funded by borrowings under the Partnership's revolving credit facility. Assets acquired and liabilities assumed were recorded in the Sulfur Services segment at fair value as follows:

|                               |         |   |
|-------------------------------|---------|---|
| Inventory                     | \$ 162  |   |
| Property, plant and equipment | 4,000   |   |
| Current liabilities           | (44     | ) |
| Total                         | \$4,118 |   |

The Partnership's results of operations from these assets included revenues of \$2,792 and net income of \$608 for the year ended December 31, 2014 and revenues of \$267 and a net loss of \$284 for the year ended December 31, 2013.

#### NL Grease, LLC

On June 13, 2013, the Partnership acquired certain assets of NL Grease, LLC ("NLG") for \$12,148. NLG is a Kansas City, Missouri based grease manufacturer that specializes in packaging of automotive, commercial and industrial greases. The transaction was accounted for under the acquisition method of accounting in accordance with ASC 805 relating to business combinations. This transaction was funded by borrowings under the Partnership's revolving credit facility. The assets acquired by the Partnership were recorded in the Terminalling and Storage segment at fair value of \$12,148 in the following purchase price allocation:

|                                    |          |   |
|------------------------------------|----------|---|
| Inventory and other current assets | \$1,513  |   |
| Property, plant and equipment      | 6,136    |   |
| Other assets                       | 5,113    |   |
| Other accrued liabilities          | (168     | ) |
| Other long-term obligations        | (446     | ) |
| Total                              | \$12,148 |   |

The purchase price allocation resulted in the recognition of \$5,113 in definite-lived intangible assets with no residual value, including \$2,418 of technology, \$2,218 attributable to a customer list, and \$477 attributable to a non-compete agreement. The amounts assigned to technology, the customer list, and the non-compete agreement are amortized over the estimated useful lives of ten years, three years, and five years, respectively. The weighted average life over which these acquired intangibles will be amortized is approximately six years.

The Partnership completed the purchase price allocation during the third quarter of 2013, which resulted in an adjustment to working capital from the preliminary purchase price allocation in the amount of \$55.

The Partnership's results of operations included revenues of \$14,054 and net income of \$517 for the year ended December 31, 2014 and revenues of \$7,875 and a net loss of \$22 for the year ended December 31, 2013 related to the NLG acquisition.

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NGL Marine Equipment Purchase

On February 28, 2013, the Partnership purchased from affiliates of Florida Marine Transporters, Inc. six liquefied petroleum gas pressure barges and two commercial push boats for approximately \$50,801, of which the commercial push boats totaling \$8,201 were allocated to property, plant and equipment in the Partnership's Marine Transportation segment and the six pressure barges totaling \$42,600 were allocated to property, plant and equipment in the Partnership's Natural Gas Services segment. This transaction was funded with borrowings under the Partnership's revolving credit facility. As discussed in Note 2, on February 12, 2015, the Partnership sold the six LPG pressure barges for \$41,250.

Talen's Marine & Fuel, LLC

On December 31, 2012, the Partnership acquired all of the outstanding membership interests in Talen's Marine & Fuel LLC ("Talen's") from QEP Marine Fuel Investment, LLC and QEP Marine Fuel Holdings, Inc. (collectively referred to as "Quintana Energy Partners") for \$103,368, subject to certain post-closing adjustments, including the assumption of a note payable in the amount of \$2,971. The transaction was accounted for under the acquisition method of accounting in accordance with ASC 805 relating to business combinations. Additionally, as required by ASC 805, the Partnership expensed acquisition related costs, of which \$58 were recorded in selling, general and administrative expenses for the year ended December 31, 2013. Through this acquisition, the Partnership acquired certain terminalling facilities and other terminalling related assets located along the Texas and Louisiana gulf coast. This transaction was funded by borrowings under the Partnership's revolving credit facility. Simultaneously with the acquisition, the Partnership sold certain working capital-related assets and a customer relationship intangible asset to Martin Energy Services LLC ("MES"), a wholly-owned subsidiary of Martin Resource Management for \$56,000. Due to the Talen's acquisition, MES entered into various service agreements with Talen's pursuant to which the Partnership provides certain terminalling and marine services to MES. The excess carrying value of the assets over the purchase price paid by Martin Resource Management at the sales date was \$4,268 and was recorded as an adjustment to partners' capital. The remaining net assets retained by the Partnership were recorded at fair value of \$43,100 in the following purchase price allocation:

