

MARTIN MIDSTREAM PARTNERS LP

Form S-4

September 16, 2010

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**As filed with the Securities and Exchange Commission on September 16, 2010
Registration Statement No. 333-**

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

**Form S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

**MARTIN MIDSTREAM PARTNERS L.P.*
MARTIN MIDSTREAM FINANCE CORP.**
(Exact name of registrant as specified in its charter)

Delaware	5171	05-0527861
Delaware	5171	27-2121037
<i>(State or other jurisdiction of incorporation or organization)</i>	<i>(Primary Standard Industrial Classification Code Number)</i>	<i>(I.R.S. Employer Identification No.)</i>

**4200 Stone Road
Kilgore, Texas 75662
(903) 983-6200**
*(Address, Including Zip Code, and
Telephone Number, Including Area Code, of
Registrant's Principal Executive Offices)*

**Ruben S. Martin
Martin Midstream Partners L.P.
4200 Stone Road
Kilgore, Texas 75662
(903) 983-6200**
*(Name, Address, Including Zip Code,
and Telephone Number, Including
Area Code, of Agent for Service)*

Copy to:

**David F. Taylor
Locke Lord Bissell & Liddell LLP
600 Travis Street, Suite 2800
Houston, Texas 77002
(713) 226-1200**

Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this registration statement.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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 the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

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

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer)

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer)

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Note	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee(1)
87/8% Senior Notes due 2018 Guarantees(2)	\$200,000,000	100%	\$200,000,000	\$14,260(2)

(1) Determined in accordance with Rule 457(f) under the Securities Act of 1933, as amended.

(2) No separate consideration will be received for the guarantees, and no separate fee is payable pursuant to Rule 457(n) under the Securities Act of 1933, as amended.

* Includes certain subsidiaries of Martin Midstream Partners L.P. identified on the following page.

The Registrants hereby amend this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrants shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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Exact Name of Registrant as Specified in its Charter*	State or Other Jurisdiction of Incorporation or Organization	I.R.S. Employer Identification No
Martin Operating GP LLC	Delaware	76-0712101
Martin Operating Partnership, L.P.	Delaware	76-0712100
Prism Gas Systems I, L.P.	Texas	20-1995429
Prism Gas Systems GP, L.L.C.	Texas	20-1995342
Prism Gulf Coast Systems, L.L.C.	Texas	20-1995457
McLeod Gas Gathering and Processing Company, L.L.C.	Louisiana	72-1437080
Woodlawn Pipeline Co., Inc.	Texas	75-2596945
Prism Liquids Pipeline LLC	Texas	26-1548825

* The address for each registrant's principal executive office is 4200 Stone Road, Kilgore, Texas 75662 and the telephone number for each registrant's principal executive office is (903) 983-6200.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities, and it is not soliciting any offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED SEPTEMBER 16, 2010

PROSPECTUS

**Martin Midstream Partners L.P.
Martin Midstream Finance Corp.**

**Offer to Exchange
up to**

**\$200,000,000 of 87/8% Senior Notes due 2018
that have been registered under the Securities Act of 1933
for**

**\$200,000,000 of 87/8% Senior Notes due 2018
that have not been registered under the Securities Act of 1933**

Martin Midstream Partners L.P. (Martin) is offering to exchange (this exchange offer) up to \$200,000,000 aggregate principal amount of its registered 87/8% Senior Notes due 2018, which are referred to herein as the exchange notes , for \$200,000,000 aggregate principal amount of its outstanding unregistered 87/8% Senior Dues due 2018, which are referred to as the outstanding notes . The terms of the exchange notes are identical in all material respects to the terms of the outstanding notes, except that the exchange notes have been registered under the Securities Act of 1933 and, therefore, the terms relating to the transfer restrictions, registration rights and additional interest applicable to the outstanding notes are not applicable to the exchange notes, and the exchange notes will bear different CUSIP numbers.

The exchange notes, like the outstanding notes, will be jointly and severally guaranteed by all of our current wholly-owned subsidiaries and by certain of our future subsidiaries, who we refer to as our subsidiary guarantors .

Please read Risk Factors beginning on page 7 for a discussion of factors you should consider before participating in the exchange offer.

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

Each broker-dealer that receives the notes for its own account pursuant to this exchange offer must acknowledge by way of the letter of transmittal that it will deliver a prospectus in connection with any resale of the notes. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of the notes received in exchange for outstanding notes where such outstanding notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. We have agreed to make this prospectus available for a period ending on the earlier of , 2010 and the date on which a broker-dealer is no

longer required to deliver a prospectus in connection with market-making or other trading activities. See Plan of Distribution.

