

SIFY LTD  
Form 6-K  
March 31, 2003

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**United States  
Securities and Exchange Commission  
Washington, DC 20549**

**FORM 6-K**

Report of Foreign Private Issuer  
Pursuant to Rule 13a-16 or 15d-16 of the Securities Exchange Act of 1934  
For the quarter ended December 31, 2002

Commission File Number 000-27663

**SIFY LIMITED**

(Exact name of registrant as specified in its charter)

Not Applicable  
(Translation of registrant's name into English)

Republic of India  
(Jurisdiction of incorporation or organization)

Tidel Park, 2nd Floor  
No. 4, Canal Bank Road, Taramani, Chennai 600 113 India  
(91) 44-2254-0770  
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F. Form 20-F ☒ Form 40-F ☐

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934. Yes ☐ No ☒

If "Yes" is marked, indicate below the file number assigned to registrant in connection with Rule 12g3-2(b). Not applicable.

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Sify Limited is incorporating by reference the information and exhibits set forth in this Form 6-K into its registration statement on Form S-8 (Registration No. 333-101322).

### **Currency of Presentation and Certain Defined Terms**

Unless the context otherwise requires, references herein to we, us, the company or Sify are to Sify Limited (formerly known as Satyam Infoway Limited), a limited liability company organized under the laws of the Republic of India. References to U.S. or the United States are to the United States of America, its territories and its possessions. References to India are to the Republic of India. Until December 2002, we were a majority-owned subsidiary of Satyam Computer Services Limited, a leading Indian information technology services company which is traded on the New York Stock Exchange and the major Indian stock exchanges ( Satyam Computer Services ). Satyam is a trademark owned by Satyam Computer Services, which has licensed the use of the Satyam trademark to us subject to specified conditions. Sify.com, Sify, SatyamOnline, Satyam. Net, satyamonline.com and Satyam iway are trademarks used by us for which we have registration applications pending in India. All other trademarks or tradenames used in this quarterly report are the property of their respective owners.

In this report, references to \$ , US\$ , Dollars or U.S. dollars are to the legal currency of the United States, references to GBP are to the legal currency of United Kingdom and references to Rs., rupees or Indian Rupees are to the legal currency of India. References to a particular fiscal year are to our fiscal year ended March 31 of that year.

For your convenience, this report contains translations of some Indian rupee amounts into U.S. dollars which should not be construed as a representation that those Indian rupee or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or Indian rupees, as the case may be, at any particular rate, the rate stated below, or at all. Except as otherwise stated in this report, all translations from Indian rupees to U.S. dollars contained in this report have been based on the noon buying rate in the City of New York on December 31, 2002 for cable transfers in Indian rupees as certified for customs purposes by the Federal Reserve Bank of New York. The noon buying rate on December 31, 2002 was Rs.48.00 per \$1.00.

Our financial statements are prepared in Indian rupees and presented in accordance with United States generally accepted accounting principles or U.S. GAAP. Solely for your convenience, some of the information contained in our financial statements has been translated into U.S. dollars. In this report, any discrepancies in any table between totals and the sums of the amounts listed are due to rounding.

Information contained in our websites, including our principal corporate website, [www.sifycorp.com](http://www.sifycorp.com), is not part of this report.

### **Forward-looking Statements May Prove Inaccurate**

IN ADDITION TO HISTORICAL INFORMATION, THIS REPORT CONTAINS FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT OF 1933, AS AMENDED, AND SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. THE FORWARD-LOOKING STATEMENTS CONTAINED HEREIN ARE SUBJECT TO RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE REFLECTED IN THE FORWARD-LOOKING STATEMENTS. FACTORS THAT MIGHT CAUSE SUCH A DIFFERENCE INCLUDE, BUT ARE NOT LIMITED TO, THOSE DISCUSSED IN THE SECTION ENTITLED ITEM 2 OPERATING AND FINANCIAL REVIEW AND PROSPECTS RISKS RELATED TO OUR BUSINESS AND ELSEWHERE IN THIS REPORT. YOU ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON THESE FORWARD-LOOKING STATEMENTS, WHICH REFLECT MANAGEMENT'S ANALYSIS ONLY AS OF THE DATE OF THIS REPORT. IN ADDITION, YOU SHOULD CAREFULLY REVIEW THE OTHER INFORMATION IN THIS REPORT AND IN OUR PERIODIC REPORTS AND OTHER DOCUMENTS FILED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE SEC ) FROM TIME TO TIME. OUR FILINGS WITH THE SEC ARE AVAILABLE ON ITS WEBSITE, WWW.SEC.GOV.

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**SIFY LIMITED (formerly known as Satyam Infoway Limited)**  
**CONSOLIDATED BALANCE SHEETS**  
(in thousands, except share data and as otherwise stated)

	As at		
	March 31,	December 31,	
	2002	2002 (unaudited)	
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	Rs. 658,111	Rs. 847,564	\$ 17,658
Cash - restricted	52,389	93,291	1,944
Accounts receivable	419,961	367,111	7,648
Due from officers and employees	38,675	446	9
Inventories	35,426	32,107	668
Prepaid expenses	114,755	150,754	3,141
Other current assets	85,028	157,755	3,287
<b>Total current assets</b>	<b>1,404,345</b>	<b>1,649,028</b>	<b>34,355</b>
Cash - restricted	100,000	100,010	2,084
Property, plant and equipment-net	1,932,046	1,559,433	32,488
Goodwill and other intangible assets	341,179	238,809	4,975
Investments in affiliates	170,332	178,629	3,722
Investments	9,477	1,448	30
Other assets	188,895	104,225	2,171
<b>Total assets</b>	<b>Rs. 4,146,274</b>	<b>Rs. 3,831,582</b>	<b>\$ 79,825</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>Current liabilities:</b>			
Current installments of capital lease obligations	3,218	3,052	64
Accrued liabilities	499,390	421,609	8,784
Deferred revenue	144,519	265,346	5,528
Advances from customers	15,320	25,678	535
Other current liabilities	21,278	28,397	592
<b>Total current liabilities</b>	<b>683,725</b>	<b>744,082</b>	<b>15,503</b>
<b>Non-current liabilities:</b>			
Capital lease obligations, excluding current installments	3,922	3,233	67
Deferred tax liability	13,388	14,603	304
Other liabilities	39,877	38,605	804
<b>Total liabilities</b>	<b>740,912</b>	<b>800,523</b>	<b>16,678</b>
<b>Minority interest</b>	<b>11,249</b>	<b>2,971</b>	<b>62</b>
<b>Stockholders' equity</b>			
Common stock, Rs 10 par value; 35,000,000 equity shares authorized as on March 31, 2002 and 37,500,000 equity shares authorized as on December 31, 2002 ;	232,022	327,952	6,832

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Issued and outstanding: 23,202,176 shares as of March 31,2002 and 32,795,200 as of December 31, 2002			
Additional paid-in capital	13,649,324	14,329,138	298,524
Deferred compensation - employee stock offer plan	(74,961)	(33,483)	(698)
Accumulated deficit	(10,408,381)	(11,590,825)	(241,475)
Accumulated other comprehensive income	(3,891)	(4,694)	(98)
<b>Total stockholders' equity</b>	<b>3,394,113</b>	<b>3,028,088</b>	<b>63,085</b>
<b>Total liabilities and stockholders' equity</b>	<b>Rs. 4,146,274</b>	<b>Rs. 3,831,582</b>	<b>\$ 79,825</b>

See accompanying notes to unaudited consolidated financial statements

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**SIFY LIMITED (formerly known as Satyam Infoway Limited)**  
**UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(in thousands, except share data and as otherwise stated)

	Quarter ended December 31,		
	2001	2002	
Revenues	Rs. 414,820	Rs. 518,143	\$ 10,795
Revenues from Satyam Computer Services Limited	3,393	1,024	21
Total revenues	Rs. 418,213	Rs. 519,167	\$ 10,816
Cost of revenues (excluding depreciation and amortization)	(308,887)	(314,720)	(6,557)
<b>Gross profit (excluding depreciation and amortization)</b>	<b>109,326</b>	<b>204,447</b>	<b>4,259</b>
<b>Operating expenses:</b>			
Selling, general and administrative expenses	430,548	433,321	9,028
Provision for doubtful receivables	25,101	61,987	1,291
Acquisition expenses			
Amortisation of goodwill			
Impairment of goodwill			
Amortisation of deferred stock compensation expense	7,846	40,000	834
Foreign exchange loss / (gain)	(8,253)	2,991	62
<b>Total operating expenses</b>	<b>455,242</b>	<b>538,299</b>	<b>11,215</b>
Operating loss	(345,916)	(333,852)	(6,956)
Other income, net	(3,277)	18,409	384
Loss before taxes, equity in losses of affiliates and minority interest	(349,193)	(315,443)	(6,572)
Equity in losses of affiliates	(19,137)	(7,287)	(152)
Impairment of investment in affiliate			
Minority interest	3,380	2	
Losses before income taxes	(364,950)	(322,728)	(6,724)
Taxes	(8,470)	1,041	22
<b>Net loss from continuing operation</b>	<b>(Rs. 373,420)</b>	<b>(Rs. 321,687)</b>	<b>(\$ 6,702)</b>
<b>Loss from discontinued operation</b>	<b>(Rs. 22,902)</b>		
<b>Net loss</b>	<b>(Rs. 396,322)</b>	<b>(Rs. 321,687)</b>	<b>(\$ 6,702)</b>
<b>Net loss per share- continuing operation</b>	<b>(16.09)</b>	<b>(12.93)</b>	<b>(0.27)</b>
<b>Net loss per share-discontinued operation</b>	<b>(0.99)</b>		
<b>Net loss per share</b>	<b>(17.08)</b>	<b>(12.93)</b>	<b>(0.27)</b>
Weighted equity shares used in Computing loss per equity share	23,202,176	24,870,528	24,870,528

