

MARTIN MIDSTREAM PARTNERS LP

Form 424B5

January 05, 2006

Table of Contents

We will amend and complete the information in this prospectus supplement. This preliminary prospectus supplement and the prospectus are part of an effective registration statement filed with the Securities and Exchange Commission. This preliminary prospectus supplement and the prospectus are not offers to sell these securities nor solicitations to buy these securities in any jurisdiction where the offer or sale is not permitted.

Filed Pursuant to Rule 424(b)(5)
Registration No. 333-117023

SUBJECT TO COMPLETION, DATED JANUARY 5, 2006

**PROSPECTUS SUPPLEMENT
(To Prospectus dated July 19, 2004)**

**3,000,000 Common Units
Representing Limited Partner Interests
\$ Per Common Unit**

We are selling 3,000,000 common units representing limited partner interests. We have granted the underwriters an option to purchase up to 450,000 additional common units to cover over-allotments.

Our common units are quoted on the Nasdaq National Market under the symbol MMLP. The last reported sale price of our common units on the Nasdaq National Market on January 4, 2006 was \$30.25 per common unit.

Investing in our common units involves risks. See Risk Factors beginning on page S-13 of this prospectus supplement and page 2 of the accompanying prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Common Unit	Total
Public Offering Price	\$	\$
Underwriting Discount	\$	\$
Proceeds to Martin Midstream Partners L.P. (before expenses)	\$	\$

The underwriters expect to deliver the common units to purchasers on or about _____, 2006.

**Sole Book-Running Manager
Citigroup**

Raymond James

RBC Capital Markets

A.G. Edwards

KeyBanc Capital Markets

, 2006

Table of Contents

You should rely only on the information contained or incorporated by reference in this prospectus supplement or the accompanying prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where an offer or sale is not permitted. You should not assume that the information appearing in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the date on the front cover of this prospectus supplement. Our business, financial condition, results of operations and prospects may have changed since that date.

TABLE OF CONTENTS

	Page
Prospectus Supplement	
<u>Forward-Looking Statements</u>	S-ii
<u>About this Prospectus Supplement</u>	S-ii
<u>Summary</u>	S-1
<u>Risk Factors</u>	S-13
<u>Use Of Proceeds</u>	S-32
<u>Capitalization</u>	S-33
<u>Price Range Of Common Units And Distributions</u>	S-34
<u>Selected Historical And Pro Forma Financial Data</u>	S-35
<u>Management's Discussion And Analysis Of Financial Condition And Results Of Operations</u>	S-38
<u>Business</u>	S-71
<u>Management</u>	S-92
<u>Material Tax Considerations</u>	S-95
<u>Investment In Martin Midstream Partners L.P. By Employee Benefit Plans</u>	S-110
<u>Underwriting</u>	S-111
<u>Validity Of The Common Units</u>	S-113
<u>Experts</u>	S-113
<u>Where You Can Find More Information</u>	S-113
<u>Incorporation Of Documents By Reference</u>	S-115
<u>Index To Unaudited Pro Forma Financial Statements</u>	F-1
<u>Prospectus dated July 19, 2004</u>	
<u>About This Prospectus</u>	i
<u>Martin Midstream Partners L.P.</u>	1
<u>The Guarantors</u>	1
<u>Risk Factors</u>	2
<u>Forward-Looking Statements</u>	17
<u>Use of Proceeds</u>	18
<u>Ratio of Earnings to Fixed Charges</u>	18
<u>Description of the Debt Securities</u>	18
<u>Description of the Common Units</u>	27
<u>Cash Distribution Policy</u>	30
<u>The Partnership Agreement</u>	38
<u>Material Tax Considerations</u>	50
<u>Investment In Us By Employee Benefit Plans</u>	63
<u>Plan of Distribution</u>	64
<u>Legal Matters</u>	65

<u>Experts</u>	65
<u>Where You Can Find More Information</u>	66
<u>Incorporation By Reference</u>	66
<u>Glossary of Terms</u>	A-1

Table of Contents

FORWARD-LOOKING STATEMENTS

Statements included in this prospectus supplement or the accompanying prospectus 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 under Risk Factors and elsewhere in this prospectus supplement or the accompanying prospectus.

