

MARTIN MIDSTREAM PARTNERS LP

Form 10-Q/A

November 13, 2006

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

**FORM 10-Q/A
(Amendment No. 1)**

**QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2006

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
(State or other jurisdiction of
incorporation or organization)

05-0527861
(IRS Employer
Identification No.)

**4200 Stone Road
Kilgore, Texas 75662**

(Address of principal executive offices, zip code)

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer

Indicated by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The number of the registrant's Common Units outstanding at November 9, 2006 was 9,282,652. The number of the registrant's subordinated units outstanding at November 9, 2006 was 3,402,690.

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EXPLANATORY NOTE

Martin Midstream Partners L.P. (the Registrant) is filing this Amendment No. 1 (this Amendment) to its Quarterly Report on Form 10-Q for the quarter ended September 30, 2006, which was originally filed with the Securities and Exchange Commission on November 9, 2006 (the Original Filing), solely for the purpose of correcting a typographical error in Exhibits 32.1 and 32.2 in the Original Filing. The exhibits contained an incorrect date. Accordingly the Registrant is refiling the Original Filing in its entirety with corrected Exhibits 32.1 and 32.2. The Registrant has not made any other changes to the Original Filing.

This Amendment continues to speak as of the date of the Original Filing, and the Registrant has not updated the disclosures contained therein to reflect any events that occurred at a later date.

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

	September 30, 2006 (Unaudited)	December 31, 2005 (Audited)
Assets		
Cash	\$ 834	\$ 6,465
Accounts and other receivables, less allowance for doubtful accounts of \$297 and \$140	51,779	72,162
Product exchange receivables	6,895	2,141
Inventories	39,739	33,909
Due from affiliates	1,787	1,475
Other current assets	1,787	1,420
Total current assets	102,821	117,572
Property, plant and equipment, at cost	304,365	235,218
Accumulated depreciation	(71,657)	(59,505)
Property, plant and equipment, net	232,708	175,713
Goodwill	27,600	27,600
Investment in unconsolidated entities	67,119	59,879
Other assets, net	7,594	8,280
	\$ 437,842	\$ 389,044
Liabilities and Partners Capital		
Current installments of long-term debt	\$ 73	\$ 9,104
Trade and other accounts payable	45,731	67,387
Product exchange payables	14,527	9,624
Due to affiliates	8,459	3,492
Income taxes payable	209	6,345
Other accrued liabilities	3,974	3,617
Total current liabilities	72,973	99,569
Long-term debt	180,040	192,200
Other long-term obligations	2,418	1,710

Total liabilities	255,431	293,479
Partners' capital	182,727	95,565
Accumulated other comprehensive income	(316)	
Total partners' capital	182,411	95,565
Commitments and contingencies		
	\$ 437,842	\$ 389,044

See accompanying notes to consolidated and condensed financial statements.

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MARTIN MIDSTREAM PARTNERS L.P.
CONSOLIDATED AND CONDENSED STATEMENTS OF OPERATIONS
(Unaudited)

(Dollars in thousands, except per unit amounts)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2006	2005	2006	2005
Revenues:				
Terminalling and storage	\$ 6,163	\$ 5,782	\$ 17,511	\$ 16,858
Marine transportation	12,949	8,578	33,170	26,634
Product sales:				
Natural gas/LPG services	102,217	71,732	288,199	199,487
Sulfur	13,716	16,803	46,729	17,743
Fertilizer	9,256	7,565	33,352	25,980
Terminalling and storage	3,204	2,320	8,418	7,114
	128,393	98,420	376,698	250,324
Total revenues	147,505	112,780	427,379	293,816
Costs and expenses:				
Cost of products sold:				
Natural gas/LPG services	98,639	68,140	278,239	192,187
Sulfur	8,496	11,331	30,668	12,030
Fertilizer	8,243	6,343	29,645	21,955
Terminalling and storage	2,550	1,950	6,866	5,969
	117,928	87,764	345,418	232,141
Expenses:				
Operating expenses	17,470	13,423	45,751	32,778
Selling, general and administrative	2,810	1,848	7,801	5,420
Depreciation and amortization	4,577	3,312	12,784	8,672
Total costs and expenses	142,785	106,347	411,754	279,011
Other operating income			853	
Operating income	4,720	6,433	16,478	14,805
Other income (expense):				
Equity in earnings of unconsolidated entities	2,720	27	7,442	222
Interest expense	(3,189)	(1,639)	(9,225)	(3,834)
Debt prepayment premium			(1,160)	
Other, net	78	25	330	127
Total other income (expense)	(391)	(1,587)	(2,613)	(3,485)