[Additional columns below]

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[Continued from above table, first column(s) repeated]

	Nine months ended December 31,		
	2001	2002	
Revenues	Rs. 1,158,337	Rs. 1,382,113	\$ 28,794
Revenues from Satyam Computer Services Limited	19,170	5,606	117
Total revenues	Rs. 1,177,507	Rs. 1,387,719	\$ 28,911
Cost of revenues (excluding depreciation and amortization)	(905,055)	(946,567)	(19,720)
<b>Gross profit (excluding depreciation and amortization)</b>	<b>272,452</b>	<b>441,152</b>	<b>9,191</b>
<b>Operating expenses:</b>			
Selling, general and administrative expenses	1,372,050	1,442,976	30,062
Provision for doubtful receivables	55,191	146,735	3,057
Acquisition expenses	20,000		
Amortisation of goodwill	292,964		
Impairment of goodwill	4,115,145		
Amortisation of deferred stock compensation expense	21,847	56,750	1,182
Foreign exchange loss / (gain)	(42,806)	(7,838)	(163)
<b>Total operating expenses</b>	<b>5,834,391</b>	<b>1,638,623</b>	<b>34,138</b>
Operating loss	(5,561,939)	(1,197,471)	(24,947)
Other income, net	30,767	34,394	717
Loss before taxes, equity in losses of affiliates and minority interest	(5,531,172)	(1,163,077)	(24,230)
Equity in losses of affiliates	(113,681)	(37,877)	(789)
Impairment of investment in affiliate	(1,089,870)		
Minority interest	7,323	12,292	256
Losses before income taxes	(6,727,400)	(1,188,662)	(24,763)
Taxes	(17,804)	6,218	129
<b>Net loss from continuing operation</b>	<b>(Rs. 6,745,204 )</b>	<b>(Rs. 1,182,444)</b>	<b>(\$ 24,634)</b>
<b>Loss from discontinued operation</b>	<b>(Rs. 48,671)</b>		
<b>Net loss</b>	<b>(Rs. 6,793,875)</b>	<b>(Rs. 1,182,444)</b>	<b>(\$ 24,634)</b>
<b>Net loss per share-continuing operation</b>	<b>(290.81)</b>	<b>(49.77)</b>	<b>(1.04)</b>
<b>Net loss per share-discontinued operation</b>	<b>(2.10)</b>		
<b>Net loss per share</b>	<b>(292.91)</b>	<b>(49.77)</b>	<b>(1.04)</b>
Weighted equity shares used in Computing loss per equity share	23,194,477	23,760,316	23,760,316

See accompanying notes to unaudited consolidated financial statements



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**SIFY LIMITED (formerly known as Satyam Infoway Limited)**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands, except share data and as stated otherwise)

	Nine months ended December 31,		
	2001	2002	
<b>Net loss from continuing operation</b>	(Rs. 6,745,204)	(Rs. 1,182,444)	(\$ 24,634)
<b>Adjustments to reconcile net loss to net cash provided by operating activities:</b>			
Depreciation, amortization and impairment of goodwill	4,871,934	667,977	13,916
Equity in losses of affiliates	1,203,551	37,877	789
Gain on sale of investments		(3,546)	(74)
Loss on sale of plant and equipment	3,324	995	21
Provision for doubtful receivables	55,191	146,735	3,057
Inventory write down		20,273	422
Minority interest	(7,323)	(8,278)	(172)
Others	17,804	(5,944)	(124)
<i>Changes in assets and liabilities:</i>			
Accounts receivable	(98,598)	(102,122)	(2,128)
Due from officers and employees	8,744	60,865	1,268
Inventories	27,768	(3,561)	(74)
Prepaid expenses	61,778	(35,999)	(750)
Other assets	118,518	1,477	31
Accrued expenses	23,326	(27,941)	(582)
Trade accounts payable		(49,840)	(1,039)
Deferred revenue	10,554	120,827	2,517
Advances from customers	(82,639)	10,358	216
Other liabilities	(47,063)	15,211	317
<b>Net cash used in continuing operations</b>	(Rs. 578,335)	(Rs. 337,080)	(\$ 7,023)
<b>Net cash provided by discontinued operations</b>	Rs. 239,324		
<b>Net cash used in operating activities</b>	(Rs. 339,011)	(Rs. 337,080)	(\$ 7,023)
<b>Cash flows from investing activities:</b>			
Expenditure on plant and equipment	(220,783)	(128,352)	(2,674)
Proceeds from sale of plant and equipment	10,846	11,114	232
Investment in affiliates	(98,084)	(46,167)	(962)
Net movement in cash - restricted	(6,216)	(40,912)	(852)
Purchase consideration for acquisition, net of cash	(12,023)		
License fee	(59,434)	(37,325)	(778)
Proceeds from sale of investments		8,579	179
<b>Net cash used in continuing operations</b>	(Rs. 385,694)	(Rs. 233,063)	(\$ 4,855)
<b>Net cash used in discontinued operations</b>	(Rs. 69,916)		
<b>Net cash used in investing activities</b>	(Rs. 455,610)	(Rs. 233,063)	(\$ 4,855)
<b>Cash flows from financing activities:</b>			
Principal payments under capital lease obligations	(7,139)	(855)	(18)
Net proceeds from issuance of common stock		760,471	15,843
<b>Net cash used in continuing operations</b>	(Rs. 7,139)	Rs. 759,616	\$ 15,825

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<b>Net cash provided by / (used in) financing activities</b>	<b>(Rs. 7,139)</b>	<b>Rs. 759,616</b>	<b>\$15,825</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Effect of exchange rate changes on cash	(4,040)	(20)	
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(805,800)</b>	<b>189,453</b>	<b>3,947</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>1,414,205</b>	<b>658,111</b>	<b>13,711</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Cash and cash equivalents at the end of the period</b>	<b>Rs. 608,405</b>	<b>Rs. 847,564</b>	<b>\$17,658</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>

See accompanying notes to unaudited consolidated financial statements

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**SIFY LIMITED (formerly known as Satyam Infoway Limited)**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME**  
(in thousands, except share data and as stated otherwise)

	Common stock		Additional		Accumulated other	Deferred compensation-
	Shares	Par value	paid in capital	Comprehensive income	comprehensive income	employee stock offer plan
<b>Balance as of March 31, 2002</b>	23,202,176	232,022	13,649,324		(3,891)	(74,961)
Issue of common stock for acquisitions and investments	9,593,024	95,930	664,542			
Compensation related to stock option grants			86			(86)
Amortization of compensation related to stock option grants			15,186			41,564
Net loss				(1,182,444)		
Other comprehensive income						
Unrealized loss on investments, net				(995)	(995)	
Foreign exchange translation adjustment				192	192	
Comprehensive income				(1,183,439)		
<b>Balance as of December 31, 2002 (unaudited)</b>	32,795,200	327,952	14,329,138		(4,694)	(33,483)
<b>Balance as of December 31, 2002 (in US\$) (unaudited)</b>	32,795,200	6,832	298,524	(24,655)	(98)	(698)

[Additional columns below]

[Continued from above table, first column(s) repeated]

Accumulated deficit	Total stockholders equity

<b>Balance as of March 31, 2002</b>	(10,408,381)	3,394,113
	<b>_____</b>	<b>_____</b>
Issue of common stock for acquisitions and investments		760,472
Compensation related to stock option grants		
Amortization of compensation related to stock option grants		56,750
Net loss	(1,182,444)	(1,182,444)
Other comprehensive income		
Unrealized loss on investments, net		(995)
Foreign exchange translation adjustment		192
Comprehensive income		
	<b>_____</b>	<b>_____</b>
<b>Balance as of December 31, 2002 (unaudited)</b>	(11,590,825)	3,028,088
	<b>_____</b>	<b>_____</b>
<b>Balance as of December 31, 2002 (in US\$) (unaudited)</b>	(241,475)	63,085
	<b>_____</b>	<b>_____</b>

See accompanying notes to unaudited consolidated financial statements

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**SIFY LIMITED (formerly known as Satyam Infoway Limited)  
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS  
(in rupees thousands, except share data and as otherwise stated)**

**1. Summary of significant accounting policies**

**a. Basis of preparation of financials statements**

The accompanying financial statements of Sify Limited ( Sify ) and its subsidiaries (collectively referred to as the Company ) have been prepared in Indian Rupees (Rs.), the national currency of India. Solely for the convenience of the reader, the financial statements as of and for the quarter ended December 31, 2002 have been translated into United States dollars at the noon buying rate in New York City on December 31, 2002, for cable transfers in Indian rupees, as certified for customs purposes by the Federal Reserve Bank of New York of \$1 = Rs.48.00. No representation is made that the Indian rupee amounts have been, could have been or could be converted into United States dollars at such a rate or at any other certain rate on December 31, 2002 or at any other date.

**b. Interim Information**

Interim information presented in the consolidated financial statements has been prepared by the management without audit and, in the opinion of management, includes all adjustments of a normal recurring nature that are necessary for the fair presentation of the financial position, results of operations, and cash flows for the periods shown, is in accordance with the generally accepted accounting principles in the United States. These financial statements should be read in conjunction with the consolidated financial statements and related notes included in the Company s annual report on Form 20-F for the fiscal year ended March 31, 2002.

