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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

FORM 10-Q

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended September 30, 2010

OR

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number: 001-32505

TRANSMONTAIGNE PARTNERS L.P.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	34-2037221 (I.R.S. Employer Identification No.)
---	--

**1670 Broadway
Suite 3100
Denver, Colorado 80202**
(Address, including zip code, of principal executive offices)

(303) 626-8200
(Telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input checked="" type="checkbox"/>	Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
		<small>(Do not check if a smaller reporting company)</small>	

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

As of October 29, 2010, there were 14,457,066 units of the registrant's Common Limited Partner Units outstanding.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly 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, including the following:

- certain statements, including possible or assumed future results of operations, in "Management's Discussion and Analysis of Financial Condition and Results of Operations;"
- any statements contained herein regarding the prospects for our business or any of our services;
- any statements preceded by, followed by or that include the words "may," "seeks," "believes," "expects," "anticipates," "intends," "continues," "estimates," "plans," "targets," "predicts," "attempts," "is scheduled," or similar expressions; and
- other statements contained herein regarding matters that are not historical facts.

Our business and results of operations are subject to risks and uncertainties, many of which are beyond our ability to control or predict. Because of these risks and uncertainties, actual results may differ materially from those expressed or implied by forward-looking statements, and investors are cautioned not to place undue reliance on such statements, which speak only as of the date thereof. Important factors that could cause actual results to differ materially from our expectations and may adversely affect our business and results of operations, include, but are not limited to those risk factors set forth in this report in Part II. Other Information under the heading "Item 1A. Risk Factors."

Part I. Financial Information

ITEM 1. UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

The interim unaudited consolidated financial statements of TransMontaigne Partners L.P. as of and for the three and nine months ended September 30, 2010 are included herein beginning on the following page. The accompanying unaudited interim consolidated financial statements should be read in conjunction with our consolidated financial statements and related notes for the year ended December 31, 2009, together with our discussion and analysis of financial condition and results of operations, included in our Annual Report on Form 10-K filed on March 8, 2010 with the Securities and Exchange Commission (File No. 001-32505).

TransMontaigne Partners L.P. is a holding company with the following active wholly-owned subsidiaries during the three and nine months ended September 30, 2010:

- TransMontaigne Operating GP L.L.C.
- TransMontaigne Operating Company L.P.
- TransMontaigne Terminals L.L.C.
- Razorback L.L.C.
- TPSI Terminals L.L.C.
- TMOG Corp.
- TLP Mex L.L.C.
- Penn Octane de Mexico, S. de R.L. de C.V.
- Termatsal, S. de R.L. de C.V.
- Tergas, S. de R.L. de C.V.

We do not have off-balance-sheet arrangements (other than operating leases) or special-purpose entities.

TransMontaigne Partners L.P. and subsidiaries**Consolidated balance sheets (unaudited)****(In thousands)**

	<u>September 30,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,844	\$ 6,568
Trade accounts receivable, net	7,045	6,317
Due from Morgan Stanley Capital Group	3,379	2,148
Other current assets	6,804	7,706
Total current assets	<u>20,072</u>	<u>22,739</u>
Property, plant and equipment, net	457,268	459,598
Goodwill	24,695	24,682
Other assets, net	8,844	8,516
	<u>\$ 510,879</u>	<u>\$ 515,535</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Trade accounts payable	\$ 7,151	\$ 11,007
Due to TransMontaigne Inc.	226	168
Accrued liabilities	21,023	19,235
Total current liabilities	<u>28,400</u>	<u>30,410</u>
Other liabilities	17,450	17,000
Long-term debt	108,000	165,000
Total liabilities	<u>153,850</u>	<u>212,410</u>
Partners' equity:		
Common unitholders	301,760	249,160
General partner interest	55,638	54,434
Accumulated other comprehensive loss	(369)	(469)
Total partners' equity	<u>357,029</u>	<u>303,125</u>
	<u>\$ 510,879</u>	<u>\$ 515,535</u>

See accompanying notes to consolidated financial statements.