The date of this prospectus is _____, 2010.

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This prospectus is part of a registration statement we filed with the Securities and Exchange Commission, or the Commission. In making your investment decision, you should rely only on the information contained in or incorporated by reference into this prospectus and in the letter of transmittal accompanying this prospectus. We have not authorized anyone to provide you with any other information. If you receive any unauthorized information, you must not rely on it. We are not making an offer to sell these securities in any state where the offer is not permitted. You should not assume that the information contained in this prospectus or in the documents incorporated by reference into this prospectus are accurate as of any date other than the date on the front cover of this prospectus or the date of such incorporated documents, as the case may be.

This prospectus incorporates by reference business and financial information about us that is not included in or delivered with this prospectus. This information is available without charge upon written or oral request directed to: Investor Relations, Martin Midstream Partners L.P., 4200 Stone Road, Kilgore, Texas 75662; telephone number: (903) 983-6200. **To obtain timely delivery, you must request the information no later than , 2010.**

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SUMMARY

This summary highlights information included or incorporated by reference in this prospectus. It may not contain all of the information that is important to you. This prospectus includes information about the exchange offer and includes or incorporates by reference information about our business and our financial and operating data. Before deciding to participate in the exchange offer, you should read this entire prospectus carefully, including the financial data and related notes incorporated by reference in this prospectus and the Risk Factors section beginning on page 7 of this prospectus.

Except as otherwise indicated, references to the Partnership, we, our, us, or like terms refer to Martin Midstream Partners L.P. and its subsidiaries collectively, including Martin Midstream Finance Corp., as the context requires. Capitalized terms used in this prospectus and not otherwise defined herein shall have the meanings given to them in our Annual Report on Form 10-K for the year ended December 31, 2009.

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 four primary business lines include:

Terminalling and storage services for petroleum products and by-products;

Natural gas services;

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 gather, process, 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 generate the majority of our cash flow from fee-based contracts with these customers. Our location in the Gulf Coast region of the United States provides us strategic access to 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 Corporation (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 hydrocarbon products and by-products and other bulk liquids. As of August 31, 2010, Martin Resource Management owns an approximate 34.7% limited partnership interest in us. Furthermore, it owns and controls our general partner, which owns a 2.0% general partner interest and incentive distribution rights in us.

The historical operation of our business segments by Martin Resource Management provides us with several decades of experience and a demonstrated track record of customer service across our operations. Our current lines of business have been developed and systematically integrated over this period of more than 50 years, including natural gas

services (1950s); sulfur (1960s); marine transportation (late 1980s) and terminalling and storage (early 1990s). This development of a diversified and integrated set of assets and operations has produced a complementary portfolio of midstream services that facilitates the maintenance of long-term customer relationships and encourages the development of new customer relationships.

Our Offices

Our executive offices are located at 4200 Stone Road, Kilgore, Texas 75662, and our telephone number is (903) 983-6200. Our website address is www.martinmidstream.com. Information on our website is not incorporated in this prospectus.

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Exchange Offer

On March 26, 2010, we completed a private offering of the outstanding notes. As part of this private offering, we entered into a registration rights agreement with the initial purchasers of the outstanding notes in which we agreed, among other things, to deliver this prospectus to you and to use our reasonable best efforts to complete the exchange offer no later than 270 days after March 26, 2010. The following is a summary of the exchange offer.