ABOUT THIS PROSPECTUS SUPPLEMENT

This document consists of two parts. The first part is this prospectus supplement, which describes the specific terms of this offering and certain other matters relating to us. The second part, the accompanying prospectus, gives more general information about securities we may offer from time to time, some of which does not apply to this offering. If the information in this prospectus supplement differs from the information in the accompanying prospectus, the information in this prospectus supplement supersedes the information in the accompanying prospectus.

Martin Midstream Partners L.P. is the issuer of securities in this offering. References in this prospectus supplement to Martin Midstream Partners L.P., we, ours, us or like terms when used in the present tense or prospectively or for historical periods since November 2002 refer to Martin Midstream Partners L.P. and its consolidated subsidiaries. References to Martin Midstream Partners Predecessor, we, ours, us or like terms when used in a historical context for periods prior to November 2002 refer to the assets, liabilities and operations of Martin Resource Management's businesses that were contributed to us in connection with the closing of our initial public offering in November 2002. References in this prospectus supplement to Martin Resource Management refer to Martin Resource Management Corporation and its direct and indirect consolidated subsidiaries. References in this prospectus supplement to CF Martin Sulphur refer to CF Martin Sulphur, L.P., in which we acquired all of the remaining interests not previously owned by us on July 15, 2005. References in this prospectus supplement to Prism Gas refer to Prism Gas Systems I, L.P., which we acquired on November 10, 2005. For the reasons stated elsewhere herein, we refer to the term EBITDA. EBITDA is a non-GAAP financial measure, which is explained in greater detail below under Summary Summary Historical and Pro Forma Financial Data Non-GAAP Financial Measure. In this prospectus supplement, we refer to liquefied petroleum gas as LPG, barrels per day as bpd, natural gas liquid as NGL, a British thermal unit as a btu and millions of cubic feet per day as MMcfd.

Table of Contents

SUMMARY

This summary highlights information contained elsewhere in this prospectus supplement and the accompanying prospectus. You should read the entire prospectus supplement, the accompanying prospectus, the information incorporated by reference and the other information to which we refer for a more complete understanding of this offering. The information presented in this prospectus supplement assumes that the underwriters' option to purchase additional common units is not exercised. Financial information, other than pro forma financial information, presented in this prospectus supplement and the accompanying prospectus does not include financial results from any acquisition prior to its closing date. Pro forma financial information presented in this prospectus supplement gives pro forma effect to the acquisitions of Prism Gas and CF Martin Sulphur, assuming that such acquisitions occurred on January 1, 2004, the related borrowings under our credit facility and this offering. For a more detailed description of the pro forma adjustments and the assumptions used in preparing the pro forma financial information, you should read the pro forma financial statements and the accompanying notes included elsewhere in this prospectus supplement. You should read Risk Factors beginning on page S-13 of this prospectus supplement and on page 2 of the accompanying prospectus for information about important factors you should consider before buying our common units.

Martin Midstream Partners L.P.

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

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

Fertilizer manufacturing and distribution

The petroleum products and by-products we collect, transport, store and distribute 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 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.

On November 10, 2005, we acquired Prism Gas, a natural gas gathering and processing company with operations in East Texas, Northwest Louisiana and the Texas Gulf Coast, for approximately \$97.4 million. The operations of Prism Gas are focused in areas that continue to experience high levels of drilling activity and natural gas production. Through acquisitions and internal growth projects, Prism Gas has increased its total average daily gathering and processing system volume from 145 MMcfd in 2002 to 210 MMcfd in 2004. For the nine months ended September 30, 2005, Prism Gas had total average daily gathering and processing system volume of 220 MMcfd. Prism Gas net income before taxes increased from \$(0.5) million in 2002 to \$4.9 million in 2004. For the nine months ended September 30, 2005, Prism Gas had net income before taxes of \$3.4 million.

Primary Business Segments

Our primary business segments can be generally described as follows:

Terminalling and Storage. We own or operate 16 marine terminal facilities and two inland terminal facilities located in the United States Gulf Coast region that provide storage and handling services for producers and suppliers of petroleum products and by-products, lubricants and other

Table of Contents

liquids. We also provide land rental to oil and gas companies along with storage and handling services for lubricants and fuel oil.