TransMontaigne Partners L.P. and subsidiaries
Consolidated statements of operations (unaudited)
(In thousands, except per unit amounts)

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Revenue:				
External customers	\$ 12,293	\$ 12,249	\$ 35,739	\$ 38,044
Affiliates	25,206	23,121	75,696	67,577
Total revenue	<u>37,499</u>	<u>35,370</u>	<u>111,435</u>	<u>105,621</u>
Costs and expenses:				
Direct operating costs and expenses	(14,838)	(16,915)	(43,935)	(47,889)
Direct general and administrative expenses	(622)	(606)	(2,196)	(2,410)
Allocated general and administrative expenses	(2,578)	(2,510)	(7,734)	(7,530)
Allocated insurance expense	(796)	(725)	(2,388)	(2,175)
Reimbursement of bonus awards	(313)	(309)	(939)	(927)
Depreciation and amortization	(7,006)	(6,541)	(20,832)	(19,346)
Gain on disposition of assets	—	—	—	1
Total costs and expenses	<u>(26,153)</u>	<u>(27,606)</u>	<u>(78,024)</u>	<u>(80,276)</u>
Operating income	11,346	7,764	33,411	25,345
Other income (expenses):				
Interest income	1	1	7	5
Interest expense	(1,189)	(1,350)	(3,699)	(4,068)
Foreign currency transaction gain (loss)	20	(13)	31	17
Unrealized gain (loss) on derivative instruments	341	(553)	727	(819)
Amortization of deferred financing costs	(150)	(150)	(450)	(450)
Total other expenses	<u>(977)</u>	<u>(2,065)</u>	<u>(3,384)</u>	<u>(5,315)</u>
Net earnings	10,369	5,699	30,027	20,030
Less—earnings allocable to general partner interest including incentive distribution rights	(784)	(572)	(2,357)	(1,774)
Net earnings allocable to limited partners	<u>\$ 9,585</u>	<u>\$ 5,127</u>	<u>\$ 27,670</u>	<u>\$ 18,256</u>
Net earnings per limited partner unit—basic	<u>\$ 0.66</u>	<u>\$ 0.41</u>	<u>\$ 1.93</u>	<u>\$ 1.47</u>
Net earnings per limited partner unit—diluted	<u>\$ 0.66</u>	<u>\$ 0.41</u>	<u>\$ 1.93</u>	<u>\$ 1.47</u>
Weighted average limited partner units outstanding—basic	<u>14,446</u>	<u>12,438</u>	<u>14,344</u>	<u>12,439</u>
Weighted average limited partner units outstanding—diluted	<u>14,461</u>	<u>12,443</u>	<u>14,355</u>	<u>12,441</u>

See accompanying notes to consolidated financial statements.

TransMontaigne Partners L.P. and subsidiaries
Consolidated statements of partners' equity and comprehensive income (unaudited)

**Year ended December 31, 2009
and nine months ended September 30, 2010**

(In thousands)

	Common units	Subordinated units	General partner interest	Accumulated other comprehensive loss	Total
Balance December 31, 2008	\$ 249,264	\$ 4,449	\$ 54,450	\$ (584)	\$ 307,579
Distributions to unitholders	(24,514)	(4,900)	(2,467)	—	(31,881)
Deferred equity-based compensation related to restricted phantom units	213	—	—	—	213
Purchase of 6,885 common units by our long-term incentive plan	(153)	—	—	—	(153)
Issuance of 3,000 common units by our long-term incentive plan due to vesting of restricted phantom units	—	—	—	—	—
Conversion of 2,491,699 subordinated units into common units	2,719	(2,719)	—	—	—
Net earnings for year ended December 31, 2009	21,631	3,170	2,451	—	27,252
Foreign currency translation adjustments	—	—	—	115	115
Comprehensive income					27,367
Balance December 31, 2009	249,160	—	54,434	(469)	303,125
Proceeds from offering of 2,012,500 common units, net of underwriters' discounts and offering expenses of \$2,562	50,971	—	—	—	50,971
Contribution of cash by TransMontaigne GP to maintain its 2% general partner interest	—	—	1,093	—	1,093
Distributions to unitholders	(25,873)	—	(2,246)	—	(28,119)
Deferred equity-based compensation related to restricted phantom units	287	—	—	—	287
Purchase of 16,915 common units by our long-term incentive plan and from affiliate	(455)	—	—	—	(455)
Issuance of 14,000 common units by our long-term incentive plan due to vesting of restricted phantom units	—	—	—	—	—
Net earnings for nine months ended September 30, 2010	27,670	—	2,357	—	30,027
Foreign currency translation adjustments	—	—	—	100	100
Comprehensive income					30,127
Balance September 30, 2010	\$ 301,760	\$ —	\$ 55,638	\$ (369)	\$ 357,029

See accompanying notes to consolidated financial statements.