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Net income	\$	4,329	\$	4,846	\$	13,865	\$	11,320
General partner's interest in net income	\$	218	\$	97	\$	702	\$	226
Limited partners' interest in net income	\$	4,111	\$	4,749	\$	13,163	\$	11,094
Net income per limited partner unit - basic and diluted	\$	0.32	\$	0.56	\$	1.05	\$	1.31
Weighted average limited partner units - basic		12,682,342		8,475,862		12,555,968		8,475,862
Weighted average limited partner units - diluted		12,684,889		8,475,862		12,558,601		8,475,862

See accompanying notes to consolidated and condensed financial statements.

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MARTIN MIDSTREAM PARTNERS L.P.
CONSOLIDATED AND CONDENSED STATEMENTS OF CAPITAL
(Unaudited)
(Dollars in thousands)

		Partners Capital				Accumulated Other Comprehensive Income		
		Common		Subordinated		General Partner Amount	Amount	Total
		Units	Amount	Units	Amount			
Balances	January 1, 2005	4,222,500	\$ 79,680	4,253,362	\$ (4,772)	\$ 626	\$	\$ 75,534
Net Income			5,527		5,567	226		11,320
Cash distributions			(6,841)		(6,890)	(280)		(14,011)
Balances	September 30, 2005	4,222,500	\$ 78,366	4,253,362	\$ (6,095)	\$ 572	\$	\$ 72,843
Balances	January 1, 2006	5,829,652	\$ 100,206	3,402,690	\$ (5,642)	\$ 1,001	\$	\$ 95,565
Net Income			9,635		3,528	702		13,865
Follow-on public offering		3,450,000	95,272					95,272
General partner contribution						2,052		2,052
Unit-based compensation		3,000	17					17
Cash distributions			(16,987)		(6,227)	(830)		(24,044)
Commodity hedging gains reclassified to earnings							(3)	(3)
Adjustment in fair value of derivatives							(313)	(313)
		9,282,652	\$ 188,143	3,402,690	\$ (8,341)	\$ 2,925	\$ (316)	\$ 182,411

Balances
September 30, 2006

See accompanying notes to consolidated and condensed financial statements.

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2006	2005	2006	2005
Net income	\$ 4,329	\$ 4,846	\$ 13,865	\$ 11,320
Changes in fair values of commodity cash flow hedges	796		244	
Commodity hedging gains reclassified to earnings	(39)		(3)	
Changes in fair value of interest rate cash flow hedge	(1,554)		(557)	
Comprehensive income	\$ 3,532	\$ 4,846	\$ 13,549	\$ 11,320

See accompanying notes to consolidated and condensed financial statements.

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

	Nine Months Ended	
	September 30	
	2006	2005
Cash flows from operating activities:		
Net income	\$ 13,865	\$ 11,320
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	12,784	8,672
Amortization of deferred debt issuance costs	770	396
Gain on involuntary conversion of property, plant and equipment	(853)	
Equity in earnings of unconsolidated entities	(7,442)	(222)
Non-cash mark-to-market on derivatives	(154)	
Distributions in-kind from equity investments	6,710	
Other	15	
Change in current assets and liabilities, excluding effects of acquisitions and dispositions:		
Accounts and other receivables	18,695	261
Product exchange receivables	(4,754)	(3,565)
Inventories	(5,830)	(6,454)
Due from affiliates	(312)	794
Other current assets	90	200
Trade and other accounts payable	(21,656)	11,495
Product exchange payables	4,903	626
Due to affiliates	4,967	787
Other accrued liabilities	(5,747)	412
Change in other non-current assets and liabilities	(148)	(446)
Net cash provided by operating activities	15,903	24,276
Cash flows from investing activities:		
Payments for property, plant and equipment	(53,511)	(12,264)
Acquisitions, net of cash acquired	(16,544)	(29,227)
Proceeds from sale of property, plant and equipment	770	46
Insurance proceeds from involuntary conversion of property, plant and equipment	2,541	
Escrow deposit for acquisition		(5,000)
Investments in unconsolidated entities	(7,344)	
Distributions from unconsolidated entities	836	
Net cash used in investing activities	(73,252)	(46,445)
Cash flows from financing activities:		