Natural Gas Gathering, Processing and LPG Distribution. Through our acquisition of Prism Gas, we have ownership interests in over 330 miles of natural gas gathering pipelines located in the natural gas producing regions of East Texas, Northwest Louisiana and the Texas Gulf Coast and in offshore Texas and federal waters in the Gulf of Mexico as well as a 150 MMcf capacity processing plant located in East Texas. In addition to our newly acquired natural gas gathering and processing business, we distribute LPGs. We purchase LPGs primarily from oil refiners and natural gas processors. We store LPGs in our supply and storage facilities for resale to propane retailers, refineries and industrial LPG users in Texas and the Southeastern United States. We own three LPG supply and storage facilities with an aggregate above ground storage capacity of approximately 132,000 gallons and we lease approximately 72 million gallons of underground storage capacity for LPGs.

Marine Transportation. We own a fleet of 36 inland marine tank barges, 17 inland pushboats and two offshore tug barge units that transport petroleum products and by-products primarily in the United States Gulf Coast region. We provide these transportation services on a fee basis primarily under annual contracts.

Sulfur. We gather, process and distribute sulfur predominately produced by oil refineries primarily located in the United States Gulf Coast region. We process molten sulfur into prilled, or pelletized, sulfur under fee-based volume contracts at our facility in Port of Stockton, California. We are currently constructing an additional sulfur priller at our Neches facility in Beaumont, Texas. In July 2005, we acquired the remaining interests in CF Martin Sulphur not previously owned by us. CF Martin Sulphur gathers, transports and stores molten sulfur supplied by oil refineries.

Fertilizer. We own and operate six fertilizer production plants and one emulsified sulfur blending plant that manufacture primarily sulfur-based fertilizer products for wholesale distributors and industrial users. These plants are located in Illinois, Texas and Utah.

The following table provides a summary of the revenue and operating income of our business segments, pro forma for the November 2005 acquisition of Prism Gas and the July 2005 acquisition of CF Martin Sulphur as if they occurred on January 1, 2004:

	Year Ended December 31, 2004			Nine Months Ended September 30, 2005		
	Revenue	Operating Income (loss)	Equity in Earnings of Unconsolidated Entities	Revenue	Operating Income (loss)	Equity in Earnings of Unconsolidated Entities
	(Dollars in thousands)					
Terminalling and Storage	\$ 26,113	\$ 6,705	\$	\$ 23,970	\$ 6,272	\$
Natural Gas Gathering, Processing and LPG Distribution(1)	265,676	82	7,112	257,621	2,756	4,896
Marine Transportation(2)	28,991	38		23,323	(846)	
Sulfur(2)	63,999	7,027		51,376	5,563	
Fertilizer	29,464	2,210		25,793	1,995	

Edgar Filing: MARTIN MIDSTREAM PARTNERS LP - Form 424B5

Total Before Indirect Expenses	414,243	16,062	7,112	382,083	15,740	4,896
Indirect Expenses		(2,766)			(2,524)	
Total	\$ 414,243	\$ 13,296	\$ 7,112	\$ 382,083	\$ 13,216	\$ 4,896

- (1) Through our acquisition of Prism Gas in November 2005, we acquired an unconsolidated 50% interest in each of the Waskom Gas Processing Company, the owner of the Waskom Processing Plant, Panther Interstate Pipeline Energy, LLC, the owner of the Fishhook Gathering System, and the

S-2

Table of Contents

Matagorda Gathering System. As a result, these interests are accounted for using the equity method of accounting, and we do not include any portion of their net income in our operating income.

- (2) As a result of our July 2005 acquisition of the remaining interests in CF Martin Sulphur not previously owned by us, we have reclassified our consolidated financial statements to eliminate previously reported intersegment sales from our marine transportation segment to our sulfur segment. This elimination reduced marine transportation revenue and marine transportation operating income by \$5.8 million for the year ended December 31, 2004 and by \$4.5 million for the nine months ended September 30, 2005. Correspondingly, our sulfur segment operating expenses have been reduced, and operating income has been increased, by \$5.8 million for the year ended December 31, 2004 and \$4.5 million for the nine months ended September 30, 2005.