**c. Use of estimates**

In conformity with US GAAP, management of the Company has made a number of estimates and assumptions relating to the reporting of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements. Some of the more significant estimates include allowances for doubtful accounts, depreciation and amortization of long-lived assets and the valuation allowance for deferred tax assets. Actual results could differ from those estimates.

**d. Principles of consolidation**

The consolidated financial statements of Sify include financial statements of its majority-owned subsidiaries, which are more than 50% owned or where Sify is able to exercise control over the operating and financial policies of the investees. All material inter-company accounts and transactions are eliminated on consolidation.

**e. Investments in affiliates**

The Company accounts by the equity method for investments between 20% and 50% or where it would be otherwise able to exercise significant influence over the operating and financial policies of the investees. The excess of cost of the stock of these investees over the Company s share of their net assets at the acquisition date is being amortized on a straight-line basis over 5 years.

**f. Cash, cash equivalents and short-term investments**

The Company considers all highly liquid investments with remaining maturities, at the date of purchase/investment, of three months or less to be cash equivalents. Cash and cash equivalents currently consist of cash and cash on deposit with banks.

**g. Revenue recognition**

The operating segments of the Company include:

- § Corporate network/data services, which provides private network services, messaging services and web hosting to businesses;
- § Internet access services; and
- § Online portal services and content offerings.

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### **SIFY LIMITED (formerly known as Satyam Infoway Limited) NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (in rupees thousands, except share data and as otherwise stated)**

These segments recognize revenues on the following basis:

#### *Corporate network/data services*

Corporate network service revenues primarily include connectivity services and, to a lesser extent, the revenues from the sale of hardware and software purchased from third party vendors, installation of the link, and other ancillary services such as e-mail, fax and domain registration. Generally, these elements are sold as a package consisting of all or some of the elements. This multiple element arrangement is recognized as separable elements because each element constitutes a separate earnings process, each element has a fair value that is reliable, verifiable and objectively determinable, and the undelivered element is not essential to functionality of the delivered elements. The Company provides connectivity for a fixed period of time at a fixed rate regardless of usage. Connectivity is the last element that is provided in the case of a bundled contract. The connectivity charges are the same when sold alone or as part of a package. The revenue attributable to connectivity services is recognized ratably over the period of the contract. The hardware and software are standard products that are being freely traded in and purchased from the market, have standard specifications and are not otherwise customized for the specific needs of a customer. The software sold by the Company is an off-the-shelf software, such as antivirus utilities and firewalls. The fair value for the hardware and software is available from the market. The revenue attributable to hardware/software is recognized on delivery. Installation consists of commissioning of the last mile connectivity to the customer premises from the carrier exchange (primarily Bharat Sanchar Nigam Limited, or BSNL, a Government of India entity). However, once commissioned this connection can be used by the customer to access any other service provider. The installation normally takes 4-6 weeks. When the customer has such last mile connectivity, the Company does not charge any installation fee. The revenue attributable to the installation of the link is recognized on completion of the installation work. When installation and connectivity services are provided as a package, the value of the installation service is based on the residual amount using the residual method as defined in SOP 98-9. Revenue from ancillary services such as email facilities, fax facility and domain registration are recognized over the period such facilities are provided. All revenues are shown exclusive of sales tax and service tax and net of applicable discounts and allowances.

Web hosting service revenues primarily include co-location services and connectivity services. On occasion, the Company also sells related hardware/software to its web hosting customers. At all times, such hardware and software belongs to the customer. This hardware and software is purchased from outside vendors and is freely traded in the market. The Company treats each element of the arrangement as a separate earnings process based on the guidelines of SOP 97-2, *Software Revenue Recognition*. The value of the hosting service is determined based on vendor specific objective evidence from similar services sold separately by the Company. When hardware and/or software is also included with hosting services and sold as a package the vendor specific objective evidence of the undelivered element is considered to arrive at the residual value of the delivered element under SOP 98-9. Revenue from hosting services is recognized over the period during which the service is provided.

#### *Internet access services*

Dial-up internet access is sold to customers either for a specified number of hours or for an unlimited usage within a specified period of time. Customers purchase a CD that allows them to access the Internet. The amounts received from customers on the sale of these CDs are not refundable. Sify recognizes revenue from sale of CDs based on usage by the customer. At the end of the specified period, the remaining unutilized hours, if any, are recognized as revenue. Revenue from unlimited internet access and electronic mail access is recognized over the specified period.

Public Internet access is provided to customers through a chain of franchisee cybercafé outlets and, to a lesser extent, Sify-owned cybercafés. Sify enters into an arrangement with franchisees that provides for the payment of an initial non-refundable franchisee fee in consideration for establishing the franchisee relationship and providing certain initial services. These initial services consist of a number of activities, including installing the broadband receiver equipment at the cybercafé and connecting it to one of Sify's broadcasting towers, obtaining regulatory approvals for clearance of the site for wireless transmission at the allotted frequency range and other ancillary services.

Initial franchisee fee revenue is recognized at the time of commencement of operations by the franchisee, in accordance with SFAS 45, Accounting for Franchisee Fee Revenue, because Sify believes that substantial performance for which these non-refundable payments are received is completed at the time of commencement of operations and no uncertainty exists with regard to the collection of such fees. The amount of initial franchise fee revenue recognized during the nine-month period ending December 31, 2002 was Rs.6.07 million (US\$ 0.12 million). As of December 31, 2002, Sify owned 27 of the 727 cybercafés. Internet access revenue is recognized based on usage by the customer.

#### *Online portal services*

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The Company enters into contracts with customers to serve advertisements in the portal and the Company is paid on the basis of impressions, click-throughs or leads and in each case the revenue is recognized ratably over the period of the contract based on actual impressions/click throughs/ leads delivered. There are no performance obligations or minimum guarantees. Revenues from electronic commerce transactions are recognized when the transactions are completed.

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**(in rupees thousands, except share data and as otherwise stated)**

**h. Inventories**

Inventories are generally stated at the lower of cost as determined using the first-in-first-out method (FIFO), and net realisable value.

**i. Property, plant and equipment**

Property, plant and equipment are stated at cost. Plant and equipment under capital leases are stated at the present value of minimum lease payments. The Company computes depreciation for all plant and equipment using the straight-line method. Leasehold improvements are amortized on a straight-line basis over the shorter of the primary lease period or estimated useful life of the asset. The estimated useful lives of assets are as follows:

Buildings	28 years
Plant and machinery	5 years
Computer equipment	2 years
Office equipment	5 years
Furniture and fixtures	5 years
Vehicles	5 years

Software for internal use is acquired primarily from third-party vendors and is in ready-to-use condition. Costs for acquiring such software are capitalized. Capitalized software costs are amortized on a straight-line basis over the estimated useful life of the software. Software acquired for internal use with estimated useful life of less than one year is expensed upon acquisition. Deposits paid towards the acquisition of plant and equipment outstanding at each balance sheet date and the cost of property, plant and equipment not ready to be put to use are disclosed under *Construction-in-progress*.

**j. Intangible assets**

Intangible assets recorded at cost or fair value and are amortized on a straight-line basis over the economic lives of the respective assets, generally between three to five years.

**k. Foreign currency translations**

The functional and reporting currency of the Company is the Indian rupee, except that of India Plaza Inc (a wholly owned subsidiary incorporated in United States) whose functional currency is US Dollar. The translation of the US dollar into Indian Rupee is performed for balance sheet accounts using the exchange rate in effect at the balance sheet date and for revenue and expense accounts using a monthly simple average exchange rate for the respective periods. The gains or losses resulting from such translation are reported in other comprehensive income, a separate component of shareholders' equity.

**l. Foreign currency transactions**

Assets and liabilities denominated in foreign currencies are expressed in the functional currency at the rates of exchange as of the balance sheet date. The unrealized gain or loss resulting from this translation is reflected in the statements of operations. Income and expenses in foreign currencies are expressed in the functional currency at exchange rates prevailing when income is earned or expenses are incurred.

**m. Earnings per share**

In accordance with Statement of Financial Accounting Standards (SFAS) No. 128, basic earnings per share are computed using the weighted average number of common shares outstanding during the period. Disclosure of diluted earnings per share is not applicable as the potential equity shares are anti-dilutive. The Company's outstanding shares includes shares held with a depository to represent equity shares underlying the Company's ADSs. Effective September 24, 2002, one ADS represented one equity share. The Company's 1-for-4 ADS reverse ratio change on September 24, 2002 does not have any effect on our equity shares or per equity share amounts, as the underlying equity shares representing ADSs were unchanged.



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**n. Income taxes**

Income taxes are accounted for using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The measurement of deferred tax assets is reduced, if necessary, by a valuation allowance for any tax benefits for which realization is uncertain.

**o. Advertising costs**

Advertising costs incurred during the year have been expensed. The total amount of advertising costs expensed during the nine months ended December 31, 2002 and 2001 was Rs. 28,374 (US\$ 0.6 million) and Rs. 20,239 (US\$ 0.4 million).