Outstanding Notes	On March 26, 2010, we issued \$200 million aggregate principal amount of 87/8% Senior Notes due 2018.
Exchange Notes	87/8% Senior Notes due 2018. The terms of the exchange notes are identical to those terms of the outstanding notes, except that the transfer restrictions, registration rights and provisions for additional interest relating to the outstanding notes do not apply to the exchange notes.
Exchange Offer	We are offering to exchange up to \$200 million principal amount of our 87/8% Senior Notes due 2018 that have been registered under the Securities Act of 1933, or the Securities Act, for an equal amount of our outstanding 87/8% Senior Notes due 2018 issued on March 26, 2010 to satisfy our obligations under the registration rights agreement that we entered into when we issued the outstanding notes in a transaction exempt from registration under the Securities Act.
Expiration Date	The exchange offer will expire at 5:00 p.m., New York City time, on _____, 2010, unless we decide to extend it.
Conditions to the Exchange Offer	The registration rights agreement does not require us to accept outstanding notes for exchange if the exchange offer or the making of any exchange by a holder of the outstanding notes would violate any applicable law or Commission policy. A minimum aggregate principal amount of outstanding notes being tendered is not a condition to the exchange offer. Please read Exchange Offer Conditions to the Exchange Offer for more information about the conditions to the exchange offer.
Procedures for Tendering Outstanding Notes	All of the outstanding notes are held in book-entry form through the facilities of The Depository Trust Company, or DTC. To participate in the exchange offer, you must follow the automatic tender offer program, or ATOP, procedures established by DTC for tendering outstanding notes held in book-entry form. The ATOP procedures require that the exchange agent receive, prior to the expiration date of the exchange offer, a computer-generated message known as an agent's message that is transmitted through ATOP and that DTC confirm that: DTC has received instructions to exchange your outstanding notes; and you agree to be bound by the terms of the letter of transmittal in Annex A hereto.

For more details, please read Exchange Offer Terms of the Exchange Offer and Exchange Offer Procedures for Tendering.

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Guaranteed Delivery Procedures	None.
Withdrawal of Tenders	You may withdraw your tender of outstanding notes at any time prior to the expiration date. To withdraw, you must submit a notice of withdrawal to the exchange agent using ATOP procedures before 5:00 p.m., New York City time, on the expiration date of the exchange offer. Please read Exchange Offer Withdrawal of Tenders.
Acceptance of Outstanding notes and Delivery of Exchange Notes	If you fulfill all conditions required for proper acceptance of outstanding notes, we will accept any and all outstanding notes that you properly tender in the exchange offer before 5:00 p.m., New York City time, on the expiration date. We will return any outstanding notes that we do not accept for exchange to you without expense promptly after the expiration date. We will deliver the exchange notes promptly after the expiration date. Please read Exchange Offer Terms of the Exchange Offer.
Fees and Expenses	We will bear all expenses related to the exchange offer. Please read Exchange Offer Fees and Expenses.
Use of Proceeds	The issuance of the exchange notes will not provide us with any new proceeds. We are making the exchange offer solely to satisfy our obligations under the registration rights agreement.
Consequences of Failure to Exchange Outstanding Notes	If you do not exchange your outstanding notes in the exchange offer, you will no longer be able to require us to register the outstanding notes under the Securities Act, except in the limited circumstances provided under the registration rights agreement. In addition, you will not be able to resell, offer to resell or otherwise transfer the outstanding notes unless we have registered the outstanding notes under the Securities Act, or unless you resell, offer to resell or otherwise transfer them under an exemption from the registration requirements of, or in a transaction not subject to, the Securities Act.
U.S. Federal Income Tax Consequences	The exchange of exchange notes for outstanding notes in the exchange offer will not be a taxable event for U.S. federal income tax purposes. Please read Material Federal Income Tax Consequences.
Exchange Agent	We have appointed Wells Fargo Bank, N.A. as the exchange agent for the exchange offer. You should direct questions and requests for assistance and requests for additional copies of this prospectus (including the letter of transmittal) to the exchange agent addressed as follows: By Registered or Certified Mail Wells Fargo Bank, N.A. MAC N9303-121 P.O. Box 1517 Minneapolis, Minnesota 55480

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By Overnight Delivery
Wells Fargo Bank, N.A.
MAC N9303-121
6th & Marquette Avenue
Minneapolis, Minnesota 55479

By Hand Delivery
Wells Fargo Bank, N.A.
608 2nd Avenue South
Northstar East Building 12th Floor
Minneapolis, Minnesota

Facsimile Transmission
612-667-6282
Attn: Corporate Trust Operations
Confirm by Telephone:
800-344-5128

Terms of the Exchange Notes

The exchange notes will be identical to the outstanding notes, except that the exchange notes are registered under the Securities Act and will not have restrictions on transfer, registration rights or provisions for additional interest. The exchange notes will evidence the same debt as the outstanding notes, and the same indenture will govern the exchange notes and the outstanding notes. We sometimes refer to both the exchange notes and the outstanding notes as the notes.

The following summary contains basic information about the exchange notes and is not intended to be complete. It does not contain all the information that is important to you. For a more complete understanding of the exchange notes, please read Description of Exchange Notes.