|   |            |   |
|---|------------|---|
| Purchase price paid to acquire Talen's  | \$ 103,368 |   |
| Less proceeds received from Martin Resource Management for assets sold (described above)  | (56,000    | ) |
| Less excess of carrying value of assets sold to Martin Resource Management over the purchase price paid by Martin Resource Management | (4,268     | ) |
| Total   | \$43,100   |   |
| Cash  | \$5,096    |   |
| Accounts and other receivables, net   | 1,932      |   |
| Other current assets  | 685        |   |
| Assets held for sale  | 3,578      |   |
| Property, plant and equipment   | 23,656     |   |
| Goodwill  | 15,465     |   |
| Notes payable   | (2,971     | ) |
| Current liabilities   | (3,872     | ) |
| Other long-term obligations   | (469       | ) |
| Total   | \$43,100   |   |

Goodwill recognized from the acquisition primarily relates to the expected contributions of the entity to the overall corporate strategy in addition to synergies and acquired workforce, which are not separable from goodwill.

The Partnership's results of operations included revenues of \$5,227 and net income of \$2,452 for the year ended December 31, 2014 and revenues of \$5,226 and net income of \$2,432 for the year ended December 31, 2013 related to the Talen's acquisition.

Lubricant Blending and Packaging Assets

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On October 2, 2012, the Partnership purchased the Blending and Packaging Assets from Cross. The consideration consisted of \$121,767 in cash at closing, plus a final net working capital adjustment of \$907 paid in October of 2012. This transaction was funded by borrowings under the Partnership's revolving credit facility. This acquisition is considered a transfer of net assets between entities under common control. The acquisition of the Blending and Packaging Assets was recorded at the historical carrying value of the assets at the acquisition date, which were as follows:

|                                    |          |
|------------------------------------|----------|
| Accounts receivable, net           | \$20,599 |
| Inventory                          | 18,730   |
| Other current assets               | 769      |
| Property, plant and equipment, net | 24,692   |
| Current liabilities                | (2,424 ) |
| Total                              | \$62,366 |

The excess purchase price over the historical carrying value of the assets at the acquisition date was \$60,308 and was recorded as an adjustment to partners' capital.

#### Redbird Class A Interests

On October 2, 2012, the Partnership acquired from Martin Resource Management all of the remaining Class A interests in Redbird for \$150,000 in cash. The Partnership began making Class A investments in Redbird during the fourth quarter of 2011. Prior to the transaction, the Partnership owned a 10.74% Class A interest and a 100% Class B interest in Redbird. This transaction was funded by borrowings under the Partnership's revolving credit facility. This acquisition is considered a transfer of net assets between entities under common control. The acquisition of these interests was recorded at the historical carrying value of the interests at the acquisition date. The Partnership recorded an investment in consolidated entities of \$68,233 and the excess of the purchase price over the carrying value of the Class A interests of \$81,767 was recorded as an adjustment to partners' capital.

#### (5) Discontinued Operations and Divestitures

Floating Storage Assets. On February 12, 2015, the Partnership sold the Floating Storage Assets. These assets were acquired on February 28, 2013. The Partnership classified the related assets as assets held for sale at December 31, 2014, and the results of operations of these assets, which were previously presented as a component of the Natural Gas Services segment, as discontinued operations in the Consolidated Statements of Operations for 2014 and 2013.

The Floating Storage Assets' operating results, which are included in income from discontinued operations, were as follows:

|  | Year Ended December 31, |           |
|--|-------------------------|-----------|
|  | 2014                    | 2013      |
| Total revenues from third parties <sup>1</sup>                                   | \$51,264                | \$20,771  |
| Total costs and expenses and other, net, excluding depreciation and amortization | 55,068                  | 18,285    |
| Depreciation and amortization  | 1,534                   | 1,278     |
| Income (loss) from discontinued operations before income taxes                   | (5,338                  | ) 1,208   |
| Income tax expense   | —                       | —         |
| Income (loss) from discontinued operations, net of income taxes                  | \$(5,338                | ) \$1,208 |

<sup>1</sup> Total revenues from third parties excludes intercompany revenues of \$5,241 and \$945 for the years ended December 31, 2014 and 2013, respectively.