Our principal executive offices are located at 4200 Stone Road, Kilgore, Texas 75662, our phone number is (903) 983-6200, and our web site is www.martinmidstream.com.

Recent Developments

Recent Acquisitions

Prism Gas Acquisition. On November 10, 2005, we acquired Prism Gas. The selling parties in this transaction were Natural Gas Partners V, L.P. and certain members of the Prism Gas management team. The final purchase price was approximately \$97.4 million (including the assumption of approximately \$4.2 million in working capital obligations, \$0.3 million of assumed long-term liabilities and \$0.5 million in acquisition expenses), subject to post-closing reconciliations. The purchase price was funded through a combination of the following:

\$62.8 million in revolving and term borrowings under our credit facility;

\$5.0 million in a previously funded escrow account;

\$15.0 million in new equity capital provided by Martin Resource Management, the owner of our general partner, in exchange for 460,971 common units;

\$9.6 million in seller financing through the issuance of 295,509 common units to certain members of the Prism Gas management team, most of whom have remained with the acquired business; and

\$0.5 million in capital provided by Martin Resource Management to continue its 2% general partnership interest in us.

We intend to use a portion of the net proceeds from this offering to repay \$48.3 million in revolving credit facility indebtedness incurred in connection with the Prism Gas acquisition.

This acquisition provides us with an attractive opportunity to enter into another significant segment of the midstream energy industry, the natural gas gathering and processing business. Through its natural gas gathering and processing operations, Prism Gas facilitates the transportation of natural gas from wells in East Texas, Northern Louisiana and offshore Texas and federal waters in the Gulf of Mexico to connections with intrastate and interstate pipelines that transport natural gas to other regions of the United States. The operations of Prism Gas are focused in areas that continue to experience high levels of drilling activity and increasing natural gas production. Prism Gas has capitalized on these trends by acquiring and constructing additional gathering lines and interests in the Waskom Processing Plant, a natural gas processing plant located in East Texas. Through these initiatives, Prism Gas has increased its natural gas gathering and processing volumes significantly since 2002. We believe the strategically located Prism Gas assets, combined with our access to capital and our existing infrastructure, will enhance our ability to offer additional gathering and processing services to customers through internal growth projects including natural gas processing, fractionation and pipeline expansions as well as new pipeline construction.

Prism Gas has ownership interests in over 330 miles of natural gas gathering pipelines located in the natural gas producing regions of East Texas, Northwest Louisiana, the Texas Gulf Coast and offshore

Table of Contents

Texas and federal waters in the Gulf of Mexico as well as a 150 MMcfd capacity natural gas processing plant located in East Texas. The underlying assets are in two operating areas:

The East Texas area assets consist of the Waskom Processing Plant, the McLeod Gathering System and other related gathering systems (collectively known as the East Texas Gathering System).

- (O) Waskom Processing Plant The Waskom Processing Plant, located in Harrison County in East Texas, currently has 150 MMcfd of processing capacity with full fractionation facilities. For the nine months ended September 30, 2005, inlet throughput and NGL fractionation averaged approximately 157 MMcfd and 7,300 bpd, respectively. Prism Gas owns an unconsolidated 50% operating interest in the Waskom Processing Plant with CenterPoint Energy Gas Processing, Inc. owning the remaining 50% non-operating interest. We reflect the results of operations from this facility using the equity method of accounting.
- (O) McLeod Gathering System The McLeod Gathering System, located in East Texas and Northwest Louisiana, is a low pressure gathering system connected to the Waskom Processing Plant, providing processing and blending services for natural gas with high nitrogen and high liquids content gathered by the system. For the nine months ended September 30, 2005, the McLeod Gathering System gathered approximately 7 MMcfd of natural gas. Prism Gas owns a consolidated 100% interest in this system.
- (O) East Texas Gathering Systems The East Texas Gathering Systems, located in Panola and Harrison Counties, Texas, are gathering systems built to deliver gas produced in these areas to market outlets. Prism Gas owns a consolidated 100% interest in this system.