Issuers	Martin Midstream Partners L.P. and Martin Midstream Finance Corp.
Securities Offered	\$200,000,000 principal amount of 87/8% Senior Notes due 2018.
Interest Rate	87/8% per annum.
Interest Payment Dates	Interest on the exchange notes will accrue from March 26, 2010 and will be paid semi-annually on April 1 and October 1 of each year, commencing October 1, 2010, to holders of record as of the immediately preceding March 15 and September 15, respectively. The initial interest payment on the exchange notes will include all accrued and unpaid interest on the outstanding notes exchanged therefor. See Description of Exchange Notes Principal, Maturity and Interest.
Maturity Date	April 1, 2018
Subsidiary Guarantee	The exchange notes will be jointly and severally guaranteed by all of our current wholly-owned subsidiaries and by certain of our future

subsidiaries, who we refer to as our subsidiary guarantors. See Description of Exchange Notes – Subsidiary Guarantees.

Optional Redemption

We will have the option to redeem the notes, in whole or in part, at any time on or after April 1, 2014 at the redemption prices described in this prospectus under the heading Description of Exchange Notes – Optional Redemption, together with any accrued and unpaid interest to the date of redemption.

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Prior to April 1, 2014, we may redeem the notes, in whole or in part, at a make-whole redemption price described under Description of Exchange Notes Optional Redemption, together with any accrued and unpaid interest to the date of redemption.

In addition, before April 1, 2013, we may, at any time or from time to time, redeem up to 35% of the aggregate principal amount of the notes with the net proceeds of a public or private equity offering at 108.875% of the principal amount of the notes, plus any accrued and unpaid interest to the date of redemption, if at least 65% of the aggregate principal amount of the notes issued under the indenture remains outstanding after such redemption and the redemption occurs within 120 days of the date of the closing of such equity offering.

Change of Control

When a change of control event occurs, each holder of notes may require us to repurchase all or a portion of its notes at a price equal to 101% of the principal amount of the exchange notes, plus any accrued and unpaid interest to the date of repurchase.

Ranking

The exchange notes will be our general unsecured obligations. The exchange notes will:

rank equally in right of payment with all of our existing and future senior indebtedness;

be effectively junior to all of our secured indebtedness to the extent of the value of the assets securing such indebtedness;

be effectively junior to all existing and future indebtedness and other liabilities, including trade payables, of our non-guarantor subsidiaries (other than indebtedness and other liabilities owed to us, if any); and

rank senior in right of payment to all of our future subordinated indebtedness.

Certain Covenants

The indenture governing the notes contains covenants that, among other things, limits our ability and the ability of our restricted subsidiaries to:

sell assets including equity interests in our subsidiaries;

pay distributions on, redeem or repurchase our units or redeem or repurchase our subordinated debt;

make investments;

incur or guarantee additional indebtedness or issue preferred units;

create or incur certain liens;

enter into agreements that restrict distributions or other payments from our restricted subsidiaries to us;

consolidate, merge or transfer all or substantially all of our assets;

engage in transactions with affiliates;

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create unrestricted subsidiaries;

enter into sale and leaseback transactions; and

engage in certain business activities.

These covenants are subject to important exceptions and qualifications that are described under the heading "Description of Exchange Notes" in this prospectus. If the exchange notes achieve an investment grade rating from each of Moody's Investors Service, Inc. and Standard & Poor Ratings Services, many of these covenants will terminate.

For more details, see "Description of Exchange Notes - Certain Covenants."

Transfer Restrictions; Absence of a Public Market for the Notes The exchange notes generally will be freely transferable, but will also be new securities for which there will not initially be a market. We do not intend to make a trading market in the exchange notes after the exchange offer. Therefore, we cannot assure you as to the development of an active market for the exchange notes or as to the liquidity of any such market.

Form of Exchange Notes The exchange notes will be represented initially by one or more global notes. The global exchange notes will be deposited with the trustee, as custodian for DTC.

Same-Day Settlement The global exchange notes will be shown on, and transfers of the global exchange notes will be effected only through, records maintained in book-entry form by DTC and its direct and indirect participants.

The exchange notes are expected to trade in DTC's Same Day Funds Settlement System until maturity or redemption. Therefore, secondary market trading activity in the exchange notes will be settled in immediately available funds.

Trading We do not expect to list the exchange notes for trading on any securities exchange.

Trustee, Registrar and Exchange Agent Wells Fargo Bank, N.A.

