UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

Mark One	
☒	**Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the fiscal year ended December 31, 2018**
	OR
☐	**Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from _____ to _____.
Commission file number 000-50056

MARTIN MIDSTREAM PARTNERS L.P.

(Exact name of registrant as specified in its charter)

Delaware	05-0527861
State or other jurisdiction of incorporation or organization	(I.R.S. Employer Identification No.)

4200 Stone Road Kilgore, Texas 75662
(Address of principal executive offices) (Zip Code)

903-983-6200
(Registrant's telephone number, including area code)

_____

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Units representing limited partnership interests	NASDAQ Global Select Market

Securities Registered Pursuant to Section 12(g) of the Act:
NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes ☐ No ☒

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

Indicate by check mark whether the Registrant has submitted electronically, every Interactive Data File required to be submitted 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 such files).
Yes ☒ No ☐

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", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ Smaller reporting company ☐

Emerging growth company ☐

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

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

As of June 30, 2018, 39,052,237 common units were outstanding. The aggregate market value of the common units held by non-affiliates of the registrant as of such date approximated $454,540,329 based on the closing sale price on that date. There were 39,049,181 of the registrant's common units outstanding as of February 19, 2019.

DOCUMENTS INCORPORATED BY REFERENCE: None.

TABLE OF CONTENTS

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:

- Natural gas liquids transportation and distribution services and natural gas storage;
- Terminalling and storage services for petroleum products and by-products, including the refining of naphthenic crude oil and the blending and packaging of finished lubricants;
- 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, 2018, Martin Resource Management owned 15.7% 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% 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. Over the last 10 years, Martin Resource Management has increased the size of our asset base through expansions and strategic acquisitions.

Primary Business Segments

Our primary business segments can be generally described as follows:

- *Terminalling and Storage.* We own or operate 19 marine shore-based terminal facilities and 14 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 and the blending and packaging of various grades and quantities of industrial, commercial, and automotive lubricants and greases. 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 refineries, industrial NGL users in Texas and the Southeastern U.S, and propane retailers. We own an 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 operation and management of natural gas storage facilities across northern Louisiana and Mississippi.

- *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 five 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 Texas and Illinois. Demand for our sulfur products exist in both the domestic and foreign markets, and our asset base provides additional opportunities to handle increases in U.S. supply and access to foreign demand.

- *Marine Transportation.* We operate a fleet of 31 inland marine tank barges, 17 inland push boats and one offshore tug and barge unit 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.

Significant Recent Developments

Martin Transport Inc. Stock Purchase Agreement. On October 22, 2018, we entered into a stock purchase agreement (the "Stock Purchase Agreement") with Martin Resource Management to acquire all of the issued and outstanding equity of Martin Transport, Inc. ("MTI"), a wholly-owned subsidiary of Martin Resource Management which operates a fleet of tank trucks providing transportation of petroleum products, liquid petroleum gas, chemicals, sulfur and other products, as well as owns twenty-three terminals located throughout the Gulf Coast and Midwest for total consideration of $135.0 million with a $10.0 million earn-out based on certain performance thresholds. Additionally, a post-closing working capital adjustment was finalized on January 28, 2019 which included additional consideration paid to Martin Resource Management of $2.2 million. The Stock Purchase Agreement contained customary representations and warranties. Martin Resource Management has owned and operated MTI or its predecessor for over 40 years and MTI is integral to our routine movements of sulfur and NGL's. Based on operational estimates and current transportation market conditions, this drop-down from our general partner will provide strategic long-term growth for the Partnership. This transaction closed January 2, 2019 and was effective as of January 1, 2019. As of January 1, 2019, Martin Resource Management will no longer provide land transportation services.

Divestiture of WTLPG Partnership Interest. On July 31, 2018, we completed the sale of our 20 percent non-operating interest in West Texas LPG Pipeline L.P. ("WTLPG") to ONEOK, Inc. ("ONEOK"). WTLPG owns an approximate 2,300 mile common-carrier pipeline system that primarily transports NGLs from New Mexico and Texas to Mont Belvieu, Texas for fractionation. A wholly-owned subsidiary of ONEOK, Inc. is the operator of the assets. In consideration of the sale of these assets, we received cash proceeds of $195.0 million at closing, before transaction fees and expenses. The proceeds from the sale were used to reduce outstanding borrowings under our revolving credit facility.

Credit Facility Amendment. On February 21, 2018, we amended our revolving credit facility in order to achieve two primary objectives, the first of which was to accommodate growth capital expenditures necessary for the previously announced WTLPG expansion project. Starting in the first quarter of 2018, the amendment provided short-term (5 quarters) covenant relief by increasing the total leverage ratio to 5.75 to 1.00 (first and second quarters of 2018) with step downs to 5.50 to 1.00 (third and fourth quarters of 2018 and first quarter of 2019) and to 5.25 to 1.00 beginning in the second quarter of 2019. Additionally, the facility was amended to establish an inventory financing sublimit tranche for borrowings related to our NGL (butane) marketing business, which is a part of and not in addition to the already existing commitments under the revolving credit facility. This sublimit is not to exceed $75.0 million, with seasonal step downs to $10.0 million for the months of March through June of each fiscal year. The sublimit is subject to a monthly borrowing base not to exceed 90% of the value of forward sold/hedged inventory. In conjunction with the sale of WTLPG on July 31, 2018, we amended our revolving credit facility which included, among other things, further revising our leverage covenants from the February 21, 2018 amendment (discussed in detail above). Total Indebtedness to EBITDA and Senior Secured Indebtedness to EBITDA (each as defined in the credit agreement) was amended to 5.25 times and 3.50 times, respectively. No changes were made to the Consolidated Interest Coverage Ratio (as defined in the credit agreement) of 2.50 times.

Subsequent Events

Quarterly Distribution. On January 17, 2019, we declared a quarterly cash distribution of $0.50 per common unit for the fourth quarter of 2018, or $2.00 per common unit on an annualized basis, which will be paid on February 14, 2019 to unitholders of record as of February 7, 2019.

Our Growth Strategy

The key components of our growth strategy are:

- *Pursue Organic Growth Projects*. We continually evaluate economically attractive organic expansion opportunities in 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*. Opportunities exist to expand our customer base 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

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 for petroleum products and by-products.

Strategically Located Assets. A significant portion of our cash flow comes from providing various services to the oil refining industry. Accordingly, a significant portion of our assets are located in proximity to refining operations along the U.S. Gulf Coast. For example, 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 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 12 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.

At the Neches and Stanolind terminals, our customers are primarily energy or petrochemical 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 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.

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

In Houston, Texas, we own and operate a plant that specializes in the processing and packaging of post tension greases.

In Hondo, 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 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.

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

Terminal	Location	Aggregate Capacity (in barrels)	Products	Description
Tampa (1)	Tampa, Florida	719,000	Asphalt and fuel oil	Marine terminal, loading/unloading for vessels, barges, railcars and trucks
Stanolind	Beaumont, Texas	593,000	Asphalt, crude oil, sulfur, sulfuric acid and fuel oil	Marine terminal, marine dock for loading/unloading of vessels, barges, railcars and trucks
Neches (2)	Beaumont, Texas	548,000	Molten sulfur, formed sulfur, ammonia, asphalt, fuel oil, crude oil and sulfur-based fertilizer	Marine terminal, loading/unloading for vessels, barges, railcars and trucks

(1) This terminal is located on land owned by the Tampa Port Authority that was leased to us under a 10-year lease that expires in December 2021. This lease may be extended at the option of the tenant for one option period of five years.

(2) 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 following is a summary description of our non shore-based specialty terminals:

Terminal	Location	Aggregate Capacity	Products	Description
Smackover Refinery	Smackover, Arkansas	7,700 barrels per day; 275,000 barrels of crude bulk storage; 647,000 barrels of lubricant storage	Naphthenic lubricants, distillates, asphalt, crude oil	Crude refining facility
Martin Lubricants	Smackover, Arkansas	3.9 million gallons bulk storage	Agricultural, automotive, and industrial lubricants and grease	Lubricants packaging facility
Martin Lubricants (1)	Kansas City, Missouri	0.2 million gallons of bulk storage	Automotive, commercial and industrial greases	Grease manufacturing and packaging facility
Martin Lubricants	Houston, Texas	0.2 million gallons of bulk storage	Post tension greases	Grease manufacturing and packaging facility
Hondo Asphalt	Hondo, Texas	182,000 barrels	Asphalt	Asphalt processing and storage
South Houston Asphalt	Houston, Texas	95,000 barrels	Asphalt	Asphalt processing and storage
Port Neches Asphalt	Port Neches, Texas	24,000 barrels	Asphalt	Asphalt processing and storage
Omaha Asphalt	Omaha, Nebraska	112,000 barrels	Asphalt	Asphalt processing and storage
Spindletop	Beaumont, Texas	90,000 barrels	Natural gasoline	Pipeline receipts and shipments

(1) This terminal contains a warehouse owned by third parties and leased under a lease that expires in December 2020 and can be extended by us for two successive five-year periods.

Marine Shore-Based Terminals. We own or operate 19 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 terminalling service agreements, pays us for terminalling and storage of fuels and lubricants at these terminal facilities and includes a provision for minimum volume throughput requirements.

Our 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 6 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 full service terminals:

Terminal	Location	Aggregate Capacity (barrels)	End of Lease (Including Options)
Amelia	Amelia, Louisiana	13,000	August 2023
Fourchon 15	Fourchon, Louisiana	7,600	February 2047
Harbor Island (1)	Harbor Island, Texas	6,800	December 2039
Intracoastal City 2 (2)	Intracoastal City, Louisiana	17,700	December 2025
Pelican Island	Galveston, Texas	87,600	Own
Theodore	Theodore, Alabama	19,900	Own

(1) A portion of this terminal is owned.
(2) This terminal is currently in caretaker status.

Fuel and Lubricant Terminals. We own or operate 13 lubricant and fuel terminals located in the Gulf Coast region that provide storage and handling services for lubricants and fuel oil.

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

Terminal	Location	Aggregate Capacity (barrels)	End of Lease (Including Options)
Dulac (1)	Dulac, Louisiana	15,400	December 2041
Dock 193 (3)	Gueydan, Louisiana	11,000	May 2020
Fourchon	Fourchon, Louisiana	80,900	May 2027
Fourchon 16	Fourchon, Louisiana	16,400	July 2048
Galveston T (2)	Galveston, Texas	1,400	Own
Intracoastal City (2)	Intracoastal City, Louisiana	—	Own
Jennings Bulk Plant	Jennings, Louisiana	9,100	Own
Channelview	Houston, Texas	39,800	Own
Lake Charles T	Lake Charles, Louisiana	1,000	April 2023
Pascagoula (2)	Pascagoula, Mississippi	10,100	Own
Port Arthur	Port Arthur, Texas	16,300	November 2025
Port O'Connor (1)	Port O'Connor, Texas	6,700	March 2028
Sabine Pass (2)	Sabine Pass, Texas	16,700	September 2036

(1) This terminal is currently in caretaker status and the lease will not be renewed at the end of the current option.
(2) These terminals are currently in caretaker status.
(3) A portion of this terminal is owned.

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 operators 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.

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 MTI'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 ;
- efficient use of railroad tank cars
- the transportation fleet of vehicles owned by MTI; and
- product management expertise to obtain supplies when needed.

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

NGL Facility	Location	Capacity	Description

Wholesale terminals	Arcadia, Louisiana	2,400,000 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
Rail terminal	Arcadia, Louisiana	24 railcars per day	NGL railcar loading and unloading capabilities

In addition to the owned NGL facilities above, we lease underground storage capacity at four locations under short-term lease agreements.

Our NGL customers consist of refiners, industrial processors and retail propane distributors. The majority of our NGL volumes are sold to refiners and industrial processors.

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. In September, demand for normal butane typically increases with refineries entering

the winter gasoline-blending season, resulting in upward pressure on prices. Abnormally cold weather can put extra upward pressure on propane prices during the winter.

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.

Natural Gas Storage

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.

We own 100% of the interests in Cardinal, which is focused on the operation and management of natural gas storage facilities across northern Louisiana and Mississippi.

Cardinal facilities are summarized below:

Facility Name / Location	Facility Type	Working Storage Capacity	Percent of Capacity Contracted (1)	Weighted Average Life of Remaining Contract Term
Arcadia Gas Storage, LLC Bienville Parish, Louisiana	Salt dome	15.25 billion cubic feet (bcf)	100%	2.2 years
Cadeville Gas Storage, LLC Ouachita Parish, Louisiana	Depleted reservoir	17.0 bcf	100%	4.4 years
Perryville Gas Storage, LLC Franklin Parish, Louisiana	Salt dome	11.85 bcf	74%	2.2 years
Monroe Gas Storage Company, LLC Monroe County, Mississippi	Depleted reservoir	6.7 bcf	100%	3.0 years

(1) Contracted capacity refers specifically to firm contracted capacity.

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

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 9 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 and other 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 nutrients and require fertilizers rich in 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.

Terms for our standard purchase and sales contracts typically range from one to two years in length with prices that 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 producers and consumers of sulfur under contracts with remaining terms from one to five years in duration.

We operate sulfur forming assets in the Port of Stockton, California and Beaumont, Texas, which are used to convert molten sulfur into solid form (prills/granules). The Stockton facility is equipped with one wet prill unit capable of processing 1,000 metric tons of molten sulfur per day. The Beaumont facility is equipped with two wet prill units and one granulation unit capable of processing a combined 5,500 metric tons of molten sulfur per day. Formed sulfur at both facilities is stored in bulk until sold into local or international agricultural markets. Our forming services contracts are fee based and typically include minimum fee guarantees.

Our sulfuric acid production facility at our Plainview, Texas location processes molten sulfur to produce a dedicated supply of raw material sulfuric acid to our ammonium sulfate production plant. 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 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.

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 barge and 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.

- Ammonium sulfate products. We produce various grades of ammonium sulfate including granular, coarse, standard, and 40% ammonium sulfate solution. These products primarily serve direct application agricultural markets. We package these custom grade products under both proprietary and private labels and sell them to major retail distributors and other retail customers.

- 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 Nash, 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 26 railcars and lease 42 railcars equipped to transport molten sulfur. We own the following marine assets and use them to transport molten sulfur between U.S. Gulf Coast storage terminals (including our terminal in Beaumont, Texas) under third-party marine transportation agreements:

Asset	Class of Equipment	Capacity/Horsepower	Products Transported
Margaret Sue	Offshore tank barge	10,500 long tons	Molten sulfur
M/V Martin Explorer	Offshore tugboat	7,130 horsepower	N/A
M/V Martin Express	Inland push boat	1,200 horsepower	N/A
MGM 101	Inland tank barge	2,500 long tons	Molten sulfur
MGM 102	Inland tank barge	2,500 long tons	Molten sulfur

We operate 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	Cactus, Texas	20,000 tons	Dry sulfur fertilizer production
Industrial sulfur plant	Nash, Texas	18,000 tons	Emulsified sulfur production
Sulfuric acid plant	Plainview, Texas	150,000 tons	Sulfuric acid production

Competition. The Martin Explorer/Margaret Sue articulated barge unit is one of 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 majority of the sulfur produced in the U.S., which they purchase directly from both producers and resellers. As a reseller, we compete against producers and other resellers capable of accessing the required transportation and storage assets. Our sulfur-based fertilizer products compete with several large fertilizer and sulfur product 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 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. 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. Our offshore tow consists 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 (excluding equipment classified as Assets Held for Sale):

Class of Equipment	Number in Class	Capacity/Horsepower	Description of Products Carried
Inland tank barges	7	Under 20,000 barrels	Asphalt, crude oil, fuel oil, gasoline and sulfur
Inland tank barges	24	20,000 - 31,000 barrels	Asphalt, crude oil, fuel oil and gasoline
Inland push boats	17	800 - 2,650 horsepower	N/A
Offshore tank barge	1	59,000 barrels	Diesel fuel
Offshore tugboat	1	5,100 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 spot 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 the age of equipment, safety, environmental compliance, quality of service and the availability of a single source of supply of services.

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 (the Partnership acquired MTI effective January 1, 2019);
- distributing fuel oil, asphalt, marine fuel and other liquids;
- providing marine bunkering and other shore-based marine services in Texas, Louisiana, Mississippi, Alabama, and Florida;
- operating a crude oil gathering business in Stephens, Arkansas;
- 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; and
- operating, solely for our account, the asphalt facilities in Omaha, Nebraska, Port Neches, Texas, Hondo, 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 15.7% 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% 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 $127.9 million, $129.5 million and $135.8 million of direct costs and expenses for the years ended December 31, 2018, 2017 and 2016, 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, 2018, 2017, and 2016, the conflicts committee of our general partner ("Conflicts Committee") approved reimbursement amounts of $16.4 million, $16.4 million and $13.0 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,

environmental and safety compliance, 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 (the Partnership acquired MTI effective January 1, 2019). Our ability to utilize MTI'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 9%, 8%, and 11% of our total cost of products sold during for the years ended December 31, 2018, 2017 and 2016, respectively. 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 10%, 11%, and 13% of our total revenues for each of the years ended December 31, 2018, 2017 and 2016, respectively. 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 $1.0 million for damage caused by the named windstorm at all locations excluding Neches Industrial Park. 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 $0.5 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 has a waiting period of 45 days. For non-windstorm events, our waiting period applicable to business interruption is 30 days.

We have various pollution liability policies which provide coverages ranging from remediation of our property to third party liability. The limits of these policies vary based on our assessments of exposure at each location.

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." In addition, some state counterparts to CERCLA tie liability to a broader set of substances than does 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. 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. Many 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. Red. 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. In reviewing the regulations at issue, the Supreme Court struck down EPA's permitting requirements as applicable only to greenhouse gas emissions, although it upheld the EPA's authority to control greenhouse gas emissions when a permit is required due to emissions of other pollutants.
On an international level, almost 200 nations agreed in December 2015 to an international climate change agreement in Paris, France that calls for countries to set their own greenhouse gas emissions targets and be transparent about the measures each country will use to achieve its emissions targets. Although the present administration has announced its intention to withdraw from the Paris accord, such withdrawal has not yet been finalized. It is not possible at this time to predict how or when the United States might impose restrictions on GHGs as a result of the international climate change agreement. Further, several states and local governments have stated their commitment to its principles in their effectuation of policy and regulations. To date, applicable 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.

Moreover, in interpretative guidance on climate change disclosures, the U.S. Securities and Exchange Commission ("SEC") indicates that climate change could have an effect on the severity of weather (including hurricanes and floods), sea levels, the arability of farmland, and water availability and quality. If such effects were to occur, our operations have the potential to be adversely affected. Potential adverse effects could include disruption of our business activities, including, for example, damages to our facilities from powerful winds or floods, or increases in our costs of operation or reductions in the efficiency of our operations, as well as potentially increased costs for insurance coverages in the aftermath of such effects. Significant physical effects of climate change could also have an indirect effect on our financing and operations by disrupting the transportation or process related services provided by companies or suppliers with whom we have a business relationship. In addition, the demand for and consumption of our products and services (due to change in both costs and weather patterns), and the economic health of the regions in which we operate, could have a material adverse effect on our business, financial condition, results of operations and cash flows. We may not be able to recover through insurance some or any of the damages, losses or costs that may result from potential physical effects of climate change.

Clean Water Act

The Federal Water Pollution Control Act of 1972, as amended, also known as Clean Water Act and comparable state laws impose restrictions and strict controls regarding the discharge of pollutants, including hydrocarbon-bearing wastes, into state waters and waters of the U.S. Pursuant to the Clean Water Act and similar state laws, a National Pollutant Discharge Elimination System permit, or a state permit, or both, must be obtained to discharge pollutants into federal and state waters. In addition, the Clean Water Act and comparable state laws require that individual permits or coverage under general permits be obtained by subject facilities for discharges of storm water runoff. Furthermore, the Clean Water Act potentially requires individual permits or qualification for nationwide permits for activities that involve the discharge of dredged or fill material into waters of the United States, the definition of which was expanded by the EPA and Corps of Engineers in a 2015 rulemaking. The 2015 rule, if it were to become effective, could significantly expand federal control of land and water resources across the U.S., triggering substantial additional permitting and regulatory requirements to which our operations may be subject from time to time. The EPA and the Corps subsequently proposed a rulemaking in June 2017 to repeal the 2015 rule and also announced their intent to issue a new rule defining the CWA's jurisdiction. The EPA and the Corps issued a final rule in January 2018 staying implementation of the 2015 rule for two years. On December 11, 2018, the EPA and the Corps proposed a new rule defining the CWA's jurisdiction. A nationwide patchwork of litigation and court rulings developed regarding the rules. At this time, due to varied court rulings, the 2015 rule is effective in some states, while the agencies' decision to delay implementation of the 2015 rule is effective in other states. If finalized, the 2018 proposed rule would apply nationwide, replacing the national patchwork of CWA jurisdictional applicability. Additionally, if finalized, it is possible that the 2018 proposed rule could be challenged. The scope of the CWA's jurisdiction will likely remain fluid until a final regulatory determination is made and subsequent litigation, if any, is finalized. To the extent a rule ultimately promulgated expands the scope of the CWA's jurisdiction, we could face increased costs and delays with respect to permitting. We believe that we are in substantial compliance with Clean Water Act permitting requirements as well as the conditions imposed thereunder, and that our continued compliance with such existing permit conditions will not have a material adverse effect on our business, financial condition or results of 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 effective January 1, 2016. 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 735 individuals, including 57 employees represented by labor unions, who provide direct support to our operations as of December 31, 2018.

Financial Information about Segments

Information regarding our operating revenues and identifiable assets attributable to each of our segments is presented in Note 19 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. 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.

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.

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 ability of exploration and production companies to drill in other basins that have more attractive rates of return;

- 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.

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.

Fluctuations in interest rates could materially affect our financial results.

Because a significant portion of our debt bears interest at variable rates, increases in interest rates could materially increase our interest expense. Based on our debt outstanding as of December 31, 2018, if interest rates were to increase by 100 basis points, the corresponding increase in interest expense on our variable rate debt would decrease future earnings and cash flows by approximately $2.9 million per year.

Further, LIBOR and certain other interest rate “benchmarks” are the subject of recent national, international, and other regulatory guidance and proposals for reform. These reforms may cause such benchmarks to perform differently than in the past or have other consequences which cannot be predicted. On July 27, 2017, the United Kingdom’s Financial Conduct Authority, which regulates LIBOR, publicly announced that it intends to stop persuading or compelling banks to submit LIBOR rates after 2021. It is expected that a transition away from the widespread use of LIBOR to alternative rates will occur over the course of the next several years. As a result of this transition, LIBOR may disappear entirely or perform differently than in the past, and interest rates on our variable rate indebtedness may be adversely affected.

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;
- 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 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 (including normal butane), 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.

Decreasing energy prices could adversely affect our results of operations.

Decreasing energy prices could adversely affect our results of operations. If commodity prices remain weak for a sustained period, our pipeline, terminalling throughput and NGL volumes may be negatively impacted, particularly as producers are curtailing or redirecting drilling, adversely affecting our results of operations. A sustained decline in commodity prices could result in a decrease in activity in the areas served by certain of our terminalling and storage and marine transportation assets resulting in reduced utilization of these assets.

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.

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.

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. 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.

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

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. Holdings, the sole member of MMGP, elects the board of directors of our general partner.

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, 2018, Martin Resource Management owned 15.7% 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:

- 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, 2018, Martin Resource Management owned 15.7% of our total outstanding common limited partner units and a 51% voting interest in Holdings, the sole member of MMGP. MMGP owns a 2% 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 unitholder allocations.

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 U.S. Internal Revenue Service ("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. We have not requested a ruling from the IRS on this matter.

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 "Code"). "Qualifying income" includes income and gains derived from the exploration, development, mining or production, processing, refining, transportation, or marketing of minerals or natural resources, including 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 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.

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 21%, 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.

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.

At the federal level, members of Congress and the President of the United States have periodically considered substantive changes to the existing U.S. tax laws that would have affected certain publicly traded partnerships, including the elimination of partnership tax treatment for publicly traded partnerships. 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 0.525% 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 our unitholders.

Any modification to the tax laws and interpretations thereof may or may not be applied retroactively and could make it more difficult or impossible to meet the exception pursuant to which we are treated as a partnership for U.S. federal income tax purposes that is not taxable as a corporation, 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. 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.

On January 24, 2017, the U.S. Department of the Treasury issued final regulations (the "Final Regulations") regarding qualifying income under Section 7704(d)(1)(E) of the Code which relates to the qualifying income exception upon which we rely for partnership tax treatment. The Final Regulations apply to income earned in a taxable year beginning on or after January 19, 2017. The Final Regulations include "reserved" paragraphs for fertilizer and hedging, which the U.S. Department of the Treasury plans to address in future proposed and final Treasury regulations ("Treasury regulations"). The Final Regulations provide for a ten year transition period during which certain taxpayers that either obtained a favorable private letter ruling or treated income under a reasonable interpretation of the statute or prior proposed regulations as qualifying income may continue to treat such income as qualifying income. We have obtained favorable private letter rulings from the IRS in the past as to what constitutes "qualifying income" within the meaning of Section 7704(d)(1)(E) of the Code and we expect to rely upon these private letter rulings for purposes of the ten year transition rule contained in the Final Regulations. With respect to some of these private letter rulings, the income that we derived from certain affected activities will be treated as qualifying income only until the end of the ten year transition period. Thus, at this time and through the transition period, we believe that the Final Regulations will not significantly impact the amount of our gross income that we are able to treat as qualifying income.

The effects of the budget reconciliation act commonly referred to as the Tax Cuts and Jobs Act (hereinafter, "Tax Cuts and Jobs Act") could have an adverse effect on the timing and amount of income allocations to our unitholders.

On December 22, 2017, the President signed into law Public Law No. 115-97, a comprehensive tax reform bill commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act") that makes significant changes to the U.S. Internal Revenue Code. Among other changes, the Tax Act includes a reduction in the corporate and individual tax rates, a new deduction on certain pass-through income, a repeal of the partnership technical termination rule, and new limitations on certain deductions and credits, including interest expense deductions. The Tax Act had no material impact on our unitholder allocations for 2018.

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.

We have not requested a ruling from the IRS with respect to our treatment as a partnership for federal income tax purposes or any other matter affecting us. The IRS may adopt positions that differ from the positions we take and 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.

If the IRS makes audit adjustments to our income tax returns for tax years beginning after December 31, 2017, it may assess and collect any taxes (including any applicable penalties and interest) resulting from such audit adjustment directly from us, in which case our cash available for distribution to our unitholders might be substantially reduced.

Pursuant to the Bipartisan Budget Act of 2015 and recently issued proposed Treasury Regulations (the "Proposed Partnership Audit Regulations"), for taxable years beginning after December 31, 2017, if the IRS makes audit adjustments to our income tax returns, it may assess and collect any taxes (including any applicable penalties and interest) resulting from such audit adjustment directly from us. Similarly, for such taxable years, if the IRS makes audit adjustments to income tax returns filed by an entity in which we are a member or partner, the IRS may assess and collect any taxes (including penalties and interest) resulting from such audit adjustment directly from such entity. Generally, we expect to elect to have our unitholders take such audit adjustment into account in accordance with their interests in us during the tax year under audit, but there can be no assurance that such election will be effective in all circumstances. If we are unable to have our unitholders take such audit adjustment into account in accordance with their interests in us during the tax year under audit, our current unitholders may bear some or all of the tax liability resulting from such audit adjustment, even if such unitholders did not own units in us during the tax year under audit. If, as a result of any such audit adjustment, we are required to make payments of taxes, penalties and interest as a result of audit adjustments cash available for distribution to our unitholders may be substantially reduced. These rules are not applicable to us for tax years beginning on or prior to December 31, 2017.

Additionally, pursuant to the Bipartisan Budget Act of 2015 and the Proposed Partnership Audit Regulations, we are no longer required to designate a "tax matters partner." Instead, for taxable years beginning after December 31, 2017, we are required to designate a partner, or other person, with a substantial presence in the United States as the partnership representative ("Partnership Representative"). The Partnership Representative will have the sole authority to act on our behalf for purposes of, among other things, U.S. federal income tax audits and judicial review of administrative adjustments by the IRS. If we do not make such a designation, the IRS can select any person as the Partnership Representative. Any actions taken by us or by the Partnership Representative on our behalf with respect to, among other things, U.S. federal income tax audits and judicial review of administrative adjustments by the IRS, will be binding on us and all of the unitholders. We anticipate that our current tax matters partner will be designated the Partnership Representative.

Unitholders may be required to pay taxes on income from us, including their share of income from the cancellation of debt, 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.

We may engage in transactions to delever the partnership and manage our liquidity that may result in income to our unitholders without a corresponding cash distribution. For example, if we sell assets and use the proceeds to repay existing debt or fund capital expenditures, you may be allocated taxable income and gain resulting from the sale without receiving a cash distribution. Further, taking advantage of opportunities to reduce our existing debt, such as debt exchanges, debt repurchases, or modifications of our existing debt could result in "cancellation of indebtedness income" (also referred to as "COD income") being allocated to our unitholders as taxable income. Unitholders may be allocated COD income, and income tax liabilities arising therefrom may exceed cash distributions or the value of the units. The ultimate effect of any such allocations will depend on the unitholder's individual tax position with respect to its units. Unitholders are encouraged to consult their tax advisor with respect to the consequences to them of COD 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, non-U.S. persons and other unique investors 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 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, the excess loss limitation rules for non-corporate unitholders that applies until January 1, 2026, and the prohibition against loss allocations in excess of the unitholder's tax basis in its units.

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. Treasury regulations permit publicly traded partnerships to use a monthly simplifying convention that is similar to ours, but they do not specifically authorize all aspects of the proration method we have adopted. Therefore, the use of our proration method may not be permitted under existing Treasury regulations, and, accordingly, our counsel is unable to opine as to the validity of such method. If the IRS were to challenge our proration method, 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 January 25, 2019, there were approximately 279 holders of record and approximately 20,329 beneficial owners of our common units.

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% 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.

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 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."

Quarterly Distribution. On January 17, 2019, we declared a quarterly cash distribution of $0.50 per common unit for the fourth quarter of 2018, or $2.00 per common unit on an annualized basis, which will be paid on February 14, 2019 to unitholders of record as of February 7, 2019.

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, 2018, 2017, 2016, 2015 and 2014 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.

	2018	2017	2016	2015	2014
	(Dollars in thousands, except per unit amounts)				
Revenues	$ 972,655	$ 946,116	$ 827,391	$ 1,036,844	$ 1,642,141
Income (loss) from continuing operations	(7,595)	13,007	27,003	32,088	(11,590)
Income (loss) from discontinued operations, net of tax	51,700	4,128	4,649	10,169	(115)
Net income (loss)	$ 44,105	$ 17,135	$ 31,652	$ 42,257	$ (11,705)
Net income (loss) attributable to limited partners	$ 43,195	$ 16,750	$ 23,143	$ 21,902	$ (15,176)
Net income (loss) per limited partner unit – continuing operations	(0.19)	0.33	0.55	0.47	(0.48)
Net income (loss) per limited partner unit – discontinued operations	1.30	0.11	0.10	0.15	(0.01)
Net income (loss) per limited partner unit	$ 1.11	$ 0.44	$ 0.65	$ 0.62	$ (0.49)
Total assets	$ 1,033,398	$ 1,253,498	$ 1,246,363	$ 1,380,473	$ 1,553,919
Long-term debt	656,459	812,632	808,107	865,003	902,005
Cash dividends per common unit (in dollars)	2.00	2.00	2.94	3.25	3.18

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 and the 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, 2018, Martin Resource Management owned 15.7% 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% 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.

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.

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, 2018 and 2017:

Description	Judgments and Uncertainties	Effect if Actual Results Differ from Estimates and Assumptions
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, no impairment of long-lived assets was recorded during the year ended December 31, 2018. In 2017, we recorded an impairment charge of $1.6 million in our Marine Transportation segment and $0.6 million in our Terminalling and Storage segment.
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 the related asset is depreciated over its useful life 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.

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, 2018, 2017 and 2016, the conflicts committee of our general partner ("Conflicts Committee") approved reimbursement amounts of $16.4 million, $16.4 million and $13.0 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 provide marine transportation and terminalling and storage services to Martin Resource Management. We purchase land transportation services and marine fuel from Martin Resource Management (the Partnership acquired MTI effective January 1, 2019). 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, 2018, 2017, and 2016, 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,		
	2018	2017	2016
Net income	$ 44,105	$ 17,135	$ 31,652
Less: Income from discontinued operations, net of income taxes	(51,700)	(4,128)	(4,649)
Income (loss) from continuing operations	(7,595)	13,007	27,003
Adjustments:			
Interest expense	52,037	47,743	46,100
Income tax expense	369	352	726
Depreciation and amortization	76,866	85,195	92,132
EBITDA	121,677	146,297	165,961
Adjustments:			
(Gain) loss on sale of property, plant and equipment	379	(523)	(33,400)
Impairment of long-lived assets	—	2,225	26,953
Impairment of goodwill	—	—	4,145
Unrealized mark-to-market on commodity derivatives	(76)	(3,832)	4,579
Hurricane damage repair accrual	—	657	—
Asset retirement obligation revision	—	5,547	—
Unit-based compensation	1,224	650	904
Transaction costs associated with acquisitions	465	—	—
Adjusted EBITDA	123,669	151,021	169,142
Adjustments:			
Interest expense	(52,037)	(47,743)	(46,100)
Income tax expense	(369)	(352)	(726)
Amortization of deferred debt issuance costs	3,445	2,897	3,684
Amortization of debt premium	(306)	(306)	(306)
Non-cash mark-to-market on interest rate derivatives	—	—	(206)
Payments for plant turnaround costs	(1,893)	(1,583)	(2,061)
Maintenance capital expenditures	(21,505)	(18,080)	(17,163)
Distributable Cash Flow[1]	$ 51,004	$ 85,854	$ 106,264

[1] Excludes distributable cash flow from discontinued operations were $3,253, $5,214 and $7,435 for the years ended December 31, 2018, 2017 and 2016, respectively.

Results of Operations

The results of operations for the years ended December 31, 2018, 2017, and 2016 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.

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 WTLPG partnership interests disposed of on July 31, 2018 for the years ended December 31, 2018, 2017 and 2016. See Item 8, Note 5.

The following table sets forth our operating revenues and operating income by segment for the years ended December 31, 2018, 2017, and 2016.

	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, 2018:						
Terminalling and storage	$ 247,840	$ (6,226)	$ 241,614	$ 17,820	$ (4,095)	$ 13,725
Natural gas services	548,135	—	548,135	24,938	3,632	28,570
Sulfur services	132,536	—	132,536	17,216	(2,940)	14,276
Marine transportation	52,830	(2,460)	50,370	2,713	3,403	6,116
Indirect selling, general and administrative	—	—	—	(17,901)	—	(17,901)
Total	$ 981,341	$ (8,686)	$ 972,655	$ 44,786	$ —	$ 44,786
Year Ended December 31, 2017:						
Terminalling and storage	$ 236,169	$ (5,998)	$ 230,171	$ 3,305	$ (2,676)	$ 629
Natural gas services	532,908	(226)	532,682	49,377	2,472	51,849
Sulfur services	134,684	—	134,684	25,862	(2,657)	23,205
Marine transportation	51,915	(3,336)	48,579	(1,211)	2,861	1,650
Indirect selling, general and administrative	—	—	—	(17,332)	—	(17,332)
Total	$ 955,676	$ (9,560)	$ 946,116	$ 60,001	$ —	$ 60,001
Year Ended December 31, 2016:						
Terminalling and storage	$ 242,363	$ (5,653)	$ 236,710	$ 44,143	$ (3,483)	$ 40,660
Natural gas services	391,333	—	391,333	38,447	3,056	41,503
Sulfur services	141,058	—	141,058	26,815	(3,422)	23,393
Marine transportation	61,233	(2,943)	58,290	(19,888)	3,849	(16,039)
Indirect selling, general and administrative	—	—	—	(16,794)	—	(16,794)
Total	$ 835,987	$ (8,596)	$ 827,391	$ 72,723	$ —	$ 72,723

Terminalling and Storage Segment

Comparative Results of Operations for the Twelve Months Ended December 31, 2018 and 2017

	Year Ended December 31,			Percent
	2018	2017	Variance	Change
	(In thousands)			
Revenues:				
Services	$ 102,514	$ 105,703	$ (3,189)	(3)%
Products	145,326	130,466	14,860	11%
Total revenues	247,840	236,169	11,671	5%
Cost of products sold	132,384	118,832	13,552	11%
Operating expenses	54,129	63,191	(9,062)	(14)%
Selling, general and administrative expenses	5,327	5,832	(505)	(9)%
Impairment of long-lived assets	—	600	(600)	(100)%
Depreciation and amortization	39,508	45,160	(5,652)	(13)%
	16,492	2,554	13,938	546%
Other operating income, net	1,328	751	577	77%
Operating income	$ 17,820	$ 3,305	$ 14,515	439%
Lubricant sales volumes (gallons)	24,016	21,897	2,119	10%
Shore-based throughput volumes (guaranteed minimum) (gallons)	80,000	144,998	(64,998)	(45)%
Smackover refinery throughput volumes (guaranteed minimum BBL per day)	6,500	6,500	—	—%

Services revenues. Services revenue decreased $3.2 million, of which $7.6 million was primarily a result of decreased throughput fees at our shore-based terminals, offset by a $4.1 million increase at our specialty terminals primarily as a result of the Hondo asphalt plant being put into service on July 1, 2017.

Products revenues. A 28% increase in sales volumes combined with a 4% increase in average sales price at our blending and packaging facilities resulted in a $20.3 million increase to products revenues. Offsetting this increase was a 9% decrease in sales volumes offset by a 1% increase in average sales price at our shore based terminals resulting in a $5.4 million decrease in products revenues.

Cost of products sold. A 28% increase in sales volumes combined with a 10% increase in average cost per gallon at our blending and packaging facilities resulted in a $19.0 million increase in cost of products sold. Offsetting this increase was a 9% decrease in sales volume offset by a 2% increase in average cost per gallon at our shore based terminals resulting in a $5.5 million decrease in cost of products sold.

Operating expenses. Operating expenses at our shore-based terminals decreased by $8.0 million primarily due to the 2017 period including an increase in the accrual related to asset retirement obligations of $6.3 million. Additionally, lease expense decreased $0.7 million as a result of closing several facilities. Operating expenses at our specialty terminals decreased $1.8 million, primarily due to the 2017 period including $2.5 million in hurricane expenses offset by an increase of $1.0 million in expenses at our Hondo facility which was placed in service in July of 2017. Offsetting this decrease was a $0.8 million increase at our Smackover refinery due to an increase in utilities of $0.4 million, $0.2 million in repairs and maintenance, and $0.2 million in professional fees.

Selling, general and administrative expenses. Selling, general and administrative expenses decreased primarily as a result of decreased legal expenses.

Impairment of long-lived assets. This represents the loss on impairment of non-core operating assets in 2017.

Depreciation and amortization. The decrease in depreciation and amortization is due to the disposition of assets at several closed shore-based facilities, offset by recent capital expenditures.

Other operating income, net. Other operating income, net represents gains from the disposition of property, plant and equipment.

Comparative Results of Operations for the Twelve Months Ended December 31, 2017 and 2016

	Year Ended December 31,			Percent
	2017	2016	Variance	Change
	(In thousands)			
Revenues:				
Services	$ 105,703	$ 128,783	$ (23,080)	(18)%
Products	130,466	113,580	16,886	15%
Total revenues	236,169	242,363	(6,194)	(3)%
Cost of products sold	118,832	102,883	15,949	16%
Operating expenses	63,191	65,292	(2,101)	(3)%
Selling, general and administrative expenses	5,832	4,677	1,155	25%
Impairment of long-lived assets	600	15,252	(14,652)	(96)%
Depreciation and amortization	45,160	45,484	(324)	(1)%
	2,554	8,775	(6,221)	(71)%
Other operating income, net	751	35,368	(34,617)	(98)%
Operating income	$ 3,305	$ 44,143	$ (40,838)	(93)%
Lubricant sales volumes (gallons)	21,897	17,995	3,902	22%
Shore-based throughput volumes (guaranteed minimum) (gallons)	144,998	200,000	(55,002)	(28)%
Smackover refinery throughput volumes (guaranteed minimum BBL per day)	6,500	6,500	—	—%
Corpus Christi crude terminal (barrels per day)	—	66,167	(66,167)	(100)%

*Services revenues. S*ervices revenue decreased primarily as a result of decreased throughput volumes and pass-through revenues at our Corpus Christi crude terminal, which was sold on December 21, 2016.

Products revenues. An 11% increase in sales volumes offset by a 1% decrease in average sales price at our blending and packaging facilities resulted in a $5.9 million increase to products revenues. Products revenues at our shore-based terminals increased $11.0 million resulting from an 18% increase in average sales price and a 1% increase in sales volume.

Cost of products sold. An 11% increase in sales volumes at our blending and packaging facilities resulted in a $4.9 million increase in cost of products sold. Average cost per gallon increased 2%, resulting in a $0.8 million increase in cost of products sold. Cost of products sold at our shore-based terminals increased $10.1 million resulting from an 19% increase in average cost per gallon and a 1% increase in sales volumes.

Operating expenses. Operating expenses at our specialty terminals decreased $4.8 million, primarily as a result of the disposition of the Corpus Christi crude terminalling assets in the fourth quarter 2016 of $7.6 million, offset by hurricane expenses of $2.5 million. Operating expenses at our shore-based terminals increased by $3.2 million, primarily due to a $5.5 million increase in the accrual related to asset retirement obligations at leased terminal facilities and hurricane expenses of $0.3 million, offset by $2.7 million decrease associated with closed facilities.

Selling, general and administrative expenses. Selling, general and administrative expenses increased primarily due to increased legal fees of $0.6 million and compensation expense of $0.5 million.

Impairment of long-lived assets. This represents the loss on impairment of non-core operating assets.

Depreciation and amortization. The decrease in depreciation and amortization is due to the impact of the disposition of assets and assets being fully depreciated, offset by capital expenditures.

Other operating income, net. Other operating income, net represents gains and losses from the disposition of property, plant and equipment. The 2016 period includes the gain on the disposition of the Corpus Christi crude terminalling assets of $37.3 million.

Natural Gas Services Segment

Comparative Results of Operations for the Twelve Months Ended December 31, 2018 and 2017

	Year Ended December 31,			Percent
	2018	2017	Variance	Change
	(In thousands)			
Revenues:				
Services	$ 52,109	$ 58,817	$ (6,708)	(11)%
Products	496,026	474,091	21,935	5%
Total revenues	548,135	532,908	15,227	3%
Cost of products sold	467,571	425,073	42,498	10%
Operating expenses	24,065	22,347	1,718	8%
Selling, general and administrative expenses	9,063	11,106	(2,043)	(18)%
Depreciation and amortization	21,283	24,916	(3,633)	(15)%
	26,153	49,466	(23,313)	(47)%
Other operating loss, net	(1,215)	(89)	(1,126)	(1,265)%
Operating income	$ 24,938	$ 49,377	$ (24,439)	(49)%
NGLs Volumes (barrels)	10,223	10,487	(264)	(3)%

Services Revenues. The decrease in services revenue is primarily a result of lower firm storage re-contracting rates at our natural gas storage facilities.

Products Revenues. Our NGL average sales price per barrel increased $3.31, or 7%, resulting in an increase to products revenues of $34.7 million. The increase in average sales price per barrel was a result of an increase in market prices. Product sales volumes decreased 3%, decreasing revenues $12.8 million.

Cost of products sold. Our average cost per barrel increased $5.20, or 13%, increasing cost of products sold by $54.6 million. The increase in average cost per barrel was a result of an increase in market prices. The decrease in sales volume of 3% resulted in a $12.1 million decrease to cost of products sold. Our margins decreased $1.89 per barrel, or 40% during the period.

Operating expenses. Operating expenses increased $1.4 million at our natural gas storage facilities, primarily as a result of $0.6 million in increased utility expense, $0.5 million in insurance premiums, and $0.3 million in park and loan expense. Additionally, repairs and maintenance expense at our underground NGL storage facility increased $0.3 million.

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

Depreciation and amortization. Depreciation and amortization decreased primarily due to a $3.9 million decrease in amortization related to contracts acquired during the purchase of Cardinal Gas Storage Partners, LLC (“Cardinal”), offset by a $0.3 million increase in depreciation expense related to recent capital expenditures.

Other operating loss, net. Other operating loss, net represents losses from the disposition of property, plant and equipment.