The Gulf Coast area assets consist of the Fishhook Gathering System and the Matagorda Gathering System located offshore and onshore in the Texas Gulf Coast.

- (O) Fishhook Gathering System The Fishhook Gathering System, located in Jefferson County, Texas and offshore federal waters, gathers and transports gas in both offshore and onshore areas. For the nine months ended September 30, 2005, the Fishhook Pipeline gathered and transported approximately 37 MMcfd of natural gas. Prism Gas owns an unconsolidated 50% non-operating interest in Panther Interstate Pipeline Energy, LLC, the owner of the Fishhook Gathering System, with Panther Pipeline Ltd owning the remaining 50% operating interest. We reflect the results of operations from this system using the equity method of accounting.
- (O) Matagorda Gathering System The Matagorda Gathering System, located in Matagorda County, Texas and offshore Texas state waters, gathers gas in both the offshore and onshore areas. For the nine months ended September 30, 2005, the Matagorda Gathering System gathered approximately 16 MMcfd of natural gas. Prism Gas owns an unconsolidated 50% non-operating interest in the Matagorda Gathering System, with Panther Pipeline Ltd owning the remaining 50% operating interest. We reflect the results of operations from this system using the equity method of accounting.

Prism Gas gathering and processing revenues are earned under various contractual arrangements with gas producers. Gathering revenues are generated through a combination of fee for service and percent-of-proceeds (POP) contracts. Processing revenues are generated primarily through contracts which provide for processing on a percent-of-liquids (POL) and a POP basis. As of December 31, 2005, Prism Gas had hedged approximately 63% of its commodity risk by volume for 2006. We anticipate entering into additional hedges in 2006 and beyond to further reduce our exposure to commodity price movements, although there can be no assurance that we will enter into any new hedging arrangements or that the terms thereof will be similar to our existing arrangements. Please read

Management's Discussion and Analysis of Financial Condition and Results of Operations Quantitative and Qualitative Disclosures About Market Risk Commodity Price Risk for additional information concerning these hedging arrangements.

Table of Contents

A&A Fertilizer. On December 13, 2005, we acquired the operating assets of A&A Fertilizer from an unrelated third party for \$6.0 million. We use these assets, which are located in Beaumont, Texas, to manufacture fertilizer products, and these assets are included in our fertilizer segment. We intend to use a portion of the net proceeds from this offering to repay \$6.0 million borrowed under our revolving credit facility to complete this acquisition.

CF Martin Sulphur Acquisition. On July 15, 2005, we acquired the remaining interests in CF Martin Sulphur not previously owned by us from CF Industries, Inc. and certain subsidiaries of Martin Resource Management for \$18.9 million. In connection with the acquisition, we assumed \$11.5 million in debt, of which we promptly repaid \$2.1 million. We intend to use a portion of the net proceeds from this offering to repay the remaining assumed indebtedness and the related pre-payment premium. Prior to this transaction, we owned an unconsolidated non-controlling 49.5% limited partnership interest in CF Martin Sulphur, which was accounted for using the equity method of accounting. Subsequent to the acquisition, CF Martin Sulphur is consolidated within our sulfur segment. CF Martin aggregates, transports, stores and distributes molten sulfur supplied primarily by oil refineries.

Bay Sulfur Asset Acquisition. On April 20, 2005, we acquired the operating assets and sulfur inventories of Bay Sulfur Company located at the Port of Stockton, California for \$5.9 million. We use the assets acquired to process molten sulfur into pellets. These assets are included in our sulfur segment.

LPG Pipeline Purchase. On January 3, 2005, we acquired an LPG pipeline located in East Texas from an unrelated third party for \$3.8 million. We use the pipeline, which spans approximately 200 miles, from Kilgore to Beaumont, Texas, to transport LPGs for third parties and our own account. These assets are included in our natural gas processing, gathering and LPG distribution segment.