TransMontaigne Partners L.P. and subsidiaries
Consolidated statements of cash flows (unaudited)

(In thousands)

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Cash flows from operating activities:				
Net earnings	\$ 10,369	\$ 5,699	\$ 30,027	\$ 20,030
Adjustments to reconcile net earnings to net cash provided by operating activities:				
Depreciation and amortization	7,006	6,541	20,832	19,346
Gain on disposition of assets	—	—	—	(1)
Deferred equity-based compensation	98	65	287	119
Amortization of deferred financing costs	150	150	450	450
Unrealized (gain) loss on derivative instruments	(341)	553	(727)	819
Amortization of deferred revenue	(986)	(764)	(2,778)	(1,652)
Amounts due under long-term terminaling services agreements, net	292	25	(421)	(839)
Changes in operating assets and liabilities, net of effects from acquisitions:				
Trade accounts receivable, net	(2,034)	226	(728)	1,634
Due to/from TransMontaigne Inc.	146	302	32	929
Due from Morgan Stanley Capital Group	826	6,421	2,118	16,729
Other current assets	(576)	397	945	(216)
Trade accounts payable	(1,120)	(2,541)	(3,472)	634
Accrued liabilities	1,887	748	1,981	51
Net cash provided by operating activities	<u>15,717</u>	<u>17,822</u>	<u>48,546</u>	<u>58,033</u>
Cash flows from investing activities:				
Acquisition of terminal facilities	—	—	(1,633)	—
Additions to property, plant and equipment—expansion of facilities	(3,197)	(3,653)	(12,437)	(25,845)
Additions to property, plant and equipment—maintain existing facilities	(1,841)	(1,303)	(3,992)	(3,580)
Proceeds from sale of assets	—	—	—	1
Other	(716)	—	(710)	(33)
Net cash used in investing activities	<u>(5,754)</u>	<u>(4,956)</u>	<u>(18,772)</u>	<u>(29,457)</u>
Cash flows from financing activities:				
Net proceeds from issuance of common units	—	—	50,971	—
Contribution of cash by TransMontaigne GP	—	—	1,093	—
Net repayments of debt	(2,000)	—	(57,000)	(500)
Distributions paid to unitholders	(9,382)	(7,963)	(28,119)	(23,892)
Purchase of common units by our long-term incentive plan and from affiliate	(331)	(46)	(455)	(104)
Net cash used in financing activities	<u>(11,713)</u>	<u>(8,009)</u>	<u>(33,510)</u>	<u>(24,496)</u>
Increase (decrease) in cash and cash equivalents	<u>(1,750)</u>	<u>4,857</u>	<u>(3,736)</u>	<u>4,080</u>
Foreign currency translation effect on cash	13	(2)	12	(2)
Cash and cash equivalents at beginning of period	4,581	4,018	6,568	4,795
Cash and cash equivalents at end of period	<u>\$ 2,844</u>	<u>\$ 8,873</u>	<u>\$ 2,844</u>	<u>\$ 8,873</u>
Supplemental disclosures of cash flow information:				
Cash paid for interest	<u>\$ 1,288</u>	<u>\$ 1,671</u>	<u>\$ 3,964</u>	<u>\$ 5,269</u>

See accompanying notes to consolidated financial statements.