Prism Assets. On July 31, 2012, the Partnership completed the sale of its East Texas and Northwest Louisiana natural gas gathering and processing assets owned by Prism Gas and other natural gas gathering and processing assets also owned by the Partnership to a subsidiary of CenterPoint Energy Inc. (NYSE: CNP) (“CenterPoint”). The Partnership received net cash

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proceeds from the sale of \$273,269. The asset sale included the Partnership's 50% operating interest in Waskom Gas Processing Company ("Waskom"). A subsidiary of CenterPoint owned the other 50% interest.

Additionally, on September 18, 2012, the Partnership completed the sale of its interest in Matagorda Offshore Gathering System ("Matagorda") and Panther Interstate Pipeline Energy, LLC ("PIPE") to a private investor group for \$1,530.

The Partnership classified the results of operations of the Prism Assets which were previously presented as a component of the Natural Gas Services segment, as discontinued operations in the Consolidated Statements of Operations for all periods presented.

The Prism Assets' operating results, which are included in income from discontinued operations, were as follows:

|  | Year Ended<br>December 31,<br>2012 |   |
|--|------------------------------------|---|
| Total revenues from third parties <sup>1</sup>                                   | \$66,876                           |   |
| Total costs and expenses and other, net, excluding depreciation and amortization | (64,562                            | ) |
| Depreciation and amortization  | (2,320                             | ) |
| Other operating income <sup>2</sup>  | 61,858                             |   |
| Equity in earnings of unconsolidated entities <sup>3</sup>                       | 4,611                              |   |
| Income from discontinued operations before income taxes                          | 66,463                             |   |
| Income tax expense   | (1,598                             | ) |
| Income from discontinued operations, net of income taxes                         | \$64,865                           |   |

<sup>1</sup> Total revenues from third parties excludes intercompany revenues of \$26,431.

<sup>2</sup> The Partnership recognized a gain on the sale of the Prism Assets of \$61,848 in income from discontinued operations.

<sup>3</sup> Represents equity in earnings of Waskom, Matagorda, and PIPE.

#### (6) Inventories

Components of inventories at December 31, 2014 and 2013 were as follows:

|                       | 2014     | 2013     |
|-----------------------|----------|----------|
| Natural gas liquids   | \$27,820 | \$31,859 |
| Sulfur                | 12,231   | 8,912    |
| Sulfur based products | 16,280   | 17,584   |
| Lubricants            | 29,096   | 33,847   |
| Other                 | 3,291    | 2,700    |
|                       | \$88,718 | \$94,902 |

#### (7) Property, Plant and Equipment

At December 31, 2014 and 2013, property, plant, and equipment consisted of the following:

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|   | Depreciable<br>Lives | 2014        | 2013      |
|---|----------------------|-------------|-----------|
| Land                                    | —                    | \$23,595    | \$21,971  |
| Improvements to land and buildings      | 10-25 years          | 149,112     | 131,941   |
| Storage equipment                       | 5-50 years           | 171,373     | 104,949   |
| Marine vessels                          | 4-25 years           | 260,588     | 309,147   |
| Operating plant and equipment           | 3-50 years           | 598,314     | 287,268   |
| Base Gas                                | —                    | 43,799      | —         |
| Furniture, fixtures and other equipment | 3-20 years           | 4,224       | 3,742     |
| Transportation equipment                | 3-7 years            | 2,273       | 1,802     |
| Construction in progress                |                      | 90,396      | 68,363    |
|   |                      | \$1,343,674 | \$929,183 |

Depreciation expense for the years ended December 31, 2014, 2013 and 2012 was \$56,309, \$48,596, and \$40,724, respectively, which includes amortization of fixed assets under capital lease obligations of \$0, \$233 and \$280, respectively. All capital lease obligations were retired in November 2013.

Additions to property, plant and equipment included in accounts payable at December 31, 2014 and 2013 were \$4,976 and \$6,803, respectively.

(8) Goodwill

The following table represents the goodwill balance at December 31, 2014 and 2013:

|                              | December 31, |          |
|------------------------------|--------------|----------|
|                              | 2014         | 2013     |
| Carrying amount of goodwill: |              |          |
| Terminalling and storage     | \$14,229     | \$14,229 |
| Natural gas services         | 79           | 79       |
| Sulfur services              | 5,349        | 5,349    |
| Marine transportation        | 4,145        | 4,145    |
| Total goodwill               | \$23,802     | \$23,802 |

(9) Leases

The Partnership has numerous non-cancelable operating leases primarily for terminal facilities and transportation and other equipment. The leases generally provide that all expenses related to the equipment are to be paid by the lessee. Management expects to renew or enter into similar leasing arrangements for similar equipment upon the expiration of the current lease agreements. The Partnership also has cancelable operating lease land rentals and outside marine vessel charters.