Comparative Results of Operations for the Twelve Months Ended December 31, 2017 and 2016

	Year Ended December 31,			Percent
	2017	2016	Variance	Change
	(In thousands)			
Revenues:				
Services	$ 58,817	$ 61,133	$ (2,316)	(4)%
Products	474,091	330,200	143,891	44%
Total revenues	532,908	391,333	141,575	36%
Cost of products sold	425,073	292,573	132,500	45%
Operating expenses	22,347	23,152	(805)	(3)%
Selling, general and administrative expenses	11,106	8,970	2,136	24%
Depreciation and amortization	24,916	28,081	(3,165)	(11)%
	49,466	38,557	10,909	28%
Other operating loss, net	(89)	(110)	21	19%
Operating income	$ 49,377	$ 38,447	$ 10,930	28%
NGLs Volumes (barrels)	10,487	9,532	955	10%

Services Revenues. The decrease in services revenue is primarily a result of decreased storage rates at our Arcadia gas storage facility.

Products Revenues. Our NGL average sales price per barrel increased $10.57, or 31%, resulting in an increase to products revenues of $100.7 million. The increase in average sales price per barrel was a result of an increase in market prices. Product sales volumes increased 10%, increasing revenues $43.2 million.

Cost of products sold. Our average cost per barrel increased $9.84, or 32%, increasing cost of products sold by $93.8 million. The increase in average cost per barrel was a result of an increase in market prices. The increase in sales volume of 10% resulted in a $38.7 million increase to cost of products sold. Our margins increased $0.73 per barrel, or 18% during the period.

Operating expenses. Operating expenses decreased $0.8 million due to $0.3 million of decreased maintenance expense at our NGL East Texas pipeline, decreased compensation expense of $0.3 million, and decreased repairs and maintenance at our underground NGL storage facility of $0.2 million.

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

Depreciation and amortization. Depreciation and amortization decreased primarily due to a $3.7 million decrease in amortization related to contracts acquired during the purchase of Cardinal Gas Storage Partners, LLC ("Cardinal"), offset by a $0.6 million increase in depreciation expense related to recent capital expenditures.

Other operating loss, net. Other operating loss, net represents losses from the disposition of property, plant and equipment.

Sulfur Services Segment

Comparative Results of Operations for the Twelve Months Ended December 31, 2018 and 2017

	Year Ended December 31,			Percent
	2018	2017	Variance	Change
	(In thousands)			
Revenues:				
Services	$ 11,148	$ 10,952	$ 196	2%
Products	121,388	123,732	(2,344)	(2)%
Total revenues	132,536	134,684	(2,148)	(2)%
Cost of products sold	90,780	82,760	8,020	10%
Operating expenses	11,618	13,783	(2,165)	(16)%
Selling, general and administrative expenses	4,326	4,136	190	5%
Depreciation and amortization	8,485	8,117	368	5%
	17,327	25,888	(8,561)	(33)%
Other operating loss, net	(111)	(26)	(85)	(327)%
Operating income	$ 17,216	$ 25,862	$ (8,646)	(33)%
Sulfur (long tons)	688.0	807.0	(119.0)	(15)%
Fertilizer (long tons)	277.0	276.0	1.0	—%
Sulfur services volumes (long tons)	965.0	1,083.0	(118.0)	(11)%

Services Revenues. Services revenues increased as a result of a contractually prescribed index based fee adjustment.

Products Revenues. Products revenues decreased $14.8 million due to an 11% decrease in sales volumes, primarily related to a 15% decrease in sulfur volumes. Offsetting, products revenues increased $12.5 million as a result of a 10% rise in average sulfur services sales prices.

Cost of products sold. A 23% increase in prices impacted cost of products sold by $19.1 million, resulting from an increase in commodity prices. An 11% decrease in sales volumes resulted in an offsetting decrease in cost of products sold of $11.1 million. Margin per ton decreased $6.11, or 16%.

Operating expenses. Our operating expenses decreased primarily as a result of a $1.5 million reduction in compensation expense and $0.4 million in lower property taxes. Additionally, outside towing decreased $0.3 million, railcar leases decreased $0.3 million, and repairs and maintenance on marine vessels decreased $0.2 million. An offsetting increase of $0.5 million resulted from an increase in marine fuel and lube.

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

Depreciation and amortization. Depreciation expense increased $0.4 million due to capital projects being completed and placed in service in the fourth quarter of 2017 and throughout 2018.

Other operating loss, net. Other operating loss, net represents losses from the disposition of property, plant and equipment.

Comparative Results of Operations for the Twelve Months Ended December 31, 2017 and 2016

	Year Ended December 31,		Variance	Percent Change
	2017	2016		
	(In thousands)			
Revenues:				
Services	$ 10,952	$ 10,800	$ 152	1%
Products	123,732	130,258	(6,526)	(5)%
Total revenues	134,684	141,058	(6,374)	(5)%
Cost of products sold	82,760	88,325	(5,565)	(6)%
Operating expenses	13,783	13,771	12	—%
Selling, general and administrative expenses	4,136	3,861	275	7%
Depreciation and amortization	8,117	7,995	122	2%
	25,888	27,106	(1,218)	(4)%
Other operating loss, net	(26)	(291)	265	91%
Operating income	$ 25,862	$ 26,815	$ (953)	(4)%
Sulfur (long tons)	807.0	797.0	10.0	1%
Fertilizer (long tons)	276.0	262.0	14.0	5%
Sulfur services volumes (long tons)	1,083.0	1,059.0	24.0	2%

Services Revenues. Services revenues increased as a result of a contractually prescribed index based fee adjustment.

Products Revenues. Products revenues decreased $9.3 million as a result of a 7% decline in average sales price. Offsetting, products revenues increased $2.8 million due to a 2% increase in sales volumes, primarily related to a 5% increase in fertilizer volumes.

Cost of products sold. An 8% decrease in prices reduced cost of products sold by $7.4 million, resulting from a decline in commodity prices. A 2% increase in sales volumes caused an offsetting increase in cost of products sold of $1.9 million. Margin per ton decreased $1.78, or 4%.

Selling, general and administrative expenses. Our selling, general and administrative expenses increased $0.3 million due to increased compensation expense offset slightly by a decrease of $0.1 million in bad debt expense.

Depreciation and amortization. Depreciation expense increased $0.1 million due to capital projects being completed and placed in service during the second half of 2016.

Other operating loss, net. Other operating loss, net represents losses from the disposition of property, plant and equipment.

Marine Transportation Segment

Comparative Results of Operations for the Twelve Months Ended December 31, 2018 and 2017

	Year Ended December 31,			Percent
	2018	2017	Variance	Change
	(In thousands)			
Revenues	$ 52,830	$ 51,915	$ 915	2%
Operating expenses	41,086	44,028	(2,942)	(7)%
Selling, general and administrative expenses	1,060	358	702	196%
Impairment of long-lived assets	—	1,625	(1,625)	(100)%
Depreciation and amortization	7,590	7,002	588	8%
	3,094	(1,098)	4,192	382%
Other operating loss, net	(381)	(113)	(268)	(237)%
Operating income (loss)	$ 2,713	$ (1,211)	$ 3,924	324%

Revenues. An increase of $1.8 million in inland revenue was primarily related to new equipment being placed in service. Revenue was also impacted by an increase in pass-through revenue (primarily fuel) of $2.1 million. An offsetting decrease of $3.1 million is attributable to revenue related to equipment sold or being classified as idle or held for sale. A $0.2 million increase in offshore revenues is primarily the result of increased utilization.

Operating expenses. The decrease in operating expenses is primarily a result of decreased labor and burden of $1.8 million, a reclassification of labor and burden from operating expense to selling general and administrative expense for the 2018 period of $0.7 million, repairs and maintenance of $0.8 million, barge rental expense of $1.0 million, property and liability insurance premiums of $1.0 million, and outside towing of $0.3 million. These decreases were offset by an increase in pass through expenses (primarily fuel) of $2.2 million, marine Jones Act claims of $0.4 million, and contract labor of $0.3 million.

Selling, general and administrative expenses. Selling, general and administrative expenses increased primarily due to the reclassification of expenses from operating expense to selling, general, and administrative expense of $0.7 million for the 2018 period.

Impairment of long-lived assets. This represents the loss on impairment of non-core operating assets.

Depreciation and amortization. Depreciation and amortization increased as a result of recent capital expenditures offset by asset disposals.

Other operating loss, net. Other operating loss represents losses from the disposition of property, plant and equipment.

Comparative Results of Operations for the Twelve Months Ended December 31, 2017 and 2016

	Year Ended December 31,		Variance	Percent Change
	2017	2016		
	(In thousands)			
Revenues	$ 51,915	$ 61,233	$ (9,318)	(15)%
Operating expenses	44,028	53,118	(9,090)	(17)%
Selling, general and administrative expenses	358	18	340	1,889%
Impairment of long lived assets	1,625	11,701	(10,076)	(86)%
Impairment of goodwill	—	4,145	(4,145)	(100)%
Depreciation and amortization	7,002	10,572	(3,570)	(34)%
	(1,098)	(18,321)	17,223	94%
Other operating loss, net	(113)	(1,567)	1,454	93%
Operating income (loss)	$ (1,211)	$ (19,888)	$ 18,677	94%

Inland revenues. A decrease of $7.2 million is primarily attributable to decreased transportation rates and decreased utilization of the inland fleet resulting from an abundance of supply of marine equipment in our predominantly Gulf Coast market.

Offshore revenues. A $2.4 million decrease in offshore revenues is primarily the result of the 2016 period including the recognition of previously deferred revenues of $1.5 million and decreased utilization of the offshore fleet due to downtime associated with regulatory inspections of $0.7 million.

Operating expenses. The decrease in operating expenses is primarily a result of decreased labor and burden of $3.9 million, repairs and maintenance of $1.3 million, Jones Act claims of $0.8 million, pass-through expenses (primarily barge tank cleaning) of $0.7 million, outside towing of $0.4 million, barge rental expense of $0.4 million, property taxes of $0.3 million, operating supplies of $0.3 million, and property insurance premiums of $0.2 million.

Selling, general and administrative expenses. Selling, general and administrative expenses increased primarily due to the 2016 period including the collection of a previously deemed uncollectible receivable of $0.5 million, offset by decreased legal fees of $0.1 million.

Impairment of long-lived assets. This represents the loss on impairment of non-core operating assets.

Loss on impairment of goodwill. This represents the loss on impairment of goodwill in the Marine Transportation reporting unit during the second quarter of 2016.

Depreciation and amortization. Depreciation and amortization decreased as a result of the disposal of property, plant and equipment combined with the impairment of long-lived assets recognized in the fourth quarter of 2016, offset by recent capital expenditures.

Other operating loss, net. Other operating loss represents losses from the disposition of property, plant and equipment.

Interest Expense

Comparative Components of Interest Expense, Net for the Twelve Months Ended December 31, 2018 and 2017

	Year Ended December 31,			Percent
	2018	2017	Variance	Change
	(In thousands)			
Revolving loan facility	$ 20,193	$ 18,192	$ 2,001	11%
7.250 % senior unsecured notes	27,101	27,101	—	—%
Amortization of deferred debt issuance costs	3,445	2,897	548	19%
Amortization of debt premium	(306)	(306)	—	—%
Other	2,258	1,532	726	47%
Capitalized interest	(624)	(730)	106	15%
Interest income	(30)	(943)	913	97%
Total interest expense, net	$ 52,037	$ 47,743	$ 4,294	9%

Comparative Components of Interest Expense, Net for the Twelve Months Ended December 31, 2017 and 2016

	Year Ended December 31,			Percent
	2017	2016	Variance	Change
	(In thousands)			
Revolving loan facility	$ 18,192	$ 19,482	$ (1,290)	(7)%
7.250 % senior unsecured notes	27,101	27,326	(225)	(1)%
Amortization of deferred debt issuance costs	2,897	3,684	(787)	(21)%
Amortization of debt premium	(306)	(306)	—	—%
Impact of interest rate derivative activity, including cash settlements	—	(995)	995	100%
Other	1,532	291	1,241	426%
Capitalized interest	(730)	(1,126)	396	35%
Interest income	(943)	(2,256)	$ 1,313	58%
Total interest expense, net	$ 47,743	$ 46,100	$ 1,643	4%

Indirect Selling, General and Administrative Expenses

	Year Ended December 31,			Percent	Year Ended December 31,			Percent
	2018	2017	Variance	Change	2017	2016	Variance	Change
	(In thousands)				(In thousands)			
Indirect selling, general and administrative expenses	$ 17,901	$ 17,332	$ 569	3%	$ 17,332	$ 16,795	$ 537	3%

The increase in indirect selling, general and administrative expenses from 2017 to 2018 is primarily a result of increased unit based compensation expense.

The increase in indirect selling, general and administrative expenses from 2016 to 2017 is primarily a result of a $0.6 million increase in audit, consulting and other professional fees.

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 31,			Percent	Year Ended December 31,			Percent
	2018	2017	Variance	Change	2017	2016	Variance	Change
	(In thousands)				(In thousands)			
Conflicts Committee approved reimbursement amount	$ 16,416	$ 16,416	$ —	—%	$ 16,416	$ 13,033	$ 3,383	26%

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 have historically been cash flows generated by our operations and access to debt and equity markets, both public and private. 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. Given the current environment, we have altered and reduced our planned growth capital expenditures. We believe that controlling our spending in an effort to preserve liquidity is prudent and reduces our need for near-term access to the somewhat uncertain capital markets.

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

Credit Facility Amendment. On February 21, 2018, we amended our revolving credit facility in order to achieve two primary objectives, the first of which was to accommodate growth capital expenditures necessary for the previously announced WTLPG expansion project. Starting in the first quarter of 2018, the amendment provided short-term (5 quarters) covenant relief by increasing the total leverage ratio to 5.75 to 1.00 (first and second quarters of 2018) with step downs to 5.50 to 1.00 (third and fourth quarters of 2018 and first quarter of 2019) and to 5.25 to 1.00 beginning in the second quarter of 2019. Additionally, the facility was amended to establish an inventory financing sublimit tranche for borrowings related to our NGL (butane) marketing business, which is a part of and not in addition to the already existing commitments under the revolving credit facility. This sublimit is not to exceed $75.0 million, with seasonal step downs to $10.0 million for the months of March through June of each fiscal year. The sublimit is subject to a monthly borrowing base not to exceed 90% of the value of forward sold/hedged inventory. In conjunction with the sale of WTLPG on July 31, 2018, we amended our revolving credit facility which included, among other things, further revising our leverage covenants from the February 21, 2018 amendment (discussed in detail above). Total Indebtedness to EBITDA and Senior Secured Indebtedness to EBITDA (each as defined in the credit agreement) was amended to 5.25 times and 3.50 times, respectively. No changes were made to the Consolidated Interest Coverage Ratio (as defined in the credit agreement) of 2.50 times.

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 2019.

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, 2018 Compared to Twelve Months Ended December 31, 2017

The following table details the cash flow changes between the twelve months ended December 31, 2018 and 2017:

	Years Ended December 31,		Variance	Percent Change
	2018	2017		
	(In thousands)			
Net cash provided by (used in):				
Operating activities	$ 90,726	$ 67,506	$ 23,220	34%
Investing activities	147,654	(37,878)	185,532	490%
Financing activities	(238,170)	(29,616)	(208,554)	(704)%
Net increase (decrease) in cash and cash equivalents	$ 210	$ 12	$ 198	34%

Net cash provided by operating activities. The increase in net cash provided by operating activities for the twelve months ended December 31, 2018 includes a $52.6 million favorable variance in working capital and a $4.8 million decrease in other non-cash charges. Offsetting was a decrease in operating results of $20.6 million and an unfavorable variance in other non-current assets and liabilities of $2.1 million. Net cash provided by discontinued operating activities decreased $2.0 million.

Net cash provided by (used in) investing activities. Net cash provided by investing activities for the twelve months ended December 31, 2018 increased primarily as a result of a $177.3 million increase in net cash provided by discontinued investing activities. Additionally, a decrease in cash used in investing activities as a result of the acquisition of certain asphalt terminalling assets from Martin Resource Management in 2017, compared to no acquisitions in 2018, resulted in an increase of $19.5 million. Further, a decrease in cash used of $2.3 million is due to lower payments for capital expenditures and plant turnaround costs in 2018 as well as a $1.0 million increase in proceeds received as a result of higher sales of property, plant and equipment in 2018. Offsetting was a $15.0 million decline in proceeds received resulting from repayment of the Note receivable - affiliate in 2017 as compared to none in 2018.

Net cash used in financing activities. Net cash used in financing activities increased for the twelve months ended December 31, 2018 as a result of an increase in net repayments of long-term borrowings of $160.0 million as well as a decrease in proceeds received from the issuance of common units (including the related general partner contribution) of $52.3 million. Also contributing was an increase in cash distributions paid of $1.5 million and an additional $1.2 million in costs associated with our credit facility amendment. Offsetting was a decrease in cash used of $6.7 million related to excess purchase price over the carrying value of acquired assets in common control transactions.

Cash Flows - Twelve Months Ended December 31, 2017 Compared to Twelve Months Ended December 31, 2016

The following table details the cash flow changes between the twelve months ended December 31, 2017 and 2016:

	Years Ended December 31,		Variance	Percent Change
	2017	2016		
	(In thousands)			
Net cash provided by (used in):				
Operating activities	$ 67,506	$ 110,848	$ (43,342)	(39)%
Investing activities	(37,878)	63,839	(101,717)	(159)%
Financing activities	(29,616)	(174,703)	145,087	83%
Net decrease in cash and cash equivalents	$ 12	$ (16)	$ 28	175%

Net cash provided by operating activities. The decline in net cash provided by operating activities includes a decrease in operating results from continuing operations of $14.5 million and a $29.6 million unfavorable variance in working capital. Further decreases were due to an $11.8 million decrease in other non-cash charges and a decrease in distributions received from WTLPG of $2.1 million. Offsetting was an increase of $14.6 million attributable to a favorable variance in other non-current assets and liabilities.

Net cash (used in) provided by investing activities. Net cash from investing activities decreased as a result of a decrease of $100.1 million in net proceeds from the sale of property, plant and equipment. The 2017 period also included an

acquisition of $19.5 million compared to an acquisition of $2.2 million in 2016, resulting in a $17.4 million decrease in cash. Offsetting these decreases was an increase of $15.0 million for proceeds received from repayment of the Note receivable - affiliate and a decrease in payments for capital expenditures and plant turnaround costs of $1.2 million.

Net cash used in financing activities. Net cash used in financing activities decreased for the year ended December 31, 2017 as a result of a decrease in net repayments of long-term borrowings of $57.0 million. Proceeds received from the issuance of common units (including the related general partner contribution) increased net cash by $52.2 million. Also contributing was a decrease in cash distributions paid of $41.2 million and $5.2 million less in costs associated with our credit facility amendment. Offsetting was an increase of $10.9 million related to excess purchase price over the carrying value of acquired assets in common control transactions.

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.

Total Contractual Obligations. A summary of our total contractual obligations as of December 31, 2018, is as follows (dollars in thousands):

	Payments due by period				
Type of Obligation	Total Obligation	Less than One Year	1-3 Years	3-5 Years	More than 5 years
Revolving credit facility	$ 287,000	$ —	$ 287,000	$ —	$ —
2021 senior unsecured notes	373,800	—	373,800	—	—
Throughput commitment	16,030	6,194	9,836	—	—
Operating leases	27,921	7,869	8,633	3,596	7,823
Interest payable on fixed long-term obligations	57,589	27,101	30,488	—	—
Total contractual cash obligations	$ 762,340	$ 41,164	$ 709,757	$ 3,596	$ 7,823

The interest payable under our revolving credit facility is not reflected in the above table because such amounts depend on the outstanding balances and interest rates, which vary from time to time.

Letter of Credit. At December 31, 2018, we had outstanding irrevocable letters of credit in the amount of $16.9 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' 7.25% 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. In 2015, we repurchased on the open market and subsequently retired an aggregate $26.2 million of our outstanding 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, 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

At December 31, 2018, we maintained a $664.4 million credit facility. This facility was most recently amended on July 24, 2018, which included, among other things, revising our existing leverage covenants. Total Indebtedness to EBITDA and Senior Secured Indebtedness to EBITDA (each as defined in the credit agreement) was amended to 5.25 times and 3.50 times, respectively. No changes were made to the Consolidated Interest Coverage Ratio (as defined in the credit agreement) of 2.50 times.

As of December 31, 2018, we had $287.0 million outstanding under the revolving credit facility and $16.9 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 $360.5 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, 2018, we have the ability to borrow approximately $25.8 million of that amount. We were in compliance with all financial covenants at December 31, 2018.

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, 2018, the level of outstanding draws on our credit facility has ranged from a low of $287.0 million to a high of $500.0 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.

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 as of December 31, 2018:

Leverage Ratio	Base Rate Loans	Eurodollar Rate Loans	Letters of Credit
Less than 3.00 to 1.00	1.00%	2.00%	2.00%
Greater than or equal to 3.00 to 1.00 and less than 3.50 to 1.00	1.25%	2.25%	2.25%
Greater than or equal to 3.50 to 1.00 and less than 4.00 to 1.00	1.50%	2.50%	2.50%
Greater than or equal to 4.00 to 1.00 and less than 4.50 to 1.00	1.75%	2.75%	2.75%
Greater than or equal to 4.50 to 1.00	2.00%	3.00%	3.00%

At December 31, 2018, the applicable margin for revolving loans that are LIBOR loans ranges from 2.00% to 3.00% and the applicable margin for revolving loans that are base prime rate loans ranges from 1.00% to 2.00%. The applicable margin for LIBOR borrowings at December 31, 2018 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.

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.

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.

The Partnership is in compliance with all debt covenants as of December 31, 2018 and expects to be in compliance for the next twelve months.

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, natural gas storage division of the Natural Gas Services segment provides stable cash flows and is not generally subject to seasonal demand factors. Additionally, our Terminalling and Storage and Marine Transportation segments and the molten sulfur business are typically not impacted by seasonal fluctuations and 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 2018, 2017 or 2016. 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 2018, 2017 or 2016.

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.

We have entered into hedging transactions as of December 31, 2018 to protect a portion of our commodity price risk exposure. These hedging arrangements are in the form of swaps for NGLs. We have instruments totaling a gross notional quantity of 55,000 barrels settling during the period from January 31, 2019 through February 28, 2019. These instruments settle against the applicable pricing source for each grade and location. These instruments are recorded on our Consolidated Balance Sheets at December 31, 2018 in "Fair value of derivatives" as a current asset of $0.04 million. Based on the current net notional volume hedged as of December 31, 2018, a $0.10 change in the expected settlement price of these contracts would result in an impact of $0.2 million to the Partnership's net income.

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 5.24% as of December 31, 2018. Based on the amount of unhedged floating rate debt owed by us on December 31, 2018, the impact of a 100 basis point 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 $2.9 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 $360.1 million as of December 31, 2018, based on market prices of similar debt at December 31, 2018. Market risk is estimated as the potential decrease in fair value of our long-term debt resulting from a hypothetical increase of a 100 basis point increase in interest rates. Such an increase in interest rates would result in approximately a $6.8 million decrease in fair value of our long-term debt at December 31, 2018.

Item 8. Financial Statements and Supplementary Data

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

Report of Independent Registered Public Accounting Firm

To the Unitholders and Board of Directors
Martin Midstream Partners L.P. and Martin Midstream GP LLC:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Martin Midstream Partners L.P. and subsidiaries (the "Partnership") as of December 31, 2018 and 2017, the related consolidated statements of operations, changes in capital, and cash flows for each of the years in the three-year period ended December 31, 2018, and the related notes (collectively, the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Partnership as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2018, 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) ("PCAOB"), the Partnership's internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 19, 2019 expressed an unqualified opinion on the effectiveness of the Partnership's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Partnership in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Partnership's auditor since 1981

Dallas, Texas
February 19, 2019

Report of Independent Registered Public Accounting Firm

To the Unitholders and Board of Directors
Martin Midstream Partners L.P. and Martin Midstream GP LLC:

Opinion on Internal Control Over Financial Reporting

We have audited Martin Midstream Partners L.P. and subsidiaries' (the "Partnership") internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Partnership maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Partnership as of December 31, 2018 and 2017, the related consolidated statements of operations, changes in capital, and cash flows for each of the years in the three-year period ended December 31, 2018, and the related notes (collectively, the "consolidated financial statements"), and our report dated February 19, 2019, expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Partnership'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*. Our responsibility is to express an opinion on the Partnership's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Partnership in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. 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 of internal control over financial reporting 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.

Definition and Limitations of Internal Control Over Financial Reporting

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.

/s/ KPMG LLP

Dallas, Texas
February 19, 2019

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

	December 31,	
	2018	**2017**
Assets		
Cash	$ 237	$ 27
Trade and accrued accounts receivable, less allowance for doubtful accounts of $291 and $314, respectively	79,031	107,242
Product exchange receivables	166	29
Inventories (Note 7)	85,068	97,252
Due from affiliates	18,609	23,668
Fair value of derivatives (Note 13)	4	—
Other current assets	5,275	4,866
Assets held for sale (Note 5)	5,652	9,579
Total current assets	194,042	242,663
Property, plant and equipment, at cost (Note 8)	1,264,730	1,253,065
Accumulated depreciation	(466,381)	(421,137)
Property, plant and equipment, net	798,349	831,928
Goodwill (Note 9)	17,296	17,296
Investment in WTLPG (Note 11)	—	128,810
Intangibles and other assets, net (Note 15)	23,711	32,801
	$ 1,033,398	$ 1,253,498
Liabilities and Partners' Capital		
Trade and other accounts payable	$ 63,157	$ 92,567
Product exchange payables	13,237	11,751
Due to affiliates	2,459	3,168
Income taxes payable	445	510
Fair value of derivatives (Note 13)	—	72
Other accrued liabilities (Note 15)	22,215	26,340
Total current liabilities	101,513	134,408
Long-term debt, net (Note 16)	656,459	812,632
Other long-term obligations	10,714	8,217
Total liabilities	768,686	955,257
Commitments and contingencies (Note 22)		
Partners' capital (Note 17)	264,712	298,241
Total partners' capital	264,712	298,241
	$ 1,033,398	$ 1,253,498

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,		
	2018	**2017**	**2016**
Revenues:			
Terminalling and storage *	$ 96,287	$ 99,705	$ 123,132
Marine transportation *	50,370	48,579	58,290
Natural gas storage services *	52,109	58,817	61,133
Sulfur services	11,148	10,952	10,800
Product sales: *			
Natural gas services	496,026	473,865	330,200
Sulfur services	121,388	123,732	130,258
Terminalling and storage	145,327	130,466	113,578
	762,741	728,063	574,036
Total revenues	972,655	946,116	827,391
Costs and expenses:			
Cost of products sold: (excluding depreciation and amortization)			
Natural gas services *	463,939	421,444	289,516
Sulfur services *	90,418	82,338	87,963
Terminalling and storage *	130,253	116,495	100,714
	684,610	620,277	478,193
Expenses:			
Operating expenses *	128,337	140,177	152,325
Selling, general and administrative *	37,677	38,764	34,320
Impairment of long-lived assets	—	2,225	26,953
Impairment of goodwill	—	—	4,145
Depreciation and amortization	76,866	85,195	92,132
Total costs and expenses	927,490	886,638	788,068
Other operating income (loss), net	(379)	523	33,400
Operating income	44,786	60,001	72,723
Other income (expense):			
Interest expense, net	(52,037)	(47,743)	(46,100)
Other, net	25	1,101	1,106
Total other income (expense)	(52,012)	(46,642)	(44,994)
Net income (loss) before taxes	(7,226)	13,359	27,729
Income tax expense	(369)	(352)	(726)
Income (loss) from continuing operations	(7,595)	13,007	27,003
Income from discontinued operations, net of income taxes	51,700	4,128	4,649
Net income	44,105	17,135	31,652
Less general partner's interest in net income	(882)	(343)	(8,419)
Less income allocable to unvested restricted units	(28)	(42)	(90)
Limited partner's interest in net income	$ 43,195	$ 16,750	$ 23,143

*Related Party Transactions Shown Below

See accompanying notes to consolidated financial statements.

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,		
	2018	**2017**	**2016**
Revenues:			
Terminalling and storage	$ 79,219	$ 82,205	$ 82,437
Marine transportation	15,442	16,801	21,767
Natural gas services	—	122	699
Product sales	1,407	3,578	3,034
Costs and expenses:			
Cost of products sold: (excluding depreciation and amortization)			
Natural gas services	14,816	18,946	22,886
Sulfur services	17,418	15,564	15,339
Terminalling and storage	28,304	17,612	13,838
Expenses:			
Operating expenses	55,528	64,344	70,841
Selling, general and administrative	28,246	29,416	25,890

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,		
	2018	**2017**	**2016**
Allocation of net income attributable to:			
Limited partner interest:			
Continuing operations	$ (7,438)	$ 12,715	$ 19,744
Discontinued operations	50,633	4,035	3,399
	$ 43,195	$ 16,750	$ 23,143
General partner interest:			
Continuing operations	$ (152)	$ 260	$ 7,182
Discontinued operations	1,034	83	1,237
	$ 882	$ 343	$ 8,419
Net income per unit attributable to limited partners:			
Basic:			
Continuing operations	$ (0.19)	$ 0.33	$ 0.55
Discontinued operations	1.30	0.11	0.10
	$ 1.11	$ 0.44	$ 0.65
Weighted average limited partner units - basic	38,907	38,102	35,347
Diluted:			
Continuing operations	$ (0.19)	$ 0.33	$ 0.55
Discontinued operations	1.30	0.11	0.10
	$ 1.11	$ 0.44	$ 0.65
Weighted average limited partner units - diluted	38,923	38,165	35,375

See accompanying notes to consolidated financial statements.

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

	Partners' Capital			
	Common		General Partner	
	Units	Amount	Amount	Total
Balances – December 31, 2015	35,456,612	$ 380,845	$ 13,034	$ 393,879
Net income	—	23,233	8,419	31,652
Issuance of common units, net	—	(29)	—	(29)
Issuance of restricted units	13,800	—	—	—
Forfeiture of restricted units	(2,250)	—	—	—
Cash distributions	—	(104,137)	(14,041)	(118,178)
Reimbursement of excess purchase price over carrying value of acquired assets	—	4,125	—	4,125
Unit-based compensation	—	904	—	904
Purchase of treasury units	(16,100)	(347)	—	(347)
Balances – December 31, 2016	35,452,062	304,594	7,412	312,006
Net income	—	16,792	343	17,135
Issuance of common units, net	2,990,000	51,056	—	51,056
Issuance of restricted units	12,000	—	—	—
Forfeiture of restricted units	(9,250)	—	—	—
General partner contribution	—	—	1,098	1,098
Cash distributions	—	(75,399)	(1,539)	(76,938)
Reimbursement of excess purchase price over carrying value of acquired assets	—	1,125	—	1,125
Excess purchase price over carrying value of acquired assets	—	(7,887)	—	(7,887)
Unit-based compensation	—	650	—	650
Purchase of treasury units	(200)	(4)	—	(4)
Balances – December 31, 2017	38,444,612	290,927	7,314	298,241
Net income	—	43,223	882	44,105
Issuance of common units, net	—	(118)	—	(118)
Issuance of time-based restricted units	315,500	—	—	—
Issuance of performance-based restricted units	317,925	—	—	—
Forfeiture of restricted units	(27,000)	—	—	—
Cash distributions	—	(76,872)	(1,569)	(78,441)
Excess purchase price over carrying value of acquired assets	—	(26)	—	(26)
Unit-based compensation	—	1,224	—	1,224
Purchase of treasury units	(18,800)	(273)	—	(273)
Balances – December 31, 2018	39,032,237	$ 258,085	$ 6,627	$ 264,712

See accompanying notes to consolidated financial statements.

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

	Year Ended December 31,		
	2018	**2017**	**2016**
Cash flows from operating activities:			
Net income	$ 44,105	$ 17,135	$ 31,652
Less: Income from discontinued operations	(51,700)	(4,128)	(4,649)
Net income (loss) from continuing operations	(7,595)	13,007	27,003
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	76,866	85,195	92,132
Amortization and write-off of deferred debt issue costs	3,445	2,897	3,684
Amortization of premium on notes payable	(306)	(306)	(306)
(Gain) loss on disposition or sale of property, plant, and equipment	379	(523)	(33,400)
Impairment of long lived assets	—	2,225	26,953
Impairment of goodwill	—	—	4,145
Derivative (income) loss	(14,024)	1,304	4,133
Net cash (paid) received for commodity derivatives	13,948	(5,136)	(550)
Net cash received for interest rate derivatives	—	—	160
Net premiums received on derivatives that settled during the year on interest rate swaption contracts	—	—	630
Unit-based compensation	1,224	650	904
Change in current assets and liabilities, excluding effects of acquisitions and dispositions:			
Accounts and other receivables	28,440	(26,739)	(6,153)
Product exchange receivables	(137)	178	843
Inventories	11,844	(14,656)	(6,761)
Due from affiliates	5,059	(12,096)	(1,441)
Other current assets	1,178	(1,699)	2,478
Trade and other accounts payable	(27,478)	20,037	3,254
Product exchange payables	1,486	4,391	(5,372)
Due to affiliates	(709)	(5,306)	2,736
Income taxes payable	(65)	(360)	(115)
Other accrued liabilities	(6,415)	(3,187)	686
Change in other non-current assets and liabilities	332	2,416	(12,230)
Net cash provided by continuing operating activities	87,472	62,292	103,413
Net cash provided by discontinued operating activities	3,254	5,214	7,435
Net cash provided by operating activities	90,726	67,506	110,848
Cash flows from investing activities:			
Payments for property, plant, and equipment	(37,090)	(39,749)	(40,455)
Acquisitions, net of cash acquired	—	(19,533)	(2,150)
Payments for plant turnaround costs	(1,893)	(1,583)	(2,061)
Proceeds from sale of property, plant, and equipment	9,381	8,377	108,505
Proceeds from repayment of Note receivable - affiliate	—	15,000	—
Net cash provided by (used in) continuing investing activities	(29,602)	(37,488)	63,839
Net cash provided by (used in) discontinued investing activities	177,256	(390)	—
Net cash provided by (used in) investing activities	147,654	(37,878)	63,839
Cash flows from financing activities:			
Payments of long-term debt	(557,000)	(339,000)	(386,700)
Proceeds from long-term debt	399,000	341,000	331,700
Net proceeds from issuance of common units	(118)	51,056	(29)
General partner contributions	—	1,098	—
Excess purchase price over carrying value of acquired assets	(26)	(7,887)	—
Reimbursement of excess purchase price over carrying value of acquired assets	—	1,125	4,125
Purchase of treasury units	(273)	(4)	(347)
Payments of debt issuance costs	(1,312)	(66)	(5,274)
Cash distributions paid	(78,441)	(76,938)	(118,178)
Net cash used in financing activities	(238,170)	(29,616)	(174,703)

Net increase (decrease) in cash	210	12	(16)
Cash at beginning of year	27	15	31
Cash at end of year	$ 237	$ 27	$ 15

See accompanying notes to consolidated financial statements.

NOTE 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 and the 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.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES

(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, 2018 or 2017.

Divestiture of WTLPG Partnership Interest. On July 31, 2018, the Partnership completed the sale of its 20 percent non-operating interest in West Texas LPG Pipeline L.P. ("WTLPG") to ONEOK, Inc. ("ONEOK"). WTLPG owns an approximate 2,300 mile common-carrier pipeline system that primarily transports NGLs from New Mexico and Texas to Mont Belvieu, Texas for fractionation. A wholly-owned subsidiary of ONEOK, Inc. is the operator of the assets. The Partnership has concluded the disposition represents a strategic shift and will have a major effect on its financial results going forward. As a result, the Partnership has presented the results of operations and cash flows relating to its equity method investment in WTLPG as discontinued operations for the years ended December 31, 2018, 2017, and 2016. See Note 5 for more information.

Correction of Immaterial Error. The year to date amounts for 2017 and 2016 have been revised to reflect a reclassification in the presentation of certain expenses associated with the manufacturing and shipping of product related to a location in the Partnership's Terminalling and Storage operating segment. The reclassification resulted in a decrease in operating expenses from $146,874 to $140,177 and an increase in cost of products sold from $613,580 to $620,277 for the year ended December 31, 2017, and a decrease in operating expenses from $158,864 to $152,325 and an increase in cost of products sold from $471,654 to $478,193 for the year ended December 31, 2016.

(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. Delivery of product is invoiced as the transaction occurs and are generally paid within a month.

Natural Gas Services – NGL distribution revenue is recognized when product is delivered by truck, rail, or pipeline to the Partnership's NGL customers. Revenue is recognized on title transfer of the product to the customer. Delivery of product is invoiced as the transaction occurs and are generally paid within a month. Natural gas storage revenue is recognized when the service is provided to the customer. The performance of the service is invoiced as the transaction occurs and are generally paid within a month.

Sulfur Services – Revenue from sulfur product sales is recognized when the customer takes title to the product. Delivery of product is invoiced as the transaction occurs and are generally paid within a month. Revenue from sulfur services is recognized as deliveries are made during each monthly period. The performance of the service is invoiced as the transaction occurs and are generally paid within a month.

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. The performance of the service is invoiced as the transaction occurs and are generally paid within a month.

(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. 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 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 will record the amount of goodwill impairment as the excess of a reporting unit's carrying amount over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit.

When assessing the recoverability of goodwill and other intangible assets, the Partnership may first assess qualitative factors in determining whether it is more likely than not that the fair value of a reporting unit or other intangible asset is less than its carrying amount. After assessing qualitative factors, if the Partnership determines that it is not more likely than not that the fair value of a reporting unit or other intangible asset is less than its carrying amount, then performing a quantitative assessment is not required. If an initial qualitative assessment indicates that it is more likely than not the carrying amount exceeds the fair value of a reporting unit or other intangible asset, a quantitative analysis will be performed. The Partnership may also elect to bypass the qualitative assessment and proceed directly to a quantitative analysis depending on the facts and circumstances.

Of the Partnership's four reporting units, the terminalling and storage, natural gas services, and sulfur services reporting units contain goodwill. No goodwill impairment was recorded for the year ended December 31, 2018 or 2017. During the second quarter of 2016, the Partnership experienced an impairment of all the goodwill in the Partnership's marine transportation reporting unit.

In performing a quantitative analysis, recoverability of goodwill for each reporting unit is measured using a weighting of the discounted cash flow method and two market approaches (the guideline public company method and the guideline transaction method). The discounted cash flow model incorporates discount rates commensurate with the risks involved. Use of a discounted cash flow model is common practice in assessing impairment in the absence of available transactional market evidence to determine the fair value. The key assumptions used in the discounted cash flow valuation model include discount rates, growth rates, cash flow projections and terminal value rates. Discount rates, growth rates and cash flow projections are the most sensitive and susceptible to change as they require significant management judgment. Discount rates are determined by using a weighted average cost of capital ("WACC"). The WACC considers market and industry data as well as company-specific risk factors for each reporting unit in determining the appropriate discount rate to be used. The discount rate utilized for each reporting unit is indicative of the return an investor would expect to receive for investing in such a business. Management, considering industry and company specific historical and projected data, develops growth rates and cash flow projections for each reporting unit. Terminal value rate determination follows common methodology of capturing the present value of perpetual cash flow estimates beyond the last projected period assuming a constant WACC and low long-term growth rates. If the calculated fair value is less than the current carrying amount, the Partnership will record the amount of goodwill impairment as the excess of a reporting unit's carrying amount over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit.

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 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 2018, 2017 or 2016.

(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 and are shown, net of accumulated amortization, as a reduction of the related long-term debt.

In connection with the issuance, amendment, expansion and restatement of debt arrangements, the Partnership incurred debt issuance costs of $1,312, $66 and $5,274 in the years ended December 31, 2018, 2017 and 2016, respectively.

During 2016, the Partnership made certain strategic amendments to its credit facility which, among other things, decreased its borrowing capacity from $700,000 to $664,444 and extended the maturity date of the facility from March 28, 2018 to March 28, 2020. In connection with the amendment, the Partnership expensed $820 of unamortized debt issuance costs determined not to have continuing benefit.

Remaining unamortized deferred issuance costs are amortized over the term of each respective revised debt arrangement.

Amortization and write-off of debt issuance costs, which is included in interest expense, totaled $3,445, $2,897 and $3,684 for the years ended December 31, 2018, 2017 and 2016, respectively. Accumulated amortization amounted to $20,607 and $17,162 at December 31, 2018 and 2017, 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 fourth quarter of 2017, the Partnership identified a triggering event related to the planned disposition of certain assets that were no longer deemed core assets in the Partnership's Marine Transportation business. The triggering event was the assets' inability to generate cash flows in recent quarters and going forward. As a result, an impairment charge of $1,625 was recorded in the Marine Transportation segment results of operations in the fourth quarter of 2017. Additionally, the Partnership recorded an adjustment to the fair value less cost to sell of a certain asset classified as held for sale in the Martin Lubricants division of the Terminalling and Storage segment. As a result, an impairment charge of $600 was recorded in the Terminalling and Storage segment results of operations in the fourth quarter of 2017.

On August 25, 2017, Hurricane Harvey made landfall as a Category 4 hurricane. The storm lingered over Texas and Louisiana for days producing over 50 inches of rain in some areas, resulting in widespread flooding and damage. The Partnership experienced an impact from Hurricane Harvey in our Terminalling and Storage and Sulfur Services segments, where damages were suffered to the Partnership's property, plant, and equipment at its Neches, Stanolind, Galveston, and Harbor Island terminals located along the Texas gulf coast. The damage incurred did not exceed the insurance deductible at these locations and therefore the Partnership does not expect to receive any insurance proceeds resulting from the damage from Hurricane Harvey. In the third quarter of 2017, the Partnership recorded a write-off in the amount of $186 related to assets damaged.

In the fourth quarter of 2016, the Partnership identified a triggering event related to certain organic growth projects in the Smackover Refinery and Specialty Terminals divisions of the Partnership's Terminalling and Storage segment. These triggering events were the decision to not move forward with certain expansion projects due to the evaporation of the economic viability of the projects. Additionally, a triggering event was identified related to the planned disposition of certain assets that were no longer deemed core assets to the Partnership's Martin Lubricants division. As a result, an impairment charge of $15,252 was recorded

in the Terminalling and Storage segment results of operations for the year ended December 31, 2016. Also, in the fourth quarter of 2016, the Partnership identified a triggering event related to the planned disposition of certain assets that were no longer deemed core assets in the Partnership's Marine Transportation business. The triggering event was the assets' inability to generate cash flows in recent quarters and going forward. As a result, an impairment charge of $11,701 was recorded in the Marine Transportation segment results of operations in the fourth quarter of 2016.

(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.

Derivative instruments not designated as hedges are marked to market with all market value adjustments being recorded in the Consolidated Statements of Operations.

(l) 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.

(m) 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, 2018, 2017 and 2016, the conflicts committee of the Partnership's general partner ("Conflicts Committee") approved reimbursement amounts of $16,416, $16,416 and $13,033, 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.

(n) 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.

(o) Trade and Accrued 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.

(p) 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.

(q) 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.

(r) Income Taxes

The Partnership is subject to the Texas margin tax, which is considered a state income tax, and is included in income tax expense on the Consolidated Statements of Operations. Since the tax base on the Texas margin tax is derived from an income-based measure, the margin tax is construed as an income tax and, therefore, the recognition of deferred taxes applies to the margin tax. The impact on deferred taxes as a result of this provision is immaterial.

(s) Comprehensive Income

Comprehensive income includes net income and other comprehensive income. There are no items of other comprehensive income or loss in any of the years presented.

NOTE 3. RECENT ACCOUNTING PRONOUNCEMENTS

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU replaced most existing revenue recognition guidance in U.S. GAAP. The new standard is effective for the Partnership on January 1, 2018. The standard permits the use of either the retrospective or cumulative effect transition method. The Partnership adopted the new standard utilizing the cumulative effect method which resulted in no cumulative effect of the adoption being recorded as of January 1, 2018. The Partnership adopted ASU 2014-09 on January 1, 2018 and did not identify any significant changes in the timing of revenue recognition when considering the amended accounting guidance. Additional disclosures related to revenue recognition appear in "Note 6. Revenue."