TransMontaigne Partners L.P. and subsidiaries

Notes to consolidated financial statements (unaudited)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Nature of business

TransMontaigne Partners L.P. ("Partners") was formed in February 2005 as a Delaware master limited partnership initially to own and operate refined petroleum products terminaling and transportation facilities. We conduct our operations primarily in the United States along the Gulf Coast, in the Southeast, in Brownsville, Texas, along the Mississippi and Ohio rivers, and in the Midwest. We provide integrated terminaling, storage, transportation and related services for companies engaged in the distribution and marketing of refined petroleum products, crude oil, chemicals, fertilizers and other liquid products, including TransMontaigne Inc. and Morgan Stanley Capital Group Inc.

We are controlled by our general partner, TransMontaigne GP L.L.C. ("TransMontaigne GP"), which is a wholly-owned subsidiary of TransMontaigne Inc. Effective September 1, 2006, Morgan Stanley Capital Group Inc. ("Morgan Stanley Capital Group"), a wholly-owned subsidiary of Morgan Stanley, purchased all of the issued and outstanding capital stock of TransMontaigne Inc. Morgan Stanley Capital Group is the principal commodities trading arm of Morgan Stanley. As a result of Morgan Stanley's acquisition of TransMontaigne Inc., Morgan Stanley became the indirect owner of our general partner. At September 30, 2010, TransMontaigne Inc. and Morgan Stanley have a significant interest in our partnership through their indirect ownership of a 21.7% limited partner interest, a 2% general partner interest and the incentive distribution rights.

(b) Basis of presentation and use of estimates

Our accounting and financial reporting policies conform to accounting principles and practices generally accepted in the United States of America. The accompanying consolidated financial statements include the accounts of TransMontaigne Partners L.P., a Delaware limited partnership, and its controlled subsidiaries. All significant inter-company accounts and transactions have been eliminated in the preparation of the accompanying consolidated financial statements.

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting periods. The following estimates, in management's opinion, are subjective in nature, require the exercise of judgment, and involve complex analyses: allowance for doubtful accounts, accrued environmental obligations and determining the fair value of our reporting units when performing our annual goodwill impairment analysis. Changes in these estimates and assumptions will occur as a result of the passage of time and the occurrence of future events. Actual results could differ from these estimates.

The accompanying consolidated financial statements include the assets, liabilities and results of operations of certain terminal and pipeline operations prior to their acquisition by us from TransMontaigne Inc. The acquired assets and liabilities have been recorded at TransMontaigne Inc.'s carryover basis. At the closing of our initial public offering on May 27, 2005, we acquired from TransMontaigne Inc. seven Florida terminals, including terminals located in Tampa, Port Manatee, Fisher Island, Port Everglades (North), Port Everglades (South), Cape Canaveral, and Jacksonville; and the Razorback pipeline system, including the terminals located at Mt. Vernon, Missouri and Rogers, Arkansas in exchange for 120,000 common units, 2,872,266 subordinated units, a 2% general partner interest, and a cash payment of approximately \$111.5 million. On January 1, 2006, we acquired from

TransMontaigne Partners L.P. and subsidiaries**Notes to consolidated financial statements (unaudited) (Continued)****(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

TransMontaigne Inc. the Mobile, Alabama terminal in exchange for a cash payment of approximately \$17.9 million. On December 29, 2006, we acquired from TransMontaigne Inc. the Brownsville, Texas terminal, 12 terminals along the Mississippi and Ohio rivers ("River terminals"), and the Baton Rouge, Louisiana dock facility in exchange for a cash payment of approximately \$135.0 million. On December 31, 2007, we acquired from TransMontaigne Inc. twenty-two terminals along the Colonial and Plantation pipelines ("Southeast terminals") in exchange for a cash payment of approximately \$118.6 million. The acquisitions of terminal and pipeline operations from TransMontaigne Inc. have been accounted for as transactions among entities under common control and, accordingly, prior periods include the activity of the acquired terminal and pipeline operations since the date they were purchased by TransMontaigne Inc. for acquisitions made by us prior to September 1, 2006, and since September 1, 2006 (the date of Morgan Stanley Capital Group's acquisition of TransMontaigne Inc.) for acquisitions made by us on or after September 1, 2006.