**p. Retirement benefits to employees**

i) Provident fund

In accordance with Indian law, all employees receive benefits from a provident fund, which is a defined contribution plan. Both the employee and employer make monthly contributions to the plan, each equal to a specified percentage of employee's basic salary. The Company has no further obligations under the plan beyond its monthly contributions.

ii) Gratuity

The Company provides for gratuity, a defined benefit retirement plan (the Gratuity Plan) covering all employees. The Gratuity Plan commenced on April 1, 1997. The plan provides a lump sum payment to vested employees at retirement or termination of employment an amount based on the respective employee's salary and the years of employment with the Company. The Company provides the gratuity benefit through annual contributions to a fund managed by the Life Insurance Corporation of India (LIC). Under this scheme, the settlement obligation remains with the Company, although the LIC administers the scheme and determines the contribution premium required to be paid by the Company. The gratuity plan is accounted for in accordance with SFAS No. 87.

**q. Stock-based compensation**

The Company uses the intrinsic value-based method of Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*, to account for its employee stock-based compensation plan. The Company has therefore adopted the pro forma disclosure provisions of SFAS No. 123, *Accounting for Stock-Based Compensation*.

**r. Impairment of long-lived assets and long-lived assets to be disposed of**

The Company adopted SFAS 144 *Accounting for the Impairment or Disposal of Long-Lived Assets* effective April 1, 2002. Long-lived assets, including amortizable intangibles, are tested for impairment if impairment triggers occur. If an assessment indicates impairment, the impaired asset is written down to its fair market value based on the best information available. Estimated fair market value is generally measured using discounted estimated cash flows.

**s. Goodwill and intangibles**

The Company adopted the provisions of SFAS 141, *Business Combinations* and SFAS 142, *Goodwill and Other Intangible Assets* effective April 1, 2002. Under SFAS 142, we no longer amortize goodwill or indefinite-life intangible assets. In connection with the transitional goodwill impairment evaluation, SFAS 142 required us to perform an assessment of whether there was any indication that goodwill was impaired at the date of adoption. We performed the assessment and determined there was no indication of impairment. In addition, the Company has assessed the remaining useful lives of identified intangibles with definite useful lives and concluded that there was no change to the remaining useful lives of the intangibles. The Company provides for amortization over the determined useful life of the asset. Intangible assets with indefinite useful lives and goodwill are tested for impairment periodically and diminution in value, if any, is provided for through a charge in the statement of operations.



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**t. Investment securities**

The Company has evaluated its investment policies consistent with the provisions of SFAS 115, Accounting for Certain Investments in Debt and Equity Securities, and determined that all of its investment securities are to be classified as available-for-sale. Accordingly, such securities are carried at fair value with unrealized gains and losses, net of taxes, reported as other comprehensive income, a separate component of shareholders' equity. Realized gains and losses and declines in value judged to be other-than-temporary are included in other income. The cost of securities sold is determined using first-in-first-out (FIFO) method. Interest and dividends on securities classified as available-for-sale are included in other income. Other investments that are not marketable are carried at cost, subject to tests of permanent impairment.

**u. Fair value of financial instruments**

The carrying amounts reflected in the balance sheets for cash, cash equivalents, accounts receivable and accounts payable approximate their respective fair values due to the short maturities of these instruments.

**2. Recent Accounting Pronouncements**

In November 2002, the Emerging Issues Task Force reached a consensus on Issue No. 00-21, Revenue Arrangements with Multiple Deliverables applicable for fiscal periods beginning after June 2003. This issue addresses when and, if so, how an arrangement involving multiple deliverables should be divided into separate units of accounting, where the deliverables (the revenue generating activities) are sufficiently separable and have standalone value to the customer. It is also necessary that there exist sufficient evidence of fair value to separately account for some or all of the deliverables. The Company is currently evaluating the impact of Issue No. 00-21.

In November 2002, the FASB issued Interpretation No. 45, Guarantors' Accounting and Disclosure Requirements for Guarantees Including Indirect Guarantees of Indebtedness of Others. The adoption of the Interpretation did not have a material impact on the Company's accounting or disclosure policies.

In December 2002, the FASB issued SFAS 148, *Accounting for Stock-Based Compensation-Transition and Disclosure: An amendment of FASB Statement No. 123*. This Statement amends SFAS 123, Accounting for Stock-Based Compensation, to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of SFAS 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The disclosure provisions of SFAS 148 are applicable for fiscal periods beginning after December 15, 2002 and will be adopted by the Company for the year ending March 31, 2003. The Company continues to account for its fixed plan stock options under the recognition and measurement principles of APB Opinion No. 25, Accounting for Stock Issued to Employees, and related Interpretations.

In January 2003, the FASB issued Interpretation No. 46, Consolidation of Variable Interest Entities, an interpretation of ARB 51 that applies to variable interest entities created after January 31, 2003 and to variable interest entities in which our enterprise obtains an interest after that date. The Company is currently evaluating the impact of this interpretation.

**3. Change of name**

The company changed its name from Satyam Infoway Limited to Sify Limited effective January 6, 2003.

**4. Cash and cash equivalents**

Cash and cash equivalents as on December 31, 2002 amounted to Rs.847,564 (Rs.658,111 as on March 31, 2002). This excludes cash-restricted included in current assets of Rs. 93,291 (Rs.52,389 as on March 31, 2002) and cash-restricted included in non-current assets of Rs. 100,010 (Rs.100,000 as on March 31, 2002)

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**5. Segment reporting**

SFAS No 131, Disclosures about Segments of an Enterprise and Related Information, establishes standards for the way that public business enterprises report information about operating segments and related disclosures about products and services, geographic areas and major customers. The Company's operations predominantly relate to connectivity to enterprises and providing Internet access to retail subscribers (both home access and public access). The Company also operates a portal, Sify.com, that provides a variety of India-related content to audiences both in India and abroad, and which generates revenue from advertisements and other value added services. The Company also has subsidiaries to exploit other opportunities provided by the Internet in e-learning, business to business marketplaces, digital signatures and Internet security.

The primary operating segments of the Company include:

- § Corporate network/data services, which provides private network services, messaging services and web hosting to businesses;
- § Internet access services; and
- § Online portals services and content offerings.

The chief operating decision maker ( CODM ) evaluates the Company's performance and allocates resources to various strategic business units that are identified based on the products and services that they offer and on the basis of the market catered to. The measure of loss reviewed by the CODM during fiscal 2002 and 2001 was Earnings/loss before interest, taxes, depreciation and amortization. Prior to fiscal 2001, the CODM reviewed segment information relating to revenues only.

Revenue in relation to segments is categorized based on items that are individually identifiable to that segment. Bandwidth costs, which form a significant part of the total expenses, are allocated primarily between the corporate network/data services and Internet access services businesses as follows:

Bandwidth costs in Sify are of three kinds: Last mile, Inter city and International. Last mile is directly identifiable to the segment. Inter city bandwidth is allocated based on the number of subscribers or iway cafes at non gateway points and the bandwidth sold to and used by business enterprises (determined using packet shapers). International bandwidth is allocated amongst user population based on ports used and estimates of bandwidth per port for retail consumers and bandwidth sold and peak bandwidth used for corporate consumers. The Company believes that the resulting allocations are reasonable.

Certain expenses, such as depreciation and technology, which form a significant component of total expenses, are not specifically allocable to specific segments as the underlying services are used interchangeably. Management believes that it is not practical to provide segment disclosure of these expenses and, accordingly, they are separately disclosed as unallocated and adjusted only against the total income of the Company.

A significant part of the fixed assets used in the Company's business are not identifiable to any of the reportable segments and can be used interchangeably between segments. Management believes that it is not practicable to provide segment disclosures relating to total assets since a meaningful segregation of the available data is onerous. The Company's operating segment information for the quarter ended December 31, 2002 and 2001 and the nine months ended December 31, 2002 and 2001 is presented below:

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	Quarter ended December 31, 2002				
	Corporate network / data services	Internet access services	Online portal services	Other services	Total continuing operations
Revenues	254,048	179,669	44,055	41,395	519,167
Operating expenses	(168,209)	(251,072)	(62,923)	(32,571)	(514,775)
Equity in losses of affiliates			5,421		5,421
Minority interest		2			2
Segment operating income / (loss)	85,839	(71,401)	(13,447)	8,824	9,815
Corporate expenses					(164,699)
Foreign exchange gain/(loss)					(2,991)
Other income / (expense), net					17,862
Profit / (loss) before interest, taxes, depreciation and amortization					(140,013)
Depreciation, amortization					(183,262)
Interest income					547
Income taxes					1,041
Net loss					(321,687)

Quarter  
ended  
December  
31, 2002

ine Total

Continuing

ade to the 401(k) Plan equal to 50% of the first 3% of eligible compensation. Martin Resource Management may make annual discretionary profit sharing contributions in an amount at the plan year end as determined by the board of directors of Martin Resource Management. Participants in the 401(k) Plan become 100% vested in matching contributions immediately and become vested in discretionary contributions made for them upon completing five years of vesting service or upon their attainment of age 65, per disability or death during employment.

**Martin Resource Management Non-Qualified Option Plan.** In September 1999, Martin Resource Management adopted a stock option plan designed to retain and attract qualified management personnel, directors and consultants. Under the plan, Martin Resource Management is authorized to issue to qualifying parties from time to time options to purchase up to 2,000 shares of its common stock with terms not to exceed ten years from the date of grant and at exercise prices generally not less than fair market value on the date of grant. In November 2007, Martin Resource Management adopted an additional stock option plan designed to retain and attract qualified management personnel, directors and consultants. In December 2013, all outstanding options were exercised or redeemed in lieu of redemption. There are no outstanding options under this plan as of December 31, 2016.