In February 2016, the FASB issued ASU 2016-02, *Leases*, which introduces the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous guidance. Lessor accounting under the new standard is substantially unchanged and the Partnership believes substantially all of our leases will continue to be classified as operating leases under the new standard. Additional qualitative and quantitative disclosures, including significant judgments made by management, will be required. The update is effective for annual reporting periods beginning after December 15, 2018, including interim periods within those reporting periods, with early adoption permitted. The original guidance required application on a modified retrospective basis with the earliest period presented. In August 2018, the FASB issued ASU 2018-11, *Targeted Improvements to ASC 842*, which includes an option to not restate comparative periods in transition and elect to use the effective date of ASC 842, Leases, as the date of initial application of transition. Based on the effective date, this guidance will apply and the Partnership will adopt this ASU beginning on January 1, 2019 and plans to elect the transition option provided under ASU 2018-11. Consequently, financial information will not be updated and the disclosures required under the new standard will not be provided for dates and periods before January 1, 2019.

The new standard provides a number of optional practical expedients in transition. The Partnership expects to elect the "package of practical expedients", which permits the Partnership not to reassess under the new standard our prior conclusions about lease identification, lease classification and initial direct costs. The new standard also provides practical expedients for an entity's ongoing accounting. The Partnership expects to elect the short-term lease recognition exemption for

(Dollars in thousands, except where otherwise indicated)

all leases that qualify. This means, for those assets that qualify, the Partnership will not recognize ROU assets or lease liabilities, and this includes not recognizing ROU assets or lease liabilities for existing short-term leases of those assets in transition.

Based on its current lease portfolio, the Partnership estimates that the adoption of this ASU will result in approximately $19,879 of additional assets and liabilities being reflected on its Consolidated Balance Sheet as of January 1, 2019.

NOTE 4. ACQUISITIONS

Acquisition of Terminalling Assets. On February 22, 2017, the Partnership acquired 100% of the membership interests of MEH South Texas Terminals LLC ("MEH"), a subsidiary of Martin Resource Management, for a purchase price of $27,420 (the "Hondo Acquisition"), which was was funded with borrowings under the Partnership's revolving credit facility. At the date of acquisition, MEH was in the process of constructing an asphalt terminal facility in Hondo, Texas (the "Hondo Terminal"), which will serve the asphalt market in San Antonio, Texas and surrounding areas. 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 excess of the purchase price over the carrying value of the assets of $7,887 was recorded as an adjustment to "Partners' capital."

Purchase price	$	27,420
Historical carrying value of assets allocated to "Property, plant and equipment"		19,533
Excess purchase price over carrying value of acquired assets	$	7,887

As no individual line item of the historical financial statements of the acquired assets was in excess of 3% of the Partnership's relative consolidated financial statement captions, the Partnership elected not to retrospectively recast the historical financial information to include these assets.

NOTE 5. DISCONTINUED OPERATIONS, DIVESTITURES, AND ASSETS HELD FOR SALE

Divestitures

Divestiture of WTLPG Partnership Interest. On July 31, 2018, the Partnership completed the sale of its 20 percent non-operating interest in WTLPG to ONEOK. WTLPG owns an approximate 2,300 mile common-carrier pipeline system that primarily transports NGLs from New Mexico and Texas to Mont Belvieu, Texas for fractionation. A wholly-owned subsidiary of ONEOK is the operator of the assets. In consideration for the sale of these assets, the Partnership received cash proceeds of $193,705, after transaction fees and expenses. The proceeds from the sale were used to reduce outstanding borrowings under the Partnership's revolving credit facility. The Partnership has concluded the disposition represents a strategic shift and will have a major effect on its financial results going forward. As a result, the Partnership has presented the results of operations and cash flows relating to its equity method investment in WTLPG as discontinued operations for the years ended December 31, 2018, 2017, and 2016.

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

	For the Year Ended December 31,		
	2018	2017	2016
Total costs and expenses and other, net, excluding depreciation and amortization[1]	$ (247)	$ (186)	$ (65)
Other operating income[2]	48,564	—	—
Equity in earnings	3,383	4,314	4,714
Income from discontinued operations before income taxes	51,700	4,128	4,649
Income tax expense	—	—	—
Income from discontinued operations, net of income taxes	$ 51,700	$ 4,128	$ 4,649

(Dollars in thousands, except where otherwise indicated)

[1] These expenses represent direct operating expenses as a result of the Partnership's ownership interest in WTLPG.

[2] Other operating income represents the gain on the disposition of the investment in WTLPG.

Divestiture of Terminalling Assets. On December 21, 2016, the Partnership sold its 900,000 barrel crude oil storage terminal, refined product barge terminal, certain pipelines and related easements as well as dockage and trans-loading assets located in Corpus Christi, Texas (collectively the "CCCT Assets") to NuStar Logistics, L.P. ("NuStar") for gross consideration of $107,000 plus the reimbursement of certain capital expenditures and prepaid items of $2,057. The Partnership received net proceeds of approximately $93,347 after transaction fees and expenses as well as the application of certain net cash payments previously received by us in conjunction with its mandated relocation of certain dockage assets to the purchase price in the amount of $13,400. Proceeds from the sale were used to reduce outstanding borrowings under the Partnership's revolving credit facility. The Partnership recorded a gain from the divestiture of $37,345, which was included in "Other operating income, net" on the Partnership's Consolidated Statements of Operations for the year ended December 31, 2016. Net income attributable to the CCCT Assets included in the Partnership's Consolidated Statements of Operations was $0, $0, and $43,804 for the years ended December 31, 2018, 2017, and 2016, respectively.

The divestiture of the CCCT Assets did not qualify for discontinued operations presentation under the guidance of ASC 205-20.

Long-Lived Assets Held for Sale

In the fourth quarter of 2017, the Partnership identified certain assets that were no longer deemed core to the operations of the Partnership in the inland division of the Marine Transportation segment. Additionally, the Partnership recorded an adjustment to the fair value less cost to sell of a certain asset classified as held for sale in the Martin Lubricants division of the Terminalling and Storage segment. As a result, an impairment charge of $600 and $1,625 was recorded in the Terminalling and Storage and Marine Transportation segments, respectively, in the fourth quarter of 2017 and was presented as "Impairment of long-lived assets" in the Partnership's Consolidated Statements of Operations.

In the fourth quarter of 2016, the Partnership identified certain assets that were no longer deemed core to the operations of the Partnership in the Smackover refinery and Martin Lubricants divisions of the Terminalling and Storage segment as well as the inland and offshore divisions of the Marine Transportation segment. These assets were deemed non-core due to the each asset's inability to generate cash flows in recent quarters as well as the expected cash flows in future quarters. As a result, an impairment charge of $15,252 and $11,701 was recorded in the Terminalling and Storage and Marine Transportation segments, respectively, in the fourth quarter of 2016 and was presented as "Impairment of long-lived assets" in the Partnership's Consolidated Statements of Operations.

At December 31, 2018 and 2017, the assets met the criteria to be classified as held for sale in accordance with ASC 360-10 and are presented at the assets' fair value less cost to sell by segment in current assets as follows:

	December 31, 2018	December 31, 2017
Terminalling and storage	$ 3,552	$ 4,152
Marine transportation	2,100	5,427
Assets held for sale	$ 5,652	$ 9,579

During 2018, the Partnership received $1,002 in proceeds from the sale of assets classified as held for sale resulting in a loss of $1,022, which was presented as a component of "Other operating income (loss), net" in the Partnership's Consolidated Statements of Operations.

During 2017, the Partnership received $8,341 in proceeds from the sale of assets classified as held for sale resulting in a gain of $822, which was presented as a component of "Other operating income (loss), net" in the Partnership's Consolidated Statements of Operations.

The non-core assets discussed above did not qualify for discontinued operations presentation under the guidance of ASC 205-20.

(Dollars in thousands, except where otherwise indicated)

NOTE 6. REVENUE

The following table disaggregates our revenue by major source:

	2018	2017	2016
Terminalling and storage segment			
Lubricant product sales	$ 145,327	$ 130,466	$ 113,578
Throughput and storage	96,287	99,705	123,132
	$ 241,614	$ 230,171	$ 236,710
Natural gas services segment			
Natural gas liquids product sales	$ 496,026	$ 473,865	$ 330,200
Natural gas storage	52,109	58,817	61,133
	$ 548,135	$ 532,682	$ 391,333
Sulfur service segment			
Sulfur product sales	$ 46,347	$ 49,204	$ 53,327
Fertilizer product sales	75,041	74,528	76,931
Sulfur services	11,148	10,952	10,800
	$ 132,536	$ 134,684	$ 141,058
Marine transportation segment			
Inland transportation	$ 44,580	$ 42,874	$ 50,556
Offshore transportation	5,790	5,705	7,734
	$ 50,370	$ 48,579	$ 58,290

Revenue is measured based on a consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties where the Partnership is acting as an agent. The Partnership recognizes revenue when the Partnership satisfies a performance obligation, which typically occurs when the Partnership transfers control over a product to a customer or as the Partnership delivers a service.

The following is a description of the principal activities - separated by reportable segments - from which the Partnership generates revenue.

Terminalling and Storage Segment

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 when title is transferred, which is either upon delivering product to the customer or when the product leaves the Partnership's facility, depending on the specific terms of the contract. Delivery of product is invoiced as the transaction occurs and is generally paid within a month.

Natural Gas Services Segment

Natural Gas Liquids ("NGL") distribution revenue is recognized when product is delivered by truck, rail, or pipeline to the Partnership's NGL customers. Revenue is recognized on title transfer of the product to the customer. Delivery of product is invoiced as the transaction occurs and are generally paid within a month. Natural gas storage revenue is recognized when the service is provided to the customer. The performance of the service is invoiced as the transaction occurs and is generally paid within a month.

(Dollars in thousands, except where otherwise indicated)

Sulfur Services Segment

Revenue from sulfur product sales is recognized when the customer takes title to the product. Delivery of product is invoiced as the transaction occurs and are generally paid within a month. Revenue from sulfur services is recognized as services are performed during each monthly period. The performance of the service is invoiced as the transaction occurs and is generally paid within a month.

Marine Transportation Segment

Revenue is recognized for time charters based on a per day rate. For contracted trips, revenue is recognized upon completion of the particular trip. The performance of the service is invoiced as the transaction occurs and is generally paid within a month.

The table includes estimated minimum revenue expected to be recognized in the future related to performance obligations that are unsatisfied at the end of the reporting period. The Partnership applies the practical expedient in ASC 606-10-50-14(a) and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

	2019	2020	2021	2022	2023	Thereafter	Total
Terminalling and storage							
Throughput and storage	$ 50,079	$ 49,354	$ 46,642	$ 42,735	$ 42,854	$ 392,624	$ 624,288
Natural gas services							
Natural gas storage	37,979	32,119	26,276	24,615	10,107	—	131,096
Sulfur services							
Sulfur product sales	17,082	4,898	1,181	295	—	—	23,456
Marine transportation							
Offshore transportation	6,205	—	—	—	—	—	6,205
Total	$ 111,345	$ 86,371	$ 74,099	$ 67,645	$ 52,961	$ 392,624	$ 785,045

NOTE 7. INVENTORIES

Components of inventories at December 31, 2018 and 2017 were as follows:

	2018	2017
Natural gas liquids	$ 32,388	$ 47,462
Sulfur	12,818	8,436
Fertilizer	14,208	18,674
Lubricants	22,887	20,086
Other	2,767	2,594
	$ 85,068	$ 97,252

(Dollars in thousands, except where otherwise indicated)

NOTE 8. PROPERTY, PLANT, AND EQUIPMENT

At December 31, 2018 and 2017, property, plant and equipment consisted of the following:

	Depreciable Lives	2018	2017
Land	—	$ 22,293	$ 21,719
Improvements to land and buildings	10-25 years	129,985	135,896
Storage equipment	5-50 years	174,851	178,815
Marine vessels	4-25 years	191,070	176,782
Operating plant and equipment	3-50 years	673,909	659,854
Base Gas	—	43,755	43,799
Furniture, fixtures and other equipment	3-20 years	11,832	11,134
Transportation equipment	3-7 years	1,821	1,535
Construction in progress		15,214	23,531
		$ 1,264,730	$ 1,253,065

Depreciation expense for the years ended December 31, 2018, 2017 and 2016 was $67,122, $70,904 and $72,405.

Additions to property, plant and equipment included in accounts payable at December 31, 2018 and 2017 were $2,166 and $4,100, respectively.

NOTE 9. GOODWILL

The following table represents the goodwill balance by reporting unit at December 31, 2018 and 2017 as follows:

	2018	2017
Carrying amount of goodwill:		
Terminalling and storage	$ 11,868	$ 11,868
Natural gas services	79	79
Sulfur services	5,349	5,349
Total goodwill	$ 17,296	$ 17,296

During the impairment evaluation performed at August 31, 2018 and 2017, the Partnership first assessed qualitative factors in determining whether it is more likely than not that the fair value of a reporting unit or other intangible asset is less than its carrying amount. After assessing qualitative factors, the Partnership determined that it is not more likely than not that the fair value of its reporting units are less than its carrying amount. Therefore, no impairment was recorded for the year ended December 31, 2018 or 2017.

During the second quarter of 2016, the Partnership determined that the state of market conditions in the Marine Transportation reporting unit, including the demand for utilization, day rates and the current oversupply of inland tank barges, indicated that an impairment of goodwill may exist. As a result, the Partnership assessed qualitative factors and determined that the Partnership could not conclude it was more likely than not that the fair value of goodwill exceeded its carrying value. In turn, the Partnership prepared a quantitative analysis of the fair value of the goodwill as of June 30, 2016, based on the weighted average valuation of the aforementioned income and market based valuation approaches. The underlying results of the valuation were driven by actual results during the six months ended June 30, 2016 and the pricing and market conditions existing as of June 30, 2016, which were below forecasts at the time of the previous goodwill assessments. Other key estimates, assumptions and inputs used in the valuation included long-term growth rates, discounts rates, terminal values, valuation multiples and relative valuations when comparing the reporting unit to similar businesses or asset bases. Upon completion of the analysis, a $4,145 impairment of all goodwill in the Marine Transportation reporting unit was incurred during the second quarter of 2016. The Partnership did not recognize any other goodwill impairment losses for the year ended December 31, 2016.

(Dollars in thousands, except where otherwise indicated)

NOTE 10. 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. 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, 2018 consist of the following:

Fiscal year	Operating Leases
2019	$ 7,869
2020	5,417
2021	3,216
2022	2,129
2023	1,467
Thereafter	7,823
Total	$ 27,921

Rent expense for continuing operating leases for the years ended December 31, 2018, 2017 and 2016 was $14,076, $15,908 and $19,005, respectively.

NOTE 11. INVESTMENT IN WTLPG

As discussed in Note 5, on July 31, 2018, the Partnership completed the sale of its 20 percent non-operating interest in WTLPG. Prior to the sale, the Partnership owned a 19.8% limited partnership and 0.2% general partnership interest in WTLPG. A wholly-owned subsidiary of ONEOK is the operator of the assets. WTLPG owns an approximate 2,300 mile common-carrier pipeline system that primarily transports NGLs from New Mexico and Texas to Mont Belvieu, Texas for fractionation. The Partnership recognized its 20% interest in WTLPG as "Investment in WTLPG" on its Consolidated Balance Sheets. The Partnership accounted for its ownership interest in WTLPG under the equity method of accounting. As discussed in Note 5, the Partnership sold its 20% non-operating partnership interest to ONEOK on July 31, 2018.

Selected financial information for WTLPG during the period of ownership is as follows:

	As of July 31,			Seven Months Ended July 31,	
	Total Assets	Long-Term Debt	Members' Equity/Partners' Capital	Revenues	Net Income
2018					
WTLPG	$ 928,349	$ —	$ 868,894	$ 55,534	$ 16,642

	As of December 31,			Years ended December 31,	
	Total Assets	Long-Term Debt	Members' Equity/Partners' Capital	Revenues	Net Income
2017					
WTLPG	$ 837,163	$ —	$ 787,426	$ 87,048	$ 21,571
2016					
WTLPG	$ 812,464	$ —	$ 790,406	$ 88,468	$ 23,883

NOTE 12. 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.

(Dollars in thousands, except where otherwise indicated)

Assets and liabilities measured at fair value on a recurring basis are summarized below:

	Level 2 December 31,	
	2018	2017
Commodity derivative contracts, net	$ 4	$ (72)

The Partnership is required to disclose estimated fair values for its financial instruments. Fair value estimates are set forth below for these financial instruments. The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

- Accounts and other receivables, trade and other accounts payable, accrued interest payable, other accrued liabilities, income taxes payable and due from/to affiliates: The carrying amounts approximate fair value due to the short maturity and highly liquid nature of these instruments, and as such these have been excluded from the table below. There is negligible credit risk associated with these instruments.

- Long-term debt: The carrying amount of the revolving credit facility approximates fair value due to the debt having a variable interest rate and is in Level 2. The Partnership has not had any indicators which represent a change in the market spread associated with its variable interest rate debt. The estimated fair value of the senior unsecured notes is considered Level 1, as the fair value is based on quoted market prices in active markets.

	December 31, 2018		December 31, 2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
2021 Senior unsecured notes	$ 372,996	$ 360,138	$ 372,618	$ 381,657

NOTE 13. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Partnership's results of operations could be materially impacted by changes in NGL prices and interest rates. In an effort to manage its exposure to these risks, the Partnership periodically enters into various derivative instruments, including commodity and interest rate hedges. All derivatives and hedging instruments are included on the balance sheet as an asset or a liability measured at fair value and changes in fair value are recognized currently in earnings. All of the Partnership's derivatives are non-hedge derivatives and therefore all changes in fair values are recognized as gains and losses in the earnings of the periods in which they occur.

(a) Commodity Derivative Instruments

The Partnership from time to time has used 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. The Partnership has established a hedging policy and monitors and manages the commodity market risk associated with potential commodity risk exposure. In addition, the Partnership has focused on utilizing counterparties for these transactions whose financial condition is appropriate for the credit risk involved in each specific transaction. The Partnership has entered into hedging transactions as of December 31, 2018 to protect a portion of its commodity price risk exposure. These hedging arrangements are in the form of swaps for NGLs. The Partnership has instruments totaling a gross notional quantity of 55 barrels settling during the period from January 31, 2019 through February 28, 2019. At December 31, 2017, the Partnership had instruments totaling a gross notional quantity of 145 barrels settling during the period from January 31, 2018 through February 28, 2018. These instruments settle against the applicable pricing source for each grade and location.

(b) Interest Rate Derivative Instruments

The Partnership is exposed to market risks associated with interest rates. Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. We minimize this market risk by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken. The Partnership enters into

(Dollars in thousands, except where otherwise indicated)

interest rate swaps to manage interest rate risk associated with the Partnership's variable rate credit facility and its senior unsecured notes.

During the twelve months ended December 31, 2016, the Partnership entered into contracts which provided the counterparty the option to enter into swap contracts to hedge the Partnership's exposure to changes in the fair value of its senior unsecured notes ("interest rate swaptions"). In connection with the interest rate swaption contracts, the Partnership received premiums of $630, which represented the fair value on the date the transactions were initiated and were initially recorded as a derivative liability on the Partnership's Consolidated Balance Sheet, during the twelve months ended December 31, 2016. Each of the interest rate swaptions was fully amortized as of December 31, 2016. Interest rate swaption contract premiums received are amortized over the period from initiation of the contract through their termination date. For the twelve months ended December 31, 2016, the Partnership recognized $630 of premium in "Interest expense, net" on the Partnership's Consolidated Statement of Operations related to the interest rate swaption contracts.

For information regarding fair value amounts and gains and losses on interest rate derivative instruments and related hedged items, see "Tabular Presentation of Gains and Losses on Derivative Instruments and Related Hedged Items" below.

(c) Tabular Presentation of Gains and Losses on Derivative Instruments

The following table summarizes the fair values and classification of the Partnership's derivative instruments in its Consolidated Balance Sheets:

Fair Values of Derivative Instruments in the Consolidated Balance Sheet

	Derivative Assets			Derivative Liabilities		
	Fair Values			Fair Values		
	Balance Sheet Location	December 31, 2018	December 31, 2017	Balance Sheet Location	December 31, 2018	December 31, 2017
Derivatives not designated as hedging instruments:	Current:					
Commodity contracts	Fair value of derivatives	$ 4	$ —	Fair value of derivatives	$ —	$ 72
Total derivatives not designated as hedging instruments		$ 4	$ —		$ —	$ 72

Effect of Derivative Instruments on the Consolidated Statement of Operations For the Twelve Months Ended December 31, 2018, 2017, and 2016

	Location of Gain or (Loss) Recognized in Income on Derivatives	Amount of (Gain) or Loss Recognized in Income on Derivatives		
		2018	2017	2016
Derivatives not designated as hedging instruments:				
Interest rate swaption contracts	Interest expense	$ —	$ —	$ (630)
Interest rate contracts	Interest expense	—	—	(366)
Commodity contracts	Cost of products sold	(14,024)	1,304	5,129
Total derivatives not designated as hedging instruments		$ (14,024)	$ 1,304	$ 4,133

NOTE 14. RELATED PARTY TRANSACTIONS

As of December 31, 2018, Martin Resource Management owned 6,114,532 of the Partnership's common units representing approximately 15.7% of the Partnership's outstanding limited partnership units. Martin Resource Management controls the Partnership's general partner by virtue of its 51% voting interest in Holdings, the sole member of the Partnership's general partner. The Partnership's general partner, MMGP, owns a 2% general partner interest in the Partnership and the Partnership's incentive distribution rights. The Partnership's general partner's ability, as general partner, to manage and operate the Partnership, and Martin Resource Management's ownership as of December 31, 2018, of approximately 15.7% of the

Partnership's outstanding limited partnership units, effectively gives Martin Resource Management the ability to veto some of the Partnership's actions and to control the Partnership's management.

The following is a description of the Partnership's material related party agreements:

Omnibus Agreement

Omnibus Agreement. The Partnership and its general partner are parties to the Omnibus Agreement dated November 1, 2002, with Martin Resource Management 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 the Partnership's use of certain Martin Resource Management trade names and trademarks. 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.

Non-Competition Provisions. Martin Resource Management has agreed for so long as it controls the general partner of the Partnership, not to engage in the business of:

- providing terminalling and storage services for petroleum products and by-products including the refining, blending and packaging of finished lubricants;
- providing marine transportation of petroleum products and by-products;
- distributing NGLs; and
- manufacturing and selling sulfur-based fertilizer products and other sulfur-related products.

This restriction does not apply to:

- the ownership and/or operation on the Partnership's behalf of any asset or group of assets owned by it or its affiliates;
- any business operated by Martin Resource Management, including the following:
    - providing land transportation of various liquids;
    - distributing fuel oil, asphalt, marine fuel and other liquids;
    - providing marine bunkering and other shore-based marine services in Texas, Louisiana, Mississippi, Alabama, and Florida;
    - operating a crude oil gathering business in Stephens, Arkansas;
    - 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 the Partnership's business; and
    - operating, solely for the Partnership's account, the asphalt facilities in Omaha, Nebraska, Port Neches, Texas, Hondo, Texas, and South Houston, Texas.

- any business that Martin Resource Management acquires or constructs that has a fair market value of less than $5,000;

- any business that Martin Resource Management acquires or constructs that has a fair market value of $5,000 or more if the Partnership has been offered the opportunity to purchase the business for fair market value and the Partnership declines to do so with the concurrence of the Conflicts Committee; and

- any business that Martin Resource Management acquires or constructs where a portion of such business includes a restricted business and the fair market value of the restricted business is $5,000 or more and represents less than 20% of the aggregate value of the entire business to be acquired or constructed; provided that, following completion of the acquisition or construction, the Partnership will be provided the opportunity to purchase the restricted business.

Services. Under the Omnibus Agreement, Martin Resource Management provides the Partnership with corporate staff, support services, and administrative services necessary to operate the Partnership's business. The Omnibus Agreement requires the Partnership to reimburse Martin Resource Management for all direct expenses it incurs or payments it makes on the Partnership's behalf or in connection with the operation of the Partnership's business. There is no monetary limitation on the amount the Partnership is required to reimburse Martin Resource Management for direct expenses. In addition to the direct expenses, under the Omnibus Agreement, the Partnership is required to reimburse Martin Resource Management for indirect general and administrative and corporate overhead expenses.

Effective January 1, 2018, through December 31, 2018, the Conflicts Committee approved an annual reimbursement amount for indirect expenses of $16,416. The Partnership reimbursed Martin Resource Management for $16,416, $16,416 and $13,033 of indirect expenses for the years ended December 31, 2018, 2017 and 2016, respectively. The Conflicts Committee will review and approve future adjustments in the reimbursement amount for indirect expenses, if any, annually.

These indirect expenses are intended to cover the centralized corporate functions Martin Resource Management provides for the Partnership, 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 the Partnership shares with Martin Resource Management retained businesses. The provisions of the Omnibus Agreement regarding Martin Resource Management's services will terminate if Martin Resource Management ceases to control the general partner of the Partnership.

Related Party Transactions. The Omnibus Agreement prohibits the Partnership from entering into any material agreement with Martin Resource Management without the prior approval of the Conflicts Committee. For purposes of the Omnibus Agreement, the term material agreements means any agreement between the Partnership and Martin Resource Management that requires aggregate annual payments in excess of then-applicable agreed upon reimbursable amount of indirect general and administrative expenses. Please read "Services" above.

License Provisions. Under the Omnibus Agreement, Martin Resource Management has granted the Partnership a nontransferable, nonexclusive, royalty-free right and license to use certain of its trade names and marks, as well as the trade names and marks used by some of its affiliates.

Amendment and Termination. The Omnibus Agreement may be amended by written agreement of the parties; provided, however, that it may not be amended without the approval of the Conflicts Committee if such amendment would adversely affect the unitholders. The Omnibus Agreement was first amended on November 25, 2009, to permit the Partnership to provide refining services to Martin Resource Management. 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. Such amendments were approved by the Conflicts Committee. The Omnibus Agreement, other than the indemnification provisions and the provisions limiting the amount for which the Partnership will reimburse Martin Resource Management for general and administrative services performed on its behalf, will terminate if the Partnership is no longer an affiliate of Martin Resource Management.

Motor Carrier Agreement

Motor Carrier Agreement. The Partnership is a party to a motor carrier agreement effective January 1, 2006 as amended, with Martin Transport, Inc., a wholly owned subsidiary of Martin Resource Management through which Martin Transport, Inc. operates its land transportation operations. Under the agreement, Martin Transport, Inc. agreed to transport the Partnership's NGLs as well as other liquid products.

Term and Pricing. The agreement has an initial term that expired in December 2007 but automatically renews for consecutive one year periods unless either party terminates the agreement by giving written notice to the other party at least 30 days prior to the expiration of the then-applicable term. The Partnership has the right to terminate this agreement at any time by providing 90 days prior notice. These rates are subject to any adjustments which are mutually agreed or in accordance with a price index. Additionally, during the term of the agreement, shipping charges are also subject to fuel surcharges determined on a weekly basis in accordance with the U.S. Department of Energy's national diesel price list.

Indemnification. Martin Transport has indemnified us against all claims arising out of the negligence or willful misconduct of Martin Transport and its officers, employees, agents, representatives and subcontractors. We indemnified Martin Transport against all claims arising out of the negligence or willful misconduct of us and our officers, employees, agents, representatives and subcontractors. In the event a claim is the result of the joint negligence or misconduct of Martin Transport and us, our indemnification obligations will be shared in proportion to each party's allocable share of such joint negligence or misconduct.

As discussed in *Item 1. Business*, the Partnership purchased Martin Transport, Inc. effective January 1, 2019.

Marine Agreements

Marine Transportation Agreement. The Partnership is a party to a marine transportation agreement effective January 1, 2006, as amended, under which the Partnership provides 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. The fees the Partnership charges Martin Resource Management are based on applicable market rates.

Marine Fuel. The Partnership is a party to an agreement with Martin Resource Management dated November 1, 2002 under which Martin Resource Management provides the Partnership with marine fuel from its locations in the Gulf of Mexico at a fixed rate in excess of a price index. Under this agreement, the Partnership agreed to purchase all of its marine fuel requirements that occur in the areas serviced by Martin Resource Management.

Terminal Services Agreements

Diesel Fuel Terminal Services Agreement. Effective January 1, 2016, the Partnership entered into a second amended and restated terminalling services agreement under which the Partnership provides terminal services to Martin Resource Management for marine fuel distribution. At such time, the per gallon throughput fee the Partnership charged under this agreement was increased when compared to the previous agreement and may be adjusted annually based on a price index. This agreement was further amended on January 1, 2017 and October 1, 2017 to modify its minimum throughput requirements and throughput fees. This agreement, as amended, expired September 30, 2018 and continued thereafter on a month to month basis until terminated by either party by giving 60 days' written notice.

Miscellaneous Terminal Services Agreements. The Partnership is currently party to several terminal services agreements and from time to time the Partnership may enter into other terminal service agreements for the purpose of providing terminal services to related parties. Individually, each of these agreements is immaterial but when considered in the aggregate they could be deemed material. These agreements are throughput based with a minimum volume commitment. Generally, the fees due under these agreements are adjusted annually based on a price index.

Other Agreements

(Dollars in thousands, except where otherwise indicated)

Cross Tolling Agreement. The Partnership is a party to an amended and restated tolling agreement with Cross Oil Refining and Marketing, Inc. ("Cross") dated October 28, 2014, under which the Partnership processes crude oil into finished products, including naphthenic lubricants, distillates, asphalt and other intermediate cuts for Cross. The tolling agreement expires November 25, 2031. Under this tolling agreement, Cross agreed to process a minimum of 6,500 barrels per day of crude oil at the facility at a fixed price per barrel. Any additional barrels are processed at a modified price per barrel. In addition, Cross agreed to pay a monthly reservation fee and a periodic fuel surcharge fee based on certain parameters specified in the tolling agreement. All of these fees (other than the fuel surcharge) are subject to escalation annually based upon the greater of 3% or the increase in the Consumer Price Index for a specified annual period. In addition, on the third, sixth and ninth anniversaries of the agreement, the parties can negotiate an upward or downward adjustment in the fees subject to their mutual agreement.

Sulfuric Acid Sales Agency Agreement. The Partnership was previously a party to a third amended and restated sulfuric acid sales agency agreement dated August 2, 2017 but effective October 1, 2017, under which a successor in interest to the agreement from Martin Resource Management, Saconix LLC ("Saconix"), a limited liability company in which Martin Resource Management held a minority equity interest, purchased and marketed the sulfuric acid produced by the Partnership's sulfuric acid production plant at Plainview, Texas, that was not consumed by the Partnership's internal operations. This agreement, as amended, was to remain in place until September 30, 2020 and automatically renew year to year thereafter until either party provided 90 days' written notice of termination prior to the expiration of the then existing term. Under this agreement, the Partnership sold all of its excess sulfuric acid to Saconix, who then marketed and sold such acid to third-parties. The Partnership shared in the profit of such sales. Effective May 31, 2018, Martin Resource Management no longer holds an equity interest in Saconix. These transactions are reported below as related party transactions during the period the equity interest was held. Transactions subsequent to Martin Resource Management's disposition of the equity interest will be reported as third party transactions.

Other Miscellaneous Agreements. From time to time the Partnership enters into other miscellaneous agreements with Martin Resource Management for the provision of other services or the purchase of other goods.

The tables below summarize the related party transactions that are included in the related financial statement captions on the face of the Partnership's Consolidated Statements of Operations. The revenues, costs and expenses reflected in these tables are tabulations of the related party transactions that are recorded in the corresponding caption of the Consolidated Statements of Operations and do not reflect a statement of profits and losses for related party transactions.

The impact of related party revenues from sales of products and services is reflected in the Consolidated Statements of Operations as follows:

Revenues:	2018	2017	2016
Terminalling and storage	$ 79,219	$ 82,205	$ 82,437
Marine transportation	15,442	16,801	21,767
Natural gas services	—	122	699
Product sales:			
Natural gas services	19	1,043	8
Sulfur services	630	1,963	2,006
Terminalling and storage	758	572	1,020
	1,407	3,578	3,034
	$ 96,068	$ 102,706	$ 107,937

The impact of related party cost of products sold is reflected in the Consolidated Statements of Operations as follows:

Cost of products sold:			
Natural gas services	$ 14,816	$ 18,946	$ 22,886
Sulfur services	17,418	15,564	15,339
Terminalling and storage	28,304	17,612	13,838
	$ 60,538	$ 52,122	$ 52,063

(Dollars in thousands, except where otherwise indicated)

The impact of related party operating expenses is reflected in the Consolidated Statements of Operations as follows:

Operating expenses:			
Marine transportation	$ 22,326	$ 23,815	$ 28,107
Natural gas services	8,851	9,007	9,258
Sulfur services	5,497	5,821	5,995
Terminalling and storage	18,854	25,701	27,481
	$ 55,528	$ 64,344	$ 70,841

The impact of related party selling, general and administrative expenses is reflected in the Consolidated Statements of Operations as follows:

Selling, general and administrative:			
Marine transportation	$ 704	$ 34	$ 30
Natural gas services	5,568	8,162	7,566
Sulfur services	2,684	2,526	2,732
Terminalling and storage	2,847	2,278	2,526
Indirect overhead allocation, net of reimbursement	16,443	16,416	13,036
	$ 28,246	$ 29,416	$ 25,890

Other Related Party Transactions

The Partnership had a $15,000 note receivable from an affiliate of Martin Resource Management which previously bore an annual interest rate of 15% and had a maturity date of August 31, 2026, the balance of which could be prepaid on or after September 1, 2016. On February 14, 2017, the Partnership notified Martin Resource Management that it would be requesting voluntary repayment of the long-term Note Receivable plus accrued interest. During second quarter of 2017, the Note Receivable was fully repaid. The note has historically been recorded in "Note receivable - affiliates" on the Partnership's Consolidated Balance Sheets. Interest income for the years ended December 31, 2018, 2017, and 2016 was $0, $943 and $2,256, respectively, and is included in "Interest expense, net" in the Consolidated Statements of Operations.

NOTE 15. SUPPLEMENTAL BALANCE SHEET INFORMATION

Components of "Intangibles and other assets, net" at December 31, 2018 and 2017 were as follows:

	2018	2017
Customer contracts and relationships, net	$ 18,222	$ 25,252
Other intangible assets	1,310	1,752
Other	4,179	5,797
	$ 23,711	$ 32,801

Other intangible assets consist of covenants not-to-compete and technology-based assets.

Aggregate amortization expense for customer contracts and other intangible assets included in continuing operations was $9,228, $13,887, and $19,548, for the years ended December 31, 2018, 2017 and 2016, respectively, and accumulated amortization amounted to $44,510 and $39,462 at December 31, 2018 and 2017, respectively.

Estimated amortization expense for intangibles and other assets for the years subsequent to December 31, 2018 are as follows: 2019 - $6,063; 2020 - $5,272; 2021 - $4,319; 2022 - $4,295; 2023 - $1,952; subsequent years - $55.

Components of "Other accrued liabilities" at December 31, 2018 and 2017 were as follows:

	2018	2017
Accrued interest	$ 10,735	$ 11,726
Asset retirement obligations	2,721	5,429
Property and other taxes payable	5,621	5,638
Accrued payroll	3,109	3,385
Other	29	162
	$ 22,215	$ 26,340

The schedule below summarizes the changes in our asset retirement obligations:

	Year Ended December 31,	
	2018	2017
	(In thousands)	
Beginning asset retirement obligations	$ 13,512	$ 16,418
Revisions to existing liabilities[1]	4,041	5,547
Accretion expense	516	404
Liabilities settled	(5,640)	(8,857)
Ending asset retirement obligations	12,429	13,512
Current portion of asset retirement obligations[2]	(2,721)	(5,429)
Long-term portion of asset retirement obligations[3]	$ 9,708	$ 8,083

[1]Several factors are considered in the annual review process, including inflation rates, current estimates for removal cost, discount rates, and the estimated remaining useful life of the assets.

[2]The current portion of asset retirement obligations is included in "Other current liabilities" on the Partnership's Consolidated Balance Sheets.

[3]The non-current portion of asset retirement obligations is included in "Other long-term obligations" on the Partnership's Consolidated Balance Sheets.

NOTE 16. LONG-TERM DEBT

At December 31, 2018 and 2017, long-term debt consisted of the following:

	2018	2017
$664,444 Revolving credit facility at variable interest rate (5.24%[1] weighted average at December 31, 2018), due March 2020 secured by substantially all of the Partnership's assets, including, without limitation, inventory, accounts receivable, vessels, equipment, fixed assets and the interests in the Partnership's operating subsidiaries, net of unamortized debt issuance costs of $3,537 and $4,986, respectively[3]	$ 283,463	$ 440,014
$400,000 Senior notes, 7.25% interest, including unamortized premium of $650 and $956, respectively, also net of unamortized debt issuance costs of $1,454 and $2,138 respectively, issued $250,000 February 2013 and $150,000 April 2014, $26,200 repurchased during 2015, due February 2021, unsecured[3,4]	372,996	372,618
Total long-term debt	$ 656,459	$ 812,632

[1] Interest rate fluctuates based on the LIBOR rate plus an applicable margin set on the date of each advance. The margin above LIBOR is set every three months. Indebtedness under the credit facility bears interest at LIBOR plus an

applicable margin or the base prime rate plus an applicable margin. All amounts outstanding at December 31, 2018 and 2017 were at LIBOR plus an applicable margin. The applicable margin for revolving loans that are LIBOR loans ranges from 2.00% to 3.00% and the applicable margin for revolving loans that are base prime rate loans ranges from 1.00% to 2.00%. The applicable margin for LIBOR borrowings at December 31, 2018 is 2.75%. The credit facility contains various covenants which limit the Partnership's ability to make certain investments and acquisitions; enter into certain agreements; incur indebtedness; sell assets; and make certain amendments to the Omnibus Agreement. The Partnership is permitted to make quarterly distributions so long as no event of default exists.

[3] The Partnership is in compliance with all debt covenants as of December 31, 2018.

[4] The 2021 indentures restrict the Partnership's ability to sell assets; pay distributions or repurchase units or redeem or repurchase subordinated debt; make investments; incur or guarantee additional indebtedness or issue preferred units; and consolidate, merge or transfer all or substantially all of its assets.

The Partnership paid cash interest, net of proceeds received from interest rate swaptions, in the amount of $50,543, $45,728, and $46,046 for the years ended December 31, 2018, 2017 and 2016, respectively. Capitalized interest was $624, $730, and $1,126 for the years ended December 31, 2018, 2017 and 2016, respectively.

NOTE 17. PARTNERS' CAPITAL

As of December 31, 2018, partners' capital consisted of 39,032,237 common limited partner units, representing a 98% partnership interest, and a 2% general partner interest. Martin Resource Management, through subsidiaries, owned 6,114,532 of the Partnership's common limited partnership units representing approximately 15.7% of the Partnership's outstanding common limited partnership units. MMGP, the Partnership's general partner, owns the 2% general partnership interest.

The partnership agreement of the Partnership (the "Partnership Agreement") contains specific provisions for the allocation of net income and losses to each of the partners for purposes of maintaining their respective partner capital accounts.

Issuance of Common Units

On February 22, 2017, the Partnership completed a public offering of 2,990,000 common units at a price of $18.00 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 2,990,000 common units, net of underwriters' discounts, commissions and offering expenses, were $51,056. Additionally, the Partnership's general partner contributed $1,098 in cash to the Partnership in conjunction with the issuance in order to maintain its 2% general partner interest in the Partnership. All of the net proceeds were used to pay down outstanding amounts under the Partnership's revolving credit facility.

Incentive Distribution Rights

MMGP holds a 2% general partner interest and certain incentive distribution rights ("IDRs") in the Partnership. IDRs are a separate class of non-voting limited partner interest that may be transferred or sold by the general partner under the terms of the Partnership Agreement, and represent the right to receive an increasing percentage of cash distributions after the minimum quarterly distribution and any cumulative arrearages on common units once certain target distribution levels have been achieved. The Partnership is required to distribute all of its available cash from operating surplus, as defined in the Partnership Agreement.

The target distribution levels entitle the general partner to receive 2% of quarterly cash distributions up to $0.55 per unit, 15% of quarterly cash distributions in excess of $0.55 per unit until all unitholders have received $0.625 per unit, 25% of quarterly cash distributions in excess of $0.625 per unit until all unitholders have received $0.75 per unit and 50% of quarterly cash distributions in excess of $0.75 per unit.

For the years ended December 31, 2018, 2017 and 2016, the general partner was allocated $0, $0, and $7,786 in incentive distributions.

(Dollars in thousands, except where otherwise indicated)

Distributions of Available Cash

The Partnership distributes all of its available cash (as defined in the Partnership Agreement) within 45 days after the end of each quarter to unitholders of record and to the general partner. Available cash is generally defined as all cash and cash equivalents of the Partnership on hand at the end of each quarter less the amount of cash reserves its general partner determines in its reasonable discretion is necessary or appropriate to: (i) provide for the proper conduct of the Partnership's business; (ii) comply with applicable law, any debt instruments or other agreements; or (iii) provide funds for distributions to unitholders and the general partner for any one or more of the next four quarters, plus all cash on the date of determination of available cash for the quarter resulting from working capital borrowings made after the end of the quarter.

Net Income per Unit

The Partnership follows the provisions of the FASB ASC 260-10 related to earnings per share, which addresses the application of the two-class method in determining income per unit for master limited partnerships having multiple classes of securities that may participate in partnership distributions accounted for as equity distributions. Undistributed earnings are allocated to the general partner and limited partners utilizing the contractual terms of the Partnership Agreement. Distributions to the general partner pursuant to the IDRs are limited to available cash that will be distributed as defined in the Partnership Agreement. Accordingly, the Partnership does not allocate undistributed earnings to the general partner for the IDRs because the general partner's share of available cash is the maximum amount that the general partner would be contractually entitled to receive if all earnings for the period were distributed. When current period distributions are in excess of earnings, the excess distributions for the period are to be allocated to the general partner and limited partners based on their respective sharing of losses specified in the Partnership Agreement. Additionally, as required under FASB ASC 260-10-45-61A, unvested share-based payments that entitle employees to receive non-forfeitable distributions are considered participating securities, as defined in FASB ASC 260-10-20, for earnings per unit calculations.

For purposes of computing diluted net income per unit, the Partnership uses the more dilutive of the two-class and if-converted methods. Under the if-converted method, the weighted-average number of subordinated units outstanding for the period is added to the weighted-average number of common units outstanding for purposes of computing basic net income per unit and the resulting amount is compared to the diluted net income per unit computed using the two-class method. The following is a reconciliation of net income from continuing operations and net income from discontinued operations allocated to the general partner and limited partners for purposes of calculating net income attributable to limited partners per unit:

	Years Ended December 31,		
	2018	2017	2016
Continuing operations:			
Income from continuing operations	$ (7,595)	$ 13,007	$ 27,003
Less general partner's interest in net income:			
Distributions payable on behalf of IDRs	—	—	6,642
Distributions payable on behalf of general partner interest	(270)	1,191	1,756
General partner interest in undistributed loss	118	(931)	(1,216)
Less income allocable to unvested restricted units	(5)	32	77
Limited partners' interest in net income	$ (7,438)	$ 12,715	$ 19,744

(Dollars in thousands, except where otherwise indicated)

	Years Ended December 31,		
	2018	2017	2016
Discontinued operations:			
Income from discontinued operations	$ 51,700	$ 4,128	$ 4,649
Less general partner's interest in net income:			
Distributions payable on behalf of IDRs	—	—	1,144
Distributions payable on behalf of general partner interest	1,839	378	302
General partner interest in undistributed loss	(805)	(295)	(209)
Less income allocable to unvested restricted units	33	10	13
Limited partners' interest in net income	$ 50,633	$ 4,035	$ 3,399

The Partnership allocates the general partner's share of earnings between continuing and discontinued operations as a proportion of net income from continuing and discontinued operations to total net income.

The following are the unit amounts used to compute the basic and diluted earnings per limited partner unit for the periods presented:

	Years Ended December 31,		
	2018	2017	2016
Basic weighted average limited partner units outstanding	38,907,000	38,101,583	35,347,032
Dilutive effect of restricted units issued	15,678	63,318	28,231
Total weighted average limited partner diluted units outstanding	38,922,678	38,164,901	35,375,263

All outstanding units were included in the computation of diluted earnings per unit and weighted based on the number of days such units were outstanding during the period presented.