Other Developments

New Credit Facility. In connection with the Prism Gas acquisition, we entered into a \$225.0 million multi-bank credit facility. The credit facility is comprised of a \$130.0 million term loan facility and a \$95.0 million revolving credit facility. The revolving credit facility is used for ongoing working capital needs and general partnership purposes and to finance permitted investments, acquisitions and capital expenditures. On November 10, 2005, we borrowed \$130.0 million under the term loan facility and \$52.2 million under the revolving credit facility to repay preexisting indebtedness under our prior credit facility and to fund a portion of the purchase price paid in the Prism Gas acquisition as described above. On December 13, 2005, we borrowed \$6.0 million under the revolving credit facility to fund the purchase price paid in the A&A Fertilizer acquisition as described above. We intend to use a portion of the net proceeds from this offering to repay \$54.3 million in revolving credit facility indebtedness incurred in connection with the Prism Gas and the A&A Fertilizer acquisitions.

Hurricanes. During the third quarter of 2005, several of our facilities in the United States Gulf Coast region were in the path of Hurricanes Katrina and Rita. We experienced damage to minor buildings and tanks at our Sabine Pass, Venice, Intracoastal City, Port Fourchon, Galveston, Cameron West, Neches and Stanolind facilities, which resulted in an accrual of a non-cash impairment charge of \$1.2 million equal to the net-book value of the damaged assets and a corresponding receivable for the expected recovery under our applicable insurance policies. We also recognized a loss of \$0.6 million during the third quarter of 2005 equal to the applicable deductible under these insurance policies. The damage from the hurricanes did not have a material impact on our business.

Increased Quarterly Distribution. We declared a quarterly cash distribution for the fourth quarter of 2005 of \$0.61 per common and subordinated unit on January 5, 2006, reflecting an increase of \$0.04 per unit over the quarterly distribution paid in respect of the third quarter of 2005. The distribution represents our third distribution increase since the distribution paid in respect of the fourth quarter of 2004. The new distribution represents a 14% increase when compared to the distribution paid in respect of the fourth quarter of 2004.

Table of Contents

Conversion of Subordinated Units. On November 14, 2005, 850,672 of our 4,253,362 outstanding subordinated units owned by Martin Resource Management, the owner of our general partner, converted into common units on a one-for-one basis following our quarterly cash distribution on such date. Additional conversions of our outstanding subordinated units may occur in the future provided that certain distribution thresholds contained in our partnership agreement are met by us.

Business Strategy

The key components of our business strategy are to:

Pursue Strategic Acquisitions. We 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 will 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. We believe that our diversified base of operations provides multiple platforms for strategic growth through acquisitions.

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

Pursue Organic Growth by Attracting New Customers and Expanding Services Provided to Existing Customers. We seek to identify and pursue opportunities to expand our customer base across all of our business segments. We generally begin a relationship with a customer by transporting or marketing a limited range of products and services. We believe expanding our customer base and our service and product offerings to existing customers is the most efficient and cost effective method of achieving organic growth in revenues and cash flow. We believe significant opportunities exist to expand our customer base and provide additional services and products to existing customers.

Expand Geographically. We work to identify and assess other attractive geographic markets for our services and products based on the market dynamics and the cost associated with penetration of such markets. We typically enter a new market through an acquisition or by securing at least one major customer or supplier and then dedicating or purchasing assets for operation in the new market. Once in a new territory, we seek to expand our operations within this new territory both by targeting new customers and by selling additional services and products to our original customers in the territory.

Pursue Strategic Alliances. Many of our larger customers are establishing strategic alliances with midstream service providers such as us to address logistical and transportation problems or achieve operational synergies. These strategic alliances are typically structured differently than our regular commercial relationships, with the goal that such alliances would expand our business relationships with our customers and suppliers. We intend to pursue strategic alliances with customers in the future.

Competitive Strengths

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

Asset Base and Integrated Distribution Network. We operate a diversified asset base that, together with the services provided by Martin Resource Management, enables us to offer our customers an integrated distribution network consisting of transportation, terminalling and midstream logistical services while minimizing our dependence on the availability and pricing of services provided by third parties. Our integrated distribution network enables us to provide customers a complementary

Table of Contents

portfolio of transportation, terminalling, distribution and other midstream services for petroleum products and by-products.

Strategically Located Assets. We believe we are one of the largest providers of shore bases and one of the largest lubricant distributors and marketers in the United States Gulf Coast region. In addition, we are one of the largest operators of marine service terminals in the United States Gulf Coast region providing broad geographic coverage and distribution capability of our products and services to our customers. Our natural gas gathering and processing assets are focused in areas that have continued to experience high levels of drilling activity and natural gas production.