Governing Law The exchange notes and the indenture relating to the exchange notes will be governed by, and construed in accordance with, the laws of the State of New York.

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RISK FACTORS

Before deciding to participate in the exchange offer, you should consider carefully the risks and uncertainties described below and in Item 1A Risk Factors in our annual report on Form 10-K for the year ended December 31, 2009 and our quarterly reports on Form 10-Q for the quarters ended March 31, 2010 and June 30, 2010, as updated by annual, quarterly and other reports and documents we file with the SEC after the date of this prospectus, together with all of the other information included or incorporated by reference in this prospectus. While these are the risks and uncertainties we believe are most important for you to consider, you should know that they are not the only risks or uncertainties facing us or which may adversely affect our business. If any of the following risks or uncertainties actually were to occur, our business, financial condition or results of operations could be affected materially and adversely.

Risks Related to the Exchange Offer

If you fail to exchange outstanding notes, existing transfer restrictions will remain in effect and the market value of outstanding notes may be adversely affected because they may be more difficult to sell.

If you fail to exchange outstanding notes for exchange notes under the exchange offer, then you will continue to be subject to the existing transfer restrictions on the outstanding notes. In general, the outstanding notes may not be offered or sold unless they are registered or exempt from registration under the Securities Act and applicable state securities laws. Except in connection with this exchange offer or as required by the registration rights agreement, we do not intend to register resales of the outstanding notes.

The tender of outstanding notes under the exchange offer will reduce the principal amount of the currently outstanding notes. Due to the corresponding reduction in liquidity, this may have an adverse effect upon, and increase the volatility of, the market price of any currently outstanding notes that you continue to hold following completion of the exchange offer.

Risks Related to the Notes

Our substantial indebtedness could limit our flexibility, adversely affect our financial health and prevent us from making payments on the notes.

We have a substantial amount of indebtedness. As of June 30, 2010, we and the subsidiary guarantors had \$303.5 million of senior indebtedness outstanding, including \$106.2 million of secured indebtedness, which includes \$6.2 million in capital lease obligations and \$100.0 million outstanding under our senior secured credit facility. The notes will be effectively subordinated to all of our secured indebtedness, including indebtedness under our credit facility, to the extent of the value of the collateral securing such indebtedness.

Our substantial indebtedness could have important consequences to you. For example, it could:

make it difficult for us to satisfy our obligations, including those with respect to the notes;

make us more vulnerable to general adverse economic and industry conditions;

require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow for operations and other purposes;

limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; and

place us at a competitive disadvantage compared to competitors that may have proportionately less indebtedness.

In addition, our ability to make scheduled payments or to refinance our obligations depends on our successful financial and operating performance. We cannot assure you that our operating performance will generate sufficient cash flow or that our capital resources will be sufficient for payment of our indebtedness obligations in the future. Our financial and operating performance, cash flow and capital resources depend

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upon prevailing economic conditions and certain financial, business and other factors, many of which are beyond our control.

If our cash flow and capital resources are insufficient to fund our debt service obligations, we may be forced to sell material assets or operations, obtain additional capital or restructure our debt. In the event that we are required to dispose of material assets or operations or restructure our debt to meet our debt service and other obligations, we cannot assure you as to the terms of any such transaction or how quickly any such transaction could be completed, if at all.

Despite our substantial indebtedness, we and our subsidiaries may still be able to incur significantly more debt. This could increase the risks associated with our substantial indebtedness, including our ability to service our indebtedness.

The terms of the indenture governing the notes contains restrictions on our or our restricted subsidiaries' ability to incur additional indebtedness. These restrictions are subject to a number of important qualifications and exceptions, and the indebtedness incurred in compliance with these restrictions could be substantial. Accordingly, we and our subsidiaries could incur significant additional indebtedness in the future, much of which could constitute secured or senior indebtedness. As of June 30, 2010, we had \$275.0 million in commitments under our credit facility, of which we have drawn \$100.1 million, and \$174.9 million available for additional borrowing and potential letters of credit under our credit facility, all of which would be secured. In addition, we have \$6.2 million in outstanding capital lease obligations. 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 June 30, 2010, we have the ability to incur approximately \$174.9 million of that amount. The more leveraged we become, the more we, and in turn our security holders, become exposed to the risks described below under Restrictive covenants under our indenture may adversely affect our operations .

We have a holding company structure in which our subsidiaries conduct our operations and own our operating assets.