NOTE 18. UNIT BASED AWARDS

The Partnership recognizes compensation cost related to stock-based awards to employees in its consolidated financial statements in accordance with certain provisions of ASC 718. The Partnership recognizes compensation costs related to stock-based awards to directors under certain provisions of ASC 505-50-55 related to equity-based payments to non-employees. Amounts recognized in selling, general, and administrative expense in the consolidated financial statements with respect to these plans are as follows:

	For the Year Ended December 31,		
	2018	2017	2016
Employees	$ 1,098	$ 534	$ 783
Non-employee directors	126	116	121
Total unit-based compensation expense	$ 1,224	$ 650	$ 904

Long-Term Incentive Plans

The Partnership's general partner has a long term incentive plan for employees and directors of the general partner and its affiliates who perform services for the Partnership.

On May 26, 2017, the unitholders of the Partnership approved the Martin Midstream Partners L.P. 2017 Restricted Unit Plan. The plan currently permits the grant of awards covering an aggregate of 3,000,000 common units, all of which can be awarded in the form of restricted units. The plan is administered by the compensation committee of the general partner's board of directors (the "Compensation Committee").

A restricted unit is a unit that is granted to grantees with certain vesting restrictions, which may be time-based and/or performance-based. Once these restrictions lapse, the grantee is entitled to full ownership of the unit without restrictions. The Compensation Committee may determine to make grants under the plan containing such terms as the Compensation Committee shall determine under the plan. With respect to time-based restricted units ("TBRU's"), the Compensation Committee will determine the time period over which restricted units granted to employees and directors will vest. The Compensation Committee may also award a percentage of restricted units with vesting requirements based upon the achievement of specified pre-established performance targets ("Performance Based Restricted Units" or "PBRU's"). The performance targets may include, but are not limited to, the following: revenue and income measures, cash flow measures, net income before interest expense and income tax expense ("EBIT"), net income before interest expense, income tax expense, and depreciation and amortization ("EBITDA"), distribution coverage metrics, expense measures, liquidity measures, market measures, corporate sustainability metrics, and other measures related to acquisitions, dispositions, operational objectives and succession planning objectives. PBRU's are earned only upon our achievement of an objective performance measure for the performance period. PBRU's which vest are payable in common units. Unvested units granted under the 2017 LTIP may or may not participate in cash distributions depending on the terms of each individual award agreement.

The restricted units issued to directors generally vest in equal annual installments over a four-year period.

On February 20, 2018, the Partnership issued 4,650 TBRU's to each of the Partnership's three independent directors under the 2017 LTIP. These restricted common units vest in equal installments of 1,162.5 units on January 24, 2019, 2020, 2021, and 2022.

On March 1, 2018, the Partnership issued 301,550 TBRU's and 317,925 PBRU's to certain employees of Martin Resource Management. The TBRU's vest in equal installments over a three-year service period. The PBRU's will vest at the conclusion of a three-year performance period based on certain performance targets. In addition, the PBRU's awarded on March 1, 2018 that are achieved will only vest if the grantee is employed by Martin Resource Management on March 31, 2021. As of December 31, 2018, the Partnership is unable to ascertain if the performance conditions will be achieved and, as such, has not recognized compensation expense for the vesting of the units. The Partnership will record compensation expense for the vested portion of the units once the achievement of the performance condition is deemed probable.

The restricted units are valued at their fair value at the date of grant which is equal to the market value of common units on such date. A summary of the restricted unit activity for the year ended December 31, 2018 is provided below:

	Number of Units	Weighted Average Grant-Date Fair Value Per Unit
Non-vested, beginning of year	98,750	$ 24.80
Granted (TBRU)	315,500	$ 13.89
Granted (PRBU)	317,925	$ 13.89
Vested	(81,050)	$ 27.77
Forfeited	(27,000)	$ 13.90
Non-Vested, end of year	624,125	$ 13.78
Aggregate intrinsic value, end of year	$ 6,416	

A summary of the restricted units' aggregate intrinsic value (market value at vesting date) and fair value of units vested (market value at date of grant) during the years ended December 31, 2018, 2017 and 2016 is provided below:

	For the Year Ended December 31,		
	2018	2017	2016
Aggregate intrinsic value of units vested	$ 1,195	$ 143	$ 1,233
Fair value of units vested	$ 2,250	$ 208	$ 1,773

As of December 31, 2018, there was $3,083 of unrecognized compensation cost related to non-vested restricted units. That cost is expected to be recognized over a weighted-average period of 2.3 years.

NOTE 19. INCOME TAXES

The operations of a partnership are generally not subject to income taxes because its income is taxed directly to its partners.

The Partnership is subject to the Texas margin tax, which is considered a state income tax, and is included in income tax expense on the Consolidated Statements of Operations. Since the tax base on the Texas margin tax is derived from an income-based measure, the margin tax is construed as an income tax and, therefore, the recognition of deferred taxes applies to the margin tax. The impact on deferred taxes as a result of this provision is immaterial. State income taxes attributable to the Texas margin tax of $369, $352 and $726 were recorded in income tax expense for the years ended December 31, 2018, 2017 and 2016, respectively.

A current income tax liability of $445 and $510 existed at December 31, 2018 and 2017, respectively.

Cash paid for income taxes was $434, $712, and $841 for the years ended December 31, 2018, 2017 and 2016, respectively.

On December 22, 2017, the President signed into law Public Law No. 115-97, a comprehensive tax reform bill commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act") that makes significant changes to the U.S. Internal Revenue Code. Among other changes, the Tax Act includes a new deduction on certain pass-through income, a repeal of the partnership technical termination rule, and new limitations on certain deductions and credits, including interest expense deductions. Since the operations of a partnership are not subject to federal income tax, the legislation has no material impact on our financial statements in 2018.

As of December 31, 2018, the tax years that remain open to assessment by federal and state jurisdictions are 2015-2017.

NOTE 20. BUSINESS SEGMENTS

The Partnership has four reportable segments: terminalling and storage, natural gas services, marine transportation, and sulfur services. The Partnership's reportable segments are strategic business units that offer different products and services. The operating income of these segments is reviewed by the chief operating decision maker to assess performance and make business decisions.

The accounting policies of the operating segments are the same as those described in Note 2. The Partnership evaluates the performance of its reportable segments based on operating income. There is no allocation of administrative expenses or interest expense.

(Dollars in thousands, except where otherwise indicated)

	Operating Revenues	Intersegment Eliminations	Operating Revenues After Eliminations	Depreciation and Amortization	Operating Income (Loss) after Eliminations	Capital Expenditures and Plant Turnaround Costs
Year Ended December 31, 2018:						
Terminalling and storage	$ 247,840	$ (6,226)	$ 241,614	$ 39,508	$ 13,725	$ 13,704
Natural gas services	548,135	—	548,135	21,283	28,570	4,728
Sulfur services	132,536	—	132,536	8,485	14,276	4,429
Marine transportation	52,830	(2,460)	50,370	7,590	6,116	14,188
Indirect selling, general, and administrative	—	—	—	—	(17,901)	—
Total	$ 981,341	$ (8,686)	$ 972,655	$ 76,866	$ 44,786	$ 37,049
Year Ended December 31, 2017:						
Terminalling and storage	$ 236,169	$ (5,998)	$ 230,171	$ 45,160	$ 629	$ 29,644
Natural gas services	532,908	(226)	532,682	24,916	51,849	7,430
Sulfur services	134,684	—	134,684	8,117	23,205	2,611
Marine transportation	51,915	(3,336)	48,579	7,002	1,650	3,929
Indirect selling, general, and administrative	—	—	—	—	(17,332)	—
Total	$ 955,676	$ (9,560)	$ 946,116	$ 85,195	$ 60,001	$ 43,614
Year Ended December 31, 2016:						
Terminalling and storage	$ 242,363	$ (5,653)	$ 236,710	$ 45,484	$ 40,660	$ 26,097
Natural gas services	391,333	—	391,333	28,081	41,503	4,807
Sulfur services	141,058	—	141,058	7,995	23,393	5,093
Marine transportation	61,233	(2,943)	58,290	10,572	(16,039)	2,334
Indirect selling, general, and administrative	—	—	—	—	(16,794)	—
Total	$ 835,987	$ (8,596)	$ 827,391	$ 92,132	$ 72,723	$ 38,331

Revenues from two customers in the Natural Gas Services segment were $179,729, $169,504 and $122,381 for the years ended December 31, 2018, 2017 and 2016, respectively.

The Partnership's assets by reportable segment as of December 31, 2018 and 2017, are as follows:

	2018	2017
Total assets:		
Terminalling and storage	$ 298,784	$ 326,920
Natural gas services	512,817	704,524
Sulfur services	115,498	120,790
Marine transportation	106,299	101,264
Total assets	$ 1,033,398	$ 1,253,498

NOTE 21. QUARTERLY FINANCIAL INFORMATION

Consolidated Quarterly Income Statement Information

	(Unaudited)			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(Dollar in thousands, except per unit amounts)			
2018				
Revenues	$ 284,204	$ 216,571	$ 219,047	$ 252,833
Operating income (loss)	24,120	5,616	3,527	11,523
Income (loss) from continuing operations	11,286	(8,282)	(9,686)	(913)
Income from discontinued operations	1,532	1,036	49,132	—
Net income (loss)	12,818	(7,246)	39,446	(913)
Income (loss) from continuing operations per unit	0.29	(0.21)	(0.25)	(0.02)
Limited partners' interest in net income (loss) per limited partner unit	0.33	(0.18)	1.00	(0.04)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(Dollar in thousands, except per unit amounts)			
2017				
Revenues	$ 253,325	$ 193,922	$ 193,128	$ 305,741
Operating income	23,804	10,891	(4,440)	29,746
Income (loss) from continuing operations	12,734	179	(17,031)	17,125
Income from discontinued operations	849	810	745	1,724
Net income (loss)	13,583	989	(16,286)	18,849
Income (loss) from continuing operations per unit	0.34	—	(0.44)	0.45
Limited partners' interest in net income (loss) per limited partner unit	0.36	0.03	(0.42)	0.47

NOTE 22. COMMITMENTS AND CONTINGENCIES

Contingencies

From time to time, the Partnership is subject to various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Partnership.

Pursuant to a Purchase Price Reimbursement Agreement between the Partnership and Martin Resource Management related to the Partnership's acquisition of the Redbird Gas Storage LLC ("Redbird") Class A interests on October 2, 2012,

beginning in the second quarter of 2015, Martin Resource Management will reimburse the Partnership $750 each quarter for four consecutive quarters as a reduction in the purchase price of the Redbird Class A interests. These payments are a result of Cardinal Gas Storage Partners LLC ("Cardinal") not achieving certain financial targets set forth in the Purchase Price Reimbursement Agreement. These payments are considered a reduction of the excess of the purchase price over the carrying value of the assets transferred to the Partnership from Martin Resource Management and will be recorded as an adjustment to "Partners' capital" in each quarter the payments are made. The agreement further provided for purchase price reimbursements of up to $4,500 in 2016 in the event certain financial conditions were not met. For the year ended December 31, 2017, the Partnership received $1,125, respectively, related to the Purchase Price Reimbursement Agreement. The amount received in the first quarter of 2017 represented the final payment under the Purchase Price Reimbursement Agreement.

In 2015, the Partnership was named as a defendant in the cause J. A. Davis Properties, LLC v. Martin Operating Partnership L.P., in the 38th Judicial District Court, Cameron Parish, Louisiana. The plaintiff alleged that the Partnership breached a lease agreement by failing to perform work to the plaintiff's property as required under the lease agreement. The plaintiff originally sought to evict the Partnership from the leased property and to recover damages. Prior to trial, this matter was settled for a confidential amount in September of 2017. The Partnership's financial statements reflect the terms of the settlement and all amounts have been accrued as asset retirement obligations.

On December 31, 2015, the Partnership received a demand from a customer in its lubricants packaging business for defense and indemnity in connection with lawsuits filed against it in various United States District Courts, which generally allege that the customer engaged in unlawful and deceptive business practices in connection with its marketing and advertising of its private label motor oil. The Partnership disputes that it has any obligation to defend or indemnify the customer for its conduct. Accordingly, on January 7, 2016, the Partnership filed a Complaint for Declaratory Judgment in the Chancery Court of Davidson County, Tennessee requesting a judicial determination that the Partnership does not owe the customer the demanded defense and indemnity obligations. The lawsuits against the customer have been transferred to the United States District Court for the Western District of Missouri for consolidated pretrial proceedings. On March 1, 2017, at the request of the parties, the Chancery Court of Davidson County, Tennessee administratively closed the Partnership's lawsuit pending rulings in the United States District Court for the Western District of Missouri. In the event that either party moves the Chancery Court of Davidson County, Tennessee to reopen the case, we expect the Court would grant such motion and reopen the case. If the case is reopened, we are currently unable to determine the exposure we may have in this matter, if any.

Commitments

The Partnership has non-cancelable revenue arrangements whereby we have committed certain terminalling and storage assets in exchange for a minimum fee. Future minimum revenues we expect to receive under these non-cancelable arrangements as of December 31, 2018, are as follows: 2019 - $17,343; 2020 - $13,345; 2021 - $10,576; 2022 - $10,576; 2023 - $10,576; subsequent years - $58,128.

NOTE 23. CONDENSED CONSOLIDATIING FINANCIAL INFORMATION

The Partnership's operations are conducted by its operating subsidiaries as it has no independent assets or operations. Martin Operating Partnership L.P. (the "Operating Partnership"), the Partnership’s wholly-owned subsidiary, and the Partnership's other operating subsidiaries have issued in the past, and may issue in the future, unconditional guarantees of senior or subordinated debt securities of the Partnership. The guarantees that have been issued are full, irrevocable and unconditional and joint and several. In addition, the Operating Partnership may also issue senior or subordinated debt securities which, if issued, will be fully, irrevocably and unconditionally guaranteed by the Partnership. Substantially all of the Partnership's operating subsidiaries are subsidiary guarantors of its outstanding senior unsecured notes and any subsidiaries other than the subsidiary guarantors are minor.

NOTE 24. SUBSEQUENT EVENTS

Martin Transport Inc. Stock Purchase Agreement. On October 22, 2018, the Operating Partnership entered into a stock purchase agreement (the "Stock Purchase Agreement") with Martin Resource Management Corporation ("MRMC") to acquire all of the issued and outstanding equity of Martin Transport, Inc. ("MTI"), a wholly-owned subsidiary of MRMC which operates a fleet of tank trucks providing transportation of petroleum products, liquid petroleum gas, chemicals, sulfur and other products, as well as owns twenty-three terminals located throughout the Gulf Coast and Midwest for total consideration as follows:

(Dollars in thousands, except where otherwise indicated)

Purchase price[1]	$	135,000
Plus: Working Capital Adjustment		2,796
Less: Capital leases assumed		(11,682)
Cash consideration paid	$	126,114

[1]The Stock Purchase Agreement also includes a $10,000 earn-out based on certain performance thresholds. The transaction closed on January 2, 2019 and was effective as of January 1, 2019. The Stock Purchase Agreement contained customary representations and warranties.

The Partnership also acquired certain operating leases that will result in additional assets and liabilities being recorded at the transaction date in accordance with ASU 2016-02 in the amount of $7,082.

Quarterly Distribution. On January 17, 2019, the Partnership declared a quarterly cash distribution of $0.50 per common unit for the fourth quarter of 2018, or $2.00 per common unit on an annualized basis, which was paid on February 14, 2019 to unitholders of record as of February 7, 2019.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

(a) *Evaluation of Disclosure Controls and Procedures.* In accordance with Rules 13a-15 and 15d-15 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), we, under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer of our general partner, carried out an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15(d)-15(e) of the Exchange Act) as of December 31, 2018. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer of our general partner concluded that our disclosure controls and procedures were effective as of December 31, 2018 to provide reasonable assurance that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and (ii) accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

During 2017 we began implementation of a new enterprise resource planning ("ERP") system. The new ERP system is expected to take several years to fully implement, and has and will continue to require significant capital and human resources to deploy. During the year ended December 31, 2018, we completed the implementation of certain functional areas of the ERP implementation project that affect the processes that constitute our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) and this initial deployment will require testing for effectiveness throughout 2018. Management has taken steps to ensure that appropriate controls are designed and implemented as each functional area of the new ERP system is enacted.

Beginning January 1, 2018, we implemented ASC 606, Revenue from Contracts with Customers. Although the new revenue standard is expected to have an immaterial impact on our ongoing net income, we did implement changes to our processes related to revenue recognition and the control activities within them. These included the development of new policies based on the five-step model provided in the new revenue standard, new training, ongoing contract review requirements, and gathering of information provided for disclosures.

(b) *Management's Report on Internal Control Over Financial Reporting*. Management is responsible for establishing and maintaining adequate internal control over financial reporting. 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.

Our management, including the Chief Executive Officer and Chief Financial Officer of our general partner, conducted an evaluation of the effectiveness of our internal control over financial reporting based on criteria established in the *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on its evaluation under the framework in *Internal Control — Integrated Framework (2013)*, our management concluded that our internal control over financial reporting was effective as of December 31, 2018. The effectiveness of our internal control over financial reporting as of December 31, 2018 has been audited by KPMG LLP, our independent registered public accounting firm, as stated in their report appearing in "Item 8 - Financial Statements and Supplementary Data."

(c) *Changes in Internal Control Over Financial Reporting.* Other than as described above, there were no changes in our internal controls over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) that occurred

during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Management of Martin Midstream Partners L.P.

Martin Midstream GP LLC, as our general partner, manages our operations and activities on our behalf. Our general partner was not elected by our unitholders and will not be subject to re-election in the future. Unitholders do not directly or indirectly participate in our management or operation. Our general partner owes a fiduciary duty to our unitholders. Our general partner is liable, as general partner, for all of our debts (to the extent not paid from our assets), except for indebtedness or other obligations that are made specifically non-recourse to it. However, whenever possible, our general partner seeks to provide that our indebtedness or other obligations are non-recourse to our general partner.

Three directors of our general partner serve on a conflicts committee of the Partnership's general partner ("Conflicts Committee") to review specific matters that the directors believe may involve conflicts of interest. The Conflicts Committee determines if the resolution of the conflict of interest is fair and reasonable to us. The members of the Conflicts Committee may not be officers or employees of our general partner or directors, officers, or employees of its affiliates and must meet the independence standards established by NASDAQ to serve on an audit committee of a board of directors. Any matters approved by the Conflicts Committee will be conclusively deemed to be fair and reasonable to us, approved by all of our partners, and not a breach by our general partner of any duties it may owe us or our unitholders. The current members of our Conflicts Committee are outside directors, James M. Collingsworth, C. Scott Massey and Byron R. Kelley, all of whom meet the independence standards established by NASDAQ, except as referenced above.

The Audit Committee reviews our external financial reporting, recommends engagement of our independent auditors and reviews procedures for internal auditing and the adequacy of our internal accounting controls. The current members of our Audit Committee are outside directors, C. Scott Massey, Byron R. Kelley and James M. Collingsworth, all of whom meet the independence standards established by NASDAQ.

The Compensation Committee oversees compensation decisions for the officers of our general partner as well as the compensation plans described below. The current members of our Compensation Committee are our outside directors, James M. Collingsworth, C. Scott Massey, and Byron R. Kelley.

The current members of our Nominating Committee are outside directors, James M. Collingsworth, Byron R. Kelley and C. Scott Massey.

We are managed and operated by the directors and officers of our general partner. All of our operational personnel are employees of Martin Resource Management. All of the officers of our general partner will spend a substantial amount of time managing the business and affairs of Martin Resource Management and its other affiliates. These officers may face a conflict regarding the allocation of their time between our business and the other business interests of Martin Resource Management. Our general partner intends to cause its officers to devote as much time to the management of our business and affairs as is necessary for the proper conduct of our business and affairs.

Directors and Executive Officers of Martin Midstream GP LLC

The following table shows information for the directors and executive officers of our general partner. Directors and executive officers are elected for one-year terms.

Name	Age	Position with the General Partner
Ruben S. Martin	67	President, Chief Executive Officer and Director
Robert D. Bondurant	60	Executive Vice President and Chief Financial Officer and Director
Randall L. Tauscher	53	Executive Vice President and Chief Operating Officer
Chris H. Booth	49	Executive Vice President, Chief Legal Officer, General Counsel and Secretary
Scot A. Shoup	58	Senior Vice President of Operations
C. Scott Massey	66	Director
James M. Collingsworth	64	Director
Byron R. Kelley	71	Director
Sean P. Dolan	45	Director
Zachary S. Stanton	43	Director

Ruben S. Martin serves as President, Chief Executive Officer and a member of the board of directors of our general partner. Mr. Martin has served in such capacities since June 2002. Mr. Martin has served as President of Martin Resource Management since 1981 and has served in various capacities within the company since 1974. Mr. Martin holds a Bachelor of Science degree in industrial management from the University of Arkansas. Mr. Martin was selected to serve as a director on our general partner's board of directors due to his depth of knowledge of the Partnership, including its strategies and operations, his business judgment and his position within the Partnership.

Robert D. Bondurant serves as Executive Vice President and Chief Financial Officer and a member of the board of directors of our general partner. Mr. Bondurant has served in such capacities since June 2002. Mr. Bondurant joined Martin Resource Management in 1983 as Controller and subsequently was appointed Chief Financial Officer and a member of its board of directors in 1990. Mr. Bondurant served in the audit department at Peat Marwick, Mitchell and Co. from 1980 to 1983. Mr. Bondurant holds a Bachelor of Business Administration degree in accounting from Texas A&M University and is a Certified Public Accountant, licensed in the state of Texas.

Randall L. Tauscher serves as Executive Vice President and Chief Operating Officer of our general partner. Mr. Tauscher has served in this capacity since May 2011. From September 2007 through May 2011, Mr. Tauscher served as Executive Vice President. Prior to joining Martin, Mr. Tauscher was employed by Koch Industries for over 18 years, most recently as Senior Vice President of the Koch Carbon Division. Mr. Tauscher earned a Bachelor of Business Administration degree from Kansas State University.

Chris H. Booth serves as Executive Vice President, Chief Legal Officer, General Counsel and Secretary of our general partner. Mr. Booth has served as an officer of our general partner since February 2006. Mr. Booth joined Martin Resource Management in October 2005. Prior to joining Martin Resource Management, Mr. Booth was an attorney with the law firm of Mehaffy Weber located in Beaumont, Texas. Mr. Booth holds a Doctor of Jurisprudence degree and a Masters of Business Administration degree with a concentration in finance from the University of Houston. Additionally, Mr. Booth holds a Bachelor of Science degree in business management from LeTourneau University. Mr. Booth is an attorney licensed to practice in the State of Texas.

Scot A. Shoup serves as Senior Vice President of Operations for our general partner. Mr. Shoup joined Martin in May 2011. Prior to joining Martin, Mr. Shoup was employed by Exline, Inc. as Executive Vice President from 2005 to 2011 and was employed by Koch Industries in various capacities for 18 years. Mr. Shoup holds a bachelor of science degree in Civil Engineering from the University of Kansas.

C. Scott Massey serves as a member of the board of directors of our general partner. Mr. Massey has served as a Director since June 2002. Mr. Massey has been self employed as a Certified Public Accountant since 1998. From 1977 to 1998, Mr. Massey worked for KPMG Peat Marwick, LLP in various positions, including, most recently, as a Partner in the firm's Tax Practice - Energy, Real Estate, Timber from 1986 to 1998. Mr. Massey received a Bachelor of Business Administration degree from the University of Texas at Austin and a Doctor of Jurisprudence degree from the University of Houston. Mr. Massey is a Certified Public Accountant, licensed in the States of Louisiana and Texas. Mr. Massey was selected

to serve as a director on our general partner's board of directors due to his extensive background in public accounting and taxation. Mr. Massey qualifies as an "audit committee financial expert" under the SEC guidelines.

James M. Collingsworth serves as a member of the board of directors of our general partner. Mr. Collingsworth has spent 41 years in all facets of the midstream and petrochemical industry. In 2013, Mr. Collingsworth retired from Enterprise Products Company as a Sr. Vice President of Regulated NGL Pipelines & Natural Gas Storage. Mr. Collingsworth currently serves on the board of directors of NGL Energy Partners LP, and has served on the board of directors of Texaco Canada, Dixie Pipeline Company, Seminole Pipeline Company and the Petrochemical Feedstock Association of America. Mr. Collingsworth has served as a Director since October 2014. Mr. Collingsworth received a bachelor's degree in Finance and Marketing from Northeastern State University. Mr. Collingsworth was selected to serve as a director on our general partner's board of directors due to his extensive corporate business experience.

Byron R. Kelley serves as a member of the board of directors of our general partner and also served as an Advisory Director from April 2011 to August 2012. On December 31, 2013, Mr. Kelley retired as CEO, President and a member of the board of directors of CVR Partners, LP, a chemical company engaged in the production of nitrogen based fertilizers and served in this position from June 2011 through December 2013. Prior to joining CVR Partners in June of 2011 he served as President, Chief Executive Officer and a member of the board of directors of Regency GP, LLC from April 2008 to November 2010. From 2004 through March of 2008, Mr. Kelley served as Senior Vice President and Group President of Pipeline and Field Services at CenterPoint Energy. Preceding his work at CenterPoint, Mr. Kelley served as Executive Vice President of Development, Operations and Engineering, and as President of El Paso Energy International. Mr. Kelley is a past member and Chairman of the board of directors of the Interstate National Gas Association and previously served as one of the association's representatives on the United States Natural Gas Council of America. Mr. Kelley received a Bachelor of Science degree in civil engineering from Auburn University. Mr. Kelley was selected to serve as a director on our general partner's board of directors due to his extensive corporate business experience.

Sean P. Dolan serves as a member of the board of directors of our general partner. Mr. Dolan has served as a Director since 2013. Mr. Dolan is a Managing Director of Alinda Capital Partners, which he joined in 2009. Prior to joining Alinda, Mr. Dolan spent over 12 years with Citigroup Global Markets in investment banking primarily focused in the energy sector. Mr. Dolan received a bachelor's degree from Georgetown University. Mr. Dolan was selected to serve as a director on our general partner's board of directors due to his affiliation with Alinda, his knowledge of the energy industry and his financial and business expertise.

Zachary S. Stanton serves as a member of the board of directors of our general partner. Mr. Stanton was appointed to the board of directors on February 24, 2016. Mr. Stanton is a Director of Alinda Capital Partners, which he joined in 2011. Prior to joining Alinda, he was a Director at Zolfo Cooper, LLC, a consulting firm based in New York. Mr. Stanton has over 15 years of experience focused on the corporate development and operations of energy and transportation infrastructure businesses as well as diversified industrial companies. Mr. Stanton received a bachelor's degree from Wesleyan University. Mr. Stanton was selected to serve as a director on our general partner's board of directors due to his affiliation with Alinda, his knowledge of the energy industry, and his financial and business expertise.

Independence of Directors

Messrs. Massey, Collingsworth, and Kelley qualify as "independent" in accordance with the published listing requirements of NASDAQ and applicable securities laws. The NASDAQ independence definition includes a series of objective tests, such as that the director is not an employee of us and has not engaged in various types of business dealings with us. In addition, as further required by the NASDAQ rules, the board of directors has made a subjective determination as to each independent director that no relationships exist which, in the opinion of the board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In making these determinations, the directors reviewed and discussed information provided by the directors and us with regard to each director's business and personal activities as they may relate to us and our management.

Board Meetings and Committees

From January 1, 2018 to December 31, 2018, the board of directors of our general partner held 10 meetings. All directors then in office attended each of these meetings, either in person, by teleconference or by videoconference with the exception of: Zach Stanton, who was not in attendance at the meeting of the board of directors on the dates of April 19, 2018 and July 19, 2018. Additionally, the board of directors undertook action one time during 2018 without a meeting by acting through written unanimous consent. We have standing conflicts, audit, compensation and nominating committees of the board of directors of our general partner. The board of directors of our general partner appoints the members of the Audit,

Compensation, Nominating and Conflicts Committees. Each member of the Audit Committee is an independent director in accordance with NASDAQ and applicable securities laws. Each of the board committees has a written charter approved by the board. Copies of each charter are posted on our website at ww.martinmidstream.com under the "Corporate Governance" section. The current members of the committees, the number of meetings held by each committee from January 1, 2018 to December 31, 2018, and a brief description of the functions performed by each committee are set forth below:

Conflicts Committee (9 meetings). The members of the Conflicts Committee are: Messrs. Kelley (chairman), Massey and Collingsworth. All of the members of the Conflicts Committee attended all meetings of the committee for the period noted above. The primary responsibility of the Conflicts Committee is to review matters that the directors believe may involve conflicts of interest. The Conflicts Committee determines if the resolution of the conflict of interest is fair and reasonable to us. The members of the Conflicts Committee may not be officers or employees of our general partner or directors, officers, or employees of its affiliates and must meet the independence standards to serve on an audit committee of a board of directors established by NASDAQ. Any matters approved by the Conflicts Committee will be conclusively deemed to be fair and reasonable to us, approved by all of our partners, and not a breach by our general partner of any duties it may owe us or our unitholders.

Audit Committee (5 meetings). The members of the Audit Committee are Messrs. Massey (chairman), Kelley and Collingsworth. All of the members attended all meetings of the Audit Committee for the period noted. The primary responsibilities of the Audit Committee are to assist the board of directors in its general oversight of our financial reporting, internal controls and audit functions, and it is directly responsible for the appointment, retention, compensation and oversight of the work of our independent auditors. The members of the Audit Committee of the board of directors of our general partner each qualify as "independent" under standards established by the SEC for members of audit committees, and the Audit Committee includes at least one member who is determined by the board of directors to meet the qualifications of an "audit committee financial expert" in accordance with SEC rules, including that the person meets the relevant definition of an "independent" director. C. Scott Massey is the independent director who has been determined to be an audit committee financial expert. Unitholders should understand that this designation is a disclosure requirement of the SEC related to Mr. Massey's experience and understanding with respect to certain accounting and auditing matters. The designation does not impose on Mr. Massey any duties, obligations or liability that are greater than are generally imposed on him as a member of the Audit Committee and board of directors, and his designation as an audit committee financial expert pursuant to this SEC requirement does not affect the duties, obligations or liability of any other member of the Audit Committee or board of directors.

Compensation Committee (2 meetings). The members of the Compensation Committee are Messrs. Collingsworth (chairman), Massey and Kelley. All members attended the meeting of the Compensation Committee for the period noted above. The primary responsibility of the Compensation Committee is to oversee compensation decisions for the outside directors of our general partner and executive officers of our general partner (in the event they are to be paid by our general partner) as well as our long-term incentive plan.

Nominating Committee (1 meetings). The members of the Nominating Committee are Messrs. Collingsworth (chairman), Massey, and Kelley. All of the members attended the meeting of the Nominating Committee for the period noted above. The primary responsibility of the nominating committee is to select and recommend nominees for election to the board of directors of our general partner.

Code of Ethics and Business Conduct

Our general partner has adopted a Code of Ethics and Business Conduct applicable to all of our general partner's employees (including any employees of Martin Resource Management who undertake actions with respect to us or on our behalf), including all officers, and including our general partner's independent directors, who are not employees of our general partner, with regard to their activities relating to us. The Code of Ethics and Business Conduct incorporate guidelines designed to deter wrongdoing and to promote honest and ethical conduct and compliance with applicable laws and regulations. They also incorporate our expectations of our general partner's employees (including any employees of Martin Resource Management who undertake actions with respect to us or on our behalf) that enable us to provide accurate and timely disclosure in our filings with the Securities and Exchange Commission and other public communications. The Code of Ethics and Business Conduct is publicly available on our website under the "Corporate Governance" section (at www.martinmidstream.com). 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. If any substantive amendments are made to the Code of Ethics and Business Conduct or if we or our general partner grant any waiver, including any implicit waiver, from a provision of the code to any of our general partner's executive officers and directors, we will disclose the nature of such amendment or waiver on that website or in a report on Form 8-K.

Section 16(a) Beneficial Ownership Reporting Compliance

Our general partner's directors and officers and beneficial owners of more than 10% of a registered class of our equity securities are required to file reports of ownership and reports of changes in ownership with the SEC and NASDAQ. Directors, officers and beneficial owners of more than 10% of our equity securities are also required to furnish us with copies of all such reports that are filed. Based solely on our review of copies of such forms and amendments previously provided to us, we believe directors, officers and greater than 10% beneficial owners complied with all filing requirements during the year ended December 31, 2018, with the exception of one Form 4 for Scot Shoup which was filed late.

Item 11. Executive Compensation

Compensation Discussion and Analysis

Background

We are required to provide information regarding the compensation program in place as of December 31, 2018, for the CEO, CFO and the three other most highly-compensated executive officers of our general partner as reflected in the summary compensation table set forth below (the "Named Executive Officers"). This section should be read in conjunction with the detailed tables and narrative descriptions regarding compensation below.

We are a master limited partnership and have no employees. We are managed by the executive officers of our general partner. These executive officers are employed by Martin Resource Management, a private corporation that has significant operations that are separate from ours. The executive officers of our general partner are also the executive officers of Martin Resource Management and devote significant time to the management of Martin Resource Management's operations. We reimburse Martin Resource Management for a portion of the indirect general and administrative expenses, including compensation expense relating to the service of these individuals that are allocated to us pursuant to the omnibus agreement between us and our general partner, as amended on October 1, 2012 ("Omnibus Agreement"). 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, 2018, 2017 and 2016 the conflicts committee of our general partner ("Conflicts Committee") approved reimbursement amounts of $16.4 million, $16.4 million and $13.0 million, respectively, reflecting our allocable share of such expenses. Please see "Item 13. Certain Relationships and Related Transactions, and Director Independence — Agreements — Omnibus Agreement" for a discussion of the Omnibus Agreement.

Compensation Objectives

As we do not directly compensate the executive officers of our general partner, we do not have any set compensation programs. The elements of Martin Resource Management's compensation program discussed below, along with Martin Resource Management's other rewards, are intended to provide a total rewards package designed to yield competitive total cash compensation, drive performance and reward contributions in support of the businesses of Martin Resource Management and other Martin Resource Management affiliates, including us, for which the Named Executive Officers perform services. Although we bear an allocated portion of Martin Resource Management's costs of providing compensation and benefits to the Named Executive Officers, we do not have control over such costs and do not establish or direct the compensation policies or practices of Martin Resource Management. During 2018, Martin Resource Management paid compensation based on the performance of Martin Resource Management but did not set any specific performance-based criteria and did not have any other specific performance-based objectives.

Elements of Compensation

Martin Resource Management's executive officer compensation package includes a combination of annual cash, long-term incentive compensation and other compensation. Elements of compensation which the Named Executive Officers may be eligible to receive from Martin Resource Management consist of the following: (1) annual base salary; (2) discretionary annual cash awards; (3) awards pursuant to the Martin Midstream Partners L.P. 2017 Restricted Unit Plan and Martin Resource Management employee benefit plans and (4) where appropriate, other compensation, including limited perquisites.

Annual Base Salary. Base salary is intended to provide fixed compensation to the Named Executive Officers for their performance of core duties with respect to Martin Resource Management and its affiliates, including us, and to compensate for experience levels, scope of responsibility and future potential. Base salaries are not intended to compensate individuals for extraordinary performance or for above average company performance. The base salaries of the Named Executive Officers are generally reviewed on an annual basis, as well as at the time of promotion and other changes in responsibilities or market conditions.

Discretionary Annual Cash Awards. In addition to the annual base salary, the Named Executive Officers may be eligible to receive discretionary annual cash awards that, if awarded, are paid in a lump sum in the quarter following the end of the fiscal year. These cash awards are designed to provide the Named Executive Officers with competitive incentives to help drive performance and promote achievement of Martin Resource Management's business objectives. Named Executive Officers may also be eligible to receive a cash award based upon their services provided to us in the event that any such Named Executive Officer has devoted a significant amount of their time to working for us. Any such award is determined in

accordance with the same methodologies as the discretionary annual cash awards for Martin Resource Management, as described below.

Employee Benefit Plan Awards. The Named Executive Officers may be eligible to receive awards pursuant to the Martin Midstream Partners L.P. 2017 Restricted Unit Plan and Martin Resource Management employee benefit plans. These employee benefit plan awards are designed to reward the performance of the Named Executive Officers by providing annual incentive opportunities tied to the annual performance of Martin Resource Management. In particular, these awards are provided to the Named Executive Officers in order to provide competitive incentives to these executives who can significantly impact performance and promote achievement of the business objectives of Martin Resource Management.

Other Compensation. Martin Resource Management generally does not pay for perquisites for any of the Named Executive Officers, other than general recreational activities at certain Martin Resource Management's properties located in Texas, including aircraft. No perquisites are paid for services rendered to us. Martin Resource Management provides an executive life insurance policy and long term disability policy for the Named Executive Officers with the annual premiums being paid by Martin Resource Management. Martin Resource Management does not provide any greater allocation toward employee health insurance premiums than is provided for all other employees covered on the health benefits plan.

Compensation Methodology

The compensation policies and philosophy of Martin Resource Management govern the types and amount of compensation granted to each of the Named Executive Officers. The board of directors and Conflicts Committee have responsibility for evaluating and determining the reasonableness of the total amount we are charged under the Omnibus Agreement for managerial, administrative and operational support, including compensation of the Named Executive Officers, provided by Martin Resource Management.

Our allocation for the costs incurred by Martin Resource Management in providing compensation and benefits to its employees who serve as the Named Executive Officers is governed by the Omnibus Agreement. In general, this allocation is based upon estimates of the relative amounts of time that these employees devote to the business and affairs of our general partner and to the business and affairs of Martin Resource Management. We bear substantially less than a majority of Martin Resource Management's costs of providing compensation and benefits to the Named Executive Officers.

When setting compensation for the Named Executive Officers, the elements of compensation above are considered holistically to provide an appropriate combination of compensation. Annual base salaries for the Named Executive Officers are determined by Mr. Ruben Martin, Chief Executive Officer, Mr. Robert Bondurant, Chief Financial Officer, Mr. Randall Tauscher, Chief Operating Officer, and Mrs. Melanie Mathews, Vice President-Human Resources (collectively, the "Management Compensation Committee of Martin Resource Management") based on a periodic performance review of each Named Executive Officer. Except in the case of an exceptional amount of time devoted to us, discretionary annual cash awards are based on the performance of Martin Resource Management. Annual discretionary cash awards, if any, are calculated first by allocating a portion of Martin Resource Management's earnings as determined by the Management Compensation Committee of Martin Resource Management for distribution to key employees of Martin Resource Management. Upon such allocation, the Management Compensation Committee of Martin Resource Management, with input from appropriate business leaders determines the allocation and distribution of the bonus pool among such employees, including the Named Executive Officers. All decisions of the Management Compensation Committee of Martin Resource Management concerning the compensation of the Named Executive Officers are reviewed and approved by the Compensation Committee of the Board of Directors of Martin Resource Management, which is made up of Mr. Cullen M. Godfrey, an independent director of Martin Resource Management and Mr. Ruben Martin. With respect to employee benefit plan awards pursuant to plans maintained by the Partnership, the Management Compensation Committee of Martin Resource Management makes a recommendation as to whether such awards should be awarded to any employees. Any such employee plan awards are then considered and must be approved by the Compensation Committee and then are distributed to the employees, including Named Executive Officers, accordingly. Further, Martin Resource Management, with the approval of the Compensation Committee of the Board of Directors of Martin Resource Management or the Compensation Committee regularly reviews market data and relevant compensation surveys when setting base compensation and, when appropriate, engages compensation consultants. Because he serves on both the Management Compensation Committee of Martin Resource Management and on the Compensation Committee of the Board of Directors of Martin Resource Management, Mr. Martin, as Chief Executive Officer, has significant authority in setting base salaries, discretionary annual cash award allocations and amounts and employee benefit award distributions.

Any awards granted under our long-term incentive plan, which to date have consisted of the grant of restricted common units to the independent directors and employees of our general partner, are approved by the Compensation Committee.

Determination of 2018 Compensation Amounts

During 2018, elements of all compensation paid to the Named Executive Officers by Martin Resource Management consisted of the following: (1) annual base salary; (2) discretionary annual cash awards; (3) awards pursuant to the Martin Midstream Partners L.P. 2017 Restricted Unit Plan and Martin Resource Management employee benefit plans; and (4) other compensation, including limited perquisites. With respect to the Named Executive Officers, they were paid an allocated portion of their base salaries.

Annual Base Salary. The portions of the annual base salaries paid by Martin Resource Management to the Named Executive Officers, which are allocable to us under our Omnibus Agreement with Martin Resource Management, are reflected in the summary compensation table below. Based upon the agreement of our general partner with Martin Resource Management, we have reimbursed Martin Resource Management for approximately 55.5% of the aggregate annual base salaries paid to the Named Executive Officers by Martin Resource Management during 2017. The foregoing agreement has been developed based on an assessment of the estimated percentage of the time spent by the Named Executive Officers managing our affairs, relative to the affairs of Martin Resource Management ranging from approximately 50% to 75%. Our Named Executive Officers are Mr. Ruben Martin, the President and Chief Executive Officer of our general partner, Mr. Robert Bondurant, an Executive Vice President and Chief Financial Officer of our general partner, Mr. Randall Tauscher, an Executive Vice President and Chief Operating Officer of our general partner, Mr. Chris Booth, the Executive Vice President, General Counsel and Secretary of our general partner, and Mr. Scot A. Shoup, Senior Vice President of Operations. Aggregate annual base salaries of the Named Executive Officers were not increased during 2016 or 2017.

Discretionary Annual Cash Awards. Discretionary annual cash awards paid to the Named Executive Officers which are allocable to us are reflected in the summary compensation table below.

Martin Midstream Partners L.P. Long-Term Incentive Plan

On May 26, 2017, the unitholders of the Partnership approved the Martin Midstream Partners L.P. 2017 Restricted Unit Plan (the "2017 LTIP"). The plan currently permits the grant of awards covering an aggregate of 3,000,000 common units, all of which can be awarded in the form of restricted units. The plan is administered by the Compensation Committee of our general partner's board of directors. The purpose of the 2017 LTIP is designed to enhance our ability to attract, retain, reward and motivate the services of certain key employees, officers, and directors of the General Partner and Martin Resource Management.

Our general partner's board of directors or the Compensation Committee, in their discretion, may terminate or amend the 2017 LTIP at any time with respect to any units for which a grant has not yet been made. Our general partner's board of directors or the Compensation Committee also have the right to alter or amend the 2017 LTIP or any part of the plan from time to time, including increasing the number of units that may be reserved for issuance under the plan subject to any applicable unitholder approval. However, no change in any outstanding grant may be made that would materially impair the rights of the participant without the consent of the participant. In addition, the restricted units will vest upon a change of control of us, our general partner or Martin Resource Management or if our general partner ceases to be an affiliate of Martin Resource Management.

Restricted Units. A restricted unit is a unit that is granted to grantees with certain vesting restrictions, which may be time-based and/or performance-based. Once these restrictions lapse, the grantee is entitled to full ownership of the unit without restrictions. The Compensation Committee may determine to make grants under the plan containing such terms as the Compensation Committee shall determine under the plan. With respect to time-based restricted units ("TBRU's"), the Compensation Committee will determine the time period over which restricted units granted to employees and directors will vest. The Compensation Committee may also award a percentage of restricted units with vesting requirements based upon the achievement of specified pre-established performance targets ("Performance Based Restricted Units" or "PBRU's"). The performance targets may include, but are not limited to, the following: revenue and income measures, cash flow measures, EBIT, EBITDA, distribution coverage metrics, expense measures, liquidity measures, market measures, corporate sustainability metrics, and other measures related to acquisitions, dispositions, operational objectives and succession planning objectives. PBRU's are earned only upon our achievement of an objective performance measure for the performance period. PBRU's which vest are payable in common units. The Compensation Committee believes this type of incentive award strengthens the tie between each grantee's pay and our financial performance. We intend the issuance of the common units

upon vesting of the restricted units under the plan to serve as a means of incentive compensation for performance and not primarily as an opportunity to participate in the equity appreciation of the common units. Therefore, plan participants will not pay any consideration for the common units they receive, and we will receive no remuneration for the units. Unvested units granted under the 2017 LTIP may or may not participate in cash distributions depending on the terms of each individual award agreement.

If a grantee's service to the Partnership terminates for any reason, the grantee's restricted units will be automatically forfeited unless, and to the extent, the Compensation Committee provides otherwise. Common units to be delivered upon the vesting of restricted units may be common units acquired by our general partner in the open market, common units already owned by our general partner, common units acquired by our general partner directly from us or any affiliate of our general partner, newly issued common units under the LTIP, or any combination of the foregoing. Our general partner will be entitled to reimbursement by us for the cost incurred in acquiring common units. If we issue new common units upon vesting of the restricted units, the total number of common units outstanding will increase.

On February 20, 2018, we issued 4,650 TBRU's to each of our three independent directors under the 2017 LTIP. These restricted common units vest in equal installments of 1,162.5 units on January 24, 2019, 2020, 2021, and 2022.