The accompanying consolidated financial statements include allocated general and administrative charges from TransMontaigne Inc. for indirect corporate overhead to cover costs of functions such as legal, accounting, treasury, engineering, environmental safety, information technology, and other corporate services (see Note 2 of Notes to consolidated financial statements). The allocated general and administrative expenses were approximately \$2.6 million and \$2.5 million for the three months ended September 30, 2010 and 2009, respectively. The allocated general and administrative expenses were approximately \$7.7 million and \$7.5 million for the nine months ended September 30, 2010 and 2009, respectively. The accompanying consolidated financial statements also include allocated insurance charges from TransMontaigne Inc. for insurance premiums to cover costs of insuring activities such as property, casualty, pollution, automobile, directors' and officers' liability, and other insurable risks. The allocated insurance charges were approximately \$0.8 million and \$0.7 million for the three months ended September 30, 2010 and 2009, respectively. The allocated insurance charges were approximately \$2.4 million and \$2.2 million for the nine months ended September 30, 2010 and 2009, respectively. Management believes that the allocated general and administrative charges and insurance charges are representative of the costs and expenses incurred by TransMontaigne Inc. for managing Partners' operations. The accompanying consolidated financial statements also include reimbursement of bonus awards paid to TransMontaigne Services Inc. towards bonus awards granted by TransMontaigne Services Inc. to certain key officers and employees that vest over future periods. The reimbursement of bonus awards was approximately \$0.3 million and \$0.3 million for the three months ended September 30, 2010 and 2009, respectively. The reimbursement of bonus awards was approximately \$0.9 million and \$0.9 million for the nine months ended September 30, 2010 and 2009, respectively.

(c) Accounting for terminal and pipeline operations

In connection with our terminal and pipeline operations, we utilize the accrual method of accounting for revenue and expenses. We generate revenue in our terminal and pipeline operations from terminaling services fees, transportation fees, management fees and cost reimbursements, fees from other ancillary services and gains from the sale of refined products. Terminaling services revenue is recognized ratably over the term of the agreement for any up-front fees, storage fees and minimum revenue commitments that are fixed at the inception of the agreement and when product is delivered to the customer for fees based on a rate per barrel throughput; transportation revenue is recognized when the product has been delivered to the customer at the specified delivery location; management fee revenue and cost reimbursements are recognized as the services are performed or as the costs are

TransMontaigne Partners L.P. and subsidiaries

Notes to consolidated financial statements (unaudited) (Continued)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

incurred; ancillary service revenue is recognized as the services are performed; and gains from the sale of refined products are recognized when the title to the product is transferred.

(d) Cash and cash equivalents

We consider all short-term investments with a remaining maturity of three months or less at the date of purchase to be cash equivalents.

(e) Property, plant and equipment

Depreciation is computed using the straight-line method. Estimated useful lives are 15 to 25 years for plant, which includes buildings, storage tanks, and pipelines, and 3 to 25 years for equipment. All items of property, plant and equipment are carried at cost. Expenditures that increase capacity or extend useful lives are capitalized. Repairs and maintenance are expensed as incurred.

We evaluate long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable based on expected undiscounted cash flows attributable to that asset. If an asset is impaired, the impairment loss to be recognized is the excess of the carrying amount of the asset over its estimated fair value.

(f) Environmental obligations

We accrue for environmental costs that relate to existing conditions caused by past operations when estimable (see Note 9 of Notes to consolidated financial statements). Environmental costs include initial site surveys and environmental studies of potentially contaminated sites, costs for remediation and restoration of sites determined to be contaminated and ongoing monitoring costs, as well as fines, damages and other costs, including direct legal costs. Liabilities for environmental costs at a specific site are initially recorded, on an undiscounted basis, when it is probable that we will be liable for such costs, and a reasonable estimate of the associated costs can be made based on available information. Such an estimate includes our share of the liability for each specific site and the sharing of the amounts related to each site that will not be paid by other potentially responsible parties, based on enacted laws, contracts between us and other potentially responsible parties and adopted regulations and policies. Adjustments to initial estimates are recorded, from time to time, to reflect changing circumstances and estimates based upon additional information developed in subsequent periods. Estimates of our ultimate liabilities associated with environmental costs are difficult to make with certainty due to the number of variables involved, including the early stage of investigation at certain sites, the lengthy time frames required to complete remediation, technology changes, alternatives available and the evolving nature of environmental laws and regulations. We periodically file claims for insurance recoveries of certain environmental remediation costs with our insurance carriers under our comprehensive liability policies (see Note 5 of Notes to consolidated financial statements). We recognize our insurance recoveries as a credit to income in the period that we assess the likelihood of recovery as being probable (i.e., likely to occur).