#### Other Compensation

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

## SUMMARY COMPENSATION TABLE

The following table sets forth the compensation expense that was allocated to us for the services of the named executive officers for the years ended December 31, 2016, 2015 and 2014.

Name and Principal Position	Year	Salary	Bonus	Stock Awards (1)	Total Compensation
Ruben S. Martin, President and Chief Executive Officer	2016	\$412,500	\$—	\$—	\$ 412,500
	2015	\$412,500	\$—	\$356,250	\$ 768,750
	2014	\$412,500	\$—	\$—	\$ 412,500
Robert D. Bondurant, Executive Vice President and Chief Financial Officer	2016	\$230,000	\$—	\$—	\$ 230,000
	2015	\$230,000	\$—	\$85,500	\$ 315,500
	2014	\$230,000	\$—	\$—	\$ 230,000
Randall L. Tauscher, Executive Vice President and Chief Operating Officer	2016	\$308,200	\$—	\$—	\$ 308,200
	2015	\$230,000	\$—	\$85,500	\$ 315,500
	2014	\$308,200	\$—	\$—	\$ 308,200
Chris H. Booth, Executive Vice President, General Counsel and Secretary	2016	\$165,240	\$—	\$—	\$ 165,240
	2015	\$146,880	\$—	\$71,250	\$ 218,130
	2014	\$165,240	\$—	\$—	\$ 165,240
Scot A. Shoup, Senior Vice President of Operations	2016	\$180,000	\$—	\$—	\$ 180,000
	2015	\$180,000	\$—	\$57,000	\$ 237,000
	2014	\$180,000	\$—	\$—	\$ 180,000

(1) The amounts shown represent the grant date fair value of awards computed in accordance with FASB ASC 718, however, such awards are subject to vesting requirements which have not been met as it relates to the 2015 stock award. See Note 17 included in our financial statements for the year ended December 31, 2016 herein for the assumptions made in our valuation of such awards.

## Director Compensation

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

The following table sets forth the compensation of our board members for the period from January 1, 2016 through December 31, 2016.

Name	Fees Earned Paid in Cash	Stock Awards	Total
Ruben S. Martin	\$—	\$—	\$—
Robert D. Bondurant	\$—	\$—	\$—
C. Scott Massey (1)	\$65,000	\$69,598	\$134,598
Byron R. Kelley (1)	\$65,000	\$69,598	\$134,598
James M. Collingsworth (1)	\$65,000	\$69,598	\$134,598
Alexander W.F Black	\$—	\$—	\$—

Sean P. Dolan                      \$—              \$—              \$—

(1) On February 23, 2016, the Partnership issued 4,600 restricted common units to each of three independent directors, C. Scott Massey, Byron R. Kelley, and James M. Collingsworth under our Current LTIP. These restricted common units vest in equal

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installments of 1,150 units on February 24, 2017, 2018, 2019 and 2020, respectively. In calculating the fair value of the award, multiplied the closing price of our common units on the NASDAQ on the date of grant by the number of restricted common units granted to each director.

#### COMPENSATION REPORT OF THE COMPENSATION COMMITTEE

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

Members of the Compensation Committee:

/s/ James M. Collingsworth

James M. Collingsworth, Committee Chair

/s/ Byron R. Kelley

Byron R. Kelley

/s/ C. Scott Massey

C. Scott Massey

#### Compensation Committee Interlocks and Insider Participation

Other than these independent directors, no other officer or employee of our General Partner or its subsidiaries is a member of the Compensation Committee. Employees of Martin Resource Management, through our General Partner, are the individuals who are involved in our matters.

**PROPOSAL TO APPROVE THE ADJOURNMENT OF THE SPECIAL MEETING, IF NECESSARY  
OR APPROPRIATE, TO SOLICIT ADDITIONAL PROXIES**

We may ask our common unitholders to vote on a proposal (the “Adjournment Proposal”) to adjourn the special meeting to a later date or dates, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the New LTIP. We currently do not intend to propose adjournment at the special meeting if there are sufficient votes to approve the New LTIP. If our common unitholders approve the Adjournment Proposal, we may adjourn the special meeting and use the additional time to solicit additional proxies, including proxies from our common unitholders who have previously voted against the adoption of the New LTIP.

**Vote Required**

Approval of the Adjournment Proposal requires the approval of a majority of the outstanding common units that are represented in person or by proxy at the special meeting. Accordingly, abstentions will have the effect of a vote against the Adjournment Proposal. A properly executed proxy submitted without voting instructions will be voted (except to the extent that the authority to vote has been withheld) “FOR” approval of the Adjournment Proposal.

**Board Recommendation**

**THE BOARD UNANIMOUSLY RECOMMENDS A VOTE “FOR” APPROVAL OF THE ADJOURNMENT PROPOSAL.**

## THE SPECIAL MEETING

### Time and Place

The special meeting will be held at the Partnership's offices on May 26, 2017, beginning at 10:00 a.m., Kilgore, Texas time at 4200 Stone Road, Kilgore, Texas 75662.

### Purpose

At the special meeting, our unitholders will act upon the following proposals:

A proposal (the “LTIP Proposal”) to approve the Martin Midstream Partners L.P. 2017 Restricted Unit Plan (the “New LTIP”) among other things, replaces the Martin Midstream Partners L.P. Amended and Restated Long-Term Incentive Plan (the “Current LTIP”) and increases the maximum amount of common units available to be issued in the form of restricted units to certain key employees, officers, and directors of the Martin Group.

A proposal to approve the adjournment of the special meeting to a later date or dates, if necessary or appropriate, to solicit additional proxies in the event there are not sufficient votes at the time of the special meeting to approve the LTIP Proposal (the “Adjournment Proposal”).

### Record Date

Our Board has fixed the close of business on April 6, 2017 as the record date for the determination of holders of common units entitled to notice of, and to vote at, the special meeting or any postponements or adjournments thereof. A complete list of such unitholders will be available for inspection in our offices at 4200 Stone Road, Kilgore, Texas, 75662, during normal business hours upon written demand by any holder of our common units.

### Holders Entitled to Vote

All unitholders who owned our common units at the close of business on the record date April 6, 2017, are entitled to receive notice of the special meeting and to vote the common units that they held on the record date at the special meeting, or any postponements or adjournments of the special meeting.

Each unitholder is entitled to one vote for each common unit owned on all matters to be considered. On April 6, 2017, 38,452,500 common units were issued and outstanding.

### Vote Required

Under the NASDAQ Manual, the New LTIP requires the approval of a majority of the votes cast by our unitholders. Votes “for,” “against” and abstentions count as votes cast. Thus, abstentions have the effect of a vote against the LTIP Proposal.

The form of proxy provides unitholders the opportunity to vote on the LTIP Proposal. However, the New LTIP will not be effective unless approved by the unitholders.

Approval of the Adjournment Proposal requires the approval of a majority of the outstanding common units that are represented in person or by proxy at the special meeting. Abstentions have the effect of a vote against the Adjournment Proposal.

A properly executed proxy submitted without voting instructions will be voted (except to the extent that the authority to vote has been withheld) “FOR” the LTIP Proposal and “FOR” the Adjournment Proposal.

If more than 50% of our outstanding common units on the record date are present in person or by proxy at the special meeting, we will constitute a quorum and will permit us to conduct the proposed business at the special meeting. Your common units will be counted as present at the special meeting if you:

are present and vote in person at the meeting; or

have submitted a properly executed proxy card.

Proxies received but marked as abstentions will be counted as present for purposes of determining the presence of a quorum. If an executed proxy is returned by a broker or other nominee holding common units in “street name” indicating that the broker or other nominee does not have discretionary authority as to certain common units to vote on the proposals (a “broker non-vote”), such

common units will be considered present at the meeting for purposes of determining the presence of a quorum but will not be considered entitled to vote.

#### Revocation of Proxies

If you are a unitholder of record at the close of business on the record date, you may change your vote at any time before the polls close at the special meeting by:

- submitting a proxy with new voting instructions using the Internet or telephone voting system;
- delivering a later-dated, executed proxy card to the Secretary of our General Partner, 4200 Stone Road, Kilgore, Texas, 75662;
- delivering a written notice of revocation of your proxy to the Secretary of our General Partner, 4200 Stone Road, Kilgore, Texas, 75662; or
- attending the special meeting and voting in person. Please note that attendance at the special meeting will not by itself (i.e., without also voting) revoke a previously granted proxy.

If you are a beneficial owner of common units held in street name and you have instructed your broker or other nominee to vote common units, you must follow the procedure your broker or other nominee provides to change those instructions. You may also appear in person at the special meeting if you obtain a “legal” proxy from your broker or other nominee.

#### Solicitation

The expense of preparing, printing and mailing this proxy statement and the proxies solicited hereby will be borne by us. In addition to the use of the mails, proxies may be solicited by employees of the Company, without additional remuneration, by mail, phone, or in person. We will also request brokerage firms, banks, nominees, custodians and fiduciaries to forward proxy materials to the beneficial owners of our common units as of the record date and will provide reimbursement for the cost of forwarding the proxy materials in accordance with customary practice. Your cooperation in promptly voting your common units electronically, via the Internet or by telephone, or by signing and returning the enclosed proxy card will help to avoid additional expense. We have retained Georgeson to aid in the solicitation of proxies. The fee paid to Georgeson is expected to be \$8,500, plus reimbursement of its reasonable costs.