The Partnership's future minimum lease obligations as of December 31, 2014 consist of the following:

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| Fiscal year | Operating<br>Leases |
|-------------|---------------------|
| 2015        | \$11,421            |
| 2016        | 10,194              |
| 2017        | 5,982               |
| 2018        | 3,331               |
| 2019        | 1,751               |
| Thereafter  | 5,622               |
| Total       | \$38,301            |

Rent expense for continuing operating leases for the years ended December 31, 2014, 2013 and 2012 was \$18,724, \$15,629 and \$15,801, respectively. The amount recognized in interest expense for capital leases was \$0, \$796, and \$945 for the years ended December 31, 2014, 2013 and 2012, respectively. The Partnership's capital lease obligations were retired in November of 2013.

(10) Investments in Unconsolidated Entities and Joint Ventures

On August 29, 2014, the Partnership acquired ECP's approximate 57.8% Category A interest in Cardinal. Prior to the acquisition, the Partnership owned an approximate 42.2% Category A interest in Cardinal which was accounted for by the equity method. See Note 4 for discussion of the acquisition of the remaining interests.

On May 14, 2014, the Partnership acquired from a subsidiary of Atlas, all of the outstanding membership interests in Atlas Holdings for cash of approximately \$134,400 at closing. The purchase price was subsequently reduced \$501 due to a post-closing working capital adjustment. Atlas Holdings owned a 19.8% limited partner interest and a 0.2% general partner interest in WTLPG. At the time of the purchase, WTLPG was operated by Chevron Pipe Line Company. The 80% interest was subsequently sold to ONEOK Partners, L.P. who assumed operational responsibility. WTLPG owns an approximate 2,300 mile common-carrier pipeline system that transports NGLs from New Mexico and Texas to Mont Belvieu, Texas for fractionation. At the acquisition date, the carrying value of the combined 20% interest in WTLPG exceeded the Partnership's share of underlying net assets by approximately \$96,000. The Partnership's analysis determined that the entire \$96,000 is attributable to property, plant and equipment and will be amortized over approximately 35 years. Such amortization amounted to \$1,484 for the year ended December 31, 2014. The Partnership recognizes its combined 20% interest in WTLPG as "Investment in unconsolidated entities" on its Consolidated Balance Sheet. The Partnership accounts for its ownership interest in WTLPG under the equity method of accounting with recognition of its ownership interest in the income of WTLPG as "Equity in earnings of unconsolidated entities" on its Consolidated Statement of Operations.

In March 2013, the Partnership acquired 100% of the preferred interests in Martin Energy Trading LLC ("MET"), a subsidiary of Martin Resource Management for \$15,000. On August 31, 2014, MET converted its preferred equity to subordinated debt. The resulting \$15,000 note receivable from MET bears an annual interest rate of 15% and matures August 31, 2026. MET may prepay any or all of the note balance after September 1, 2016. See Note 13.

The partnership sold its 50% interest in Caliber in 2013 and its 50% interests in Waskom, PIPE, Matagorda and Pecos Valley Producer Services, LLC ("Pecos Valley") in 2012.

In December 2013, Cardinal recorded a \$129,384 impairment charge related to long-lived assets of Monroe. This amount represents the carrying value of the assets in excess of their fair value. The impairment resulted from the

weaker than anticipated results of operations of Monroe. The Partnership's share of this charge is \$54,053 and is included in "Equity in loss of unconsolidated entities" in the Consolidated Statement of Operations for the year ended December 31, 2013. The Partnership evaluated its remaining investment in Cardinal and determined that no additional impairment was necessary.

During the second quarter of 2012, the Partnership acquired an unconsolidated 50% interest in Caliber and Pecos Valley. The Partnership sold its interest in Caliber during the fourth quarter of 2013 for \$750, resulting in a gain of \$750 recorded in "Other, net" in the Partnership's Consolidated Statements of Operations for the year ended December 31, 2013. The

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Partnership sold its interest in Pecos Valley during the third quarter of 2012 for \$531, resulting in a gain of \$486 recorded in "Other, net" in the Partnership's Consolidated Statement of Operations for the year ended December 31, 2012.

These investments are accounted for by the equity method.