TransMontaigne Inc. indemnified us through May 27, 2010 against certain potential environmental claims, losses and expenses associated with the operation of the Florida and Midwest terminal facilities and occurring before May 27, 2005, up to a maximum liability not to exceed \$15.0 million for this indemnification obligation (see Note 2 of Notes to consolidated financial statements). TransMontaigne Inc. has agreed to indemnify us through December 31, 2011 against certain potential

TransMontaigne Partners L.P. and subsidiaries**Notes to consolidated financial statements (unaudited) (Continued)****(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

environmental claims, losses and expenses associated with the operation of the Brownsville and River terminals and occurring before December 31, 2006, up to a maximum liability not to exceed \$15.0 million for this indemnification obligation (see Note 2 of Notes to consolidated financial statements). TransMontaigne Inc. has agreed to indemnify us through December 31, 2012 against certain potential environmental claims, losses and expenses associated with the operation of the Southeast terminals and occurring before December 31, 2007, up to a maximum liability not to exceed \$15.0 million for this indemnification obligation (see Note 2 of Notes to consolidated financial statements).

(g) Asset retirement obligations

Asset retirement obligations are legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development or normal use of the asset. Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations" or FASB Accounting Standards Codification ("ASC") 410, "Asset Retirement and Environmental Obligations," requires that the fair value of a liability related to the retirement of long-lived assets be recorded at the time a legal obligation is incurred. Once an asset retirement obligation is identified and a liability is recorded, a corresponding asset is recorded, which is depreciated over the remaining useful life of the asset. After the initial measurement, the liability is adjusted to reflect changes in the asset retirement obligation's fair value. If and when it is determined that a legal obligation has been incurred, the fair value of any liability is determined based on estimates and assumptions related to retirement costs, future inflation rates and interest rates. Our long-lived assets consist of above-ground storage facilities and underground pipelines. We are unable to predict if and when our long-lived assets will become completely obsolete and require dismantlement. Accordingly, we have not recorded an asset retirement obligation, or corresponding asset, because the future dismantlement and removal dates of our long-lived assets, and the amount of any associated costs, are indeterminable. Changes in our assumptions and estimates may occur as a result of the passage of time and the occurrence of future events.

(h) Equity-based compensation plan

We account for our equity-based compensation awards pursuant to the provisions of Statement of Financial Accounting Standards No. 123 (R), "Share-Based Payment" or FASB ASC 718, "Compensation—Stock Compensation." This Statement requires us to measure the cost of services received in exchange for an award of equity instruments based on the grant-date fair value of the award. That cost will be recognized over the period during which a board member or employee is required to provide service in exchange for the award. We are required to estimate the number of equity instruments that are expected to vest in measuring the total compensation cost to be recognized over the related service period. Compensation cost is recognized over the service period on a straight-line basis.

(i) Foreign currency translation and transactions

The functional currency of Partners and its U.S.-based subsidiaries is the U.S. Dollar. The functional currency of our foreign subsidiaries, including Penn Octane de Mexico, S. de R.L. de C.V., Termatsal, S. de R.L. de C.V., and Tergas, S. de R.L. de C.V., is the Mexican Peso. The assets and liabilities of our foreign subsidiaries are translated at period-end rates of exchange, and revenue and

TransMontaigne Partners L.P. and subsidiaries

Notes to consolidated financial statements (unaudited) (Continued)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

expenses are translated at average exchange rates prevailing for the period. The resulting translation adjustments, net of related income taxes, are recorded as a component of other comprehensive income (loss) in partners' equity. Gains and losses from the remeasurement of foreign currency transactions (transactions denominated in a currency other than the entity's functional currency) are included in the consolidated statements of operations in other income (expenses).