#### Adjournment

If the Adjournment Proposal is approved by the affirmative vote of a majority of the outstanding common units that are represented either in person or by proxy at the special meeting, the meeting may be adjourned to another date and/or place for the purpose of soliciting additional proxies even if a quorum is present. The Partnership Agreement provides that, in the absence of a quorum, the special meeting may be adjourned from time to time by the affirmative vote of a majority of the outstanding common units represented either in person or by proxy.

#### No Unitholder Proposals

Your common units do not entitle you to make proposals at the special meeting. Under the Partnership Agreement, only the Company can make a proposal at this meeting. The Partnership Agreement establishes a procedure for calling meetings whereby limited partners owning 20% or more of the outstanding common units of the class for which a meeting is proposed may call a meeting. In any event, limited partners are not allowed to vote on matters that would cause the limited partners to be deemed to be taking part in the management and control of the business and affairs of the partnership. Doing so would jeopardize the limited partners' limited liability under the Delaware Revised Uniform Limited Partnership Act (“Delaware Act”) or the law of any other state in which we are qualified to do business.

## Dissenters' Rights

We were formed as a limited partnership under the laws of the State of Delaware, including the Delaware Act. Under those laws, dissenters' rights are not available to our unitholders with respect to the LTIP Proposal.

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## HOUSEHOLDING MATTERS

Unitholders who share a single address will receive only one proxy statement at that address unless we have received instruction to the contrary from any unitholder at that address. This practice, known as “householding,” is designed to reduce our printing and mailing costs. However, if a unitholder of record residing at such an address wishes to receive a separate copy of this proxy statement or future proxy statements (as applicable), he or she may contact our Investor Relations Department at (877)256-6644 or write to Investor Relations, Martin Midstream Partners L.P., P.O. Box 191, Kilgore, Texas, 75663-0191. We will deliver separate copies of this proxy statement promptly upon written or oral request. If you are a unitholder of record receiving multiple copies of our proxy statement, you can request householding by contacting us in the same manner. If you own your common units through a bank, broker or other unitholder of record, you can request additional copies of this proxy statement or request householding by contacting that unitholder of record.

## WHERE YOU CAN FIND MORE INFORMATION ABOUT THE PARTNERSHIP

We are required to file annual, quarterly and current reports and other information with the SEC. You may read and copy any documents filed by us with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at (800) SEC-0330. Our filings with the SEC are also available to the public from commercial document retrieval services and at the SEC's website at [www.sec.gov](http://www.sec.gov). We also make available free of charge on our website at [www.martinmidstream.com](http://www.martinmidstream.com) all of the documents that we file with the SEC as soon as reasonably practicable after we electronically file such material with the SEC.

## IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SPECIAL MEETING TO BE HELD ON MAY 26, 2017

The Notice of Special Meeting of Common Unitholders and the Proxy Statement for the Special Meeting are available at <http://www.martinmidstream.com>.



## EXHIBIT A

### MARTIN MIDSTREAM PARTNERS L.P. 2017 RESTRICTED UNIT PLAN

Martin Midstream Partners, L.P., a Delaware limited partnership (the “Partnership”), hereby adopts this 2017 Restricted Unit Plan (“Plan”). The Appendix, which is incorporated into this Plan by reference, defines the terms used in this Plan.

1. Purpose. The purpose of the Plan is to advance the interests of the Partnership and its Affiliates by furnishing equity-based economic incentives (the “Awards”) designed to attract, retain, reward, and motivate certain key employees, officers, and directors of Martin Midstream GP, LLC (the “Company”), Martin Resource Management Corporation (“MRMC”) and their respective Affiliates (collectively, the “Martin Group”) and consultants and advisors to the Martin Group and to strengthen the mutuality of interests between those service providers and other unitholders of the Partnership.

#### 2. Administration.

2.1 Composition. The Plan will generally be administered by the Compensation Committee of the Board or by a subcommittee of the Board (in either case, the “Committee”) provided that the Committee shall include two or more disinterested members of the Board who shall be appointed by the Board. A member of the Board shall be deemed to be “disinterested” only if he satisfies such requirements as the Securities and Exchange Commission may establish for non-employee directors administering plans intended to qualify for exemption under Rule 16b-3 (or its successor) under the Exchange Act.

#### 2.2 Authority.

(a) The Committee has plenary authority to administer the Plan, including granting Awards under the Plan and entering into agreements with, or providing notices to, Participants as to the terms of the Awards as provided in Section 4.2. Specifically, the Committee will have full and final authority and discretion over the Plan and any Awards granted under it, including, but not limited to, the right, power, and authority to: (i) determine when and to whom Awards will be granted under Section 3; (ii) determine the terms, provisions, and conditions of Awards (including the number of Units subject to an Award), which need not be identical and need not match any default terms set forth in the Plan, and amend or modify any outstanding Awards; (iii) correct any defect, supply any omission, or reconcile any inconsistency in the Plan or any Award in the manner and to the extent it deems necessary or desirable to further the Plan’s objectives; (iv) establish, amend, and rescind any rules or regulations relating to the administration of the Plan as it determines to be appropriate; (v) resolve all questions of interpretation or application of the Plan or Awards; and (vi) make any determination that it believes necessary or advisable for the proper administration of the Plan.

(b) The Committee in its sole discretion and on such terms and conditions as it may provide may delegate all authority for: (i) the determination of forms of payment to be made by or received by the Plan and (ii) the execution of any Agreements for Awards. The Committee may rely on the descriptions, representations, reports and estimates provided to it by the management of the Company or an Affiliate for determinations to be made pursuant to the Plan.

2.3 Effect of Committee’s Determinations. Committee decisions in matters relating to the Plan will be final, binding, and conclusive on all Persons, including, but not limited to, the Partnership, its unitholders, each Martin Group entity, and each Participant and his or her heirs and beneficiaries.

2.4 Term of Plan. No Awards may be granted after May 26, 2027, but previously-granted Awards may continue beyond that date in accordance with their terms.

#### 3. Granting of Awards.

3.1Eligibility. Key Employees, officers, and directors of a Martin Group entity and Persons providing services as consultants or advisors to a Martin Group entity will become eligible to receive Awards under the Plan when designated as a Participant by the Committee. With respect to Participants not subject to Section 16 of the Exchange Act, the Committee may delegate to appropriate officers of the Company its authority to designate Participants, and to determine the size and type of Awards to be received by the Participants, and to set and modify the terms of such Awards.

3.2Limits on Awards.

(a)Awards granted under this Plan will be denominated in Units. A maximum of 3,000,000 Units may be delivered in satisfaction of Awards under this Plan. The numbers of Units subject to this Section 3.2 shall be subject to adjustment in accordance with the provisions of Section 4.9.

(b) Any Units subject to an Award that is subsequently canceled, forfeited, or expires prior to the actual issuance of Units, whether full or in part, will be available again for issuance or delivery under the Plan. Any Units that are tendered by a Participant or withheld as full or partial payment of withholding or other taxes, or which are otherwise settled for a cash payment, shall not be added back to the number of Units available for issuance or delivery under the Plan.

(c) The maximum number of Units that may be granted to any one individual during any calendar year may not exceed 150,000 (subject to adjustment as provided in Section 4.9 below).

3.3 Substitute Awards. Awards may be granted under the Plan in substitution of similar awards held by individuals who provide services in a capacity contemplated by Section 3.1 as a result of a merger, consolidation, or acquisition by the Partnership or an Affiliate of another entity or the assets of another entity.

3.4 Source of Units. Any Units issued pursuant to an Award will consist, in whole or in part, of Units acquired in the open market from any Affiliate, the Partnership or any other Person; Units otherwise issuable by the Partnership; or any combination of the foregoing, as determined by the Committee in its discretion.

#### 4. Terms of Awards.

4.1 General Conditions. In granting an Award under this Plan, the Committee will specify the number of Units subject to the Award and any conditions under which the Award will become vested or forfeited. Vesting may be based on the continued service of the Participant or on the achievement of Performance Goals or Performance Criteria as set out in the Agreement. Units subject to an Award may be fully vested on the Date of Grant. The Committee may not, in whole or in part, waive or accelerate any of the foregoing restrictions.

4.2 Effect on Other Plans and Arrangements. Nothing contained in the Plan will be deemed in any way to limit or restrict the Committee from making any award or payment to any person under any other plan, arrangement or understanding, whether now existing or hereafter in effect.

4.3 Agreement. Each Award will be evidenced by an Agreement, which will be executed by the Participant and an authorized officer of the Partnership and which will contain such terms and conditions of the Award as the Committee may determine, subject to the limitations of the Plan. By accepting any Award granted under this Plan, the Participant agrees to the terms of the Award, this Plan, the applicable Agreement, and the Partnership Agreement.

4.4 Default Rule - Treatment of UDRs. Unless the Committee expressly provides otherwise in the applicable Agreement, from the Date of Grant, a Participant is entitled to receive UDRs on the Units subject to the Award, which will be paid to the Participant at the time distributions are made to other unit holders.

4.5 Default Rule - Effect of Termination of Employment. Unless the Committee expressly provides otherwise in the applicable Agreement, upon termination of a Participant's Service for any reason, any Restricted Units will be forfeited automatically as of the Termination Date.

4.6 Default Rule - Effect of Change in Control. Notwithstanding any other provisions of the Plan, and unless otherwise expressly addressed in an Award Agreement, the provisions of this Section 4.6 shall apply in the event a Change in Control.

(a) If an Participant is employed by the Partnership or a Martin Group entity on the date a Change in Control occurs and such employment is, within the twenty-four (24) month period commencing on the effective date of such Change in Control, involuntarily terminated, then immediately prior to such termination each Restricted Unit Award granted under this Plan to the Employee shall become immediately vested.