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Payments of long-term debt	(105,810)	(16,691)
Proceeds from long-term debt	84,619	53,200
Net proceeds from follow on public offering	95,272	
Payments of debt issuance costs	(371)	(397)
General partner contribution	2,052	
Cash distributions paid	(24,044)	(14,011)
Net cash provided by financing activities	51,718	22,101
Net decrease in cash and cash equivalents	(5,631)	(68)
Cash at beginning of period	6,465	3,184
Cash at end of period	\$ 834	\$ 3,116

See accompanying notes to consolidated and condensed financial statements.

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MARTIN MIDSTREAM PARTNERS L.P.
NOTES TO CONSOLIDATED AND CONDENSED FINANCIAL STATEMENTS
(Dollars in thousands, except where otherwise indicated)
September 30, 2006
(Unaudited)

(1) Organization and Description of Business

Martin Midstream Partners L.P. (the Partnership) is a publicly traded limited partnership which provides terminalling and storage services for petroleum products and by-products, natural gas gathering, processing and LPG distribution, marine transportation services for petroleum products and by-products, sulfur gathering, processing and distribution and fertilizer manufacturing and marketing.

In April 2005, the Partnership began another primary line of business for sulfur marketing and distribution through the acquisition of the operating assets of Bay Sulfur Company, including a sulfur priller in Stockton, California. In January, 2006, an additional sulfur priller began production at the Partnership's Neches facility in Beaumont, Texas. On July 15, 2005 the Partnership acquired all of the outstanding partnership interests of CF Martin Sulphur, L.P. (CF Martin Sulphur) not owned by the Partnership. As a result, CF Martin Sulphur has been consolidated in the Partnership's consolidated financial statements and in the Partnership's sulfur segment. Prior to the acquisition, the Partnership owned an unconsolidated non-controlling 49.5% limited partnership interest in CF Martin Sulphur. The sulfur segment includes the marketing, transportation, terminalling and storage, processing and distribution of molten and pelletized sulfur.

On November 10, 2005, the Partnership acquired Prism Gas Systems I, L.P. (Prism Gas) which is engaged in the gathering, processing and marketing of natural gas and natural gas liquids, predominantly in Texas and northwest Louisiana. Through the acquisition of Prism Gas, the Partnership also acquired 50% ownership interests in Waskom Gas Processing Company (Waskom), the Matagorda Offshore Gathering System (Matagorda), and the Panther Interstate Pipeline Energy LLC (PIPE) each accounted for under the equity method of accounting.

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, our primary customers include independent refiners, large chemical companies, fertilizer manufacturers and other wholesale purchasers of these products. The Partnership operates primarily in the Gulf Coast region of the United States, which is a major hub for petroleum refining, natural gas gathering and processing and support services for the exploration and production industry.

(2) Significant Accounting Policies

In addition to matters discussed below in this note, the Partnership's significant accounting policies are detailed in the audited consolidated financial statements and notes thereto in the Partnership's annual report on Form 10-K for the year ended December 31, 2005 filed with the Securities and Exchange Commission (the SEC) on March 14, 2006.

(a) Principles of Presentation and Consolidation

The balance sheets as of September 30, 2006 and December 31, 2005, statements of capital and cash flows for the nine months ended September 30, 2006 and 2005, and the statements of operations and comprehensive income for the three and nine months ended September 30, 2006 and 2005 are presented on a consolidated basis and include the operations of the Partnership and its wholly-owned subsidiaries and equity method investees.

These financial statements should be read in conjunction with the Partnership's audited consolidated financial statements and notes thereto included in the Partnership's annual report on Form 10-K for the year ended December 31, 2005 filed with the SEC on March 14, 2006. The Partnership's unaudited consolidated and condensed financial statements have been prepared in accordance with the requirements of