(j) Accounting for derivative instruments

We account for our derivative instruments pursuant to the provisions of Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" or FASB ASC 815, "Derivatives and Hedging." This Statement requires us to recognize all derivative instruments at fair value in the consolidated balance sheet as assets or liabilities (see Note 9 of Notes to consolidated financial statements). Changes in the fair value of our derivative instruments are recognized in earnings unless specific hedge accounting criteria are elected and met.

At September 30, 2010 and December 31, 2009, our derivative instruments were limited to an interest rate swap. We have not designated this interest rate swap as a hedge and therefore the change in the fair value of our interest rate swap is included in the consolidated statements of operations in other income (expenses). The fair value of our interest rate swap is determined using a pricing model based on the LIBOR swap rate and other observable market data. The fair value was determined after considering the potential impact of collateralization, adjusted to reflect nonperformance risk of both Wachovia Bank N.A., the counterparty, and us. Our fair value measurement of our interest rate swap utilizes Level 2 inputs as defined by the FASB.

(k) Income taxes

No provision for U.S. federal income taxes has been reflected in the accompanying consolidated financial statements because Partners is treated as a partnership for federal income taxes. As a partnership, all income, gains, losses, expenses, deductions and tax credits generated by Partners flow through to the unitholders of the partnership.

Partners is a taxable entity under certain U.S. state jurisdictions. We are subject to income taxes in the state of Texas. Certain of our Mexican subsidiaries are corporations for Mexican tax purposes and, therefore, are subject to Mexican federal and provincial income taxes.

Partners accounts for U.S. state income taxes and Mexican federal and provincial income taxes under the asset and liability method pursuant to Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" or FASB ASC 740, "Income Taxes." Currently, U.S. state income taxes and Mexican federal and provincial income taxes are not significant.

(l) Net earnings per limited partner unit

Emerging Issues Task Force ("EITF") Issue 07-4, "Application of the Two-Class Method Under FASB Statement No. 128 to Master Limited Partnerships" or FASB ASC 260, "Earnings Per Share," addresses the computation of earnings per limited partnership unit for master limited partnerships that consist of publicly traded common units held by limited partners, a general partner interest, and incentive distribution rights that are accounted for as equity interests. Partners' incentive distribution rights are owned by our general partner. Distributions are declared from available cash (as defined by

TransMontaigne Partners L.P. and subsidiaries**Notes to consolidated financial statements (unaudited) (Continued)****(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

our partnership agreement) and the incentive distribution rights are not entitled to distributions other than from available cash. The consensus states that any excess of distributions over earnings shall be allocated to the limited partners and general partner interest based on their respective sharing of losses specified in the partnership agreement. Partners has allocated the excess of distributions over earnings to the limited partners and general partner interest based on their ownership percentages of 98% and 2%, respectively. Incentive distribution rights do not share in losses under our partnership agreement. The earnings allocable to the general partner interest, including the incentive distribution rights, for the period represents distributions declared after period end on behalf of the general partner interest and incentive distribution rights less the allocated excess of distributions over earnings for the period (see Note 15 of Notes to consolidated financial statements).

Basic earnings per limited partner unit are computed by dividing net earnings allocable to limited partners by the weighted average number of limited partnership units outstanding during the period, excluding restricted phantom units. Diluted earnings per limited partner unit are computed by dividing net earnings allocable to limited partners by the weighted average number of limited partnership units outstanding during the period and, when dilutive, restricted phantom units. Net earnings allocable to limited partners are net of the earnings allocable to the general partner interest including incentive distribution rights.

(2) TRANSACTIONS WITH TRANSMONTAIGNE INC. AND MORGAN STANLEY CAPITAL GROUP

Omnibus Agreement. We have an omnibus agreement with TransMontaigne Inc. that will expire in December 2014, unless extended. Under the omnibus agreement we pay TransMontaigne Inc. an administrative fee for the provision of various general and administrative services for our benefit. Effective January 1, 2010, the annual administrative fee payable to TransMontaigne Inc. is approximately \$10.3 million. If we acquire or construct additional facilities, TransMontaigne Inc. will propose a revised administrative fee covering the provision of services for such additional facilities. If the conflicts committee of our general partner agrees to the revised administrative fee, TransMontaigne Inc. will provide services for the additional facilities pursuant to the agreement. The administrative fee includes expenses incurred by TransMontaigne Inc. to perform centralized corporate functions, such as legal, accounting, treasury, insurance administration and claims processing, health, safety and environmental, information technology, human resources, credit, payroll, taxes and engineering and other corporate services, to the extent such services are not outsourced by TransMontaigne Inc.