(b)Notwithstanding the provisions of Section 4.6(a), if any Award constitutes a “nonqualified deferred compensation plan” within the meaning of Code Section 409A, the timing of settlement of such Award pursuant to this Section 4.6 shall be in accordance with the settlement terms set forth in the applicable Award Agreement if such Change in Control fails to constitute a “change in the ownership of the corporation,” a “change in effective control of the corporation” or a “change in the ownership of a substantial portion of the corporation,” within the meaning of Code Section 409A(a)(2)(A)(v).

(c)If any Award is subject to performance vesting, then each of the Performance Criteria shall be deemed to be satisfied at the target payment level as of the date the Change in Control occurs. If the Award requires continued service with the Partnership or a Martin Group entity through a designated vesting date, then such Award shall be treated in the same manner as a Restricted Unit award under Section 4.6(a) above and the Award shall be paid at the target payment level on the date or dates, as applicable, such Award becomes vested. If the Award does not require continued service with the Partnership or a Martin Group entity through a designated vesting date, then such Award shall be vested and settled on the date of the Change in Control.

#### 4.7 Conditions to Delivery of Units.

(a) As the precondition to issuance of Units, the Participant must become a party to, and agree to be bound by, the terms of the Partnership Agreement.

(b) The Committee will not be obligated to deliver any Units pursuant to this Plan or to remove any restriction from outstanding Units until the Committee is satisfied that all legal matters in connection with the issuance and delivery of such Units have been addressed and resolved and all conditions of the Award have been satisfied or waived.

(c) Any certificates or book entry evidence of ownership of Units or other securities of the Partnership delivered under the Plan pursuant to any Award will be subject to such stop transfer orders and other restrictions as the Committee may deem advisable. If the Plan or the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which such Units or other securities are then listed, and any other Applicable Laws, and the Committee may cause a legend or legends to be inscribed on any such certificates or such book entry to make appropriate reference to such restrictions.

4.8 Limitations on Transferability. Except as otherwise expressly provided in the applicable Agreement, Restricted Units may not be transferred other than by will or by the laws of descent and distribution. Without limiting the foregoing, Restricted Units may not be assigned, pledged, hypothecated, or transferred in any whatsoever without the consent of the Committee prior to the time they vest in accordance with the terms of this Plan and the applicable Agreement.

4.9 Adjustments. In the event that any distribution (whether in the form of cash, Units, other securities, or other property), recapitalization, split, reverse split, reorganization or liquidation, merger, consolidation, split-up, spin-off, separation, combination, repurchase, acquisition of property or stock, or exchange of Units or other securities of the Partnership, issuance of warrants or rights to purchase Units or other securities of the Partnership, or other similar transaction or event affects the Units, then the Committee will, in such manner as it, in its discretion may deem equitable, adjust any or all of (i) the number and type of Units (or other securities or property) with respect to which Awards may be granted, (ii) the number and type of Units (or other securities or property) subject to outstanding Awards, and (iii) any other limitations contained within this Plan or, subject to Section 5.2, may provide for a cash payment to the holder of an outstanding Award; provided, that the number of Units subject to any Award will always be a whole number.

#### 5. Tax Provisions.

5.1 Participant's Tax Liability. The Participant is solely responsible for all of his or her tax liability associated with the grant and vesting of any Units granted to such Participant under the Plan. Without limiting the foregoing, unless other arrangements have been made that are acceptable to the Committee, the Partnership, any of its Affiliates, or any Martin Group entity is authorized to withhold or "net" from any Award, from any payment due or transfer made under any Award or from any compensation or other amount payable to a Participant the amount (in cash, Units, Units that would otherwise be issued pursuant to such Award or other property) of any applicable taxes payable in respect of the grant or vesting of an Award and to take such other action as may be necessary in the opinion of the Committee to satisfy the withholding obligations for the payment of such taxes.

5.2 Code Section 409A. This Plan and all Awards granted under it are intended to comply with, or be exempt from, Code Section 409A. Notwithstanding anything in this Plan to the contrary, the Committee will have the power to amend the Plan and any Awards to the extent necessary to ensure that an Award will not trigger an excise tax to the Participant under Code Section 409A.

#### 6. General Provisions.

6.1 Plan Amendment and Termination. The Committee may at any time amend this Plan or any outstanding Award for any purpose which may at the time be permitted by Applicable Laws (including, without limitation, increasing the maximum number of Units subject to the Plan), and may at any time terminate this Plan as to any future grants of Awards. However, except as permitted by Applicable Laws, the Committee may not amend or terminate this Plan or any outstanding Award in a manner that would result in the Plan or any outstanding Award being treated as a disqualified plan under Applicable Laws.

Section 5.2, the Committee may not, without the Participant's consent, alter the terms of an outstanding Award so as to adversely affect the Participant's rights under the Agreement, unless the Committee expressly reserved the right to do so at the time of the grant of the Award.

6.2 Governing Documents. In the event of any contradiction between the Plan and any Agreement or any other written agreement between the Participant and the Partnership, the terms of the Plan will govern, unless it is expressly specified in such Agreement or other written document that a specific provision of the Plan will not apply.

6.3Severability. In the event any portion of the Plan or any action taken pursuant thereto will be held illegal or invalid for any reason, the illegality or invalidity will not affect the remaining parts of the Plan, and the Plan will be construed and enforced as if the illegal or invalid provisions had not been included, and the illegal or invalid action will be null and void.

6.4Governing Law; Conformity with Applicable Laws. To the extent not preempted by federal law, the Plan will be construed and enforced in accordance with and governed by the laws of the State of Delaware. Notwithstanding the foregoing, the Plan is intended to conform to the extent necessary with all provisions of all Applicable Laws and any and all regulations and rules promulgated under such laws and regulations, to the extent the Partnership or any Participant is subject to the provisions thereof. The Plan will be administered, Awards will be granted, and the underlying Units may vest only in such a manner as to conform to such laws, rules, and regulations. To the extent permitted by Applicable Laws, the Plan and Awards granted under this Plan will be deemed amended to the extent necessary to conform to such laws, rules, and regulations.

6.5Rights Limited. No Person will have any claim to be granted any Award under the Plan and the terms and conditions of Awards need not be the same with respect to each Participant. Nothing in this Plan will be construed as giving any Person the right to continue continued Service with the Partnership or any Martin Group entity or in any way limit their right to terminate the Participant's Service at any time. The loss of existing or potential profit in Awards will not constitute an element of damages in the event of termination of Service for any reason, even if the termination is in violation of an obligation of the Partnership or any Martin Group entity to the Participant.

6.6Unfunded Plan. This Plan is unfunded. Neither the Plan nor any Award will create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Partnership or any participating Martin Group entity and a Participant or any other Person. To the extent that any Person acquires a right to receive payments from the Partnership or a Martin Group entity pursuant to an Award, such right will be no greater than the right of any general unsecured creditor of the Partnership or the Martin Group entity.

6.7Forfeiture in Certain Circumstances ("Clawback"). The Committee may, at its sole discretion, terminate any Award if it determines that the recipient of the Award has engaged in material misconduct. For purposes of this Clawback provision, material misconduct includes conduct adversely affecting the Partnership's financial condition, results of operations, or conduct which constitutes fraud or theft of Partnership assets, any of which require the Partnership to make a restatement of its reported financial statements. The Committee may also specify other conduct requiring the Partnership to make a restatement of its publicly reported financial statements as constituting material misconduct in future Award Agreements. If any material misconduct results in any error in financial information used in the determination of compensation paid to the recipient of an Award and the effect of such error is to increase the payment amount pursuant to an Award, the Committee may also require the recipient to reimburse the Partnership for all or a portion of such increase in compensation provided in connection with any such Award. In addition, if there is a material restatement of the Partnership's financial statements that affects the financial information used to determine the compensation paid to the recipient of an Award, then the Committee may take whatever action it deems appropriate to adjust such compensation.

6.8Other Compensation Arrangements. The adoption of this Plan will not affect any other compensation or incentive plans in effect for the Partnership or any Martin Group entity.

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## Appendix

### DEFINITIONS

Unless otherwise defined in this Plan (including the preamble), the following terms will have the meanings indicated, unless the context clearly indicates otherwise. All definitions are equally applicable to the singular and plural forms of the terms defined.

“Affiliate” of any particular Person means any other Person controlling, controlled by, or under common control with such party or Person, where “control” means the possession, directly or indirectly, of the power to direct the management and policies of a Person, whether through the ownership of voting securities, by contract, or otherwise.

“Agreement” means an award agreement as defined in Section 4.1, as it may be amended from time to time according to its terms and compliance with this Plan.

“Applicable Laws” mean the requirements relating to the administration of equity compensation plans under Delaware corporate and securities laws, U.S. federal and securities laws, the Code, any stock exchange or quotation system on which the Units are listed or quoted, and the applicable laws of any other jurisdiction where Awards are granted under the Plan.

“Award” means an award of Units or Restricted Units under this Plan.

“Board” means the Board of Directors of the Company.

“Change in Control” means any of the following: (i) any sale, lease, exchange, or other transfer (in one or a series of related transactions) of all or substantially all of the assets of the Partnership and its subsidiaries to any Person or its Affiliates, other than the Partnership, its subsidiaries, the Company, or any Affiliates of the foregoing; (ii) any merger, reorganization, consolidation, or other transaction pursuant to which more than 50% of the combined voting power of the equity interests in the Partnership cease to be owned by Persons who own such interests as of the Date of Grant; or (iii) any transaction that results in the Company no longer being controlled by MRMC or its Affiliates.