On March 1, 2018, we issued 301,550 TBRU's and 317,925 PBRU's to certain employees of Martin Resource Management. The TBRU's vest in equal installments over a three-year service period. The PBRU's will vest at the conclusion of a three-performance period based on certain performance targets. In addition, the PBRU's awarded on March 1, 2018 that are achieved will only vest if the grantee is employed by Martin Resource Management on March 31, 2021.

Martin Resource Management Employee Benefit Plans

Martin Resource Management has employee benefit plans for its employees who perform services for us. The following summary of these plans is not complete but outlines the material provisions of these plans.

Martin Resource Management Purchase Plan for Units of Martin Midstream Partners L.P. Martin Resource Management maintains a purchase plan for our units to provide employees of Martin Resource Management and its affiliates who perform services for us the opportunity to acquire an equity interest in us through the purchase of our common units. Each individual employed by Martin Resource Management or an affiliate of Martin Resource Management that provides services to us is eligible to participate in the purchase plan. Enrollment in the purchase plan by an eligible employee will constitute a grant by Martin Resource Management to the employee of the right to purchase common units under the purchase plan. The right to purchase common units granted by the Company under the purchase plan is for the term of a purchase period.

During each purchase period, each participating employee may elect to make contributions to his bookkeeping account each pay period in an amount not less than one percent of his compensation and not more than fifteen percent of his compensation. The rate of contribution shall be designated by the employee at the time of enrollment. On each purchase date (the last day of such purchase period), units will be purchased for each participating employee at the fair market value of such units. The fair market value of the Units to be purchased during such purchase period shall mean the closing sales price of a unit on the purchase date.

Martin Resource Management Employee Stock Ownership Plans.

MRMC Employee Stock Ownership Plan. Martin Resource Management maintains an employee stock ownership plan that covers employees who satisfy certain minimum age and service requirements ("ESOP"). Under the terms of the ESOP, Martin Resource Management has the discretion to make contributions in an amount determined by its board of directors. Those contributions are allocated under the terms of the ESOP and invested primarily in the common stock of Martin Resource Management. Participants in the ESOP become 100% vested upon completing six years of vesting service or upon their attainment of Normal Retirement Age (as defined in the plan document), permanent disability or death during employment. Any forfeitures of non-vested accounts may be used to pay administrative expenses and restore previous forfeitures of employees rehired before incurring five consecutive breaks-in-service. Any remaining forfeitures will be allocated to the accounts of employed participants. Participants are not permitted to make contributions including rollover contributions to the ESOP.

Martin Employee Stock Ownership Plan. Martin Resource Management maintains an employee stock ownership plan that covers employees who satisfied certain minimum age and service requirements but no Employee shall become eligible to participate in the Plan on or after January 1, 2013. This plan is referred to as the "Martin Employee Stock Ownership Plan". Under the terms of the plan, Martin Resource Management has the discretion to make contributions in an amount determined

by its board of directors. Those contributions are allocated under the terms of the Martin Employee Stock Ownership Plan and invested primarily in the common stock of Martin Resource Management. No contributions will be made to the Plan for any Plan Year commencing on or after January 1, 2013. The account balances of any participant who was employed by Martin Resource Management on December 31, 2012 shall be fully vested and non-forfeitable. This plan converted to an employee stock ownership plan on January 1, 2013.

Martin Resource Management 401(k) Profit Sharing Plan. Martin Resource Management maintains a profit sharing plan that covers employees who satisfy certain minimum age and service requirements. This profit sharing plan is referred to as the "401(k) Plan." Eligible employees may elect to participate in the 401(k) Plan by electing pre-tax contributions up to 30% of their regular compensation. Matching contributions are made to the 401(k) Plan equal to 50% of the first 4% of eligible compensation. Martin Resource Management may make annual discretionary profit sharing contributions in an amount at the plan year end as determined by the board of directors of Martin Resource Management. Participants in the 401(k) Plan prior to January 1, 2017 are 100% vested in matching contributions, while those employed after January 1, 2017 become vested upon completion of the five years of vesting service schedule or upon their attainment of age 65, permanent disability or death during employment. The five year vesting service schedule is also applicable to discretionary contributions made to the plan.

Martin Resource Management Non-Qualified Option Plan. In September 1999, Martin Resource Management adopted a stock option plan designed to retain and attract qualified management personnel, directors and consultants. Under the plan, Martin Resource Management is authorized to issue to qualifying parties from time to time options to purchase up to 2,000 shares of its common stock with terms not to exceed ten years from the date of grant and at exercise prices generally not less than fair market value on the date of grant. In November 2007, Martin Resource Management adopted an additional stock option plan designed to retain and attract qualified management personnel, directors and consultants. In December 2013, all outstanding options were exercised or redeemed in lieu of redemption. There are no outstanding options under this plan as of December 31, 2018.

Other Compensation

Martin Resource Management generally does not pay for perquisites for any of our named executive officers other than general recreational activities at certain Martin Resource Management's properties located in Texas and use of Martin Resource Management vehicles, including aircraft.

SUMMARY COMPENSATION TABLE

The following table sets forth the compensation expense that was allocated to us for the services of the named executive officers for the years ended December 31, 2018, 2017 and 2016.

Name and Principal Position	Year	Salary	Bonus	Stock Awards (1)	Total Compensation
Ruben S. Martin, President and Chief Executive Officer	2018	$ 262,500	$ —	$ 1,158,913	$ 1,421,413
	2017	$ 412,500	$ —	$ —	$ 412,500
	2016	$ 412,500	$ —	$ —	$ 412,500
Robert D. Bondurant, Executive Vice President and Chief Financial Officer	2018	$ 240,000	$ —	$ 740,870	$ 980,870
	2017	$ 230,000	$ —	$ —	$ 230,000
	2016	$ 230,000	$ —	$ —	$ 230,000
Randall L. Tauscher, Executive Vice President and Chief Operating Officer	2018	$ 288,000	$ —	$ 740,870	$ 1,028,870
	2017	$ 276,000	$ —	$ —	$ 276,000
	2016	$ 308,200	$ —	$ —	$ 308,200
Chris H. Booth, Executive Vice President, General Counsel and Secretary	2018	$ 192,500	$ —	$ 556,000	$ 748,500
	2017	$ 183,600	$ —	$ —	$ 183,600
	2016	$ 165,240	$ —	$ —	$ 165,240
Scot A. Shoup, Senior Vice President of Operations	2018	$ 279,000	$ —	$ 222,400	$ 501,400
	2017	$ 270,000	$ —	$ —	$ 270,000
	2016	$ 180,000	$ —	$ —	$ 180,000

(1) The amounts shown represent the grant date fair value of awards computed in accordance with FASB ASC 718, however, such awards are subject to vesting requirements for TBRU's and PBRU's which have not been met as it relates to the 2018 stock award. See Note 18 included in Item 8 herein for the assumptions made in our valuation of such awards.

Director Compensation

As a partnership, we are managed by our general partner. The board of directors of our general partner performs for us the functions of a board of directors of a business corporation. Directors of our general partner are entitled to receive total quarterly retainer fees of $16,250 each which are paid by the general partner. Martin Resource Management employees who are a member of the board of directors of our general partner do not receive any additional compensation for serving in such capacity. Officers of our general partner who also serve as directors will not receive additional compensation. All directors of our general partner are entitled to reimbursement for their reasonable out-of-pocket expenses in connection with their travel to and from, and attendance at, meetings of the board of directors or committees thereof. Each director will be fully indemnified by us for actions associated with being a director to the extent permitted under Delaware law.

The following table sets forth the compensation of our board members for the period from January 1, 2018 through December 31, 2018.

Name	Fees Earned Paid in Cash	Stock Awards (2)	Total
Ruben S. Martin	$ —	$ 1,158,913	$ 1,158,913
Robert D. Bondurant	$ —	$ 740,870	$ 740,870
C. Scott Massey (1)	$ 65,000	$ 74,633	$ 139,633
Byron R. Kelley (1)	$ 65,000	$ 74,633	$ 139,633
James M. Collingsworth (1)	$ 65,000	$ 74,633	$ 139,633
Sean P. Dolan	$ —	$ —	$ —
Zachary S. Stanton	$ —	$ —	$ —

(1) On February 20, 2018, the Partnership issued 4,650 restricted common units to each of three independent directors, C. Scott Massey, Byron R. Kelley, and James M. Collingsworth under our 2017 LTIP. These restricted common units vest in equal installments of 1,162.5 units on January 24, 2019, 2020, 2021 and 2022, respectively. In calculating the fair value of the award, we multiplied the closing price of our common units on the NASDAQ on the date of grant by the number of restricted common units granted to each director.

(2) The amounts shown represent the grant date fair value of awards computed in accordance with FASB ASC 718, however, such awards are subject to vesting requirements for TBRU's and PBRU's which have not been met as it relates to the 2018 stock award. See Note 18 included in Item 8 herein for the assumptions made in our valuation of such awards.

COMPENSATION REPORT OF THE COMPENSATION COMMITTEE

The Compensation Committee of the general partner of Martin Midstream Partners L.P. has reviewed and discussed the Compensation Discussion and Analysis section of this report with management of the general partner of Martin Midstream Partners L.P. and, based on that review and discussions, has recommended that the Compensation Discussion and Analysis be included in this report.

Members of the Compensation Committee:

/s/ James M. Collingsworth
James M. Collingsworth, Committee Chair

/s/ Byron R. Kelley
Byron R. Kelley

/s/ C. Scott Massey
C. Scott Massey

Compensation Committee Interlocks and Insider Participation

Other than these independent directors, no other officer or employee of our general partner or its subsidiaries is a member of the Compensation Committee. Employees of Martin Resource Management, through our general partner, are the individuals who work on our matters.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth the beneficial ownership of our units as of February 19, 2019 held by beneficial owners of 5% or more of the units outstanding, by directors of our general partner, by each executive officer and by all directors and executive officers of our general partner as a group.

Name of Beneficial Owner(1)	Common Units Beneficially Owned	Percentage of Common Units Beneficially Owned (3)
MRMC ESOP Trust (4)	6,114,532	15.7%
Martin Resource Management Corporation (5)	6,114,532	15.7%
Martin Resource, LLC (5)	4,203,823	10.8%
Martin Product Sales LLC (5)	1,021,265	2.6%
Cross Oil Refining & Marketing Inc. (6)	889,444	2.3%
OppenheimerFunds, Inc. (2)	7,760,760	19.9%
Ruben S. Martin (6)	6,446,851	16.5%
Robert D. Bondurant	69,772	—%
Randall L. Tauscher	55,145	—%
Chris H. Booth	31,330	—%
Scot A. Shoup	10,100	—%
Sean Dolan	—	—%
Zachary S. Stanton	—	—%
C. Scott Massey (7)	41,298	—%
Byron R. Kelley	26,898	—%
James M. Collingsworth (8)	24,298	—%
All directors and executive officers as a group (10 persons) (9)	6,705,692	17.2%

(1) The address for Martin Resource Management Corporation and all of the individuals listed in this table, unless otherwise indicated, is c/o Martin Midstream Partners L.P., 4200 Stone Road, Kilgore, Texas 75662.

(2) The address for OppenheimerFunds, Inc. is 225 Liberty Street, New York, NY 10281.

(3) The percent of class shown is less than one percent unless otherwise noted.

(4) By virtue of its ownership of 87.87% of the outstanding common stock of Martin Resource Management Corporation ("Martin Resource Management"), the MRMC ESOP Trust (the "MRMC ESOP") is the controlling shareholder of Martin Resource Management, and may be deemed to beneficially own the 6,114,532 MMLP Common Units held by Martin Resource LLC, Cross Oil Refining & Marketing Inc., and Martin Product Sales LLC. Wilmington Trust Retirement and Institutional Services Company serves as trustee of the MRMC ESOP but all of its voting and investment decisions are directed by the board of directors of Martin Resource Management. The MRMC ESOP expressly disclaims beneficial ownership of the MMLP Common Units as voting and investment decisions are directed by the board of directors of Martin Resource Management.

(5) Martin Resource Management is the owner of Martin Resource, LLC, Martin Product Sales LLC, and Cross Oil Refining & Marketing Inc., and as such may be deemed to beneficially own the common units held by Martin Resource LLC, Cross Oil Refining & Marketing Inc, and Martin Product Sales LLC. The 4,203,823 common units beneficially owned by Martin Resource Management through its ownership of Martin Resource, LLC have been pledged as security to a third party to secure payment for a loan made by such third party. The 1,021,265 common units beneficially owned by Martin Resource Management through its ownership of Martin Product Sales LLC have been pledged as security to a third party to secure payment for a loan made by such third party. The 889,444 common units beneficially owned by Martin Resource Management through its ownership of Cross Oil Refining & Marketing Inc. have been pledged as security to a third party to secure payment for a loan made by such third party.

(6) Includes 332,319 common units owned directly by Mr. Martin, 297,147 of which are pledged to third parties to secure payment for loans. By virtue of serving as the Chairman of the Board and President of Martin Resource

Management, Ruben S. Martin may exercise control over the voting and disposition of the securities owned by Martin Resource Management, and therefore, may be deemed the beneficial owner of the common units owned by Martin Resource Management, which include 6,114,532 common units beneficially owned through its ownership of Martin Resource LLC, Cross Oil Refining & Marketing Inc. and Martin Product Sales LLC.

(7) Mr. Massey may be deemed to be the beneficial owner of 1,500 common units held by his wife.

(8) Mr. Collingsworth may be deemed to be the beneficial owner of 775 common units held by his wife.

(9) The total for all directors and executive officers as a group includes the common units directly owned by such directors and executive officers as well as the common units beneficially owned by Martin Resource Management as Ruben S. Martin may be deemed to be the beneficial owner thereof.

Martin Resource Management owns a 51% voting interest in the holding company that is the sole member of our general partner and, together with our general partner, owns approximately 15.7% of our outstanding common limited partner units as of December 31, 2018. The table below sets forth information as of December 31, 2018 concerning (i) each person owning beneficially in excess of 5% of the voting common stock of Martin Resource Management, and (ii) the beneficial common stock ownership of (a) each director of Martin Resource Management, (b) each executive officer of Martin Resource Management, and (c) all such executive officers and directors of Martin Resource Management as a group. Except as indicated, each individual has sole voting and investment power over all shares listed opposite his or her name.

	Beneficial Ownership of Voting Common Stock	
Name of Beneficial Owner(1)	**Number of Shares**	**Percent of Outstanding Voting Stock**
MRMC ESOP Trust (2)	170,278.81	87.87%
Martin ESOP Trust (3)	23,510.25	12.13%
Robert D. Bondurant (3)	23,510.25	12.13%
Randall Tauscher (3)	23,510.25	12.13%

(1) The business address of each shareholder, director and executive officer of Martin Resource Management Corporation is c/o Martin Resource Management Corporation, 4200 Stone Road, Kilgore, Texas 75662.

(2) The MRMC ESOP owns 170,278.81 shares of common stock of Martin Resource Management. Wilmington Trust Retirement and Institutional Services Company serves as trustee of the MRMC ESOP but all of its voting and investment decisions related to the unallocated shares of common stock are directed by the board of directors of Martin Resource Management. Of the common stock held by the MRMC ESOP, 99,195.49 shares of common stock are allocated to participant accounts, and 71,083.32 shares of common stock are unallocated.

(3) Robert D. Bondurant and Randall Tauscher (the "Co-Trustees") are co-trustees of the Martin Employee Stock Ownership Trust which converted from a profit sharing plan known as the Martin Employees' Stock Profit Sharing Plan on January 1, 2014. The Co-Trustees exercise shared control over the voting and disposition of the securities owned by this trust. As a result, the Co-Trustees may be deemed to be the beneficial owner of the securities held by such trust; thus, the number of shares of common stock reported herein as beneficially owned by the Co-Trustees includes the 23,510 shares owned by such trust. The Co-Trustees disclaim beneficial ownership of these 23,510 shares.

The following table sets forth information regarding securities authorized for issuance under our equity compensation plans as of December 31, 2018:

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, Warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	N/A	N/A	2,393,575
Total	—	$ —	2,393,575

(1) Our general partner has adopted and maintains the Martin Midstream Partners L.P. Long-Term Incentive Plan. For a description of the material features of this plan, please see "Item 11. Executive Compensation – Employee Benefit Plans – Martin Midstream Partners L.P. Long-Term Incentive Plan".

In February 2019, we issued 5,648 restricted common units to independent directors under our long-term incentive plan. These restricted common units vest in equal installments of 1,412 units on January 24, 2020, 2021, 2022 and 2023.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Martin Resource Management owns 6,114,532 of our common limited partnership units representing approximately 15.7% of our outstanding common limited partnership units as of February 19, 2019. Martin Resource Management controls Martin Midstream GP LLC, our general partner, by virtue of its 51% voting interest in MMGP Holdings, LLC, the sole member of our general partner. Our general partner owns a 2% general partner interest in us and all of our incentive distribution rights. Our general partner's ability to manage and operate us and Martin Resource Management's ownership of approximately 15.7% of our outstanding common limited partnership units effectively gives Martin Resource Management the ability to veto some of our actions and to control our management.

Distributions and Payments to the General Partner and its Affiliates

The following table summarizes the distributions and payments to be made by us to our general partner and its affiliates in connection with our formation, ongoing operation and liquidation. These distributions and payments were determined by and among affiliated entities and, consequently, are not the result of arm's-length negotiations.

Formation Stage	
The consideration received by our general partner and Martin Resource Management for the transfer of assets to us	☒ 4,253,362 subordinated units (All of the original 4,253,362 subordinated units issued to Martin Resource Management have been converted into common units on a one-for-one basis since the formation of the Partnership. 850,672 subordinated units were converted on each of November 14, 2005, 2006, 2007 and 2008, respectively, and 850,674 subordinated units were converted on November 14, 2009)
	☒ 2% general partner interest; and ☒ the incentive distribution rights.
Operational Stage	
Distributions of available cash to our general partner	We will generally make cash distributions 98% to our unitholders, including Martin Resource Management as holder of all of the subordinated units, and 2% to our general partner. In addition, if distributions exceed the minimum quarterly distribution and other higher target levels, our general partner will be entitled to increasing percentages of the distributions, up to 50% of the distributions above the highest target level as a result of its incentive distribution rights.
	Assuming we have sufficient available cash to pay the full minimum quarterly distribution on all of our outstanding units for four quarters, our general partner would receive an annual aggregate distribution of approximately $1.6 million on its 2% general partner interest.
Payments to our general partner and its affiliates	Martin Resource Management is entitled to reimbursement for all direct expenses it or our general partner incurs on our behalf. The direct expenses include the salaries and benefit costs employees of Martin Resource Management who provide services to us. Our general partner has sole discretion in determining the amount of these expenses. In addition to the direct expenses, Martin Resource Management is entitled to reimbursement for a portion of indirect general and administrative and corporate overhead expenses. Under the omnibus agreement, we are required to reimburse Martin Resource Management for indirect general and administrative and corporate overhead expenses. The conflicts committee of our general partner ("Conflicts Committee") will review and approve future adjustments in the reimbursement amount for indirect expenses, if any, annually. Please read "Agreements — Omnibus Agreement" below.
Withdrawal or removal of our general partner	If our general partner withdraws or is removed, its general partner interest and its incentive distribution rights will either be sold to the new general partner for cash or converted into common units, in each case for an amount equal to the fair market value of those interests.
Liquidation Stage	
Liquidation	Upon our liquidation, the partners, including our general partner, will be entitled to receive liquidating distributions according to their particular capital account balances.

Agreements

Omnibus Agreement

We and our general partner are parties to an omnibus agreement 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. 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.

Non-Competition Provisions. Martin Resource Management has agreed for so long as it controls the general partner of the Partnership, not to engage in the business of:

- providing terminalling and storage services for petroleum products and by-products including the refining, blending and packaging of finished lubricants;
- providing marine transportation of petroleum products and by-products;
- distributing NGLs; and
- manufacturing and selling sulfur-based fertilizer products and other sulfur-related products.

This restriction does not apply to:

- the ownership and/or operation on the Partnership's behalf of any asset or group of assets owned by it or its affiliates;
- any business operated by Martin Resource Management, including the following:
    - providing land transportation of various liquids (the Partnership acquired MTI effective January 1, 2019);
    - distributing fuel oil, asphalt, marine fuel and other liquids;
    - providing marine bunkering and other shore-based marine services in Texas, Louisiana, Mississippi, Alabama, and Florida;
    - operating a crude oil gathering business in Stephens, Arkansas;
    - 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 the Partnership's business; and
    - operating, solely for the Partnership's account, the asphalt facilities in Omaha, Nebraska, Port Neches, Texas, Hondo, Texas, and South Houston, Texas.
- any business that Martin Resource Management acquires or constructs that has a fair market value of less than $5,000;
- any business that Martin Resource Management acquires or constructs that has a fair market value of $5,000 or more if the Partnership has been offered the opportunity to purchase the business for fair market value and the Partnership declines to do so with the concurrence of the conflicts committee of the board of directors of the general partner of the Partnership (the "Conflicts Committee"); and
- any business that Martin Resource Management acquires or constructs where a portion of such business includes a restricted business and the fair market value of the restricted business is $5,000 or more and represents less than 20% of the aggregate value of the entire business to be acquired or constructed; provided that, following completion of the acquisition or construction, the Partnership will be provided the opportunity to purchase the restricted business.

Services. Under the Omnibus Agreement, Martin Resource Management provides us with corporate staff and support services that are substantially identical in nature and quality to the services previously provided by Martin Resource Management in connection with its management and operation of our assets during the one-year period prior to the date of the agreement. The Omnibus Agreement 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. 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, Martin Resource Management is entitled to reimbursement for a portion of indirect general and administrative and corporate overhead 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, 2018, 2017 and 2016, the Conflicts Committee approved and we reimbursed Martin Resource Management of $16.4 million, $16.4 million and $13.0 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 cover all of the centralized corporate functions Martin Resource Management provides for us, such as accounting, treasury, clerical 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. The provisions of the Omnibus Agreement regarding Martin Resource Management's services will terminate if Martin Resource Management ceases to control our general partner.

Related Party Transactions. The Omnibus Agreement prohibits us from entering into any material agreement with Martin Resource Management without the prior approval of the Conflicts Committee. For purposes of the Omnibus Agreement, the term material agreements means any agreement between us and Martin Resource Management that requires aggregate annual payments in excess of then-applicable limitation on the reimbursable amount of indirect general and administrative expenses. Please read " *Services"* above.

License Provisions. Under the Omnibus Agreement, Martin Resource Management has granted us a nontransferable, nonexclusive, royalty-free right and license to use certain of its trade names and marks, as well as the trade names and marks used by some of its affiliates.

Amendment and Termination. The Omnibus Agreement may be amended by written agreement of the parties; provided, however that it may not be amended without the approval of the Conflicts Committee if such amendment would adversely affect the unitholders. The Omnibus Agreement was first amended on November 25, 2009, to permit us to provide refining services to Martin Resource Management. The Omnibus Agreement was amended further on October 1, 2012, to permit us to provide certain lubricant packaging products and services to Martin Resource Management. Such amendments were approved by the Conflicts Committee. The Omnibus Agreement, other than the indemnification provisions and the provisions limiting the amount for which we will reimburse Martin Resource Management for general and administrative services performed on our behalf, will terminate if we are no longer an affiliate of Martin Resource Management.

Motor Carrier Agreement

We are a party to a motor carrier agreement effective January 1, 2006, as amended, with Martin Transport, Inc., a wholly owned subsidiary of Martin Resource Management through which Martin Resource Management operates its land transportation operations. Under the agreement, Martin Transport, Inc. agrees to ship our NGL shipments as well as other liquid products.

Term and Pricing. The agreement has an initial term that expired in December 2007 but automatically renews for consecutive one-year periods unless either party terminates the agreement by giving written notice to the other party at least 30 days prior to the expiration of the then-applicable term. We have the right to terminate this agreement at anytime by providing 90 days prior notice. Under this agreement, Martin Transport, Inc. transports our NGL shipments as well as other liquid products. These rates are subject to any adjustment to which are mutually agreed or in accordance with a price index. Additionally, during the term of the agreement, shipping charges are also subject to fuel surcharges determined on a weekly basis in accordance with the United States Department of Energy's national diesel price list.

Indemnification. Martin Transport, Inc. has indemnified us against all claims arising out of the negligence or willful misconduct of Martin Transport, Inc. and its officers, employees, agents, representatives and subcontractors. We indemnified Martin Transport against all claims arising out of the negligence or willful misconduct of us and our officers, employees, agents, representatives and subcontractors. In the event a claim is the result of the joint negligence or misconduct of Martin

Transport and us, our indemnification obligations will be shared in proportion to each party's allocable share of such joint negligence or misconduct.

As discussed in *Item 8. Financial Statements and Supplementary Data*, the Partnership purchased Martin Transport, Inc. effective January 1, 2019.

Terminal Services Agreements

Diesel Fuel Terminal Services Agreement. Effective January 1, 2016, we entered into a second amended and restated terminalling services agreement under which we provide terminal services to Martin Resource Management for marine fuel distribution. At such time, the per gallon throughput fee we charged under this agreement was increased when compared to the previous agreement and may be adjusted annually based on a price index. This agreement was further amended on January 1, 2017 and October 1, 2017 to modify its minimum throughput requirements and throughput fees. This agreement, as amended, expired September 30, 2018 and continued thereafter on a month to month basis until terminated by either party by giving 60 days' written notice.

Miscellaneous Terminal Services Agreements. We are currently party to several terminal services agreements and from time to time we may enter into other terminal service agreements for the purpose of providing terminal services to related parties. Individually, each of these agreements is immaterial but when considered in the aggregate they could be deemed material. These agreements are throughput based with a minimum volume commitment. Generally, the fees due under these agreements are adjusted annually based on a price index.

Marine Agreements

Marine Transportation Agreement. We are a party to a marine transportation agreement effective January 1, 2006, as amended, 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. The fees we charge Martin Resource Management are based on applicable market rates.

Marine Fuel. We are a party to an agreement with Martin Resource Management dated November 1, 2002 under which Martin Resource Management provides us with marine fuel from its locations in the Gulf of Mexico at a fixed rate in excess of a price index. Under this agreement, we agreed to purchase all of its marine fuel requirements that occur in the areas serviced by Martin Resource Management.

Other Agreements

Cross Tolling Agreement. We are a party to an amended and restated tolling agreement with Cross dated October 28, 2014 under which we process crude oil into finished products, including naphthenic lubricants, distillates, asphalt and other intermediate cuts for Cross. The tolling agreement expires November 25, 2031. Under this tolling agreement, Martin Resource Management agreed to refine a minimum of 6,500 barrels per day of crude oil at the refinery at a fixed price per barrel. Any additional barrels are refined at a modified price per barrel. In addition, Martin Resource Management agreed to pay a monthly reservation fee and a periodic fuel surcharge fee based on certain parameters specified in the tolling agreement. All of these fees (other than the fuel surcharge) are subject to escalation annually based upon the greater of 3% or the increase in the Consumer Price Index for a specified annual period. In addition, every three years, the parties can negotiate an upward or downward adjustment in the fees subject to their mutual agreement.

Sulfuric Acid Sales Agency Agreement. We were previously a party to a third amended and restated sulfuric acid sales agency agreement dated August 2, 2017 but effective October 1, 2017, under which a successor in interest to the agreement from Martin Resource Management, Saconix LLC ("Saconix"), a limited liability company in which Martin Resource Management held a minority equity interest, purchased and marketed the sulfuric acid produced by our sulfuric acid production plant at Plainview, Texas, that was not consumed by our internal operations. This agreement, as amended, was to remain in place until September 30, 2020 and automatically renew year to year thereafter until either party provided 90 days' written notice of termination prior to the expiration of the then existing term. Under this agreement, we sold all of our excess sulfuric acid to Saconix, who then marketed and sold such acid to third-parties. We shared in the profit of such sales.

Other Miscellaneous Agreements. From time to time we enter into other miscellaneous agreements with Martin Resource Management for the provision of other services or the purchase of other goods.

Other Related Party Transactions

Related Party Note Receivable

We had a $15.0 million note receivable from an affiliate of Martin Resource Management which previously bore an annual interest rate of 15% and had a maturity date of August 31, 2026, the balance of which could be prepaid on or after September 1, 2016. On February 14, 2017, we notified Martin Resource Management that we would be requesting voluntary repayment of the long-term Note Receivable plus accrued interest. During second quarter of 2017, the Note Receivable was fully repaid. Interest income for the years ended December 31, 2017 and 2016 was $0.9 million and $2.3 million, respectively.

2017 Public Offerings

In conjunction with a public offering, our general partner contributed $1.1 million in order to maintain its 2% general partner interest in us.

Transfers of Assets Between Entities Under Common Control

Acquisition of Terminalling Assets. On February 22, 2017, we acquired 100% of the membership interests of MEH South Texas Terminals LLC (“MEH”), a subsidiary of Martin Resource Management, for a purchase price of $27.4 million (the “Hondo Acquisition”). At the date of acquisition, MEH was in the process of constructing an asphalt terminal facility in Hondo, Texas (the "Hondo Terminal”), which will serve the asphalt market in San Antonio, Texas and surrounding areas. The excess of the purchase price over the carrying value of the assets of $7.9 million was recorded as an adjustment to "Partners' capital."

Miscellaneous

Certain of directors, officers and employees of our general partner and Martin Resource Management maintain margin accounts with broker-dealers with respect to our common units held by such persons. Margin account transactions for such directors, officers and employees were conducted by such broker-dealers in the ordinary course of business.

For information regarding amounts of related party transactions that are included in the Partnership's Consolidated Statements of Operations, please see Footnote 14, "Related Party Transactions", in Part II, Item 8.

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 constituted 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.

Item 14. Principal Accounting Fees and Services

KPMG, LLP served as our independent auditors for the fiscal years ended December 31, 2018 and 2017. The following fees were paid to KPMG, LLP for services rendered during our last two fiscal years:

	2018		2017	
Audit fees	$ 1,238,500	(1)	$ 1,349,934	(1)
Audit related fees	—		—	
Audit and audit related fees	1,238,500		1,349,934	
Tax fees	82,106	(2)	123,167	(2)
All other fees	—		124,550	(3)
Total fees	$ 1,320,606		$ 1,597,651	

(1) 2018 audit fees include fees for the annual integrated audit and fees related to services in connection with transactions. 2017 audit fees include fees for the annual integrated audit and fees related to services in connection with transactions.

(2) Tax fees are for services related to the review of our partnership K-1's returns, and research and consultations on other tax related matters.

(3) All other fees are for accounting advisory services related to the adoption of ASC 606.

Under policies and procedures established by the Board of Directors and the Audit Committee, the Audit Committee is required to pre-approve all audit and non-audit services performed by our independent auditor to ensure that the provisions of such services do not impair the auditor's independence. All of the services described above that were provided by KPMG, LLP in years ended December 31, 2018 and December 31, 2017 were approved in advance by the Audit Committee.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) Financial Statements, Schedules

(1) Financial Statements (see Part II, Item 8. of this Annual Report on Form 10-K regarding financial statements)

(2) Financial Statement Schedules: The separate filing of financial statement schedules has been omitted because such schedules are either not applicable or the information called for therein appears in the footnotes of our Consolidated Financial Statements.

(3) Financial Statements of West Texas LPG Pipeline Limited Partnership, an affiliate accounted for by the equity method, which constituted a significant subsidiary.

Financial Statement Schedule
Pursuant to Item 15(a)(3)

West Texas LPG Pipeline Limited Partnership

Financial Statements
For the seven-month period from January 1, 2018 to July 31, 2018 and each of the years ended December 31, 2017 and 2016
(unaudited)

Independent Auditor's Report

To the Partnership Committee of West Texas LPG Pipeline Limited Partnership

We have audited the accompanying financial statements of West Texas LPG Pipeline Limited Partnership, which comprise the balance sheets as of July 31, 2018 and December 31, 2017, and the related statements of operations, changes in partners' capital and cash flows for the period from January 1, 2018 to July 31, 2018 and the year ended December 31, 2017.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Partnership's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of West Texas LPG Pipeline Limited Partnership as of July 31, 2018 and December 31, 2017, and the results of its operations and its cash flows for the period from January 1, 2018 to July 31, 2018 and the year ended December 31, 2017 in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The accompanying statements of operations, changes in partners' capital and cash flows for the year ended December 31, 2016 are presented for purposes of complying with Rule 3-09 of SEC Regulation S-X; however, Rule 3-09 does not require the 2016 financial statements to be audited and they are therefore not covered by this report.

/s/PricewaterhouseCoopers LLP

Tulsa, Oklahoma
February 19, 2019

West Texas LPG Pipeline Limited Partnership
Balance Sheets
(Dollars in thousands)

	July 31, 2018	December 31, 2017
Assets		
Current assets		
Cash and cash equivalents	$ 6,247	$ 27,927
Accounts receivable	17,069	17,151
Materials and supplies inventories	2,168	2,168
Other current assets	208	66
Total current assets	25,692	47,312
Property and equipment	952,969	831,823
Accumulated depreciation	(50,468)	(42,308)
Property, plant and equipment, net	902,501	789,515
Other assets	311	337
Total assets	$ 928,504	$ 837,164
Liabilities and Partners' Capital		
Current liabilities		
Accounts payable	$ 49,706	$ 40,919
Taxes payable	1,575	2,396
Other current liabilities	2,436	459
Total current liabilities	53,717	43,774
Environmental reserve	5,488	5,964
Other liabilities	405	—
Total liabilities	59,610	49,738
Commitments and contingencies (Note 6)		
Partners' capital	868,894	787,426
Total liabilities and partners' capital	$ 928,504	$ 837,164

See accompanying notes to the financial statements.

West Texas LPG Pipeline Limited Partnership
Statements of Operations
(Dollars in thousands)

	Period from January 1, 2018 through July 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016*
			(unaudited)
Revenue (Note 3)	$ 55,534	$ 87,049	$ 88,467
Costs and expenses			
Cost of services (exclusive of items shown separately below)	8,379	12,336	11,401
Operations and maintenance	20,464	36,510	36,824
Depreciation	8,144	13,842	13,686
Taxes other than income	1,866	2,842	2,651
Total costs and expenses	38,853	65,530	64,562
Other income (expense), net	(39)	53	(22)
Net income	$ 16,642	$ 21,572	$ 23,883

*Not covered by the auditor's report
See accompanying notes to the financial statements.

West Texas LPG Pipeline Limited Partnership
Statements of Changes in Partners' Capital
(Dollars in thousands)

	ONEOK Permian NGL Pipeline LP, LLC	ONEOK Permian NGL Pipeline GP, LLC	Martin Midstream Holdings II, LLC	Martin Midstream Holdings, LLC	Total
Balances - December 31, 2015	$ 636,786	$ 6,432	$ 159,197	$ 1,608	$ 804,023
Net income (unaudited)	18,915	191	4,729	48	23,883
Distributions to partners (unaudited)	(29,700)	(300)	(7,425)	(75)	(37,500)
Balances - December 31, 2016 (unaudited)*	626,001	6,323	156,501	1,581	790,406
Net income (unaudited)	17,086	172	4,270	44	21,572
Contributions by partners	1,542	16	386	4	1,948
Distributions to partners	(20,988)	(212)	(5,247)	(53)	(26,500)
Balances - December 31, 2017	623,641	6,299	155,910	1,576	787,426
Cumulative effect of adoption of ASC 606 (Note 2)	65	1	17	—	83
Net income	13,181	133	3,295	33	16,642
Contributions by partners	65,137	658	16,284	164	82,243
Distributions to partners	(13,860)	(140)	(3,465)	(35)	(17,500)
Purchase and sale of Partnership interest (Note 1)	$ 172,041	$ 1,738	$ (172,041)	$ (1,738)	—
Balances - July 31, 2018	$ 860,205	$ 8,689	$ —	$ —	$ 868,894

*Not covered by the auditor's report
See accompanying notes to the financial statements.

West Texas LPG Pipeline Limited Partnership
Statements of Cash Flows
(Dollars in thousands)

	Period from January 1, 2018 through July 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016*
			(unaudited)
Cash flows from operating activities:			
Net income	$ 16,642	$ 21,572	$ 23,883
Adjustments to reconcile net income and net cash provided by operating activities:			
Depreciation	8,144	13,842	13,686
Change in assets and liabilities:			
Accounts receivable	82	(4,008)	(4,169)
Materials and supplies inventories	—	(221)	59
Other current assets	(142)	(24)	(42)
Other assets	26	28	(365)
Accounts payable	(21,665)	23,971	7,797
Taxes other than income	(821)	226	88
Other current liabilities	(83)	368	(219)
Other liabilities	(36)	—	—
Environmental reserve	(476)	(877)	(1,413)
Net cash provided by operating activities	1,671	54,877	39,305
Cash flows from investing activities:			
Payments for property and equipment	(90,094)	(5,555)	(3,946)
Net cash used in investing activities	(90,094)	(5,555)	(3,946)
Cash flows from financing activities:			
Contributions by partners	82,243	1,948	—
Distributions to partners	(15,500)	(26,500)	(37,500)
Net cash used in financing activities	66,743	(24,552)	(37,500)
Net increase (decrease) in cash and cash equivalents	(21,680)	24,770	(2,141)
Cash and cash equivalents at beginning of period	27,927	3,157	5,298
Cash and cash equivalents at end of period	$ 6,247	$ 27,927	$ 3,157

*Not covered by the auditor's report
See accompanying notes to the financial statements.

(Dollars in thousands, except where otherwise indicated)

(1) Organization and Basis of Presentation

West Texas LPG Pipeline Limited Partnership (the "Partnership" or "WTLPG") is a Texas limited partnership. The Partnership was formed in 1999 and owns an approximately 2,300 mile common-carrier pipeline system that transports natural gas liquids ("NGLs") from New Mexico and Texas to Mont Belvieu, Texas for fractionation. On July 31, 2018, ONEOK Permian NGL Pipeline GP, L.L.C. acquired the 0.2% General Partner Interest from Martin Midstream NGL Holdings, LLC, and ONEOK Permian NGL Pipeline LP, L.L.C. acquired the 19.8% Limited Partner Interest from Martin Midstream NGL Holdings II, LLC. As of July 31, 2018, the Partnership is a wholly owned subsidiary of ONEOK. Prior to the sale of partnership interests on July 31, 2018, the partners' capital interests were owned by the following:

Owner	Interest	Interest Type
ONEOK Permian NGL Pipeline GP, L.L.C	0.8%	General Partner
ONEOK Permian NGL Pipeline LP, L.L.C.	79.2%	Limited Partner
Martin Midstream NGL Holdings, LLC	0.2%	General Partner
Martin Midstream NGL Holdings II, LLC	19.8%	Limited Partner
	100%	

ONEOK Permian NGL Pipeline GP, L.L.C. and ONEOK Permian NGL Pipeline LP, L.L.C. are wholly owned subsidiaries of ONEOK, Inc. ("ONEOK"). A subsidiary of ONEOK is also the pipeline operator ("Operator"). Martin Midstream NGL Holdings, LLC and Martin Midstream NGL Holdings II, LLC are wholly owned subsidiaries of Martin Midstream Partners, L.P. ("Martin").

The operating agreement among the partners provides that net income and distributions are to be allocated among the partner interests in proportion to their respective capital interests. Partners' liabilities are limited to the amount of capital contributed.

The limited partnership agreement of WTLPG provides that distributions to the partners are to be made on a pro rata basis according to each partner's ownership interest. Cash distributions to the partners are declared and paid by WTLPG each calendar quarter. Any changes to, or suspension of, the cash distributions from WTLPG required the approval of a minimum of 90 percent of the ownership interest and a minimum of two general partners of WTLPG. Cash distributions are equal to 100 percent of distributable cash as defined in the limited partnership agreement of WTLPG.

(2) Significant Accounting Policies

(a) *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 financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

(b) Revenue Recognition

The Partnership's revenue is derived from fees collected for transporting NGLs. Transportation fees charged to shippers are based on either tariffs regulated by governmental agencies, including the Federal Energy Regulatory Commission ("FERC") and the Railroad Commission of Texas ("RRC"), or contractual arrangements. Our tariffs specify the maximum rates we may charge our customers and the general terms and conditions for NGL transportation service on our pipelines. Revenue is recognized when transportation services are provided. See Note 3 for additional disclosures.

(c) *Cash and Cash Equivalents*

The Partnership considers all highly liquid cash investments with maturities of three months or less at the time of purchase to be cash equivalents.

(Dollars in thousands, except where otherwise indicated)

(d) ***Property and Equipment***

Property and equipment is stated at cost, less accumulated depreciation. Our property and equipment are depreciated using the straight-line method over their estimated useful lives. We periodically conduct depreciation studies to assess the economic lives of our assets. These depreciation studies are completed as a part of our rate proceedings, and the changes in economic lives, if applicable, are implemented prospectively.

Property and equipment on our Balance Sheets includes construction work in process for capital projects that have not yet been placed in service and therefore are not being depreciated. Assets are transferred out of construction work in process when they are substantially complete and ready for their intended use.

Property and equipment consists of the following:

	Useful Life	July 31, 2018	December 31, 2017
Gathering lines and related equipment	20-88	$ 819,780	$ 813,037
General plant and other	71-80	8,238	8,097
Construction work in process		124,951	10,689
Property and equipment		952,969	831,823
Accumulated depreciation		(50,468)	(42,308)
Property and equipment, net		$ 902,501	$ 789,515

Additions to property and equipment included in accounts payable as of July 31, 2018 and December 31, 2017 were $35,528 and $4,000, respectively.

(a) ***Impairment of Long-Lived Assets***

In accordance with ASC 360-10, long-lived assets such as property and equipment 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 for the amount by which the carrying amount of the asset exceeds the fair value of the asset. We determined that there were no asset impairments for the seven-month period from January 1, 2018 to July 31, 2018 or the years ended December 31, 2017 and 2016.

(a) ***Asset Retirement Obligations***

Asset retirement obligations represent legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and/or normal use of the asset. We are not able to estimate reasonably the fair value of the asset retirement obligations for our assets because the settlement dates are indeterminable given the expected continued use of the assets with proper maintenance. We expect our pipeline assets, for which we are unable to estimate reasonably the fair value of the asset retirement obligation, will continue in operation as long as supply and demand for NGLs exists. Based on the widespread use of NGLs by the petrochemical industry, we expect supply and demand to exist for the foreseeable future.

(a) ***Fair Value Measurements and Financial Instruments***

We use 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 our 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.

We classify the fair value of an asset or liability based on the lowest level of input significant to its measurement. A fair value initially reported as Level 3 will be subsequently reported as Level 2 if the unobservable inputs become inconsequential to its measurement, or corroborating market data becomes available. Asset and liability fair values initially reported as Level 2 will be subsequently reported as Level 3 if corroborating market data becomes unavailable.

Our financial instruments consist of cash and cash equivalents, accounts receivable, and accounts payable. The carrying amounts of financial instruments approximate fair value due to their short maturities. Our cash and cash equivalents are comprised of bank and money market accounts and are classified as Level 1.

(h) Operating and Maintenance Expenses

Operating and maintenance expenses are incurred by the Operator and charged for the cost of personnel that operate the pipeline and other operating costs. Where costs are incurred specifically on our behalf, the costs are billed directly to us by the Operator. In other situations, the costs may be allocated to us through a variety of methods, depending upon the nature of the expense and activities. Under our operating agreement, we are required to reimburse the Operator for such operating expenses.

(i) Environmental Reserves

Our policy is to accrue for losses associated with environmental remediation obligations when such losses are probable and reasonably estimable. We routinely conduct reviews of potential environmental issues and claims that could impact our assets or operations. These reviews assist us in identifying environmental issues and estimating the costs and timing of remediation efforts. In making environmental liability estimations, we consider the material effect of environmental compliance, pending legal actions against us and potential third-party liability claims. 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. These revisions are reflected in our income in the period in which they are probable and can be reasonably estimated. Estimated 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.

(j) Accounts Receivable and Allowance for Doubtful Accounts.

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. We assess collectability at the inception of an arrangement based upon credit ratings and prior collections history. In general, we conduct business with customers with whom we have a long collection history. As a result, we have not experienced significant credit losses nor has our revenue recognition been impacted due to assessments of collectability. We have not recorded an allowance for doubtful accounts as of July 31, 2018 or December 31, 2017, as all accounts receivable were determined to be collectible.