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, such as molten sulfur and asphalt. For example, we own facilities and resources to transport molten sulfur and asphalt, which must be maintained at temperatures between approximately 275 and 350 degrees Fahrenheit to remain in liquid form. We believe these capabilities help us enhance relationships with our customers by offering them services to handle their unique product requirements.

Ability to Grow Our Natural Gas Gathering and Processing Services. We believe that, with our recent acquisition of Prism Gas, we have opportunities for organic growth in our natural gas gathering and processing operations through increasing fractionation capacity, pipeline expansions, as well as new pipeline construction.

Experienced Management Team and Operational Expertise. Members of our executive management team and the heads of our principal business lines have, on average, more than 25 years of experience in the industries in which we operate. Further, these individuals have been employed by Martin Resource Management, on average, for more than 22 years. Our management team has a successful track record of creating internal growth and completing acquisitions. We believe our management team's experience and familiarity with our industry and businesses are important assets that assist us in implementing our business strategies.

Strong Industry Reputation and Established Relationships With Suppliers and Customers. We believe 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 believe we benefit from our management's reputation and track record, and from these long-term relationships.

Financial Flexibility. We believe the borrowings available under our credit facility and our ability to issue additional partnership units provide us with the financial flexibility necessary to enable us to pursue expansion and acquisition opportunities.

Our Relationship with Martin Resource Management

We were formed by Martin Resource Management, a privately held company whose initial predecessor was incorporated in 1951. We are and will continue to be closely affiliated with Martin Resource Management, who will own, upon completion of this offering, an approximate 37.8% limited partnership interest in us, a 2% general partnership interest in us and all of our incentive distribution rights. Martin Resource Management directs our business operations through its ownership and control of our general partner. In addition, under the terms of an omnibus agreement with Martin Resource Management, the employees of Martin Resource Management are responsible for conducting our business and operating our assets. Martin Resource Management is also an important supplier and customer of ours. See Management's Discussion and Analysis of Financial Condition and Results of Operations Our Relationship with Martin Resource Management.

Table of Contents

Martin Midstream Partners L.P. Structure and Ownership

S-8

Table of Contents

The Offering

Common units offered to the public	3,000,000 common units. 3,450,000 common units if the underwriters exercise their option to purchase additional common units in full.
Exchange listing	Our common units are quoted on the Nasdaq National Market under the symbol MMLP.
Units outstanding after this offering	8,829,652 common units and 3,402,690 subordinated units, representing a 70.7% and 27.3% limited partner interest in us, respectively.
Use of proceeds	We intend to use a portion of the net proceeds from this offering to repay approximately \$72.2 million of indebtedness and to fund approximately \$15.8 million in pending acquisitions and expansion capital expenditures. Please read Use of Proceeds.
Timing of next quarterly distribution	The first distribution paid to purchasers of the units offered by this prospectus supplement was declared on January 5, 2006 and will be paid in mid-February 2006. Our current quarterly cash distribution rate is \$0.61 per common unit, or \$2.44 per common unit on an annualized basis.
Subordination period	Our partnership agreement provides that our 3,402,690 subordinated units may periodically convert into common units prior to September 30, 2009 if we meet certain quarterly financial tests. The subordination period for our subordinated units will end if we meet the financial tests in our partnership agreement, but it generally cannot end before September 30, 2009. When the subordination period ends, all subordinated units will convert into common units on a one-for-one basis, and the common units will no longer be entitled to arrearages. Please read Cash Distribution Policy Subordination Period Early Conversion of Subordinated Units in the accompanying prospectus.
Issuance of additional units	In general, during the subordination period we can issue up to 1,500,000 additional common units without obtaining unitholder approval. We can also issue an unlimited number of common units for acquisitions, capital improvements or repayments of certain debt that increase cash flow from operations per unit on a pro forma basis and upon conversion of our subordinated units. Please read The Partnership Agreement Issuance of Additional Securities in the accompanying prospectus.
Estimated ratio of taxable income to distributions	We estimate that if you hold the common units you purchase in this offering through December 31, 2008, you will be allocated, on a cumulative basis, an amount of federal taxable income for that period that will be approximately 20% or less of the cash distributed to you with respect to that period. Please read Material Tax Considerations Tax Consequences of Unit Ownership Ratio of Taxable Income to Distributions for the basis of this estimate.
Material tax considerations	

For a discussion of other material federal income tax considerations that may be relevant to prospective unitholders who are individual citizens or residents of the United States, please read Material Tax Considerations.