The following tables summarize the components of the "Investment in unconsolidated entities" on the Partnership's Consolidated Balance Sheets and the components of "Equity in earnings of unconsolidated entities" included in the Partnership's Consolidated Statements of Operations:

|   | December 31,<br>2014 | December 31,<br>2013 |
|---|----------------------|----------------------|
| WTLPG                                       | \$134,506            | \$—                  |
| Cardinal                                    | —                    | 113,662              |
| MET   | —                    | 15,000               |
| Total investment in unconsolidated entities | \$134,506            | \$128,662            |

  

|  | Years Ended December 31, |             |          |
|--|--------------------------|-------------|----------|
|  | 2014                     | 2013        | 2012     |
| Equity in earnings of Waskom <sup>1</sup>                  | \$—                      | \$—         | \$4,172  |
| Equity in loss of PIPE <sup>1</sup>                        | —                        | —           | (60 )    |
| Equity in earnings of Matagorda <sup>1</sup>               | —                        | —           | 499      |
| Equity in earnings of discontinued operations              | —                        | —           | 4,611    |
| Equity in earnings of WTLPG                                | 3,076                    | —           | —        |
| Equity in earnings (loss) of Cardinal                      | 892                      | (54,226 )   | (943 )   |
| Equity in earnings of MET                                  | 1,498                    | 1,738       | —        |
| Equity in loss of Caliber                                  | —                        | (560 )      | (190 )   |
| Equity in earnings of Pecos Valley                         | —                        | —           | 20       |
| Equity in earnings (loss) of unconsolidated entities       | 5,466                    | (53,048 )   | (1,113 ) |
| Total equity in earnings (loss) of unconsolidated entities | \$5,466                  | \$(53,048 ) | \$3,498  |

<sup>1</sup> The financial information for Waskom, Matagorda, and PIPE is included on the Consolidated Statements of Operations and Cash Flows as discontinued operations.

Selected financial information for significant unconsolidated equity method investees is as follows:

|                       | As of December 31, |                   | Years ended December 31,                |          |                      |
|-----------------------|--------------------|-------------------|---|----------|----------------------|
|                       | Total Assets       | Long-Term<br>Debt | Members'<br>Equity/Partners'<br>Capital | Revenues | Net Income<br>(Loss) |
| 2014                  |                    |                   |   |          |                      |
| WTLPG                 | \$827,697          | \$—               | \$818,546                               | \$95,315 | \$38,698             |
| 2013                  |                    |                   |   |          |                      |
| Cardinal <sup>2</sup> | \$—                | \$—               | \$—                                     | \$46,488 | \$1,911              |
| Cardinal              | \$661,816          | \$295,261         | \$346,584                               | \$52,762 | \$(128,283 )         |

|          |           |           |           |          |          |   |
|----------|-----------|-----------|-----------|----------|----------|---|
| 2012     |           |           |           |          |          |   |
| Cardinal | \$694,767 | \$210,079 | \$457,297 | \$31,999 | \$(5,951 | ) |
| Waskom   | \$—       | \$—       | \$—       | \$66,662 | \$8,986  |   |

<sup>2</sup> Financial information for Cardinal includes revenues and net income for the 2014 period prior to the Partnership's acquisition of the 57.8% interest not previously owned.



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As of December 31, 2014 and 2013, the Partnership's interest in cash of the unconsolidated equity method investees was \$10 and \$3,703, respectively.

(11) Fair Value Measurements

The Partnership uses a valuation framework based upon inputs that market participants use in pricing certain assets and liabilities. These inputs are classified into two categories: observable inputs and unobservable inputs. Observable inputs represent market data obtained from independent sources. Unobservable inputs represent the Partnership's own market assumptions. Unobservable inputs are used only if observable inputs are unavailable or not reasonably available without undue cost and effort. The two types of inputs are further prioritized into the following hierarchy:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that reflect the entity's own assumptions and are not corroborated by market data.

The following items are measured at fair value on a recurring and non-recurring basis at December 31, 2014 and 2013:

| Description           | Fair Value Measurements at Reporting Date Using |   |   |  |
|-----------------------|---|---|---|--|
|                       | December 31,<br>2014                            | Quoted Prices in<br>Active Markets for<br>Identical Assets<br>(Level 1) | Significant Other<br>Observable Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| Assets                |   |   |   |  |
| Note receivable - MET | \$15,852  | \$—   | \$—   | \$15,852   |
| Total assets          | \$15,852  | \$—   | \$—   | \$15,852   |
| Liabilities           |   |   |   |  |