(k) Transportation Imbalances

In the course of transporting NGLs for others, we may receive for redelivery different quantities of NGLs than the quantities we ultimately redeliver. We record these differences as transportation and exchange imbalance receivables or payables that are subject to cash-out provisions. Imbalance receivables are included in accounts receivable, and imbalance payables are included in accounts payable on the balance sheet at current market prices in effect for the reporting period of the outstanding imbalances. As of July 31, 2018 and December 31, 2017, we had imbalance receivables and payables totaling $7,964 and $8,409, respectively.

(l) Concentration of Credit Risk

Substantially all of our accounts receivable at July 31, 2018 and December 31, 2017, results from transportation fees earned from companies in the oil and gas industry and transportation imbalances. This concentration of customers may impact our overall credit risk, either positively or negatively, in that these entities may be similarly affected by industry-wide changes in economic or other conditions. Such receivables are generally not collateralized. However, we perform credit evaluations on

all our customers to minimize exposure to credit risk. For the seven-month period from January 1, 2018 to July 31, 2018 and years ended December 31, 2017 and 2016 credit losses were not material.

As of July 31, 2018, accounts receivable includes receivables from one customer representing 52% of total accounts receivable. As of December 31, 2017, accounts receivable includes receivables from two customers representing 47% and 13% of total accounts receivable.

For the seven-month period from January 1, 2018 to July 31, 2018, revenue includes transportation fees received from three customers representing 23%, 20% and 17% of total revenue, respectively. For the year ended December 31, 2017, revenue includes transportation fees received from three customers representing 23%, 16% and 15% of total revenue, respectively. For the year ended December 31, 2016, revenue includes transportation fees received from two customers representing 18% (unaudited) and 12% (unaudited) of total revenue, respectively.

(m) Income Taxes

We are a limited partnership for federal and state income taxes. Income taxes are the responsibility of our members and, with the exception of the Texas franchise tax, are not reflected in our financial statements.

(n) Materials and Supplies Inventory

The cost of materials, supplies and other inventories is principally determined using the average-cost method.

(o) Subsequent Events

We have evaluated subsequent events through February 19, 2019, the date our financial statements were available, and we believe all required subsequent events disclosures have been made.

(p) Recent Accounting Pronouncements

In February 2016, the FASB issued *ASU 2016-02*, *Leases*. This ASU amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets and making targeted changes to lessor accounting. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2019. The standard requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. We expect to record right of use assets and lease obligations on our balance sheet upon adoption. We do not expect the impact of adopting this standard to be material to our income statement or related disclosures.

In May 2014, the FASB issued *ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606)*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. Topic 606 replaced most existing revenue recognition guidance in U.S. GAAP. The Partnership adopted the standard on January 1, 2018. The standard permits the use of either the retrospective or cumulative effect transition method. The Partnership utilized the cumulative effect method which resulted an increase of $83 to retained earnings as of January 1, 2018. Results for reporting periods beginning on or after January 1, 2018, are presented under the new standard, while prior periods are not adjusted and continue to be reported under the accounting standards in effect for those periods. The Partnership did not identify any significant changes in the timing of revenue recognition when considering the amended accounting guidance.

In August 2016, the FASB issued *ASU No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. The standard clarifies the classification of certain cash receipts and cash payments on the statement of cash flows where diversity in practice has been identified. ASU 2016-15 is effective for annual reporting periods beginning after December 15, 2019. We do not expect the impact of adopting this standard to be material to our financial statements and related disclosures.

(3) Revenue

On January 1, 2018, we adopted Topic 606 using the cumulative effect transition method applied to those contracts which were not completed as of January 1, 2018. Results for reporting periods beginning on or after January 1, 2018 are

(Dollars in thousands, except where otherwise indicated)

presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting under ASC Topic 605, *Revenue Recognition*. The following disclosures discuss the Partnership's revised revenue recognition policies upon the adoption of Topic 606, as discussed in Note 2.

There were no material impacts to revenues, or any other income statement caption, for the period from January 1, 2018 to July 31, 2018 as a result of applying Topic 606. The impact to the Balance Sheet resulted from contributions in aid of construction as follows:

	July 31, 2018		
	As reported	Balance without adoption of Topic 606	Effect of change increase / (decrease)
Property and equipment	$ 952,969	$ 952,369	$ 600
Accumulated depreciation	50,468	50,445	23
Other current liabilities	2,436	2,376	60
Other liabilities	405	0	405
Partners' capital	868,894	868,782	112

Under Topic 606, we disaggregate our revenues by interstate transportation contracts, intrastate transportation contracts, and other contractual arrangements. These categories depict the nature, amount, timing and uncertainty of revenues. Disaggregated revenue for the period from January 1, 2018 through July 31, 2018 is as follows:

Revenue	
Interstate transportation services	$ 32,654
Intrastate transportation services	19,007
Other services	3,775
Total revenue from contracts with customers	55,436
Noncustomer revenue	98
Total revenue	$ 55,534

The Partnership satisfies its obligations by providing services in exchange for consideration from customers. The timing of performance may differ from the timing of the associated consideration received from the customer, thus resulting in the recognition of a contract asset or a contract liability. As of July 31, 2018 and January 1, 2018, no contract assets have been recognized.

The Partnership recognizes a contract liability if the customer's payment of consideration precedes the Partnership's fulfillment of the performance obligations. Our contract liabilities represent deferred revenue on contributions in aid of construction received from customers and are recorded in Other current liabilities and Other liabilities. These amounts are recognized in revenue as services are provided over the contract period, which averages approximately 10 years. The change in the contract liability is as follows:

Contract Liability

As of January 1, 2018	$ 500
Revenue recognized included in beginning balance	(35)
As of July 31, 2018	$ 465

We expect to record approximately $50 per year through 2027.

(4) Related Party Transactions

(Dollars in thousands, except where otherwise indicated)

Related Party Transactions - We provide transportation services to affiliates of our partners. Affiliate services are recorded on the same basis as services to unaffiliated customers.

We do not have any employees; therefore, the Operator's employees support and maintain our assets as provided by the terms of the operating agreement. We record direct costs for all compensation, benefits, employer taxes and other employer expenses for these employees. Pursuant to the operating agreement, we pay a management fee, which is reflected in operations and maintenance expenses in our Statements of Operations, to the Operator for administrative costs associated with operating our pipelines.

We also lease an approximate 300 mile pipeline, the Mesquite Pipeline, from affiliates of ONEOK, the cost of which is reflected in cost of services in our Statements of Operations.

The following table sets forth the transactions with related parties for the periods indicated:

	Period from January 1, 2018 through July 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016
			(unaudited)
Revenues	$ 12,735	$ 13,309	$ 7,606
Expenses:			
Cost of serivces	$ 1,305	$ 2,172	$ 2,117
Operating costs	3,735	8,924	9,359
Administrative costs	5,821	5,608	5,546
Total Expenses	$ 10,861	$ 16,704	$ 17,022

Related Party Balances - We reimburse the Operator for direct costs of employees that support and maintain our assets. We also reimburse the Operator for direct third-party costs incurred on our behalf such as costs for materials, supplies and other charges. As of July 31, 2018, and December 31, 2017, we had accounts payable to the Operator of $47,668 and $39,306, respectively, related to management fees and reimbursements of expenditures. As of July 31, 2018 and December 31, 2017, we had accounts receivable from affiliates of ONEOK of $8,885 and $8,042, respectively, related to amounts due for transportation services provided and imbalance receivables.

(5) Operating Leases

We have non-cancelable operating leases primarily for the Mesquite Pipeline and other equipment. The leases generally provide that all expenses related to the pipeline and equipment are to be paid by the lessee.

Our future minimum lease obligations as of July 31, 2018 consist of the following:

2018	$ 1,145
2019	2,729
2020	2,389
2121	955
Thereafter	—
Total	$ 7,218

Lease expense for operating leases for the period from January 1, 2018 through July 31, 2018, and years ended December 31, 2017 and 2016 was $5,626, $8,534 and $7,683 (unaudited) respectively.

(6) Commitments and Contingencies

2015 Rate Complaints - On July 1, 2015, WTLPG began charging market-based common carrier rates for intrastate transportation service under a tariff on file with the Railroad Commission of Texas ("RRC"). Certain shippers filed complaints with the RRC challenging the increased rates WTLPG implemented effective July 1, 2015. The complaints requested that the rate increase be suspended until the RRC has determined appropriate new rates. On March 8, 2016, the RRC issued an order directing that WTLPG's rates "in effect prior to July 1, 2015 are the lawful rates for the duration of this docket unless changed by Commission order." The RRC indicated that WTLPG's rates should be reviewed on a market basis, without consideration of cost of service, if market information is available.

In September 2017, the hearings examiner issued his Proposal for Decision rejecting the rates WTLPG filed on July 1, 2015, and finding that WTLPG could not charge rates similar to rates charged by new or expansion pipelines, since the rates of those newer pipelines included amounts associated with construction costs and those newer pipelines were allegedly "more reliable." In January 2018, the Commissioners remanded the case back to the hearing examiner "for the limited scope of admitting and considering additional relevant evidence on common carrier market competition, transportation options, and pricing in the Permian Basin, Barnett Shale and Haynesville Shale markets, including pertinent market studies and/or analysis."

The shippers' complaints about increased rates implemented by WTLPG in July 2015 were resolved by a settlement that was formally approved by the RRC in January 2019. All prior claims have been resolved, and no contingency exists.

Occidental Energy Marketing, Inc. v. WTLPG - In December 2014, Occidental Energy Marketing, Inc. ("Oxy") filed a lawsuit against WTLPG in state court in Houston, Texas asserting breach of contract and related claims arising from allegations that during a period from 2010 through 2014, WTLPG failed to redeliver approximately 11.7 million gallons of product received by WTLPG from Oxy. Oxy asserts approximately $11 million in damages. In August 2016, the Court granted summary judgment in favor of WTLPG on all of Oxy's claims. In January 2017, the Court entered Final Judgment in favor of WTLPG, including an award of $257 thousand in attorneys' fees. Oxy filed a Notice of Appeal in January 2017. All briefs have been filed and the oral argument was heard by the Texas Court of Appeals in November 2017.

In October 2018, the Texas Court of Appeals issued its decision affirming in part, reversing in part and remanding the case to the trial court for further proceedings consistent with its opinion. Oxy did not seek rehearing of the case en banc or request review by the Texas Supreme Court. Accordingly, the case was remanded to the trial court for further proceedings consistent with the decision of the Court of Appeals.

Because of the uncertainty surrounding the Oxy litigation, we cannot estimate a reasonably possible range of potential exposure at this time. However, it is reasonably possible that the ultimate resolution of this matter could result in future charges that may be material to our results of operations.

(b) Exhibits

INDEX TO EXHIBITS

Exhibit Number	Exhibit Name
3.1	Certificate of Limited Partnership of Martin Midstream Partners L.P. (the "Partnership"), dated June 21, 2002 (filed as Exhibit 3.1 to the Partnership's Registration Statement on Form S-1 (Reg. No. 333-91706), filed July 1, 2002, and incorporated herein by reference).
3.2	Second Amended and Restated Agreement of Limited Partnership of the Partnership, dated November 25, 2009 (filed as Exhibit 10.1 to the Partnership's Amendment to Current Report on Form 8-K/A (SEC File No. 000-50056), filed January 19, 2010, and incorporated herein by reference).
3.3	Amendment No. 2 to the Second Amended and Restated Agreement of Limited Partnership of the Partnership dated January 31, 2011 (filed as Exhibit 3.1 to the Partnership's Current Report on Form 8-K (SEC File No. 000-50056), filed February 1, 2011, and incorporated herein by reference).
3.4	Amendment No. 3 to the Second Amended and Restated Agreement of Limited Partnership of the Partnership dated October 2, 2012 (filed as Exhibit 10.5 to the Partnership's Current Report on Form 8-K (SEC File No. 000-50056), filed October 9, 2012, and incorporated herein by reference).
3.5	Certificate of Limited Partnership of Martin Operating Partnership L.P. (the "Operating Partnership"), dated June 21, 2002 (filed as Exhibit 3.3 to the Partnership's Registration Statement on Form S-1 (Reg. No. 333-91706), filed July 1, 2002, and incorporated herein by reference).
3.6	Amended and Restated Agreement of Limited Partnership of the Operating Partnership, dated November 6, 2002 (filed as Exhibit 3.2 to the Partnership's Current Report on Form 8-K (SEC File No. 000-50056), filed November 19, 2002, and incorporated herein by reference).
3.7	Certificate of Formation of Martin Midstream GP LLC (the "General Partner"), dated June 21, 2002 (filed as Exhibit 3.5 to the Partnership's Registration Statement on Form S-1 (Reg. No. 333-91706), filed July 1, 2002, and incorporated herein by reference).
3.8	Amended and Restated Limited Liability Company Agreement of the General Partner, dated August 30, 2013 (filed as Exhibit 3.1 to the Partnership's Current Report on Form 8-K (Reg. No. 000-50056), filed September 3, 2013, and incorporated herein by reference).
3.9	Certificate of Formation of Martin Operating GP LLC (the "Operating General Partner"), dated June 21, 2002 (filed as Exhibit 3.7 to the Partnership's Registration Statement on Form S-1 (Reg. No. 333-91706), filed July 1, 2002, and incorporated herein by reference).
3.10	Limited Liability Company Agreement of the Operating General Partner, dated June 21, 2002 (filed as Exhibit 3.8 to the Partnership's Registration Statement on Form S-1 (Reg. No. 333-91706), filed July 1, 2002, and incorporated herein by reference).
3.11	Certificate of Formation of Arcadia Gas Storage, LLC, dated June 26, 2006 (filed as Exhibit 3.11 to the Partnership's Quarterly Report on Form 10-Q (SEC File No. 000-50056), filed October 29, 2014, and incorporated herein by reference).
3.12	Company Agreement of Arcadia Gas Storage, LLC, dated December 27, 2006 (filed as Exhibit 3.12 to the Partnership's Quarterly Report on Form 10-Q (SEC File No. 000-50056), filed October 29, 2014, and incorporated herein by reference).
3.13	Amendment to the Company Agreement of Arcadia Gas Storage, LLC, dated September 5, 2014 (filed as Exhibit 3.13 to the Partnership's Quarterly Report on Form 10-Q (SEC File No. 000-50056), filed October 29, 2014, and incorporated herein by reference).
3.14	Certificate of Formation of Cadeville Gas Storage LLC, dated May 23, 2008 (filed as Exhibit 3.14 to the Partnership's Quarterly Report on Form 10-Q (SEC File No. 000-50056), filed October 29, 2014, and incorporated herein by reference).
3.15	Limited Liability Company Agreement of Cadeville Gas Storage LLC, dated May 23, 2008 (filed as Exhibit 3.15 to the Partnership's Quarterly Report on Form 10-Q (SEC File No. 000-50056), filed October 29, 2014, and incorporated herein by reference).
3.16	First Amendment to the Limited Liability Company Agreement of Cadeville Gas Storage LLC, dated April 16, 2012 (filed as Exhibit 3.16 to the Partnership's Quarterly Report on Form 10-Q (SEC File No. 000-50056), filed October 29, 2014, and incorporated herein by reference).
3.17	Second Amendment to the Limited Liability Company Agreement of Cadeville Gas Storage LLC, dated September 5, 2014 (filed as Exhibit 3.17 to the Partnership's Quarterly Report on Form 10-Q (SEC File No. 000-50056), filed October 29, 2014, and incorporated herein by reference).
3.18	Certificate of Formation of Monroe Gas Storage Company, LLC, dated June 14, 2006 (filed as Exhibit 3.18 to the Partnership's Quarterly Report on Form 10-Q (SEC File No. 000-50056), filed October 29, 2014, and incorporated herein by reference).

3.19	Amended and Restated Limited Liability Company Agreement of Monroe Gas Storage Company, LLC, dated May 31, 2011 (filed as Exhibit 3.19 to the Partnership's Quarterly Report on Form 10-Q (SEC File No. 000-50056), filed October 29, 2014, and incorporated herein by reference).
3.20	First Amendment to the Amended and Restated Limited Liability Company Agreement of Monroe Gas Storage Company, LLC, dated September 5, 2014 (filed as Exhibit 3.20 to the Partnership's Quarterly Report on Form 10-Q (SEC File No. 000-50056), filed October 29, 2014, and incorporated herein by reference).
3.21	Certificate of Formation of Perryville Gas Storage LLC, dated May 23, 2008.(filed as Exhibit 3.21 to the Partnership's Quarterly Report on Form 10-Q (SEC File No. 000-50056), filed October 29, 2014, and incorporated herein by reference).
3.22	Limited Liability Company Agreement of Perryville Gas Storage LLC, dated June 16, 2008 (filed as Exhibit 3.22 to the Partnership's Quarterly Report on Form 10-Q (SEC File No. 000-50056), filed October 29, 2014, and incorporated herein by reference).
3.23	First Amendment to the Limited Liability Company Agreement of Perryville Gas Storage LLC, dated April 14, 2010 (filed as Exhibit 3.23 to the Partnership's Quarterly Report on Form 10-Q (SEC File No. 000-50056), filed October 29, 2014, and incorporated herein by reference).
3.24	Second Amendment to the Limited Liability Company Agreement of Perryville Gas Storage LLC, dated September 5, 2014 (filed as Exhibit 3.24 to the Partnership's Quarterly Report on Form 10-Q (SEC File No. 000-50056), filed October 29, 2014, and incorporated herein by reference).
3.25	Certificate of Formation of Cardinal Gas Storage Partners LLC, dated April 2, 2008 (filed as Exhibit 3.25 to the Partnership's Quarterly Report on Form 10-Q (SEC File No. 000-50056), filed October 29, 2014, and incorporated herein by reference).
3.26	Third Amended and Restated Limited Liability Company Agreement of Cardinal Gas Storage Partners LLC (F/K/A Redbird Gas Storage LLC) dated October 27, 2014 (filed as Exhibit 3.26 to the Partnership's Quarterly Report on Form 10-Q (SEC File No. 000-50056), filed October 29, 2014, and incorporated herein by reference).
3.27	Certificate of Formation of Redbird Gas Storage LLC, dated May 24, 2011 (filed as Exhibit 3.27 to the Partnership's Annual Report on Form 10-K (SEC File No. 000-50056), filed March 2, 2015, and incorporation herein by reference).
3.28	Second Amended and Restated LLC Agreement of Redbird Gas Storage LLC, dated as of October 2, 2012. (filed as Exhibit 10.6 to the Partnership's Quarterly Report on Form 10-Q (SEC File No. 000-50056), filed November 5, 2012, and incorporated herein by reference).
3.29	Certificate of Merger of Cardinal Gas Storage Partners LLC with and into Redbird Gas Storage LLC, dated October 27, 2014 (filed as Exhibit 3.27 to the Partnership's Quarterly Report on Form 10-Q (SEC File No. 000-50056), filed October 29, 2014, and incorporated herein by reference).
4.1	Indenture (including form of 7.250% Senior Notes due 2021), dated February 11, 2013, by and among the Partnership, Martin Midstream Finance Corp., the Guarantors named therein and Wells Fargo Bank, National Association, as trustee (filed as Exhibit 4.1 to the Partnership's Current Report on Form 8-K (SEC File No. 000-50056), filed February 12, 2013, and incorporated herein by reference).
4.2	Second Supplemental Indenture, to the Indenture dated February 11, 2013 dated September 30, 2014, by and among the Partnership, Martin Midstream Finance Corp., the Guarantors named therein and Wells Fargo Bank National Association, as trustee (filed as Exhibit 4.4 to the Partnership's Quarterly Report on Form 10-Q (SEC File No. 000-50056), filed October 29, 2014 and incorporated herein by reference).
4.3	Third Supplemental Indenture, to the Indenture dated February 11, 2013 dated October 27, 2014, by and among the Partnership, Martin Midstream Finance Corp., the Guarantors named therein and Wells Fargo Bank National Association, as trustee (filed as Exhibit 4.5 to the Partnership's Quarterly Report on Form 10-Q (SEC File No. 000-50056), filed October 29, 2014 and incorporated herein by reference).
4.4	Fourth Supplemental Indenture, to the Indenture dated February 11, 2013 dated January 18, 2019, by and among the Partnership, Martin Midstream Finance Corp., the Guarantors named therein and Wells Fargo Bank National Association, as trustee.
10.1	Third Amended and Restated Credit Agreement, dated March 28, 2013, among the Partnership, the Operating Partnership, Royal Bank of Canada and the other Lenders set forth therein (filed as Exhibit 10.1 to the Partnership's Current Report on Form 8-K (SEC File No. 000-50056), filed April 3, 2013 and incorporated herein by reference).
10.2	First Amendment to Third Amended and Restated Credit Agreement, dated as of July 12, 2013, among the Partnership, the Operating Partnership, Royal Bank of Canada and the other Lenders as set forth therein (filed as Exhibit 10.2 to the Partnership's Quarterly Report on Form 10-Q (SEC File No. 000-50056), filed May 5, 2014 and incorporated herein by reference).
10.3	Second Amendment to Third Amended and Restated Credit Agreement, dated as of May 5, 2014, among the Partnership, the Operating Partnership, Royal Bank of Canada and the other Lenders as set forth therein (filed as Exhibit 10.2 to the Partnership's Current Report on Form 8-K/A (SEC File No. 000-50056), filed May 6, 2014 and incorporated herein by reference)

10.4	Third Amendment to Third Amended and Restated Credit Agreement, dated June 27, 2014, among the Partnership, the Operating Partnership, Royal Bank of Canada and the other Lenders as set forth therein (filed as Exhibit 10.1 to the Partnership's Current Report on Form 8-K (SEC File No. 000-50056), filed July 1, 2014, and incorporated herein by reference).
10.5	Fourth Amendment to Third Amended and Restated Credit Agreement, dated June 23, 2015, among the Partnership, the Operating Partnership, Royal Bank of Canada and the other Lenders as set forth therein (filed as Exhibit 10.1 to the Partnership's Current Report on Form 8-K (SEC File No. 000-50056), filed June 24, 2015, and incorporated herein by reference).
10.6	Fifth Amendment to Third Amended and Restated Credit Agreement, dated April 27, 2016, among the Partnership, the Operating Partnership, Royal Bank of Canada and the other Lenders as set forth therein (filed as Exhibit 10.1 to the Partnership's Current Report on Form 8-K (SEC File No. 000-50056), filed April 27, 2016, and incorporated herein by reference).
10.7	Sixth Amendment to Third Amended and Restated Credit Agreement, dated February 21, 2018, among the Partnership, the Operating Partnership, Royal Bank of Canada and the other Lenders as set forth therein (filed as Exhibit 10.1 to the Partnership's Current Report on Form 8-K (SEC File No. 000-50056), filed February 22, 2018, and incorporated herein by reference).
10.8	Seventh Amendment to Third Amended and Restated Credit Agreement, dated July 24, 2018, among the Partnership, the Operating Partnership, Royal Bank of Canada and the other Lenders as set forth therein (filed as Exhibit 10.2 to the Partnership's Current Report on Form 8-K (SEC File No. 000-50056), filed July 25, 2018, and incorporated herein by reference).
10.9*	Pledge and Security Agreement, Dated January 2, 2019
10.10*	Supplement to Pledge Agreement, Dated January 2, 2019
10.11	Omnibus Agreement, dated November 1, 2002, by and among Martin Resource Management Corporation, the General Partner, the Partnership and the Operating Partnership (filed as Exhibit 10.3 to the Partnership's Current Report on Form 8-K (SEC File No. 000-50056), filed November 19, 2002, and incorporated herein by reference).
10.12	Amendment No. 1 to Omnibus Agreement, dated as of November 25, 2009, by and among Martin Resource Management Corporation, the General Partner, the Partnership and the Operating Partnership (filed as Exhibit 10.3 to the Partnership's Current Report on Form 8-K (SEC File No. 000-50056), filed December 1, 2009, and incorporated herein by reference).
10.13	Amendment No. 2 to Omnibus Agreement, dated October 1, 2012, by Martin Resource Management Corporation, the General Partner, the Partnership and the Operating Partnership (filed as Exhibit 10.4 to the Partnership's Current Report on Form 8-K (SEC File No. 000-50056), filed October 9, 2012, and incorporated herein by reference).
10.14	Motor Carrier Agreement, dated January 1, 2006, by and between the Operating Partnership and Martin Transport, Inc. (filed as Exhibit 10.9 to the Partnership's Annual Report on Form 10-K (SEC File No. 000-50056), filed March 2, 2011, and incorporated herein by reference).
10.15	Membership Interests Purchase Agreement, dated August 10, 2014, by and among Energy Capital Partners and its affiliated funds and Redbird Gas Storage LLC (filed as Exhibit 10.1 to the Partnership's Current Report on Form 8-K (Sec File No. 000-50056), filed August 12, 2014, and incorporated herein by reference).
10.16	2014 Amended and Restated Tolling Agreement, dated October 28, 2014, by and between the Operating Partnership and Cross Oil Refining & Marketing, Inc. (filed as Exhibit 10.5 to the Partnership's Quarterly Report on Form 10-Q (SEC File No. 000-50056), filed October 29, 2014, and incorporated herein by reference).
10.17	Marine Transportation Agreement, dated January 1, 2006, by and between the Operating Partnership and Midstream Fuel Service, L.L.C. (filed as Exhibit 10.10 to the Partnership's Annual Report on Form 10-K (SEC File No. 000-50056), filed March 2, 2011, and incorporated herein by reference).
10.18	Product Storage Agreement, dated November 1, 2002, by and between Martin Underground Storage, Inc. and the Operating Partnership (filed as Exhibit 10.8 to the Partnership's Current Report on Form 8-K (SEC File No. 000-50056), filed November 19, 2002, and incorporated herein by reference).
10.19	Marine Fuel Agreement, dated November 1, 2002, by and between Martin Fuel Service LLC and the Operating Partnership (filed as Exhibit 10.9 to the Partnership's Current Report on Form 8-K (SEC No. 000-50056), filed November 19, 2002, and incorporated herein by reference).
10.20†	Martin Midstream Partners L.P. Amended and Restated Long-Term Incentive Plan (filed as Exhibit 10.1 to the Partnership's Current Report on Form 8-K (SEC No. 000-50056), filed January 26, 2006, and incorporated herein by reference).
10.21†	Form of Restricted Common Unit Grant Notice (filed as Exhibit 10.2 to the Partnership's Current Report on Form 8-K (SEC No. 000-50056), filed January 26, 2006, and incorporated herein by reference).
10.22	Purchaser Use Easement, Ingress-Egress Easement, and Utility Facilities Easement dated November 1, 2002, by and between MGSLLC and the Operating Partnership (filed as Exhibit 10.13 to the Partnership's Current Report on Form 8-K/A (SEC No. 000-50056), filed November 19, 2002, and incorporated herein by reference).

10.23	Amended and Restated Terminal Services Agreement by and between the Operating Partnership and Martin Fuel Service LLC ("MFSLLC"), dated October 27, 2004 (filed as Exhibit 10.1 to the Partnership's Current Report on Form 8-K (SEC No. 000-50056), filed October 28, 2004, and incorporated herein by reference).
10.24	Lubricants and Drilling Fluids Terminal Services Agreement by and between the Operating Partnership and MFSLLC, dated December 23, 2003 (filed as Exhibit 10.4 to the Partnership's Amendment No. 1 to Current Report on Form 8-K/A (SEC No. 000-50056), filed January 23, 2004, and incorporated herein by reference).
10.25(1)	Second Amended and Restated Sales Agency Agreement, dated August 5, 2013, by and between the Operating Partnership and Martin Product Sales LLC (filed as Exhibit 10.2 to the Partnership's Quarterly Report on Form 10-Q (SEC No. 000-50056) filed November 4, 2013).
10.26(1)	Third Amended and Restated Sales Agency Agreement, dated August 2, 2017, by and between the Operating Partnership and Martin Product Sales LLC (filed as Exhibit 10.20 to the Partnership's Quarterly Report on Form 10-Q (SEC File No. 000-50056) filed October 25, 2017, and incorporated herein by reference).
10.27†	Amended and Restated Martin Resource Management Corporation Purchase Plan for Units of the Partnership, effective April 1, 2015 (filed as Exhibit 10.1 to the Partnership's registration statement on Form S-8 (SEC File No. 333-203857), filed May 5, 2015, and incorporated herein by reference).
10.28	Form of Partnership Indemnification Agreement (filed as Exhibit 10.1 to the Partnership's Quarterly Report on Form 10-Q (SEC File No. 000-50056), filed November 6, 2008, and incorporated herein by reference).
10.29	Amended and Restated Common Unit Purchase Agreement, dated as of November 24, 2009, by and between the Partnership and Martin Resource Management (filed as Exhibit 10.4 to the Partnership's Current Report on Form 8-K (SEC File No. 000-50056), filed December 1, 2009, and incorporated herein by reference).
10.30	Supply Agreement dated, as of October 2, 2012, by and between the Partnership and Cross Oil & Refining Marketing Inc. (filed as Exhibit 10.7 to the Partnership's Quarterly Report on Form 10-Q (SEC File No. 000-50056), filed November 5, 2012, and incorporated herein by reference).
10.31	Noncompetition Agreement dated, as of October 2, 2012, by and among the Partnership, Cross Oil Refining & Marketing, Inc., and Martin Resource Management Corporation (filed as Exhibit 10.8 to the Partnership's Quarterly Report on Form 10-Q (SEC File No. 000-50056), filed November 5, 2012, and incorporated herein by reference).
10.32	Purchase Price Reimbursement Agreement, dated October 2, 2012, by Martin Resource Management Corporation to and for the benefit of the Operating Partnership (filed as Exhibit 10.2 to the Partnership's Current Report on Form 8-K (SEC File No. 000-50056), filed October 9, 2012, and incorporated herein by reference).
10.33	Lubricants Terminalling Services Agreement, dated January 1, 2015, by and between the Operating Partnership and Martin Energy Services LLC (filed as Exhibit 10.26 to the Partnership's Annual Report on Form 10-K (SEC File No. 000-50056), filed March 2, 2015, and incorporated herein by reference).
10.34	Fuel Terminalling Services Agreement, dated January 1, 2015, by and between the Operating Partnership and Martin Energy Services LLC (filed as Exhibit 10.27 to the Partnership's Current Report on Form 10-K (SEC File No. 000-50056), filed March 2, 2015, and incorporated herein by reference).
10.35(1)	First Amended and Restated Fuel Terminalling Services Agreement, dated January 1, 2016, by and between the Operating Partnership and Martin Energy Services, LLC (filed as Exhibit 10.29 to the Partnership's Annual Report on Form 10-K (SEC File No. 000-50056), filed February 29, 2016, and incorporated herein by reference).
10.36(1)	First Amendment to the First Amended and Restated Fuel Terminalling Services Agreement, dated January 1, 2017, by and between the Operating Partnership and Martin Energy Services, LLC (filed as Exhibit 10.30 to the Partnership's Annual Report on Form 10-K (SEC File No. 000-50056), filed February 15, 2017, and incorporated herein by reference).
10.37(1)	Second Amendment to the First Amended and Restated Fuel Terminalling Services Agreement, dated October 1, 2017, by and between the Operating Partnership and Martin Energy Services, LLC (filed as Exhibit 10.31 to the Partnership's Quarterly Report on Form 10-Q (SEC File No. 000-50056) filed October 25, 2017).
10.38	Martin Midstream Partners L.P. 2017 Restricted Unit Plan (filed as Exhibit A to the Partnership's Definitive Proxy Statement on Schedule 14A (SEC File No. 000-50056), filed April 21, 2017, and incorporated herein by reference).
10.39	Restricted Unit Agreement under the Martin Midstream Partners L.P. 2017 Restricted Unit Plan (filed as Exhibit 10.34 to the Partnership's Annual Report on Form 10-K (SEC File No. 000-50056), filed February 16, 2018).
10.40	Partnership Interest Purchase Agreement (filed as Exhibit 10.1 to the Partnership's Current Report on Form 8-K (SEC File No. 000-50056), filed July 25, 2018 and incorporated herein by reference).
10.41	Stock Purchase Agreement between Martin Resource Management Corporation and the Operating Partnership (filed as Exhibit 10.1 on the Partnership's Current Report Form 8-K (SEC File No. 000-50056), filed October 24, 2018 and incorporated herein by reference).
21.1*	List of Subsidiaries.
23.1*	Consent of KPMG LLP.
23.2*	Consent of PricewaterhouseCoopers LLP

31.1*	Certifications of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certifications of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Chief Executive Officer pursuant to 18 U.S.C., Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. Pursuant to SEC Release 34-47551, this Exhibit is furnished to the SEC and shall not be deemed to be "filed."
32.2*	Certification of Chief Financial Officer pursuant to 18 U.S.C., Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. Pursuant to SEC Release 34-47551, this Exhibit is furnished to the SEC and shall not be deemed to be "filed."
101	Interactive Data: the following financial information from Martin Midstream Partners L.P.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2018, formatted in Extensible Business Reporting Language: (1) the Consolidated Balance Sheets; (2) the Consolidated Statements of Income; (3) the Consolidated Statements of Cash Flows; (4) the Consolidated Statements of Capital; and (6) the Notes to Consolidated Financial Statements.
*	Filed or furnished herewith.
†	As required by Item 15(a)(3) of Form 10-K, this exhibit is identified as a compensatory plan or arrangement.

(1) Material has been redacted from this exhibit and filed separately with the Commission pursuant to a request for confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended, which has been granted.

Item 16. Form 10-K Summary

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, we have duly caused this Report to be signed on our behalf by the undersigned, thereunto duly authorized representative.

Martin Midstream Partners L.P
(Registrant)

By: Martin Midstream GP LLC
It's General Partner

February 19, 2019

By: /s/ Ruben S. Martin
Ruben S. Martin
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on February 19, 2019.

Signature	Title
/s/ Ruben S. Martin Ruben S. Martin	President, Chief Executive Officer and Director of Martin Midstream GP LLC (Principal Executive Officer)
/s/ Robert D. Bondurant Robert D. Bondurant	Executive Vice President, Director, and Chief Financial Officer of Martin Midstream GP LLC (Principal Financial Officer, Principal Accounting Officer)
/s/ Zachary S. Stanton Zachary S. Stanton	Director of Martin Midstream GP LLC
/s/ James M. Collingsworth James M. Collingsworth	Director of Martin Midstream GP LLC
/s/ Sean P. Dolan Sean P. Dolan	Director of Martin Midstream GP LLC
/s/ Byron R. Kelley Byron R. Kelley	Director of Martin Midstream GP LLC
/s/ C. Scott Massey C. Scott Massey	Director of Martin Midstream GP LLC

Exhibit 4.6

MARTIN MIDSTREAM PARTNERS L.P.

MARTIN MIDSTREAM FINANCE CORP.

and

the Guarantors named herein

7 1 / 4 % SENIOR NOTES DUE 2021

FOURTH SUPPLEMENTAL INDENTURE

DATED AS OF JANUARY 18, 2019

WELLS FARGO BANK, NATIONAL ASSOCIATION,

As Trustee

SUPPLEMENTAL INDENTURE

TO BE DELIVERED BY SUBSEQUENT GUARANTORS

This FOURTH SUPPLEMENTAL INDENTURE, dated as of January 18, 2019, is among Martin Midstream Partners L.P., a Delaware limited partnership (the "Company"), Martin Midstream Finance Corp., a Delaware corporation ("Finance Corp." and, together with the Company, the "Issuers"), each of the parties identified under the caption "Guarantors" on the signature page hereto (the "Guarantors") and Wells Fargo Bank, National Association, a national banking association, as Trustee.

RECITALS

WHEREAS, the Issuers, the initial Guarantors and the Trustee entered into an Indenture, dated as of February 11, 2013 (the "Indenture"), pursuant to which the Company has issued $250,000,000 in the aggregate principal amount of 7 1/4% Senior Notes due 2021 (the "Original Notes") and has issued $150,000,000 in the aggregate principal amount of additional 7 1/4% Senior Notes due 2021 (the "Additional Notes", and together with the Original Notes the "Notes");

WHEREAS, the Issuers, the Guarantors identified on the signature page thereto, and the Trustee entered into the First Supplemental Indenture, dated as of July 21, 2014, pursuant to which the Company added Martin Midstream NGL Holdings, LLC and Martin Midstream NGL Holdings II, LLC as guarantors;

WHEREAS, the Issuers, the Guarantors identified on the signature page thereto, and the Trustee entered into the Second Supplemental Indenture, dated as of September 30, 2014, pursuant to which the Company added Cardinal Gas Storage Partners LLC ("Cardinal"), Perryville Gas Storage partners LLC, Arcadia Gas Storage Partners LLC, Cadeville Gas Storage Partners LLC and Monroe Gas Storage Company, LLC as guarantors;

WHEREAS, the Issuers, the Guarantors identified on the signature page thereto, and the Trustee entered into the Third Supplemental Indenture, dated as of October 27, 2014, pursuant to which the surviving entity of the merger between Cardinal and Redbird Gas Storage LLC (together with Cardinal, the "Merging Guarantors") unconditionally assumed all of the obligations of the Merging Guarantors;

WHEREAS, Section 9.01(g) of the Indenture provides that the Issuers, the Guarantors and the Trustee may amend or supplement the Indenture in order to comply with Section 4.13 thereof, without the consent of the Holders of the Notes; and

WHEREAS, all acts and things prescribed by the Indenture, by law and by the Certificate of Incorporation and the Bylaws (or comparable constituent documents) of the Issuers, of the Guarantors and of the Trustee necessary to make this Fourth Supplemental Indenture a valid instrument legally binding on the Issuers, the Guarantors and the Trustee, in accordance with its terms, have been duly done and performed;

NOW, THEREFORE, to comply with the provisions of the Indenture and in consideration of the above premises, the Issuers, the Guarantors and the Trustee covenant and agree for the equal and proportionate benefit of the respective Holders of the Notes as follows:

ARTICLE 1

Section 1.01. This Fourth Supplemental Indenture is supplemental to the Indenture and does and shall be deemed to form a part of, and shall be construed in connection with and as part of, the Indenture for any and all purposes.

Section 1.02. This Fourth Supplemental Indenture shall become effective immediately upon its execution and delivery by each of the Issuers, the Guarantors and the Trustee.

ARTICLE 2

From this date, in accordance with Section 4.13 and by executing this Fourth Supplemental Indenture, the Guarantors whose signatures appear below are subject to the provisions of the Indenture to the extent provided for in Article 10 thereunder.

ARTICLE 3

Section 3.01. Except as specifically modified herein, the Indenture and the Notes are in all respects ratified and confirmed (mutatis mutandis) and shall remain in full force and effect in accordance with their terms with all capitalized terms used herein without definition having the same respective meanings ascribed to them as in the Indenture.

Section 3.02. Except as otherwise expressly provided herein, no duties, responsibilities or liabilities are assumed, or shall be construed to be assumed, by the Trustee by reason of this Fourth Supplemental Indenture. This Fourth Supplemental Indenture is executed and accepted by the Trustee subject to all the terms and conditions set forth in the Indenture with the same force and effect as if those terms and conditions were repeated at length herein and made applicable to the Trustee with respect hereto.

Section 3.03. THIS FOURTH SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

Section 3.04. The parties may sign any number of copies of this Fourth Supplemental Indenture. Each signed copy shall be an original, but all of such executed copies together shall represent the same agreement.

[NEXT PAGE IS SIGNATURE PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this Fourth Supplemental Indenture to be duly executed, all as of the date first written above.

TRUSTEE:

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee
By:/s/ Casey A. Boyle

Name: Casey A. Boyle

Title: Assistant Vice President

ISSUERS:

MARTIN MIDSTREAM PARTNERS L.P.

By: Martin Midstream GP LLC, as general partner
By:/s/ Robert D. Bondurant

Name: Robert D. Bondurant

Title: Executive Vice President, Treasurer and Chief Financial Officer

MARTIN MIDSTREAM FINANCE CORP.
By:/s/ Robert D. Bondurant

Name: Robert D. Bondurant

Title: Executive Vice President and Chief Financial Officer

GUARANTORS:

MARTIN OPERATING PARTNERSHIP L.P.

By: MARTIN OPERATING GP LLC,
its General Partner

By: MARTIN MIDSTREAM PARTNERS L.P.,
its Sole Member

By: MARTIN MIDSTREAM GP LLC,
its General Partner

By: /s/ Robert D. Bondurant
Name: Robert D. Bondurant
Title: Executive Vice President, Treasurer and
Chief Financial Officer

MARTIN OPERATING GP LLC

By: MARTIN MIDSTREAM PARTNERS L.P.,
its Sole Member

By: MARTIN MIDSTREAM GP LLC,
its General Partner

By: /s/ Robert D. Bondurant
Name: Robert D. Bondurant,
Title: Executive Vice President, Treasurer and
Chief Financial Officer

MOP MIDSTREAM HOLDINGS LLC

By: /s/ Robert D. Bondurant
Name: Robert D. Bondurant,
Title: Executive Vice President, Treasurer and Chief Financial Officer

MARTIN MIDSTREAM NGL HOLDINGS, LLC

By: /s/ Robert D. Bondurant
Name: Robert D. Bondurant
Title: Executive Vice President and Chief Financial Officer

MARTIN MIDSTREAM NGL HOLDINGS II, LLC

By: /s/ Robert D. Bondurant
Name: Robert D. Bondurant
Title: Executive Vice President and Chief Financial Officer

CARDINAL GAS STORAGE PARTNERS LLC

By: /s/ Robert D. Bondurant
Name: Robert D. Bondurant
Title: Executive Vice President

PERRYVILLE GAS STORAGE LLC

By: /s/ Robert D. Bondurant
Name: Robert D. Bondurant
Title: Executive Vice President

ARCADIA GAS STORAGE, LLC

By: /s/ Robert D. Bondurant
Name: Robert D. Bondurant
Title: Executive Vice President

CADEVILLE GAS STORAGE LLC

By: /s/ Robert D. Bondurant
Name: Robert D. Bondurant
Title: Executive Vice President

MONROE GAS STORAGE COMPANY, LLC

By: /s/ Robert D. Bondurant
Name: Robert D. Bondurant
Title: Executive Vice President

MARTIN TRANSPORT, INC.

By: /s/ Robert D. Bondurant
Name: Robert D. Bondurant
Title: Executive Vice President and Chief Financial Officer

Exhibit 10.6

PLEDGE AND SECURITY AGREEMENT
(Subsidiary)

THIS PLEDGE AND SECURITY AGREEMENT (as renewed, extended, amended, restated, supplemented or otherwise modified from time to time, this "***Security Agreement***") is executed as of January 2, 2019, by Martin Transport, Inc., a Texas corporation ("***Debtor***"), whose address is 4200 Stone Road, Kilgore, Texas 75662, for the benefit of ROYAL BANK OF CANADA (in its capacity as "***Collateral Agent***" for the Lenders and the Lender Swap Parties), as "***Secured Party***," whose address is 4th Floor, 20 King Street West, Toronto, Ontario M5H 1C4.

1. **RECITALS.** Pursuant to that certain Third Amended and Restated Credit Agreement dated as of March 28, 2013 (as the same may be amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "***Credit Agreement***"), among Martin Operating Partnership L.P., a Delaware limited partnership, as borrower (the "***Borrower***"), Martin Midstream Partners L.P., a Delaware limited partnership, as guarantor, the various financial institutions that are, or may from time to time become, parties thereto (each individually a "***Lender***," and collectively, the "***Lenders***"), and Royal Bank of Canada, as Administrative Agent and Collateral Agent, the Lenders have agreed to make Loans for the account of Borrower.

Debtor is a subsidiary of the Borrower. Debtor has agreed to guarantee the obligations of the Borrower under the Credit Agreement and to secure its guaranteed obligations by the pledge of its assets hereunder. It is in the best interests of Debtor to guarantee the obligations of the Borrower under the Credit Agreement and to secure such guaranty by executing this Security Agreement inasmuch as Debtor will derive substantial direct and indirect benefits from the Loans made from time to time to the Borrower by the Lenders pursuant to the Credit Agreement.

Debtor has duly authorized the execution, delivery and performance of this Security Agreement, and this Security Agreement is integral to the transactions contemplated by the Loan Documents, and the execution and delivery hereof is a condition precedent to the Lenders' obligations to extend credit under the Loan Documents. Therefore, for valuable consideration, the receipt and adequacy of which are hereby acknowledged, Debtor and Secured Party hereby agree as herein set forth.

2. **CERTAIN DEFINITIONS.** Unless otherwise defined herein, or the context hereof otherwise requires, each term defined in the Credit Agreement or in the UCC is used in this Security Agreement with the same meaning; provided, that if the definition given to such term in the Credit Agreement conflicts with the definition given to such term in the UCC, the definition in the Credit Agreement shall control to the extent legally allowable; and if any definition given to such term in *Article 9* of the UCC conflicts with the definition given to such term in any other chapter of the UCC, the *Article 9* definition shall prevail. As used herein, the following terms have the meanings indicated:

"***Borrower***" has the meaning set forth in the first recital hereof.