We are a holding company, and our subsidiaries conduct all of our operations and own all of our operating assets. We have no significant assets other than the partnership interests, stock and other equity interests in our subsidiaries. As a result, our ability to make required payments on the notes will depend on the performance of our subsidiaries and their ability to distribute funds to us. The ability of our subsidiaries to make distributions to us may be restricted by, among other things, our credit facility and other debt agreements and applicable state laws and other laws and regulations. If we are unable to obtain the funds necessary to pay the principal amount at maturity of the notes, or to repurchase the notes upon the occurrence of a change of control or from the proceeds of certain asset sales, we may be required to adopt one or more alternatives, such as a refinancing of the notes. We cannot assure you that we would be able to refinance the notes or obtain the funds to pay principal or interest on the notes.

In the future, one or more of our subsidiaries may not be required to guarantee the notes. Your right to receive payments on the notes could be adversely affected if any of our non-guarantor subsidiaries declares bankruptcy, liquidates or reorganizes.

All of our wholly-owned subsidiaries, other than Martin Midstream Finance Corp., the co-issuer of the notes, will guarantee the notes. None of Waskom Gas Processing Company (WGPC), Matagorda Offshore Gathering System (Matagorda) nor Panther Interstate Pipeline Energy, LLC (PIPE), which are not wholly owned by us, will be considered a subsidiary under the indenture governing the notes, and accordingly none of them will guarantee the notes. Although all of our wholly-owned subsidiaries, other than Martin Midstream Finance Corp., the co-issuer of the notes, will initially guarantee the notes, in the future, under certain circumstances, the guarantees are subject to

release, and we may have other subsidiaries that are not guarantors. Thus, the notes will be structurally junior to the claims of all creditors, including trade creditors and tort claimants, of our subsidiaries that are not guarantors. In the event of the liquidation, dissolution, reorganization, bankruptcy or similar proceedings respecting the business of a subsidiary that is not a guarantor, creditors of that subsidiary would generally have the right to be paid in full before any distribution

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is made to us or the holders of the notes. Accordingly, there may not be sufficient funds remaining to pay amounts due on all or any of the notes.

Unless restricted by our debt agreements, we distribute all of our available cash to our unitholders and we are not required to accumulate cash for the purpose of meeting our future obligations to our noteholders, which may limit the cash available to service the notes.

Subject to the limitations on restricted payments contained in the indenture governing the notes and in our credit facility and any other indebtedness, we will distribute all of our available cash each quarter to our unitholders.

Available cash is defined in our partnership agreement, and it generally means, for each fiscal quarter:

all cash and cash equivalents on hand at the end of the quarter; plus

all cash and cash equivalents on hand on the date of determination of available cash for the quarter resulting from working capital borrowings (generally borrowings that are made under our credit facility and in all cases are used solely for working capital purposes or to pay distributions to partners) made after the end of the quarter;

less the amount of cash that our general partner determines in its reasonable discretion is necessary or appropriate to:

provide for the proper conduct of our business;

comply with applicable law, any of our debt instruments, or other agreements; or

provide funds for distributions to our unitholders and to our general partner for any one or more of the next four quarters.

As a result, we do not expect to accumulate significant amounts of cash. Depending on the timing and amount of our cash distributions, these distributions could significantly reduce the cash available to us in subsequent periods to make payments on the notes.

We may not be able to fund a change of control offer.

In the event of a change of control, we would be required, subject to certain conditions, to offer to purchase all outstanding notes at a price equal to 101% of the principal amount thereof, plus accrued and unpaid interest thereon to the date of purchase. If a change of control were to occur today, we would not have sufficient funds available to purchase all of the outstanding notes were they to be tendered in response to an offer made as a result of a change of control. We cannot assure you that we will be permitted by our other debt instruments to fulfill these obligations upon a change of control in the future. Furthermore, certain change of control events would constitute an event of default under our credit facility. See Description of Exchange Notes Repurchase at the Option of Holders Change of Control .

Many of the covenants contained in the indenture will terminate if the notes are rated investment grade by both Standard & Poor's Ratings Services and Moody's Investors Service, Inc.

Many of the covenants governing the notes will terminate if the notes are rated investment grade by both Standard & Poor's Ratings Services and Moody's Investors Service, Inc., provided at such time no default under the indenture has occurred and is continuing. These covenants will restrict, among other things, our ability to pay distributions, incur

debt and to enter into certain other transactions. There can be no assurance that the notes will ever be rated investmen