“Code Section 409A” means Section 409A of the Internal Revenue Code of 1986, as amended and in effect, or any successor statute, including the regulations and guidance issued thereunder.

“Committee” has the meaning provided in Section 2.1.

“Company” means Martin Midstream GP, LLC, a Delaware limited liability company, as general partner of the Partnership, or any successor entity.

“Date of Grant” means the date a particular Award is granted to a Participant by the Committee.

“Employee” means any person employed by the Partnership or a Martin Group entity. Directors who are employed by the Partnership or a Martin Group entity shall be considered Employees under the Plan.

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“MRMC” means Martin Resource Management Corporation or any successor entity.

“Martin Group” means the Company, MRMC, and their respective Affiliates.

“Participant” means Person who is eligible for and selected to receive an Award under Section 3.1.

“Partnership” means Martin Midstream Partners L.P., a Delaware limited partnership, or any successor entity.

“Partnership Agreement” means the Amended and Restated Agreement of Limited Partnership of Martin Midstream Partners L.P., which may be amended and in effect from time to time.

“Performance Criteria” means the criteria the Committee selects for purposes of establishing the Performance Goal or Performance Goals for a Participant for a Performance Period. The Performance Criteria that will be used to establish Performance Goals are limited to the following:



- 1.Revenue and income measures (which include revenue, return or revenue growth, gross margin, income from operations, net income, net sales, earnings per share, earnings before interest, taxes, depreciation and amortization (“EBIDTA”), earnings before and taxes (“EBIT”), achievement of profit, economic value added (“EVA”), and price per Unit);
- 2.Expense measures (which include costs of goods sold, selling, loss or expense ratio, general and administrative expenses and overhead costs);
- 3.Operating measures (which include productivity, operating income, operating earnings, cash flow, funds from operations, cash operations, after-tax operating income, market share, expenses, margins, operating efficiency); cash flow measures (which include cash flow from operating activities and net cash flow before financing activities) and sales measures (which include customer satisfaction, sales of services, and sales production);
- 4.Liquidity measures (which include earnings before or after the effect of certain items such as interest, taxes, depreciation and amortization, and free cash flow);
- 5.Leverage measures (which include debt reduction, debt-to-equity ratio and net debt);
- 6.Market measures (which include market share, stock price, growth measure, total stockholder return and market capitalization measures);
- 7.Return measures (which include book value, book value per unit, return on capital, return on net assets, return on unitholders’ return on assets; unitholder returns, and which may be risk-adjusted);
- 8.Corporate value and sustainability measures which may be objectively determined (which include compliance, safety, environmental and personnel matters); and
- 9.Other measures such as those relating to acquisitions or dispositions (which include proceeds from dispositions).

Depending on the Performance Criteria used to establish such Performance Goals, the Performance Goals may be: (i) expressed on an entity-wide basis or with respect to one or more business units, divisions, subsidiaries or business segments or any combination thereof; (ii) in either absolute terms or relative to the performance of one or more comparable companies or an index covering multiple companies; (iii) be absolute or based on change in the Performance Criteria over a specified period of time and such change may be measured based on an arithmetic change over a specified period (e.g., cumulative change or average change), or percentage change over a specified period (e.g., cumulative percentage change, average percentage change or compounded percentage change), (iv) based on GAAP or non-GAAP calculations; or (v) any combination of the foregoing. The Committee shall establish Performance Goals for each Performance Period prior to, or as soon as practicable after, the commencement of such Performance Period. The Committee, in its discretion, may adjust or modify the calculation of Performance Goals for such Performance Period in order to prevent the dilution or enlargement of the rights of Participants (a) in the event of, or in anticipation of, any unusual or extraordinary corporate item, acquisition, divestiture, transaction, event, or similar development, or (b) in recognition of, or in anticipation of, any other unusual or nonrecurring events affecting the Partnership, or the financial statements of the Partnership, or in response to, or in anticipation of, changes in applicable laws, regulations, accounting principles, or business conditions.

“Performance Goals” means the goals established in writing by the Committee for the Performance Period based upon the Performance Criteria. Depending on the Performance Criteria used to establish such Performance Goals, the Performance Goals may be expressed in terms of overall Partnership performance or the performance of one or more business units, divisions, subsidiaries or business segments or any combination thereof or an individual. The Committee shall establish Performance Goals for each Performance Period prior to, or as soon as practicable after, the commencement of such Performance Period. The Committee, in its discretion, may adjust or modify the calculation of Performance Goals for such Performance Period in order to prevent the dilution or enlargement of the rights of Participants (i) in the event of, or in anticipation of, any unusual or extraordinary corporate item, transaction, event, or similar development, or (ii) in recognition of, or in anticipation of, any other unusual or nonrecurring events affecting the Partnership, or the financial statements of the Partnership, or in response to, or in anticipation of, changes in applicable laws, regulations, accounting

principles, or business conditions.

“Performance Period” means the designated period during which the Performance Goals must be satisfied with respect to the A which the Performance Goals relate.

“Person” means a natural person, company, limited partnership, general partnership, limited liability company or partnership, joint venture, association, trust, bank, trust company, land trust, business trust or other organization, whether or not a legal entity, and government or agency or political subdivision thereof.

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“Plan” means this 2017 Restricted Unit Plan as defined in the Preamble, as it may be amended from time to time according to it

“Restricted Unit” means a Unit issued under the Plan that is subject to vesting conditions.

“Service” means a Participant’s service relationship with the Partnership or any of its Affiliates. Service will be deemed to continue unless the Committee expressly provides otherwise, so long as the Participant is providing services in a capacity contemplated by Section 3.1 to the Partnership or any of its Affiliates.

“Termination Date” means the date a Participant’s Service with the Company or any of its Affiliates terminates for any reason, death or disability.

“UDR” means a distribution made by the Partnership with respect to a Restricted Unit.

“Unit” means a Common Unit of the Partnership, as defined and described in the Partnership Agreement.

“Vested Unit” means a Unit that either was fully vested on the Date of Grant or was granted as a Restricted Unit but has vested in accordance with the terms of this Plan and the applicable Agreement.

## IMPORTANT SPECIAL MEETING INFORMATION

### Admission Ticket

### Electronic Voting Instructions

Available 24 hours a day, 7 days a week!

Instead of mailing your proxy, you may choose one of the voting methods outlined below to vote your proxy.

VALIDATION DETAILS ARE LOCATED BELOW IN THE TITLE BAR.

Proxies submitted by the Internet or telephone must be received by 1:00 a.m., Central Time, on May 26, 2017.

### Vote by Internet

- Go to [www.investorvote.com/mmlp](http://www.investorvote.com/mmlp)
- Or scan the QR code with your smartphone
- Follow the steps outlined on the secure website

### Vote by telephone

- Call toll free 1-800-652-VOTE (8683) within the USA, US territories & Canada on a touch tone telephone
- Follow the instructions provided by the recorded message

Using a black ink pen, mark your votes with an X as shown in this example. Please do not write outside the designated areas. x

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## SPECIAL MEETING PROXY CARD

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IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH A RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.

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A Proposals - The Board of Directors recommends a vote FOR Proposals 1-2.

FOR AGAINST ABSTAIN

To approve the Martin Midstream Partners 1.L.P. 2017 Restricted Unit Plan (the "New LTIP").	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2.To consider	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

and vote upon the proposal to adjourn the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes to approve the New LTIP at the time of the special meeting.

## B Non-Voting Items

Change of Address - Please print your new address below.      Comments - Please print your comments below.

## Meeting Attendance

Mark the box to the right if you plan to attend the Special Meeting

C Authorized Signatures - This section must be completed for your vote to be counted

Please sign exactly as name(s) appears hereon. Joint owners should each sign. When signing as attorney, executor, administrator, corporate officer, trustee, guardian, or custodian, please give full title.

Date (mm/dd/yyyy) — Please print date below. Signature 1 — Please keep signature within the box. Signature 2 — Please keep within the box.

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2017 Special Meeting Of Unitholders  
Admission Ticket  
2017 Special Meeting of  
MARTIN MIDSTREAM PARTNERS L.P. Unitholders  
May 26, 2017, 10:00 A.M. Local Time  
4200 Stone Rd, Kilgore, Texas 75662  
Upon arrival, please present this admission ticket  
and photo identification at the registration desk.

IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND  
RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.

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Proxy - MARTIN MIDSTREAM PARTNERS L.P.

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Notice of 2017 Special Meeting of Unitholders

4200 Stone Rd, Kilgore, Texas 75662

Proxy Solicited by Board of Directors for Special Meeting — May 26, 2017

Chris H. Booth, David L. Cannon, or any of them, each with the power of substitution, are hereby authorized to represent and vote

shares of the undersigned, with all the powers which the undersigned would possess if personally present, at the Special Meeting of Unitholders of MARTIN MIDSTREAM PARTNERS L.P. to be held on May 26, 2017 or at any postponement or adjournment thereof.

Shares represented by this proxy will be voted by the unitholder. If no such directions are indicated, the Proxies will have authority to vote FOR (To approve the Martin Midstream Partners L.P. 2017 Restricted Unit Plan (the “New LTIP”)) and FOR (To consider and, upon the proposal to adjourn the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes to approve the New LTIP at the time of the special meeting.)

In their discretion, the Proxies are authorized to vote upon such other business as may properly come before the meeting.

(Items to be voted appear on reverse side.)