"***Cash Collateral Account***" has the meaning set forth in ***Paragraph 8(h)*** hereof.

"***Collateral***" has the meaning set forth in ***Paragraph 4*** hereof.

"***Collateral Agent***" has the meaning set forth in the introductory paragraph hereof.

"***Collateral Note Security***" has the meaning set forth in ***Paragraph 4*** hereof.

"***Collateral Notes***" has the meaning set forth in ***Paragraph 4*** hereof.

"***Commodity Account***" means any "*commodity account,*" as such term is defined in *Section 9.102(a)(14)* of the UCC, and all sub-accounts thereof.

"***Control Agreement***" means, with respect to any Collateral consisting of investment property, Commodity Accounts, Deposit Accounts, Security Accounts, electronic chattel paper, and letter-of-credit rights, an agreement evidencing that Secured Party has *"control"* (as defined in the UCC) of such Collateral which agreement shall be in form and substance satisfactory to the Secured Party.

"***Copyrights***" has the meaning set forth in ***Paragraph 4*** hereof.

"***Credit Agreement***" has the meaning set forth in the first recital hereof.

"***Deposit Accounts***" has the meaning set forth in ***Paragraph 4*** hereof.

"***Intellectual Property***" has the meaning set forth in ***Paragraph 4*** hereof.

"***Lender***" has the meaning set forth in the first recital hereof.

"***Material Agreements***" means, collectively, current and future "*Material Agreements*" (as defined in the Credit Agreement) to which Debtor is a party.

"***Obligations***" means, collectively, (a) the Obligations as such term is defined in the Credit Agreement, and (b) all indebtedness, liabilities, and obligations of Debtor arising under this Security Agreement or any Guaranty assuring payment of all or any part of the Obligations; it being the intention and contemplation of Debtor and Secured Party that future advances will be made by one or more Lenders to Borrower under the Credit Agreement.

"***Obligor***" means any Person obligated with respect to any of the Collateral, whether as an account debtor, obligor on an instrument, issuer of securities, or otherwise.

"***Partnerships/Limited Liability Companies***" means (a) those partnerships and limited liability companies listed on ***Annex B-1*** attached hereto and incorporated herein by reference, as such partnerships or limited liability companies exist or may hereinafter be restated, amended, or restructured, (b) any partnership, joint venture, or limited liability company in which Debtor shall, at any time, become a limited or general partner, venturer, or member, or (c) any partnership, joint venture, or limited liability company formed as a result of the restructure, reorganization, or amendment of the Partnerships/Limited Liability Companies described in ***clause (a)*** herein.

"***Partnership/Limited Liability Company Agreements***" means the partnership agreements, joint venture agreements, or organizational agreements for the Partnerships/Limited Liability Companies (together with any modifications, amendments or restatements thereof), and "***Partnership/Limited Liability Company Agreement***" means any one of the Partnership/Limited Liability Company Agreements.

"***Partnership/Limited Liability Company Interests***" means all of Debtor's Right, title and interest in the Partnership/Limited Liability Companies now or hereafter accruing under the Partnership/Limited Liability Company Agreements, including, without limitation, all rights with respect to distributions, allocations, proceeds, fees, preferences, payments, or other benefits, which Debtor now is or may hereafter become entitled to receive with respect to such interests in the Partnerships/Limited Liability Companies and with respect to the repayment of all loans now or hereafter made by Debtor to the Partnerships/Limited Liability Companies.

"***Patents***" has the meaning set forth in ***Paragraph 4*** hereof.

"***Pledged Securities***" means, collectively, the Pledged Shares and any other Collateral constituting securities.

"***Pledged Shares***" has the meaning set forth in ***Paragraph 4*** hereof.

"***Rights***" means rights, remedies, powers, privileges and benefits.

"***Securities Account***" means any "*securities account*", as such term is defined in *Section 8.501(a)* of the UCC, and all sub-accounts thereof.

"***Security Interest***" means the security interest granted and the pledge and assignment made under ***Paragraph 3*** hereof.

"***Trademarks***" has the meaning set forth in ***Paragraph 4*** hereof.

"***UCC***" means the Uniform Commercial Code, including each such provision as it may subsequently be renumbered, as enacted in the State of New York or other applicable jurisdiction, as amended at the time in question.

"***Vessel Charters***" has the meaning set forth in ***Paragraph 4*** hereof.

"***Vessels***" means collectively, all vessels owned by Debtor from time to time, including without limitation those vessels listed on ***Annex B-4*** hereto, and including any of such vessels.

3. **SECURITY INTEREST.** In order to secure the full and complete payment and performance of the Obligations when due, whether at stated maturity, by required prepayment, declaration, acceleration, demand or otherwise (including the payment of amounts that would become due but for the operation of the automatic stay under *Section 362(a) of the Bankruptcy Code* or any similar provisions of other applicable Laws), Debtor hereby grants to Secured Party a security interest in all of Debtor's Rights, titles, and interests in and to the Collateral and pledges, collaterally transfers, and collaterally assigns the Collateral to Secured Party, all upon and subject to the terms and conditions of this Security Agreement. Such Security Interest is granted and pledge and collateral assignment are made as security only and shall not subject Secured Party to, or transfer or in any way affect or modify, any obligation of Debtor with respect to any of the Collateral or any transaction involving or giving rise thereto. If the grant, pledge, or collateral transfer or collateral assignment of any specific item of the Collateral is expressly prohibited by, or would cause a default under or termination, avoidance or forfeiture of, any contract, license, law or regulation, then the Security Interest created hereby nonetheless remains effective to the extent allowed by the UCC, such contract, license, regulation or other applicable Law, but is otherwise limited by that prohibition.

4. **COLLATERAL.** As used herein, the term "***Collateral***" means the following items and types of property, wherever located, now owned or in the future existing or acquired by Debtor, and all proceeds and products thereof, and any substitutes or replacements therefor:

(a) All personal property and fixture property of every kind and nature including, without limitation, all accounts, chattel paper (whether tangible or electronic), goods (including inventory, equipment, and any accessions thereto), software (specifically including, but not limited to, accounting software), instruments, investment property, documents, deposit accounts, money, commercial tort claims set forth on ***Annex B-1***, letters of credit or letter-of-credit rights, supporting obligations, tax refunds, and general intangibles (including payment intangibles);

(b) All Rights, titles, and interests of Debtor in and to all outstanding stock, equity, or other investment securities owned by Debtor, including, without limitation, all capital stock of each Subsidiary of Debtor set forth on ***Annex B-1*** (such capital stock and equity interests in each Subsidiary of Debtor being hereinafter referred to as "***Pledged Shares***");

(c) All Rights, titles, and interests of Debtor in and to all promissory notes and other instruments payable to Debtor, including, without limitation, all inter-company notes from Subsidiaries and those set forth on ***Annex B-1*** ("***Collateral Notes***") and all Rights, titles, interests, and Liens Debtor may have, be, or become entitled to under all present and future loan agreements, security agreements, pledge agreements, deeds of trust, mortgages, guarantees, or other documents assuring or securing payment of or otherwise evidencing the Collateral Notes, including, without limitation, those set forth on ***Annex B-1*** ("***Collateral Note Security***");

(d) The Partnership/Limited Liability Company Interests and all Rights of Debtor with respect thereto, including, without limitation, all Partnership/Limited Liability Company Interests set forth on ***Annex B-1*** and all of Debtor's distribution rights, income rights, liquidation interest, accounts, contract rights, general intangibles, notes, instruments, drafts, and documents relating to the Partnership/Limited Liability Company Interests;

(e) (i) All United States and foreign copyrights (including community designs), including copyrights in software and databases, and all Mask Works (as defined under *17 U.S.C. 901* of the *U.S. Copyright Act*), whether registered or unregistered, including derivative works and also including, without limitation, the copyrights set forth on ***Annex B-2***; (ii) all renewals, extensions, and modifications thereof; (iii) all income, licenses, royalties, damages, profits, and payments relating to or payable under any of the foregoing; (iv) the Right to sue for past, present, or future infringements of any of the foregoing; and (v) all other rights and benefits relating to any of the foregoing throughout the world; in each case, whether now owned or hereafter acquired by Debtor ("***Copyrights***");

(f) (i) All patents, patent applications, patent licenses, and patentable inventions of Debtor, including, without limitation, registrations, recordings, and applications thereof in the United States Patent and Trademark Office or in any similar office or agency of the United States, any state thereof or any other country or any political subdivision thereof, including, without limitation, those set forth on ***Annex B-2***, and all of the inventions and improvements described and claimed therein; (ii) all continuations, divisions, renewals, extensions, modifications, substitutions, reexaminations, continuations-in-part, or reissues of any of the foregoing; (iii) all income, royalties, profits, damages, awards, and payments relating to or payable under any of the foregoing; (iv) the right to sue for past, present, and future infringements of any of the foregoing; and (v) all other rights and benefits relating to any of the foregoing throughout the world; in each case, whether now owned or hereafter acquired by Debtor ("***Patents***");

(g) (i) All trademarks, trademark licenses, trade names, corporate names, company names, business names, fictitious business names, trade styles, internet domain names, service marks, certification marks, collective marks, logos, other business identifiers, designs and general intangibles of a like nature, all registrations, recordings, and applications thereof, including, without limitation, registrations, recordings, and applications in the United States Patent and Trademark Office or in any similar office or agency of the United States, any state thereof or any other country or any political subdivision thereof, including, without limitation, those set forth on ***Annex B-2***; (ii) all reissues, extensions, and renewals thereof; (iii) all income, royalties, damages, and payments now or hereafter relating to or payable under any of the foregoing, including, without limitation, damages or payments for past or future infringements of any of the foregoing; (iv) the right to sue for past, present, and future infringements of any of the foregoing; (v) all rights corresponding to any of the foregoing throughout the world; and (vi) all goodwill associated with and symbolized by any of the foregoing, in each case, whether now owned or hereafter acquired by Debtor ("***Trademarks***", and collectively with the Copyrights and the Patents, the "***Intellectual Property***");

(h) (i) All of Debtor's Rights, titles, and interests in and to all Material Agreements and other contracts and agreements of Debtor (together with the Material Agreements, "***Agreements***"), including, without limitation, all Rights of Debtor to receive moneys due and to become due under or pursuant to the Agreements, (ii) all rights of Debtor to receive proceeds of any insurance, indemnity, warranty, or guaranty with respect to the Agreements, (iii) all claims of Debtor for damages arising out of or for breach of or default under the Agreements, and (iv) all rights of Debtor to compel performance and otherwise exercise all rights and remedies under the Agreements;

(i) All of Debtor's rights under contracts for the use of Vessels and all charters of all Vessels (such management agreements, contracts and charters, collectively, the "***Vessel Charters***"), including rights to terminate Vessel Charters pursuant to the terms thereof and to compel performance of terms thereof, whether in effect as of the date hereof or entered into at any time hereafter), rights to the payment of money, rights to compel payment of hire and other monies due under the Vessel Charters, including, but not limited to, all freight, hire, earnings and charter payments, and all claims for damages arising out of the breach or termination thereof;

(j) All personal and fixture property of every kind and nature arising out of, resulting from the operation of, or related to the Vessels which are presently or may hereafter be subject to a U.S. Vessel Mortgage (collectively, the " ***Mortgaged Vessels***"), including, without limitation, all furniture, fixtures, equipment, raw materials, inventory, goods, all insurance, including without limitation, all certificates of entry in protection and indemnity and war risks associations or clubs in respect of the Mortgaged Vessels, or any of them, whether heretofore, now or hereafter effected, and all renewals of or replacements for the same, all claims, returns of premium and other moneys and claims for moneys due and to become due under or in respect of said insurance, all other rights of Debtor under or in respect of said insurance, and any proceeds of any of the foregoing, including, without limitation, those arising from the actual

or constructive loss of, or the requisition (whether of title or use), condemnation, sequestration, seizure, forfeiture or other taking of, the Mortgaged Vessels, tort claims and all vessels (including all offshore service vessels), barges and tugs, together with all engines, boilers, machinery, masts, boats, anchors, cables, chains, rigging, tackle, apparel, spare parts, furniture, equipment and gear and all other appurtenances thereto, appertaining or belonging, whether on board or not, and any and all additions, improvements and replacements thereof hereafter made;

(k) All present and future automobiles, trucks, truck tractors, trailers, semi-trailers, or other motor vehicles or rolling stock, now owned or hereafter acquired by such Debtor (collectively, the "***Vehicles***");

(l) Any and all deposit accounts, bank accounts, Commodity Accounts, investment accounts, or Securities Accounts, now owned or hereafter acquired or opened by Debtor, including, without limitation, any such accounts set forth on ***Annex B-1***, and any account which is a replacement or substitute for any of such accounts, together with all monies, instruments, certificates, checks, drafts, wire transfer receipts, and other property deposited therein and all balances therein (the "***Deposit Accounts***");

(m) All permits, licenses and other authorizations ("***Authorizations***") issued by any governmental authority, to the extent and only to the extent that the grant of a security interest in any such Authorization does not result in the forfeiture of, or default under, any such Authorization;

(n) All present and future distributions, income, increases, and profits with respect to, combinations, reclassifications, improvements, and products of, accessions, attachments, and other additions to, tools, parts, and equipment used in connection with, and substitutes and replacements for, all or part of the Collateral described above;

(o) All present and future accounts, contract Rights, general intangibles, chattel paper, documents, instruments, cash and noncash proceeds, and other Rights arising from or by virtue of, or from the voluntary or involuntary sale or other disposition of, or collections with respect to, or insurance proceeds payable with respect to, or proceeds payable by virtue of warranty or other claims against the manufacturer of, or claims against any other Person with respect to, all or any part of the Collateral heretofore described in this clause or otherwise; and

(p) All present and future security for the payment to Debtor or any Subsidiary of any of the Collateral described above and goods which gave or will give rise to any such Collateral or are evidenced, identified, or represented therein or thereby.

Notwithstanding anything to the contrary contained herein, Debtor shall not be required to take any action with respect to the perfection of the security interests in cash or assets in Deposit Accounts, and Debtor shall not be required to enter into any Control Agreement with respect to cash or assets in Deposit Accounts.

The description of the Collateral contained in this ***Paragraph 4*** shall not be deemed to permit any action prohibited by this Security Agreement or by the terms incorporated in this Security Agreement.

5. **REPRESENTATIONS AND WARRANTIES.** Debtor represents and warrants to Secured Party that:

(a) General. Certain representations and warranties in the Credit Agreement are applicable to Debtor or its assets or operations, and each such representation and warranty is true and correct in all material respects.

(b) Binding Obligation/ Perfection. This Security Agreement creates a legal, valid, and binding Lien in and to the Collateral in favor of Secured Party and enforceable against Debtor. For Collateral in which the Security Interest may be perfected by the filing of Financing Statements pursuant to *Article 9* of the UCC, once those Financing Statements have been properly filed in the jurisdictions described on ***Annex A*** hereto, the Security Interest in that Collateral will be fully perfected. Such Security Interest will constitute a first-priority Lien on such Collateral (other than fixtures), subject only to Permitted Liens. With respect to Collateral consisting of investment property (other than Pledged Securities covered by ***Paragraph 5(j)*** hereof), Deposit Accounts, electronic chattel paper, letter-of-credit

rights, and instruments, upon the delivery of such Collateral to Secured Party or delivery of an executed Control Agreement with respect to such Collateral, the Security Interest in that Collateral will be fully perfected and the Security Interest will constitute a first-priority Lien on such Collateral, subject only to Permitted Liens. None of the Collateral has been delivered nor control with respect thereto given to any Person, other than the Collateral Agent. Other than the Financing Statements and Control Agreements with respect to this Security Agreement, there are no other financing statements or control agreements covering any Collateral, other than those evidencing Permitted Liens, control agreements otherwise permitted under the Loan Documents and Liens being released on the date hereof. Except as set forth in ***Paragraph 3*** hereof, the creation of the Security Interest does not require the consent of any Person that has not been obtained.

(c) Debtor Information. Debtor's exact legal name, mailing address, jurisdiction of organization, type of entity, and state issued organizational identification number are as set forth on ***Annex A*** hereto.

(d) Location. As of the date hereof (i) Debtor's principal place of business and chief executive office is where Debtor is entitled to receive notices hereunder; the present and foreseeable location of Debtor's books and records concerning any of the Collateral that is accounts is as set forth on ***Annex A*** hereto; (ii) the location of Debtor's inventory with a fair market value in excess of $1,000,000 in the aggregate and equipment with an orderly liquation value in excess of $1,000,000 in the aggregate is as set forth on ***Annex A*** hereto; (iii) each such location of inventory and collateral listed on ***Annex A*** is owned by Debtor or, if not owned by Debtor, is leased or otherwise used by Debtor pursuant to a lease, storage contract or other contract with the Person named on ***Annex A***; and (iv) except as noted on ***Annex A*** hereto, all such books, records, equipment and inventory are in Debtor's possession.

(e) Governmental Authority. Other than the filing of Financing Statements contemplated hereby and appropriate filings to perfect the Security Interest in the Intellectual Property, Vessels and Vehicles, no Authorization, approval, or other action by, and no notice to or filing with, any Governmental Authority is required either (i) for the pledge by Debtor of the Collateral pursuant to this Security Agreement or for the execution, delivery, or performance of this Security Agreement by Debtor, or (ii) for the exercise by Secured Party of the voting or other Rights provided for in this Security Agreement or the remedies in respect of the Collateral pursuant to this Security Agreement (except as may be required in connection with the disposition of the Pledged Securities by Laws affecting the offering and sale of securities generally).

(f) Maintenance of Collateral. All Vessels are in the condition required by *Section 6.14* of the Credit Agreement and all assets necessary to Debtor's business are in the repair and condition required by *Section 6.06* of the Credit Agreement.

(g) Ownership of Property; Liens. Debtor owns, leases or has valid rights to use all presently existing Collateral, and will acquire or lease all hereafter-acquired Collateral, free and clear of all Liens, except Permitted Liens.

(h) Collateral. As of the date hereof, ***Annex B-1*** accurately lists all Collateral Notes, Collateral Note Security, Pledged Shares, Partnership/Limited Liability Company Interests, commercial tort claims, and Deposit Accounts, and *Schedule 1.01(c)* of the Credit Agreement accurately lists all Material Agreements in which Debtor has any Rights, titles, or interest (but such failure of such description to be accurate or complete shall not impair the Security Interest in such Collateral).

(i) Instruments, Chattel Paper, Collateral Notes and Collateral Note Security. As of the date hereof, all instruments and chattel paper with a principal amount in excess of $1,000,000, including, without limitation, the Collateral Notes, have been delivered to Secured Party, together with corresponding endorsements duly executed by Debtor in favor of Secured Party, and such endorsements have been duly and validly executed and are binding and enforceable against Debtor in accordance with their terms.

(j) Pledged Securities; Pledged Shares. All Pledged Shares are duly authorized, validly issued, fully paid, and non-assessable, and the transfer thereof is not subject to any restrictions, other than restrictions imposed hereunder and by applicable securities and corporate Laws. As of the date hereof, the Pledged Shares securing the Obligations

constitute 100% of the issued and outstanding common stock or other equity interests of each Subsidiary. Debtor has good title to the Pledged Securities, free and clear of all Liens and encumbrances thereon (except for the Security Interest created hereby), and has delivered to Secured Party (i) all stock certificates, or other instruments or documents representing or evidencing the Pledged Securities, together with corresponding assignment or transfer powers duly executed in blank by Debtor, and such powers have been duly and validly executed and are binding and enforceable against Debtor in accordance with their terms, or (ii) to the extent such Pledged Securities are uncertificated, an executed Acknowledgment of Pledge with respect to such Pledged Securities. The pledge of the Pledged Securities in accordance with the terms hereof creates a valid and perfected first priority security interest in the Pledged Securities securing payment of the Obligations. Debtor is the record and beneficial owner of the Pledged Shares and Pledged Securities owned by it free of all Liens, rights, or claims of other Persons other than Permitted Liens, and there are no outstanding warrants, options, or other rights to purchase, or shareholder, voting trust or similar agreements outstanding with respect to, or property that is convertible into, or that requires the issuance or sale of, any such Pledged Shares or Pledged Securities. No consent of any Person including any other general or limited partner, any other member of a limited liability company, any other shareholder, or any other trust beneficiary is necessary or desirable in connection with the creation, perfection, or first priority status of the Security Interest in any Pledged Share or any Pledged Securities or the exercise by Secured Party of the voting or other rights provided for in this Security Agreement or the exercise of remedies in respect thereof, other than such as have been obtained and are in full force and effect. None of the Pledged Shares or Pledged Securities are or represent interests in issuers that (a) are registered as investment companies, or (b) are dealt in or traded on securities exchanges or markets.

(k) Partnership/Limited Liability Company Interests. Each Partnership/Limited Liability Company issuing a Partnership/Limited Liability Company Interest is currently existing and in good standing under all applicable Laws; there have been no amendments to any Partnership/Limited Liability Company Agreement, of which Secured Party has not been advised in writing; as of the date hereof, no event of default, default, breach or potential default has occurred and is continuing under any Partnership/Limited Liability Company Agreement; and no approval or consent of the partners of any Partnership/Limited Liability Company is required as a condition to the validity and enforceability of the Security Interest created hereby or the consummation of the transactions contemplated hereby which has not been duly obtained by Debtor. Debtor has good title to the Partnership/Limited Liability Company Interests free and clear of all Liens and encumbrances (*except* for the Security Interest granted hereby). The Partnership/Limited Liability Company Interests are validly issued, fully paid, and nonassessable and are not subject to statutory, contractual, or other restrictions governing their transfer, ownership, or control, except as set forth in the applicable Partnership/Limited Liability Company Agreements or applicable securities Laws. All capital contributions required to be made by Debtor by the terms of the Partnership/Limited Liability Company Agreements for each Partnership/Limited Liability Company have been made. No limited liability company interests are evidenced by certificates.

(l) Material Agreements. As of the date hereof: (i) each Material Agreement is in full force and effect, (ii) there have been no amendments, modifications, or supplements to any Material Agreement of which Secured Party has not been advised in writing, and (iii) no material event of default, default, breach or potential default by Debtor or, to Debtor's knowledge, by any other party thereto has occurred and is continuing under any Material Agreement, except as disclosed on ***Annex B-3*** hereto. As used in this ***clause (l)***, "*material*" means could reasonably be expected to have a Material Adverse Effect.

(m) Deposit Accounts. With respect to the Deposit Accounts, (i) Debtor maintains each Deposit Account with the banks listed on ***Annex B-1*** hereto, (ii) Debtor has the legal Right to pledge and assign to Secured Party the funds deposited and to be deposited in each such Deposit Account, and (iii) the Deposit Accounts set forth on ***Annex B-1*** represent all of the Deposit Accounts of Debtor.

(n) Intellectual Property.

(i) All of the Intellectual Property is subsisting, valid, and enforceable, except to the extent that such failure could not be reasonably expected to have a Material Adverse Effect. The information contained on ***Annex B-2*** hereto is true, correct, and complete. As of the date hereof, all issued Patents, Patent applications,

registered Trademarks, Trademark applications, registered Copyrights, and Copyright applications of Debtor material to the operation of Debtor's business are identified on ***Annex B-2*** hereto.

(ii) Debtor is the sole and exclusive owner of the entire and unencumbered Right, title, and interest in and to the Intellectual Property material to the operation of Debtor's business free and clear of any Liens, including, without limitation, any pledges, assignments, licenses, user agreements, and covenants by Debtor not to sue third Persons, other than Permitted Liens or licenses permitted by ***Paragraph 8(c)*** hereof.

(iii) Each of the Patents and Trademarks identified on ***Annex B-2*** hereto has been properly registered with the United States Patent and Trademark Office and in corresponding offices throughout the world (where appropriate) and each of the Copyrights identified on ***Annex B-2*** hereto has been properly registered with the United States Copyright Office and in corresponding offices throughout the world (where appropriate). Debtor has performed and will continue to perform all acts and has paid and will continue to pay all required fees and Taxes to maintain each and every item of the Intellectual Property material to such Debtor's business in full force and effect throughout the world, as applicable.

(iv) To Debtor's knowledge, no claims with respect to the Intellectual Property material to the operation of Debtor's business have been asserted and are pending (i) to the effect that the sale, licensing, pledge, or use of any of the products of Debtor's business infringes any other party's valid copyright, trademark, service mark, trade secret, or other intellectual property Right, (ii) against the use by Debtor of such Intellectual Property, or (iii) challenging the ownership or use by Debtor of any of the Intellectual Property that Debtor purports to own or use, nor, to Debtor's knowledge, is there a valid basis for such a claim described in this ***Paragraph 5(n)(iv)***.

The foregoing representations and warranties will be true and correct in all material respects with respect to any additional Collateral or additional specific descriptions of certain Collateral delivered to Secured Party in the future by Debtor. The failure of any of these representations or warranties or any description of Collateral therein to be accurate or complete shall not impair the Security Interest in any such Collateral.

6. **COVENANTS.** So long as any Lenders are committed to make Credit Extensions under the Credit Agreement, and until the Obligations are paid and performed in full, Debtor covenants and agrees with Secured Party that Debtor will:

(a) Credit Agreement. (i) Comply with, perform, and be bound by all covenants and agreements in the Credit Agreement that are applicable to it, its assets, or its operations, each of which is hereby ratified and confirmed **(INCLUDING, WITHOUT LIMITATION, THE INDEMNIFICATION AND RELATED PROVISIONS IN *SECTION 10.05* OF THE CREDIT AGREEMENT); AND (ii) CONSENT TO AND APPROVE THE VENUE, SERVICE OF PROCESS, AND WAIVER OF JURY TRIAL PROVISIONS OF *SECTIONS 10.15* and *10.16* OF THE CREDIT AGREEMENT**.

(b) Information/Record of Collateral. Maintain, at the place where Debtor is entitled to receive notices under the Loan Documents, a current record of where all Collateral is located, permit representatives of Secured Party at any time during normal business hours to inspect and make abstracts from such records in accordance with *Section 6.10* of the Credit Agreement, and furnish to Secured Party, at such intervals as Secured Party may reasonably request, such documents, lists, descriptions, certificates, and other information as may be necessary or proper to keep Secured Party informed with respect to the identity, location, status, condition, and value of the Collateral. In addition, from time to time at the request of Secured Party, deliver to Secured Party such information regarding Debtor as Secured Party may reasonably request.

(c) Perform Obligations. Notwithstanding anything to the contrary contained herein, (i) Debtor shall remain liable under the contracts, agreements, documents, and instruments included in the Collateral to the extent set forth therein to perform all of its duties and obligations thereunder to the same extent as if this Security Agreement had not been executed, (ii) the exercise by Secured Party of any of its Rights or remedies hereunder shall not release

Debtor from any of its duties or obligations under the contracts, agreements, documents, and instruments included in the Collateral, and (iii) Secured Party shall not have any indebtedness, liability, or obligation under any of the contracts, agreements, documents, and instruments included in the Collateral by reason of this Security Agreement, and Secured Party shall not be obligated to perform any of the obligations or duties of Debtor thereunder or to take any action to collect or enforce any claim for payment assigned hereunder.

(d) Notices. (i) Promptly notify Secured Party (A) of any material claim, action, or proceeding affecting title to all or any of the Collateral, (B) of any material damage to or loss of Collateral, (C) of the occurrence of any other event or condition (including, without limitation, matters as to Lien priority) that could reasonably be expected to have a material adverse effect on the Collateral (taken as a whole) or the Security Interest created hereunder, or (D) of the commencement and termination of any period during which any Vessel is requisitioned.

(ii) Give Secured Party five (5) days written notice before any proposed (A) relocation of its principal place of business or chief executive office, (B) except as otherwise permitted in the Credit Agreement, change of its name or identity or conversion into another form of legal entity, (C) relocation of the place where its books and records concerning its accounts are kept, or (D) change of its jurisdiction of organization or organizational identification number, as applicable. Prior to making any of the changes contemplated in ***clause (ii)*** preceding, Debtor shall execute and deliver all such additional documents and perform all additional acts as Secured Party may request in order to continue or maintain the existence and priority of the Security Interests in all of the Collateral, and will not make any of such changes unless all amendments to lien filings have been made that are necessary to continue and maintain the existence and priority of such Security Interests.

(iii) Together with each Compliance Certificate delivered pursuant to *Section 6.02(a)* of the Credit Agreement, deliver to Secured Party updated Annexes, if any of the information on the Annexes hereto is no longer correct in any material respect.

Debtor's failure to give to Secured Party notices as required herein, or to fully describe the Collateral on any annex hereto, shall not impair Secured Party's interest in the Collateral.

(e) Collateral in Trust. Hold in trust (and not commingle with other assets of Debtor) for Secured Party all Collateral that is chattel paper, instruments, Collateral Notes, Pledged Securities, or documents at any time received by Debtor and promptly deliver same to Secured Party, unless Secured Party at its option (which may be evidenced only by a writing signed by Secured Party stating that Secured Party elects to permit Debtor to so retain) permits Debtor to retain the same, but any chattel paper, instruments, Collateral Notes, Pledged Securities, or documents so retained shall be marked to state that they are assigned to Secured Party; each such instrument shall be endorsed to the order of Secured Party (but the failure of same to be so marked or endorsed shall not impair the Security Interest thereon).

(f) Control. Execute all documents and take any action required by Secured Party in order for Secured Party to obtain "*control*" (as defined in the UCC) with respect to Collateral consisting of investment property, uncertificated Pledged Securities (with respect to which the execution of an Acknowledgement of Pledge shall be sufficient), and letter-of-credit rights. If Debtor at any time holds or acquires an interest in any electronic chattel paper or any "*transferable record*," as that term is defined in the federal Electronic Signatures in Global and National Commerce Act, or in the Uniform Electronic Transactions Act as in effect in any relevant jurisdiction, promptly notify Secured Party thereof and, at the request of Secured Party, take such action as Secured Party may reasonably request to vest in Secured Party control under the UCC of such electronic chattel paper or control under the federal Electronic Signatures in Global and National Commerce Act or, as the case may be, the Uniform Electronic Transactions Act, as so in effect in such jurisdiction, of such transferable record.

(g) Further Assurances. At Debtor's expense and Secured Party's request, (i) from time to time promptly execute and deliver to Secured Party all such other assignments, certificates, supplemental documents, and financing statements, and do all other acts or things as Secured Party may reasonably request in order to more fully create, evidence, perfect, continue, and preserve the priority of the Security Interest and to carry out the provisions of this Security Agreement; and (ii) pay all filing fees in connection with any financing, continuation, or termination statement or other instrument with respect to the Security Interests.

(h) Encumbrances. Not create, permit, or suffer to exist, and shall defend the Collateral against, any Lien or other encumbrance on the Collateral, other than Permitted Liens, and shall defend Debtor's Rights in the Collateral and Secured Party's Security Interest in, the Collateral against the claims and demands of all Persons except those holding or claiming Permitted Liens.

(i) Estoppel and Other Agreements and Matters. Upon the request of Secured Party, use commercially reasonable efforts to cause the landlord or lessor for each location where any of its inventory or equipment is maintained to execute and deliver to Secured Party an estoppel and subordination agreement in such form as may be reasonably acceptable to Secured Party and its counsel.

(j) Fixtures. For any Collateral that is a fixture or an accession which has been attached to real estate or other goods prior to the perfection of the Security Interest, use commercially reasonable efforts to furnish to Secured Party, upon reasonable demand, a disclaimer of interest in each such fixture or accession and a consent in writing to the Security Interest of Secured Party therein, signed by all Persons having any interest in such fixture or accession by virtue of any interest in the real estate or other goods to which such fixture or accession has been attached.

(k) Certificates of Title. Upon the request of Secured Party, if certificates of title are issued or outstanding with respect to any of the Vehicles or other Collateral, cause the Security Interest to be properly noted thereon.

(l) Warehouse Receipts Non-Negotiable. If any warehouse receipt or receipt in the nature of a warehouse receipt is issued in respect of any of the Collateral, agree that such warehouse receipt or receipt in the nature thereof shall not be "*negotiable*" (as such term is used in *Section 7-104* of the UCC), unless such warehouse receipt or receipt in the nature thereof is delivered to Secured Party.

(m) Impairment of Collateral. Not use any of the Collateral, or permit the same to be used, for any unlawful purpose, in any manner inconsistent with the provisions or requirements of any policy of insurance thereon or in any manner contrary to the standard of care typical in the industry for the operation and maintenance of such Collateral.

(n) Collateral Notes and Collateral Note Security. Without the prior written consent of Secured Party, after the occurrence of and during the continuation of an Event of Default, not (i) modify or substitute, or permit the modification or substitution of, any Collateral Note or any document evidencing the Collateral Note Security, or (ii) release any Collateral Note Security unless paid in full or otherwise specifically required by the terms thereof. Debtor shall promptly notify Secured Party of any extensions of or material amendments to any Collateral Notes.

(o) Securities. Except as otherwise permitted by the Credit Agreement, not sell, exchange, or otherwise dispose of, or grant any option, warrant, or other Right with respect to, any of the Pledged Securities; to the extent any issuer of any Pledged Securities is controlled by Debtor and/or its Affiliates, not permit such issuer to issue any additional shares of stock or other securities in addition to or in substitution for the Pledged Securities, except issuances to Debtor on terms acceptable to Secured Party; pledge hereunder, immediately upon Debtor's acquisition (directly or indirectly) thereof, any and all additional shares of stock or other securities of each Subsidiary of Debtor; and take any action necessary, required, or requested by Secured Party to allow Secured Party to fully enforce its Security Interest in the Pledged Securities, including, without limitation, the filing of any claims with any court, liquidator, trustee, custodian, receiver, or other like person or party.

(p) Partnerships/Limited Liability Companies and Partnership/Limited Liability Company Interests. (i) Comply in all material respects with each material requirement and condition set forth in the contracts and agreements creating or relating to any Partnership/Limited Liability Company, (ii) do or cause to be done all things necessary or appropriate to keep the Partnerships/Limited Liability Companies in full force and effect (except as otherwise permitted by the Credit Agreement) and the Rights of Debtor and Secured Party thereunder unimpaired, (iii) pledge hereunder, immediately upon Debtor's acquisition (directly or indirectly) thereof, any and all additional Partnership/Limited Liability Company Interests of any Partnership/Limited Liability Company granted to Debtor as required pursuant to *Section 6.17(a)* of the Credit Agreement, (iv) deliver to Secured Party a fully-executed Acknowledgment of Pledge, substantially in the form of ***Annex C***, for each Partnership/Limited Liability Company Interest constituting Collateral,

if such Partnership/Limited Liability Company Interest represents an interest in a Subsidiary of Debtor, and (v) take any action requested by Secured Party to allow Secured Party to fully enforce its Security Interest in the Partnership/Limited Liability Company Interests, including, without limitation, the filing of any claims with any court, liquidator, trustee, custodian, receiver, or other like person or party.

(q) Marking of Chattel Paper. At the request of Secured Party, place a legend acceptable to Secured Party on all chattel paper, indicating that Secured Party has a security interest in the chattel paper.

(r) Modification of Accounts. In accordance with prudent business practices, endeavor to collect or cause to be collected from each account debtor under its accounts, as and when due, any and all amounts owing under such accounts. Except in the ordinary course of business consistent with prudent business practices and industry standards, without the prior written consent of Secured Party, Debtor shall not, (i) grant any extension of time for any payment with respect to any such account, (ii) compromise, compound, or settle any such account for less than the full amount thereof, (iii) release, in whole or in part, any Person liable for payment of any such account, (iv) allow any credit or discount for payment with respect to any such account, other than trade discounts granted in the ordinary course of business, (v) release any Lien or guaranty securing any such account, or (vi) modify or substitute, or permit the modification or substitution of, any contract to which any of the Collateral which is any such account relates.

(s) Intellectual Property. Except to the extent not required in Debtor's reasonable business judgment, (i) make federal applications on all of its unpatented but patentable inventions and all of its registrable but unregistered Copyrights and Trademarks, (ii) preserve and maintain its material rights in the Intellectual Property and protect the Intellectual Property from infringement, unfair competition, cancellation, or dilution by appropriate action necessary in Debtor's reasonable business judgment, including, without limitation, the commencement and prosecution of legal proceedings to recover damages for infringement and to defend and preserve its rights in the Intellectual Property, (iii) not abandon any of the Intellectual Property necessary to the conduct of its business in the exercise of Debtor's reasonable business judgment, (iv) give Secured Party prompt written notice if Debtor shall obtain Rights to or become entitled to the benefit of any Intellectual Property material to its business and not identified on ***Annex B-2*** hereto, and (v) if a Default or Event of Default exists, use its commercially reasonable efforts to obtain any consents, waivers, or agreements necessary to enable Secured Party to exercise its rights and remedies with respect to the Intellectual Property.

(t) Control of Third Parties. Debtor shall not grant "*control*" (as defined in the UCC) with respect to any Deposit Account to any Person other than Secured Party and the bank with which the Deposit Account is maintained.

7. **DEFAULT; REMEDIES.** If an Event of Default exists, Secured Party may, at its election, exercise any and all Rights available to a secured party under the UCC and other applicable law, in addition to any and all other Rights afforded by the Loan Documents, at law, in equity, or otherwise, including, without limitation, (a) requiring Debtor to assemble all or part of the Collateral and make it available to Secured Party at a place to be designated by Secured Party which is reasonably convenient to Debtor and Secured Party, (b) surrendering any policies of insurance on all or part of the Collateral and receiving and applying the unearned premiums as a credit on the Obligations, (c) applying by appropriate judicial proceedings for appointment of a receiver for all or part of the Collateral (and Debtor hereby consents to any such appointment), and (d) applying to the Obligations any cash held by Secured Party under this Security Agreement, including, without limitation, any cash in the Cash Collateral Account (as defined in ***Paragraph 8(h)*** hereof).

(a) Notice. Reasonable notification of the time and place of any public sale of the Collateral, or reasonable notification of the time after which any private sale or other intended disposition of the Collateral is to be made, shall be sent to Debtor and to any other Person entitled to notice under the UCC; *provided* that, if any of the Collateral threatens to decline speedily in value or is of the type customarily sold on a recognized market, Secured Party may sell or otherwise dispose of the Collateral without notification, advertisement, or other notice of any kind. It is agreed that notice sent or given not less than ten (10) Business Days prior to the taking of the action to which the notice relates is reasonable notification and notice for the purposes of this clause.

(b) Condition of Collateral; Warranties. Secured Party has no obligation to clean-up or otherwise prepare the Collateral for sale. Secured Party may sell the Collateral without giving any warranties as to the Collateral. Secured Party may specifically disclaim any warranties of title or the like. This procedure will not be considered affect adversely the commercial reasonableness of any sale of the Collateral.

(c) Compliance with Other Laws. Secured Party may comply with any applicable state or federal law requirements in connection with a disposition of the Collateral and compliance will not be considered to adversely affect the commercial reasonableness of any sale of the Collateral.

(d) Sales of Pledged Securities.

(i) Debtor agrees that, because of the Securities Act of 1933, as amended, or the rules and regulations promulgated thereunder (collectively, the "***Securities Act***"), or any other Laws or regulations, and for other reasons, there may be legal or practical restrictions or limitations affecting Secured Party in any attempts to dispose of certain portions of the Pledged Securities and for the enforcement of its Rights. For these reasons, Secured Party is hereby authorized by Debtor, but not obligated, upon the occurrence and during the continuation of an Event of Default, to sell all or any part of the Pledged Securities at private sale, subject to investment letter or in any other manner which will not require the Pledged Securities, or any part thereof, to be registered in accordance with the Securities Act or any other Laws or regulations, at a reasonable price at such private sale or other distribution in the manner mentioned above. Debtor understands that Secured Party may in its discretion approach a limited number of potential purchasers and that a sale under such circumstances may yield a lower price for the Pledged Securities, or any part thereof, than would otherwise be obtainable if such Collateral were either afforded to a larger number or potential purchasers, registered under the Securities Act, or sold in the open market. Debtor agrees that any such private sale made under this ***Paragraph 7(d)*** shall be deemed to have been made in a commercially reasonable manner, and that Secured Party has no obligation to delay the sale of any Pledged Securities to permit the issuer thereof to register it for public sale under any applicable federal or state securities Laws.

(ii) Secured Party is authorized, in connection with any such sale, (A) to restrict the prospective bidders on or purchasers of any of the Pledged Securities to a limited number of sophisticated investors who will represent and agree that they are purchasing for their own account for investment and not with a view to the distribution or sale of any of such Pledged Securities, and (B) to impose such other limitations or conditions in connection with any such sale as Secured Party reasonably deems necessary in order to comply with applicable Law. Debtor covenants and agrees that it will execute and deliver such documents and take such other action as Secured Party reasonably deems necessary in order that any such sale may be made in compliance with applicable Law. Upon any such sale Secured Party shall have the Right to deliver, assign, and transfer to the purchaser thereof the Pledged Securities so sold. Each purchaser at any such sale shall hold the Pledged Securities so sold absolutely free from any claim or Right of Debtor of whatsoever kind, including any equity or Right of redemption of Debtor. Debtor, to the extent permitted by applicable Law, hereby specifically waives all Rights of redemption, stay, or appraisal which it has or may have under any Law now existing or hereafter enacted.

(iii) Debtor agrees that ten (10) days' written notice from Secured Party to Debtor of Secured Party's intention to make any such public or private sale or sale at a broker's board or on a securities exchange shall constitute reasonable notice under the UCC. Such notice shall (A) in case of a public sale, state the time and place fixed for such sale, (B) in case of sale at a broker's board or on a securities exchange, state the board or exchange at which such a sale is to be made and the day on which the Pledged Securities, or the portion thereof so being sold, will first be offered to sale at such board or exchange, and (C) in the case of a private sale, state the day after which such sale may be consummated. Any such public sale shall be held at such time or times within ordinary business hours and at such place or places as Secured Party may fix in the notice of such sale. At any such sale, the Pledged Securities may be sold in one lot as an entirety or in separate parcels, as Secured Party may reasonably determine. Secured Party shall not be obligated to make any such sale pursuant to any such notice. Secured Party may, without notice or publication, adjourn any public or private

sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for the sale, and such sale may be made at any time or place to which the same may be so adjourned.

(iv) In case of any sale of all or any part of the Pledged Securities on credit or for future delivery, the Pledged Securities so sold may be retained by Secured Party until the selling price is paid by the purchaser thereof, but Secured Party shall not incur any liability in case of the failure of such purchaser to take up and pay for the Pledged Securities so sold and in case of any such failure, such Pledged Securities may again be sold upon like notice. Secured Party, instead of exercising the power of sale herein conferred upon it, may proceed by a suit or suits at Law or in equity to foreclose the Security Interests and sell the Pledged Securities, or any portion thereof, under a judgment or decree of a court or courts of competent jurisdiction.

(v) Without limiting the foregoing, or imposing upon Secured Party any obligations or duties not required by applicable Law, Debtor acknowledges and agrees that, in foreclosing upon any of the Pledged Securities, or exercising any other Rights or remedies provided Secured Party hereunder or under applicable Law, Secured Party may, but shall not be required to, (A) qualify or restrict prospective purchasers of the Pledged Securities by requiring evidence of sophistication or creditworthiness, and requiring the execution and delivery of confidentiality agreements or other documents and agreements as a condition to such prospective purchasers' receipt of information regarding the Pledged Securities or participation in any public or private foreclosure sale process, (B) provide to prospective purchasers business and financial information regarding Debtor and its Subsidiaries available in the files of Secured Party at the time of commencing the foreclosure process, without the requirement that Secured Party obtain, or seek to obtain, any updated business or financial information or verify, or certify to prospective purchasers, the accuracy of any such business or financial information, or (C) offer for sale and sell the Pledged Securities with, or without, first employing an appraiser, investment banker, or broker with respect to the evaluation of the Pledged Securities, the solicitation of purchasers for Pledged Securities, or the manner of sale of Pledged Securities.

(e) Application of Proceeds. Secured Party shall apply the proceeds of any sale or other disposition of the Collateral in accordance with the terms and conditions of the Credit Agreement. Any surplus remaining shall be delivered to Debtor or as a court of competent jurisdiction may direct. If the proceeds are insufficient to pay the Obligations in full, Debtor shall remain liable for any deficiency.