S-9

Table of Contents

Summary Historical and Pro Forma Financial Data

The following table shows summary historical and pro forma financial data for Martin Midstream Partners Predecessor and Martin Midstream Partners L.P. for the periods and as of the dates indicated. Martin Midstream Partners Predecessor is the term used to describe certain assets, liabilities and operations owned by Martin Resource Management that were transferred to us upon completion of our initial public offering in November 2002. The table should also be read together with Management's Discussion and Analysis of Financial Condition and Results of Operations.

The summary historical financial data as of and for the periods presented below is derived from the audited or unaudited combined or consolidated statements of either Martin Midstream Partners Predecessor or Martin Midstream Partners included in our filings with the Securities and Exchange Commission, or SEC, which are incorporated by reference herein.

The summary pro forma financial data is derived from the unaudited pro forma financial statements included elsewhere in this prospectus supplement. For income statement items, the summary pro forma financial data assumes that the Prism Gas acquisition, the CF Martin Sulphur acquisition and the related borrowings under our credit facility occurred on January 1, 2004. For balance sheet items, the summary pro forma financial data assumes that this offering occurred on September 30, 2005. For a description of all of the assumptions used in preparing the summary pro forma financial data, you should read the notes to the pro forma financial statements included elsewhere in this prospectus supplement. The pro forma financial data should not be considered as indicative of the historical results we would have had or the future results that we will have after the offering.

Prior to July 15, 2005, we owned an unconsolidated non-controlling 49.5% limited partner interest in CF Martin Sulphur. We accounted for this interest in CF Martin Sulphur using the equity method of accounting. As a result, we did not include any portion of the net income attributable to CF Martin Sulphur in our operating income or in the operating income of any of our segments. Rather, we included only our share of its net income in our statement of operations. On July 15, 2005, we acquired the remaining interests in CF Martin Sulphur not previously owned by us from CF Industries, Inc. and certain affiliates of Martin Resource Management. Subsequent to the acquisition, CF Martin Sulphur is included in the consolidated financial presentation of our sulfur segment.

In connection with our acquisition of Prism Gas, we acquired an unconsolidated 50% interest in each of the Waskom Gas Processing Company, the owner of the Waskom Processing Plant, and the Matagorda Gathering System. We also acquired a 50% interest in Panther Interstate Pipeline Energy LLC, the owner of the Fishhook Gathering System. As a result, these interests are accounted for using the equity method of accounting and we do not include any portion of their net income in our operating income.

Table of Contents

The following table also shows our EBITDA which is described below under Non-GAAP Financial Measure.

	Martin Midstream Predecessor		Martin Midstream Partners					
	Period From	Period From	Years Ended		Nine Months Ended		Pro Forma As Adjusted	
	January 1, 2002	November 6, 2002	December 31, 2003	December 31, 2004	September 30, 2004	September 30, 2005	Year Ended December 31, 2004	Nine Months Ended September 30, 2005
(Unaudited)								
(In thousands)								
Income Statement Data:								
Revenues	\$ 116,160	\$ 33,746	\$ 192,731	\$ 294,144	\$ 202,511	\$ 293,816	\$ 414,243	\$ 382,083
Cost of products sold	84,442	26,504	150,892	229,976	156,892	232,141	331,245	308,622
Operating expenses	17,389	3,189	21,590	34,475	24,995	32,778	46,297	39,953
Selling, general, and administrative expenses	4,662	656	4,986	6,198	4,672	5,420	10,482	9,041
Depreciation and amortization	3,741	747	4,765	8,766	6,276	8,672	12,923	11,251
Total costs and expenses	110,234	31,096	182,233	279,415	192,835	279,011	400,947	368,867
Other Operating income			589					