(f) Sales on Credit. If Secured Party sells any of the Collateral upon credit, Debtor will be credited only with payments actually made by the purchaser, received by the Secured Party, and applied to the indebtedness of the purchaser. In the event the purchaser fails to pay for the Collateral, Secured Party may resell the Collateral and Debtor shall be credited with the proceeds of the sale.

8. **OTHER RIGHTS OF SECURED PARTY.**

(a) Performance. If Debtor fails to keep the Collateral in good repair, working order, and condition, as required by the Loan Documents, or fails to pay when due all Taxes on any of the Collateral in the manner required by the Loan Documents, or fails to preserve the priority of the Security Interest in any of the Collateral, or fails to keep the Collateral insured as required by the Loan Documents, or otherwise fails to perform any of its obligations under the Loan Documents with respect to the Collateral, then Secured Party may, at its option, but without being required to do so, make such repairs, pay such Taxes, prosecute or defend any suits in relation to the Collateral, or insure and keep insured the Collateral in any amount deemed appropriate by Secured Party, or take all other action which Debtor is required, but has failed or refused, to take under the Loan Documents. Any sum which may be expended or paid by Secured Party under this subparagraph (including, without limitation, court costs and reasonable attorneys' fees) shall bear interest from the dates of expenditure or payment at the Default Rate until paid and, together with such interest, shall be payable by Debtor to Secured Party upon demand and shall be part of the Obligations.

(b) Collection. If an Event of Default exists and upon notice from Secured Party, each Obligor with respect to any payments on any of the Collateral (including, without limitation, dividends and other distributions with respect to the Pledged Securities and Partnership/Limited Liability Company Interests, payments on Collateral Notes,

insurance proceeds payable by reason of loss or damage to any of the Collateral, or payments or distributions with respect to Deposit Accounts) is hereby authorized and directed by Debtor to make payment directly to Secured Party, regardless of whether Debtor was previously making collections thereon; *provided*, that as between Debtor and Secured Party, insurance proceeds or other amounts payable by reason of casualty or condemnation shall be subject to the requirements of the Credit Agreement applicable to Dispositions, including ***Section 2.03(b)*** thereof. Subject to ***Paragraph 8(f)*** hereof, until such notice is given, Debtor is authorized to retain and expend all payments made on Collateral. If an Event of Default exists, Secured Party shall have the Right in its own name or in the name of Debtor to compromise or extend time of payment with respect to all or any portion of the Collateral for such amounts and upon such terms as Secured Party may determine; to demand, collect, receive, receipt for, sue for, compound, and give acquittances for any and all amounts due or to become due with respect to Collateral; to take control of cash and other proceeds of any Collateral; to endorse the name of Debtor on any notes, acceptances, checks, drafts, money orders, or other evidences of payment on Collateral that may come into the possession of Secured Party; to sign the name of Debtor on any invoice or bill of lading relating to any Collateral, on any drafts against Obligors or other Persons making payment with respect to Collateral, on assignments and verifications of accounts or other Collateral and on notices to Obligors making payment with respect to Collateral; to send requests for verification of obligations to any Obligor; and to do all other acts and things necessary to carry out the intent of this Security Agreement. If an Event of Default exists and any Obligor fails or refuses to make payment on any Collateral when due, Secured Party is authorized, in its sole discretion, either in its own name or in the name of Debtor, to take such action as Secured Party shall deem appropriate for the collection of any amounts owed with respect to Collateral or upon which a delinquency exists. Regardless of any other provision hereof, however, Secured Party shall never be liable for its failure to collect, or for its failure to exercise diligence in the collection of, any amounts owed with respect to Collateral, nor shall it be under any duty whatsoever to anyone except Debtor to account for funds that it shall actually receive hereunder. Without limiting the generality of the foregoing, Secured Party shall have no responsibility for ascertaining any maturities, calls, conversions, exchanges, offers, tenders, or similar matters relating to any Collateral, or for informing Debtor with respect to any of such matters (irrespective of whether Secured Party actually has, or may be deemed to have, knowledge thereof). The receipt of Secured Party to any Obligor shall be a full and complete release, discharge, and acquittance to such Obligor, to the extent of any amount so paid to Secured Party.

(c) Intellectual Property. For purposes of enabling Secured Party to exercise its Rights and remedies under this Security Agreement and enabling Secured Party and its successors and assigns to enjoy the full benefits of the Collateral, Debtor hereby grants to Secured Party an irrevocable, nonexclusive license (exercisable without payment of royalty or other compensation to Debtor) to use, license, or sublicense any of the Intellectual Property. Debtor shall provide Secured Party with reasonable access to all media in which any of the Intellectual Property may be recorded or stored and all computer programs used for the completion or printout thereof. This license shall also inure to the benefit of all successors, assigns, and transferees of Secured Party. Upon the occurrence and during the continuation of an Event of Default, Secured Party may require that Debtor assign all of its Right, title, and interest in and to the Intellectual Property or any part thereof to Secured Party or such other Person as Secured Party may designate pursuant to documents satisfactory to Secured Party. If no Default or Event of Default exists, Debtor shall have the exclusive, non-transferable Right and license to use the Intellectual Property in the ordinary course of business and the exclusive Right to grant to other Persons licenses and sublicenses with respect to the Intellectual Property for full and fair consideration.

(d) Record Ownership of Securities. If an Event of Default exists, Secured Party at any time may have any Collateral that is Pledged Securities and that is in the possession of Secured Party, or its nominee or nominees, registered in its name, or in the name of its nominee or nominees, as Secured Party; and, as to any Collateral that is Pledged Securities so registered, Secured Party shall execute and deliver (or cause to be executed and delivered) to Debtor all such proxies, powers of attorney, dividend coupons or orders, and other documents as Debtor may reasonably request for the purpose of enabling Debtor to exercise the voting Rights and powers which it is entitled to exercise under this Security Agreement or to receive the dividends and other distributions and payments in respect of such Collateral that is Pledged Securities or proceeds thereof which it is authorized to receive and retain under this Security Agreement.

(e) Voting of Securities. As long as no Event of Default exists, Debtor is entitled to exercise all voting Rights pertaining to any Pledged Securities and Partnership/Limited Liability Company Interests; *provided*, however, that no vote shall be cast or consent, waiver, or ratification given or action taken without the prior written consent of Secured Party which would (x) be inconsistent with or violate any provision of this Security Agreement or any other Loan Document, or (y) amend, modify, or waive any term, provision or condition of the certificate of incorporation, bylaws, certificate of formation, or other charter document, or other agreement relating to, evidencing, providing for the issuance of, or securing any Collateral, to the extent any such amendment, modification or a waiver results in a material adverse effect on the value of the Collateral or any part thereof; and *provided further*, that Debtor shall give Secured Party at least five (5) Business Days' prior written notice in the form of an officers' certificate of the manner in which it intends to exercise, or the reasons for refraining from exercising, any voting or other consensual Rights pertaining to the Collateral or any part thereof which might have a material adverse effect on the value of the Collateral or any part thereof. If an Event of Default exists and if Secured Party elects to exercise such Right, the Right to vote any Pledged Securities shall be vested exclusively in Secured Party. To this end, Debtor hereby irrevocably constitutes and appoints Secured Party the proxy and attorney-in-fact of Debtor, with full power of substitution, to vote, and to act with respect to, any and all Collateral that is Pledged Securities standing in the name of Debtor or with respect to which Debtor is entitled to vote and act, subject to the understanding that such proxy may not be exercised unless an Event of Default exists. The proxy herein granted is coupled with an interest, is irrevocable, and shall continue until the Obligations have been paid and performed in full.

(f) Certain Proceeds. Notwithstanding any contrary provision herein, any and all:

(i) dividends, interest, or other distributions paid or payable other than in cash in respect of, and instruments and other property received, receivable, or otherwise distributed in respect of, or in exchange for, any Collateral;

(ii) dividends, interest, or other distributions hereafter paid or payable in cash in respect of any Collateral in connection with a partial or total liquidation or dissolution, or in connection with a reduction of capital, capital surplus, or paid-in-surplus;

(iii) cash paid, payable, or otherwise distributed in redemption of, or in exchange for, any Collateral; and

(iv) dividends, interest, or other distributions paid or payable in violation of the Loan Documents;

shall be part of the Collateral hereunder, and shall, if received by Debtor, be held in trust for the benefit of Secured Party, and shall forthwith be delivered to Secured Party (accompanied by proper instruments of assignment and/or stock and/or bond powers executed by Debtor in accordance with Secured Party's instructions) to be held subject to the terms of this Security Agreement (provided, that insurance proceeds or any other amounts payable as a result of casualty or condemnation shall be governed by the terms of the Credit Agreement applicable to Dispositions, including ***Section 2.03(b)*** thereof). Any cash Collateral in the possession of Secured Party may be invested by Secured Party in time deposits or certificates of deposit issued by Secured Party (if Secured Party issues such certificates) or by any state or national bank having combined capital and surplus greater than $100,000,000 with a rating from Moody's and S&P of *P-1* and *A-1+*, respectively, or in Cash Equivalents, as Secured Party may choose. Secured Party shall never be obligated to make any such investment and shall never have any liability to Debtor for any loss which may result therefrom. All interest and other amounts earned from any investment of Collateral may be dealt with by Secured Party in the same manner as other cash Collateral.

(g) Use and Operation of Collateral. Should any Collateral come into the possession of Secured Party, Secured Party may use or operate such Collateral for the purpose of preserving it or its value pursuant to the order of a court of appropriate jurisdiction or in accordance with any other Rights held by Secured Party in respect of such Collateral. Debtor covenants to promptly reimburse and pay to Secured Party, at Secured Party's request, the amount of all expenses (including, without limitation, the cost of any insurance and payment of Taxes or other charges) incurred by Secured Party in connection with its custody and preservation of Collateral, and all such expenses, costs, Taxes, and other charges shall bear interest at the Default Rate until repaid and, together with such interest, shall be payable

by Debtor to Secured Party upon demand and shall become part of the Obligations. However, the risk of accidental loss or damage to, or diminution in value of, Collateral is on Debtor, and Secured Party shall have no liability whatever for failure to obtain or maintain insurance, nor to determine whether any insurance ever in force is adequate as to amount or as to the risks insured. With respect to Collateral that is in the possession of Secured Party, Secured Party shall have no duty to fix or preserve Rights against prior parties to such Collateral and shall never be liable for any failure to use diligence to collect any amount payable in respect of such Collateral, but shall be liable only to account to Debtor for what it may actually collect or receive thereon. The provisions of this subparagraph are applicable whether or not an Event of Default exists.

(h) Cash Collateral Account. If an Event of Default exists and is continuing, Secured Party shall have, and Debtor hereby grants to Secured Party, the Right and authority to transfer all funds on deposit in the Deposit Accounts subject to a Control Agreement delivered in connection with the Existing Credit Agreement to a cash collateral account (a "***Cash Collateral Account***") maintained with Secured Party or with a depository institution acceptable to Secured Party and subject to the exclusive direction, domain, and control of Secured Party, and no disbursements or withdrawals shall be permitted to be made by Debtor from such Cash Collateral Account. Such Cash Collateral Account shall be subject to the Security Interest and Liens in favor of Secured Party herein created, and Debtor hereby grants a security interest to Secured Party on behalf of Lenders in and to, such Cash Collateral Account and all checks, drafts, and other items ever received by Debtor for deposit therein. Furthermore, if an Event of Default exists, Secured Party shall have the Right, at any time in its discretion without notice to Debtor, (i) to transfer to or to register in the name of Secured Party or any Lender or nominee any certificates of deposit or deposit instruments constituting Deposit Accounts and shall have the Right to exchange such certificates or instruments representing Deposit Accounts for certificates or instruments of smaller or larger denominations, and (ii) to take and apply against the Obligations any and all funds then or thereafter on deposit in the Cash Collateral Account or otherwise constituting Deposit Accounts.

(i) Power of Attorney. Debtor hereby irrevocably constitutes and appoints Secured Party and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the name of Debtor or in its own name, to take after the occurrence and during the continuance of an Event of Default, any and all action and to execute any and all documents and instruments which Secured Party at any time and from time to time deems necessary or desirable to accomplish the purposes of this Security Agreement and, without limiting the generality of the foregoing, Debtor hereby gives Secured Party the power and Right on behalf of Debtor and in its own name to do any of the following after the occurrence and during the continuance of an Event of Default, without notice to or the consent of Debtor:

(i) to transfer any and all funds on deposit in the Deposit Accounts to the Cash Collateral Account as set forth herein;

(ii) to receive, endorse, and collect any drafts or other instruments or documents in connection with ***clause (b)*** above and this ***clause (ii)***;

(iii) to use the Intellectual Property or to grant or issue any exclusive or non-exclusive license under the Intellectual Property to anyone else, and to perform any act necessary for the Secured Party to assign, pledge, convey, or otherwise transfer title in or dispose of the Intellectual Property to any other Person;

(iv) to demand, sue for, collect, or receive, in the name of Debtor or in its own name, any money or property at any time payable or receivable on account of or in exchange for any of the Collateral and, in connection therewith, endorse checks, notes, drafts, acceptances, money orders, documents of title or any other instruments for the payment of money under the Collateral or any policy of insurance;

(v) to pay or discharge taxes, Liens, or other encumbrances levied or placed on or threatened against the Collateral;

(vi) to notify post office authorities to change the address for delivery of Debtor to an address designated by Secured Party and to receive, open, and dispose of mail addressed to Debtor; and

(vii) (A) to direct account debtors and any other parties liable for any payment under any of the Collateral to make payment of any and all monies due and to become due thereunder directly to Secured Party or as Secured Party shall direct, (B) to receive payment of and receipt for any and all monies, claims, and other amounts due and to become due at any time in respect of or arising out of any Collateral, (C) to sign and endorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, proxies, stock powers, verifications, and notices in connection with accounts and other documents relating to the Collateral, (D) to commence and prosecute any suit, action, or proceeding at Law or in equity in any court of competent jurisdiction to collect the Collateral or any part thereof and to enforce any other Right in respect of any Collateral, (E) to defend any suit, action, or proceeding brought against Debtor with respect to any Collateral, (F) to settle, compromise, or adjust any suit, action, or proceeding described above and, in connection therewith, to give such discharges or releases as Secured Party may deem appropriate, (G) to exchange any of the Collateral for other property upon any merger, division, consolidation, reorganization, recapitalization, or other readjustment of the issuer thereof and, in connection therewith, deposit any of the Collateral with any committee, depositary, transfer agent, registrar, or other designated agency upon such terms as Secured Party may determine, (H) to add or release any guarantor, indorser, surety, or other party to any of the Collateral, (I) to renew, extend, or otherwise change the terms and conditions of any of the Collateral, (J) to endorse Debtor's name on all applications, documents, papers, and instruments necessary or desirable in order for Secured Party to use or maintain any of the Intellectual Property, (K) to make, settle, compromise or adjust any claims under or pertaining to any of the Collateral (including claims under any policy of insurance), (L) to execute on behalf of Debtor any financing statements or continuation statements with respect to the Security Interests created hereby, and to do any and all acts and things to protect and preserve the Collateral, including, without limitation, the protection and prosecution of all Rights included in the Collateral, and (M) to sell, transfer, pledge, convey, make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though Secured Party were the absolute owner thereof for all purposes, and to do, at Secured Party's option and Debtor's expense, at any time, or from time to time, all acts and things which Secured Party deems necessary to protect, preserve, maintain, or realize upon the Collateral and Secured Party's security interest therein.

This power of attorney is a power coupled with an interest and shall be irrevocable. Secured Party shall be under no duty to exercise or withhold the exercise of any of the Rights, powers, privileges, and options expressly or implicitly granted to Secured Party in this Security Agreement, and shall not be liable for any failure to do so or any delay in doing so. Neither Secured Party nor any Person designated by Secured Party shall be liable for any act or omission or for any error of judgment or any mistake of fact or Law. This power of attorney is conferred on Secured Party solely to protect, preserve, maintain, and realize upon its Security Interest in the Collateral. Secured Party shall not be responsible for any decline in the value of the Collateral and shall not be required to take any steps to preserve rights against prior parties or to protect, preserve, or maintain any Lien given to secure the Collateral.

(j) Purchase Money Collateral. To the extent that Secured Party or any Lender has advanced or will advance funds pursuant to the Credit Agreement to or for the account of Debtor to enable Debtor to purchase or otherwise acquire Rights in Collateral, Secured Party or such Lender, at its option, may pay such funds (i) directly to the Person from whom Debtor will make such purchase or acquire such Rights, or (ii) to Debtor, in which case Debtor covenants to promptly pay the same to such Person, and forthwith furnish to Secured Party evidence satisfactory to Secured Party that such payment has been made from the funds so provided.

(k) Subrogation. If any of the Obligations are given in renewal or extension or applied toward the payment of indebtedness secured by any Lien, Secured Party shall be, and is hereby, subrogated to all of the Rights, titles, interests, and Liens securing the indebtedness so renewed, extended, or paid.

(l) INDEMNIFICATION. DEBTOR HEREBY ASSUMES ALL LIABILITY FOR THE COLLATERAL, FOR THE SECURITY INTEREST, AND FOR ANY USE, POSSESSION, MAINTENANCE, AND MANAGEMENT OF, ALL OR ANY OF THE COLLATERAL, INCLUDING, WITHOUT LIMITATION, ANY TAXES ARISING AS A RESULT OF, OR IN CONNECTION WITH, THE TRANSACTIONS CONTEMPLATED

HEREIN, AND AGREES TO ASSUME LIABILITY FOR, AND TO INDEMNIFY AND HOLD SECURED PARTY, THE ADMINISTRATIVE AGENT AND EACH LENDER HARMLESS FROM AND AGAINST, ANY AND ALL CLAIMS, CAUSES OF ACTION, OR LIABILITY, FOR INJURIES TO OR DEATHS OF PERSONS AND DAMAGE TO PROPERTY, HOWSOEVER ARISING FROM OR INCIDENT TO SUCH USE, POSSESSION, MAINTENANCE, AND MANAGEMENT, WHETHER SUCH PERSONS BE AGENTS OR EMPLOYEES OF DEBTOR OR OF THIRD PARTIES, OR SUCH DAMAGE BE TO PROPERTY OF DEBTOR OR OF OTHERS. DEBTOR AGREES TO INDEMNIFY, SAVE, AND HOLD SECURED PARTY, THE ADMINISTRATIVE AGENT AND EACH LENDER HARMLESS FROM AND AGAINST, AND COVENANTS TO DEFEND SECURED PARTY, THE ADMINISTRATIVE AGENT AND EACH LENDER AGAINST, ANY AND ALL LOSSES, DAMAGES, CLAIMS, COSTS, PENALTIES, LIABILITIES, AND EXPENSES (COLLECTIVELY, " ***CLAIMS***"), INCLUDING, WITHOUT LIMITATION, COURT COSTS AND ATTORNEYS' FEES, **AND ANY OF THE FOREGOING ARISING FROM THE NEGLIGENCE OF SECURED PARTY, THE ADMINISTRATIVE AGENT OR ANY LENDER, OR ANY OF THEIR RESPECTIVE OFFICERS, EMPLOYEES, AGENTS, ADVISORS, EMPLOYEES, OR REPRESENTATIVES,** HOWSOEVER ARISING OR INCURRED BECAUSE OF, INCIDENT TO, OR WITH RESPECT TO COLLATERAL OR ANY USE, POSSESSION, MAINTENANCE, OR MANAGEMENT THEREOF; *PROVIDED, HOWEVER,* THAT THE INDEMNITY SET FORTH IN THIS ***PARAGRAPH 8(l)*** WILL NOT APPLY TO CLAIMS CAUSED BY THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF SECURED PARTY, THE ADMINISTRATIVE AGENT OR ANY LENDER.

9. **MISCELLANEOUS.**

(a) Continuing Security Interest. This Security Agreement creates a continuing security interest in the Collateral and shall (i) remain in full force and effect until the termination of the obligations of Lenders and the L/C Issuer to make Credit Extensions under the Loan Documents, termination of all Letters of Credit and the payment in full of the Obligations (except as otherwise provided in *Section 10.01(e)* of the Credit Agreement with respect to Obligations under Lender Hedging Agreements); and (ii) inure to the benefit of and be enforceable by Secured Party, Lenders, and their respective successors, transferees, and assigns. Without limiting the generality of the foregoing ***clause (ii)***, Secured Party and Lenders may assign or otherwise transfer any of their respective Rights under this Security Agreement to any other Person in accordance with the terms and provisions of *Section 10.07* of the Credit Agreement, and to the extent of such assignment or transfer such Person shall thereupon become vested with all the Rights and benefits in respect thereof granted herein or otherwise to Secured Party or Lenders, as the case may be. Upon payment in full of the Obligations, Debtor shall be entitled to the return, upon its request and at its expense, of such of the Collateral as shall not have been sold or otherwise applied pursuant to the terms hereof.

(b) Reference to Miscellaneous Provisions. This Security Agreement is one of the "***Loan Documents***" referred to in the Credit Agreement, and all provisions relating to Loan Documents set forth in *Article X* of the Credit Agreement (including, without limitation, *Section 10.10* therein) are incorporated herein by reference, the same as if set forth herein verbatim.

(c) Term; Release of Liens. Upon the satisfaction of the conditions set forth in *Section 10.01(e)* of the Credit Agreement, the Collateral Agent shall release the liens created by this Security Agreement in accordance with *Section 10.01(d)* of the Credit Agreement; *provided* that no Obligor, if any, on any of the Collateral shall ever be obligated to make inquiry as to the termination of this Security Agreement, but shall be fully protected in making payment directly to Secured Party until actual notice of such total payment of the Obligations is received by such Obligor. At such time as the Liens created by this Security Agreement are to be released pursuant to this paragraph, Secured Party shall, at the request and expense of Debtor following such termination, promptly deliver to Debtor any Collateral held by the Secured Party hereunder, and promptly execute and deliver to such Debtor such documents and instruments as Debtor shall reasonably request to evidence such termination and release as provided in the Credit Agreement. In addition, if any of the Collateral shall be sold, transferred, assigned or otherwise disposed of by Debtor in a transaction permitted by the Credit Agreement, then the Secured Party, at the request and expense of Debtor, shall promptly execute and deliver releases as provided in the Credit Agreement.

(d) Actions Not Releases. The Security Interest and Debtor's obligations and Secured Party's Rights hereunder shall not be released, diminished, impaired, or adversely affected by the occurrence of any one or more of the following events: (i) the taking or accepting of any other security or assurance for any or all of the Obligations; (ii) any release, surrender, exchange, subordination, or loss of any security or assurance at any time existing in connection with any or all of the Obligations; (iii) the modification of, amendment to, or waiver of compliance with any terms of any of the other Loan Documents without the notification or consent of Debtor, except as required therein (the Right to such notification or consent being herein specifically waived by Debtor); (iv) the insolvency, bankruptcy, or lack of corporate or trust power of any party at any time liable for the payment of any or all of the Obligations, whether now existing or hereafter occurring; (v) any renewal, extension, or rearrangement of the payment of any or all of the Obligations, either with or without notice to or consent of Debtor, or any adjustment, indulgence, forbearance, or compromise that may be granted or given by Secured Party or any Lender to Debtor; (vi) any neglect, delay, omission, failure, or refusal of Secured Party or any Lender to take or prosecute any action in connection with any other agreement, document, guaranty, or instrument evidencing, securing, or assuring the payment of all or any of the Obligations; (vii) any failure of Secured Party or any Lender to notify Debtor of any renewal, extension, or assignment of the Obligations or any part thereof, or the release of any Collateral or other security, or of any other action taken or refrained from being taken by Secured Party or any Lender against Debtor or any new agreement between or among Secured Party or one or more Lenders and Debtor, it being understood that except as expressly provided herein, neither Secured Party nor any Lender shall be required to give Debtor any notice of any kind under any circumstances whatsoever with respect to or in connection with the Obligations, including, without limitation, notice of acceptance of this Security Agreement or any Collateral ever delivered to or for the account of Secured Party hereunder; (viii) the illegality, invalidity, or unenforceability of all or any part of the Obligations against any party obligated with respect thereto by reason of the fact that the Obligations, or the interest paid or payable with respect thereto, exceeds the amount permitted by Law, the act of creating the Obligations, or any part thereof, is *ultra vires*, or the officers, partners, or trustees creating same acted in excess of their authority, or for any other reason; or (ix) if any payment by any party obligated with respect thereto is held to constitute a preference under applicable Laws or for any other reason Secured Party or any Lender is required to refund such payment or pay the amount thereof to someone else.

(e) Waivers. Except to the extent expressly otherwise provided herein or in other Loan Documents and to the fullest extent permitted by applicable Law, Debtor waives (i) any Right to require Secured Party or any Lender to proceed against any other Person, to exhaust its Rights in Collateral, or to pursue any other Right which Secured Party or any Lender may have, (ii) with respect to the Obligations, presentment and demand for payment, protest, notice of protest and nonpayment, and notice of the intention to accelerate, and (iii) all Rights of marshaling in respect of any and all of the Collateral.

(f) Financing Statement; Authorization. Secured Party shall be entitled at any time to file this Security Agreement or a carbon, photographic, or other reproduction of this Security Agreement, as a financing statement, but the failure of Secured Party to do so shall not impair the validity or enforceability of this Security Agreement. Debtor hereby irrevocably authorizes Secured Party at any time and from time to time to file in any UCC jurisdiction any initial or other financing statements and amendments thereto (without the requirement for Debtor's signature thereon) that (i) indicate the Collateral (A) as "all assets of Debtor", or words of similar effect; regardless of whether any particular asset comprised in the Collateral falls within the scope of *Article 9* of the UCC of the state or such jurisdiction or whether such assets are included in the Collateral hereunder, or (B) as being of an equal or lesser scope or with greater detail, and (ii) contain any other information required by *Article 9* of the UCC of the state or such jurisdiction for the sufficiency or filing office acceptance of any financing statement or amendment, including (A) whether Debtor is an organization, the type of organization, and any organization identification number issued to Debtor, and (B) in the case of a financing statement filed as a fixture filing or indicating Collateral as-extracted collateral or timber to be cut, a sufficient description of real property to which the Collateral relates. Debtor agrees to furnish any such information to Secured Party promptly upon request.

(g) Amendments. This Security Agreement may be amended only by an instrument in writing executed jointly by Debtor and Secured Party, and supplemented only by documents delivered or to be delivered in accordance with the express terms hereof.

(h) Multiple Counterparts. This Security Agreement has been executed in a number of identical counterparts, each of which shall be deemed an original for all purposes and all of which constitute, collectively, one agreement; but, in making proof of this Security Agreement, it shall not be necessary to produce or account for more than one such counterpart.

(i) Parties Bound; Assignment. This Security Agreement shall be binding on Debtor and Debtor's heirs, legal representatives, successors, and assigns and shall inure to the benefit of Secured Party and Secured Party's successors and assigns.

(i) Secured Party is the agent for each Lender under the Credit Agreement, the Security Interest and all Rights granted to Secured Party hereunder or in connection herewith are for the ratable benefit of each Lender, and Secured Party may, without the joinder of any Lender, exercise any and all Rights in favor of Secured Party or Lenders hereunder, including, without limitation, conducting any foreclosure sales hereunder, and executing full or partial releases hereof, amendments or modifications hereto, or consents or waivers hereunder. The Rights of each Lender vis-a-vis Secured Party and each other Lender may be subject to one or more separate agreements between or among such parties, but Debtor need not inquire about any such agreement or be subject to any terms thereof *unless* Debtor specifically joins therein; and consequently, neither Debtor nor Debtor's heirs, personal representatives, successors, and assigns shall be entitled to any benefits or provisions of any such separate agreements or be entitled to rely upon or raise as a defense, in any manner whatsoever, the failure or refusal of any party thereto to comply with the provisions thereof.

(ii) Debtor may not, without the prior written consent of Secured Party, assign any Rights, duties, or obligations hereunder.

(j) **Governing Law.** THIS SECURITY AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK (WITHOUT GIVING EFFECT TO ITS CONFLICTS OF LAW RULES OTHER THAN *SECTION 5-1401* OF THE NEW YORK GENERAL OBLIGATION LAW) AND APPLICABLE FEDERAL LAW; AND THE SECURED PARTY AND THE LENDERS SHALL RETAIN ALL RIGHTS ARISING UNDER FEDERAL LAW.

(k) All notices given pursuant hereto shall be given in the manner set forth in the Credit Agreement, if to Secured Party, to the address of Secured Party therein set forth and if to Debtor, to the following address:

Martin Transport, Inc.
4200 Stone Road
Kilgore, TX 75662
Attn: Robert D. Bondurant
Chief Financial Officer
Telephone: (903) 983-6250
Facsimile: (903) 983-6403

(l) Non-Liability of Secured Parties. Secured Party shall not have any fiduciary responsibilities to Debtor; and no provision in this Security Agreement or in any of the other Loan Documents, and no course of dealing between or among any of the parties hereto, shall be deemed to create any fiduciary duty owing by Secured Party to Debtor, or any Subsidiary of any Debtor. Secured Party undertakes no responsibility to Debtor to review or inform Debtor of any matter in connection with any phase of any Debtor's business or operations.

(m) Severability of Provisions. Any provision of this Security Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective only to the extent of such prohibition or unenforceability without invalidating the remainder of such provision or the remaining provisions or affecting the validity or enforceability of such provision in any other jurisdiction.

(n) THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

Remainder of Page Intentionally Blank.
Signature Page to Follow.

EXECUTED as of the date first stated in this Security Agreement.

MARTIN TRANSPORT, INC.,
a Texas corporation, as Debtor

By: _____
Name: Robert D. Bondurant
Title: Executive Vice President and Chief Financial Officer

***ANNEX A* TO SECURITY AGREEMENT**

DEBTOR INFORMATION AND LOCATION OF COLLATERAL

Exact Legal Name of Debtor:Martin Transport, Inc.

Mailing Address of Debtor: 4200 Stone Road, Kilgore, Texas 75662

Type of Entity:Corporation

Jurisdiction of Organization:Texas

State Issued Organizational Identification Number:0055985300

Tax ID Number:75-1756074

Location of Books and Records:4200 Stone Road
Kilgore, Texas 75662

Location of Inventory with Fair Market Value in Excess of $1,000,000:

None.

Location of Equipment with Fair Market Value in Excess of $1,000,000:

None.

Location of Real Property:

Owned Real Property - Address of Real Estate				
MTI BAYTOWN	10850 INTERSTATE 10 E	BAYTOWN	TX	77523
MTI CORPUS CHRISTI	502 FLATO ROAD	CORPUS CHRISTI	TX	78405
MTI LONGVIEW	5146 WEST LOOP 281	LONGVIEW	TX	75603
MTI BATON ROUGE	1616 MENGAL ROAD	BATON ROUGE	LA	70807
MTI BOSSIER CITY	4295 MEADOW LANE	BOSSIER CITY	LA	71111
MTI HATTIESBURG	7604 US HWY 49 N	HATTIESBURG	MS	39401
MTI KENOVA	2200 OAK STREET	KENOVA	WV	25530
MTI SMACKOVER	2346 PERSHING HWY	SMACKOVER	AR	71762
MTI DAYTON	66 E. DAYTON ROAD	ARTESIA	NM	88211
MTI CAMPBELLTON	HWY 281 S	CAMPBELLTON	TX	78008
MTI LAKE CHARLES	124 BUNKER ROAD	LAKE CHARLES	LA	70615

Leased Real Property - Address of Real Estate				
MTI KILGORE	2800 N LONGVIEW STREET	KILGORE	TX	75662
MTI BEAUMONT	6030 S. MLK JR. PARKWAY	BEAUMONT	TX	77705
MTI CHANNELVIEW	15551 EAST FREEWAY	CHANNELVIEW	TX	77530
MTI RESERVE	180 POWER BLVD.	RESERVE	LA	70084
MTI STEPHENS	658 OUACHITA 137	STEPHENS	AR	71764
MTI WEST MEMPHIS	5788 US Hwy 70	MARION	AR	72364
MTI CHATTANOOGA	3500 N. HAWTHORNE STREET	CHATTANOOGA	TN	37406
MTI PLAINVIEW	669 CR T	PLAINVIEW	TX	79072
MTI ARCADIA (Parking Only)	662 HWY 147S	ARCADIA	LA	71001
MTI ARCADIA	599 HWY. 147	ARCADIA	LA	71001
MTI KINGSPORT	348 DILLOW	KINGSPORT	TN	37663
MTI LAKE CHARLES	124 BUNKER ROAD	LAKE CHARLES	LA	70615
MTI THEODORE	7778 DAUPHIN ISLAND PKWY	THEODORE	AL	36582
MTI ST. GABRIEL	4250 GEIGY ACCESS ROAD	ST. GABRIEL	LA	71001
MTI JENNINGS	1707 EVANGELINE HWY	JENNINGS	LA	70546

Jurisdiction for Filing Financing Statements:

Texas Secretary of State

ANNEX B-1 TO SECURITY AGREEMENT

COLLATERAL DESCRIPTIONS

A. Collateral Notes and Collateral Note Security: N/A

B. Pledged Shares: N/A

C. Partnerships and Limited Liability Companies and Partnership/Limited Liability Company Agreements: N/A

D. Commercial Tort Claims: N/A

E. Deposit Accounts (including name of bank, address and account number):

BANK	ADDRESS	ACCT NO.	TYPE	DESCRIPTION
AUSTIN BANK	1006 STONE ROAD KILGORE, TX 75662	49271	CHECKING	PERMIT FUND
AUSTIN BANK	1006 STONE ROAD KILGORE, TX 75662	3609002391	CHECKING	PENALTY FUND
AUSTIN BANK	1006 STONE ROAD KILGORE, TX 75662	3609001980	CHECKING	KILGORE PETTY CASH ACCT
REGIONS BANK	1717 MCKINNEY AVE. 11TH FLOOR DALLAS, TEXAS 75202	0247443359	CHECKING	COLLATERAL ACCOUNT FOR MTI'S DEBT THAT HAS BEEN REPAID

F. Commodity Accounts (including name of bank, address and account number): None.

G. Securities Accounts (including name of bank, address and account number): None.

***ANNEX B-2* TO SECURITY AGREEMENT**

INTELLECTUAL PROPERTY

1. Registered Copyrights and Copyright Applications: None.

2. Issued Patents and Patent Applications: None.

3. Registered Trademarks and Trademark Applications: None.

ANNEX B-3 TO SECURITY AGREEMENT

MATERIAL AGREEMENTS; DEFAULTS

Defaults or Potential Defaults under Material Agreements

None.

ANNEX B-4 TO SECURITY AGREEMENT

VESSELS

None.

ANNEX C TO SECURITY AGREEMENT

ACKNOWLEDGMENT OF PLEDGE

PARTNERSHIP/LIMITED LIABILITY COMPANY: _____(the "***Company***")

INTEREST OWNER: (the "***Interest Owner***")

SECURITY AGREEMENT: Pledge and Security Agreement dated as of January 2, 2019 (as amended, supplemented, restated or otherwise modified from time to time, the "***Security Agreement***")

DATE: _____

BY THIS ACKNOWLEDGMENT OF PLEDGE dated as of the date first above written, the Company hereby acknowledges the pledge in favor of Royal Bank of Canada ("***Pledgee***"), in its capacity as Collateral Agent for certain Lenders (as defined in the Security Agreement) and as Secured Party under the Security Agreement, against, and a security interest in favor of Pledgee in, all of the Interest Owner's rights in connection with any equity interest in the Company now and hereafter owned by the Interest Owner ("***Company Interest***").

A. Pledge Records. The Company has identified Pledgee's interest in all of the Interest Owner's right, title, and interest in and to all of the Interest Owner's Company Interest as subject to a pledge and security interest in favor of Pledgee in the Company's books and records.

B. Company Distributions, Accounts, and Correspondence. The Company hereby acknowledges that (i) all proceeds, distributions, and other amounts payable to the Interest Owner, including, without limitation, upon the termination, liquidation, and dissolution of the Company, shall be paid and remitted to the Pledgee upon demand, (ii) all funds in deposit accounts held for the account of, or otherwise payable to, the Interest Owner shall be held for the benefit of Pledgee, and (iii) all future correspondence, accountings of distributions, and tax returns of the Company shall be provided to the Pledgee. The Company acknowledges and accepts such direction and hereby agrees that it shall, upon the written demand by the Pledgee, pay directly to the Pledgee to its offices as shall be specified by the Pledgee any and all distributions, income, and cash flow arising from the Company Interests whether payable in cash, property or otherwise, subject to and in accordance with the terms and conditions of the organizational documents of the Company. The Pledgee may from time to time notify the Company of any change of address to which such amounts are to be paid.

Remainder of Page Intentionally Blank.
Signature Page to Follow.

EXECUTED as of the date first stated in this Acknowledgment of Pledge.

[PARTNERSHIP/LIMITED LIABILITY COMPANY]

By: __,
as [General Partner] [Manager]

By: __
Name: __
Title: __

Exhibit 10.7

SUPPLEMENT AGREEMENT

(Third Amended and Restated Pledge and Security Agreement)

Martin Operating Partnership L.P.
4200 Stone Road Kilgore, Texas 75662

January 2, 2019

Royal Bank of Canada
4th Floor, 20 King Street West
Toronto, Ontario M5H 1C4
Attention: Jason York

Ladies and Gentlemen:

Reference is made to the Third Amended and Restated Pledge and Security Agreement, dated as of March 28, 2013 (as amended, restated, supplemented or otherwise modified and in effect from time to time, the "Security Agreement"), by and between (a) Martin Operating Partnership L.P., a Delaware limited partnership (the "Pledgor") and (b) Royal Bank of Canada, as collateral agent (in such capacity, the "Collateral Agent") for its own benefit and the benefit of the other Lenders (as defined in the Security Agreement) and the Lender Swap Parties (as defined in the Credit Agreement). All capitalized terms used but not defined herein shall have the meanings set forth in the Security Agreement.

This Supplement Agreement is delivered by the undersigned, the Pledgor, to supplement the Security Agreement pursuant to Section 6(g) of the Security Agreement. Schedule 1 attached hereto is a supplement to Annex B-1 to the Security Agreement. The parties hereto hereby agree to supplement Annex B-1 to the Security Agreement with the information contained on Schedule 1 attached hereto, and such supplement shall be deemed to be part of the Security Agreement. The Pledgor hereby agrees to continue to be bound to the Security Agreement by all of the terms, covenants and conditions set forth in the Security Agreement as hereby supplemented. Without limiting the generality of the foregoing, the Pledgor hereby grants and pledges to the Collateral Agent, its successors and permitted assigns, for its own benefit and the benefit of the other Lenders and the Lender Swap Parties, as collateral security for the full, prompt and complete payment and performance when due (whether at stated maturity, by acceleration or otherwise) of the Obligations, a Lien on and security interest in the equity interests described on Annex B-1 to the Security Agreement, acknowledges and agrees that such equity interests shall be Pledged Shares and Collateral for all purposes under the Security Agreement and affirms all of its obligations and liabilities as a Debtor under the Security Agreement with respect to such Pledged Shares. The Pledgor hereby makes with respect to such Pledged Shares each of the representations and warranties in the Security Agreement and agrees to each of the covenants applicable to the Pledgor contained in the Security Agreement.

This Supplement Agreement and any amendments, waivers, consents or supplements hereto may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original, but all such counterparts together shall

constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Supplement Agreement by telecopier or other electronic transmission (e.g. "pdf") shall be effective as delivery of a manually executed counterpart of this Supplement Agreement.

THIS SUPPLEMENT AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

[Signature Pages Follow]

IN WITNESS WHEREOF, the Pledgor has caused this Supplement Agreement to be executed and delivered by its duly authorized officer as of the date first above written.

MARTIN OPERATING PARTNERSHIP L.P., a Delaware limited partnership, as Pledgor

By: MARTIN OPERATING GP LLC, its General Partner

By: MARTIN MIDSTREAM PARTNERS L.P., its Sole Member

By: MARTIN MIDSTREAM GP LLC, its General Partner

By: _____
Name: Robert D. Bondurant
Title: Executive Vice President and
Chief Financial Officer

AGREED TO AND ACCEPTED:

ROYAL BANK OF CANADA,
as Collateral Agent

By: _____
Name: Jason York
Title: Authorized Signatory

SCHEDULE 1

COLLATERAL DESCRIPTIONS

Issuer	Record Owner	Class of Equity Interests	Certificate No.	Number of Issued and Outstanding Equity Interests	Percentage of Equity Interests held by Record Owner	Percentage of Equity Interests pledged by Record Owner
Martin Transport, Inc.	Martin Operating Partnership L.P.	Common stock	CS-004	1,000 Shares	100%	100%

Exhibit 21.1

SUBSIDIARIES OF
MARTIN MIDSTREAM PARTNERS L.P.

Subsidiary	Jurisdiction of Organization
Martin Operating GP LLC	Delaware
Martin Operating Partnership L.P.	Delaware
Martin Midstream Finance Corp	Delaware
MOP Midstream Holdings LLC	Delaware
Cardinal Gas Storage Partners LLC	Delaware
Monroe Gas Storage Company LLC	Delaware
Arcadia Gas Storage, LLC	Texas
Cadeville Gas Storage, LLC	Delaware
Perryville Gas Storage, LLC	Delaware
Talen's Marine & Fuel LLC	Louisiana

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Martin Midstream GP LLC:

We consent to the incorporation by reference in the registration statements on Form S-3 (No. 333-211407) and on Form S-8 (No. 333-218693, No. 333-203857 and No. 333-140152) of Martin Midstream Partners L.P. of our reports dated February 19, 2019, with respect to the consolidated balance sheets of Martin Midstream Partners L.P. and subsidiaries as of December 31, 2018 and 2017, the related consolidated statements of operations, changes in capital, and cash flows for each of the years in the three-year period ended December 31, 2018, and the related notes, and the effectiveness of internal control over financial reporting as of December 31, 2018, which reports appear in the December 31, 2018 annual report on Form 10-K of Martin Midstream Partners L.P.

/s/ KPMG LLP

Dallas, Texas
February 19, 2019

Exhibit 23.2

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-211407) and Form S-8 (No 333-218693, 333-203857 and 333-140152) of Martin Midstream Partners L.P. of our report dated February 19, 2019 relating to the financial statements of West Texas LPG Pipeline Limited Partnership, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Tulsa, Oklahoma
February 19, 2019

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
Pursuant to 17 CFR 240.13a-14(a)/15d-14(a)
(Section 302 of the Sarbanes-Oxley Act of 2002)

I, Ruben S. Martin, certify that:

1. I have reviewed this annual report on Form 10-K of Martin Midstream Partners L.P.;

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

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

February 19, 2019

/s/ Ruben S. Martin

Ruben S. Martin, President and
Chief Executive Officer of
Martin Midstream GP LLC,
the General Partner of Martin Midstream Partners L.P.

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
Pursuant to 17 CFR 240.13a-14(a)/15d-14(a)
(Section 302 of the Sarbanes-Oxley Act of 2002)

I, Robert D. Bondurant, certify that:

1. I have reviewed this annual report on Form 10-K of Martin Midstream Partners L.P.;

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

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

February 19, 2019

/s/ Robert D. Bondurant

Robert D. Bondurant, Executive Vice President and
Chief Financial Officer of
Martin Midstream GP LLC,
the General Partner of Martin Midstream Partners L.P.

Exhibit 32.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002*

In connection with the Annual Report of Martin Midstream Partners L.P., a Delaware limited partnership (the "Partnership"), on Form 10-K for the year ended December 31, 2018, as filed with the Securities and Exchange Commission (the "Report"), I, Ruben S. Martin, Chief Executive Officer of Martin Midstream GP LLC, the general partner of the Partnership, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350), that to my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

/s/ Ruben S. Martin

Ruben S. Martin,
Chief Executive Officer of Martin Midstream GP LLC,
General Partner of Martin Midstream Partners L.P.

February 19, 2019

*A signed original of this written statement required by Section 906 has been provided to the Partnership and will be retained by the Partnership and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002*

In connection with the Annual Report of Martin Midstream Partners L.P., a Delaware limited partnership (the "Partnership"), on Form 10-K for the year ended December 31, 2018, as filed with the Securities and Exchange Commission (the "Report"), I, Robert D. Bondurant, Chief Financial Officer of Martin Midstream GP LLC, the general partner of the Partnership, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350), that to my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

/s/ Robert D. Bondurant

Robert D. Bondurant,
Chief Financial Officer
of Martin Midstream GP LLC,
General Partner of Martin Midstream Partners L.P.

February 19, 2019

*A signed original of this written statement required by Section 906 has been provided to the Partnership and will be retained by the Partnership and furnished to the Securities and Exchange Commission or its staff upon request.