The omnibus agreement further provides that we pay TransMontaigne Inc. an insurance reimbursement for premiums on insurance policies covering our facilities and operations. Effective January 1, 2010, the annual insurance reimbursement payable to TransMontaigne Inc. is approximately \$3.2 million. We also reimburse TransMontaigne Inc. for direct operating costs and expenses that TransMontaigne Inc. incurs on our behalf, such as salaries of operational personnel performing services on-site at our terminals and pipelines and the cost of their employee benefits, including 401(k) and health insurance benefits.

We also agreed to reimburse TransMontaigne Inc. and its affiliates for a portion of the incentive payment grants to key employees of TransMontaigne Inc. and its affiliates under the TransMontaigne Services Inc. savings and retention plan, provided the compensation committee of our general partner determines that an adequate portion of the incentive payment grants are allocated to an investment

TransMontaigne Partners L.P. and subsidiaries

Notes to consolidated financial statements (unaudited) (Continued)

(2) TRANSACTIONS WITH TRANSMONTAIGNE INC. AND MORGAN STANLEY CAPITAL GROUP (Continued)

fund indexed to the performance of our common units. For the year ending December 31, 2010, we have agreed to reimburse TransMontaigne Inc. and its affiliates approximately \$1.3 million.

The omnibus agreement provides us with a right of first offer to purchase all of TransMontaigne Inc.'s and its subsidiaries' right, title and interest in the Pensacola, Florida refined petroleum products terminal and any assets acquired in an asset exchange transaction that replace the Pensacola assets. This right of first offer is exercisable through December 2010.

The omnibus agreement also provides TransMontaigne Inc. a right of first refusal to purchase our assets, provided that TransMontaigne Inc. agrees to pay no less than 105% of the purchase price offered by the third party bidder. Before we enter into any contract to sell such terminal or pipeline facilities, we must give written notice of all material terms of such proposed sale to TransMontaigne Inc. TransMontaigne Inc. will then have the sole and exclusive option, for a period of 45 days following receipt of the notice, to purchase the subject facilities for no less than 105% of the purchase price on the terms specified in the notice.

TransMontaigne Inc. also has a right of first refusal to contract for the use of any petroleum product storage capacity that (i) is put into commercial service after January 1, 2008, or (ii) was subject to a terminaling services agreement that expires or is terminated (excluding a contract renewable solely at the option of our customer), provided that TransMontaigne Inc. agrees to pay 105% of the fees offered by the third party customer.

Environmental Indemnification. In connection with our acquisition of the Florida and Midwest terminals, TransMontaigne Inc. indemnified us through May 27, 2010, against certain potential environmental liabilities associated with the operation of the Florida and Midwest terminals that occurred on or prior to May 27, 2005. TransMontaigne Inc.'s maximum liability for this indemnification obligation was \$15.0 million. TransMontaigne Inc. had no obligation to indemnify us for losses until such aggregate losses exceeded \$250,000. TransMontaigne Inc. had no indemnification obligations with respect to environmental claims made as a result of additions to or modifications of environmental laws promulgated after May 27, 2005.

In connection with our acquisition of the Brownsville and River terminals, TransMontaigne Inc. agreed to indemnify us through December 31, 2011, against certain potential environmental liabilities associated with the operation of the Brownsville and River terminals that occurred on or prior to December 31, 2006. Our environmental losses must first exceed \$250,000 and TransMontaigne Inc.'s indemnification obligations are capped at \$15.0 million. The cap amount does not apply to any environmental liabilities known to exist as of December 31, 2006. TransMontaigne Inc. has no indemnification obligations with respect to environmental claims made as a result of additions to or modifications of environmental laws promulgated after December 31, 2006.

In connection with our acquisition of the Southeast terminals, TransMontaigne Inc. agreed to indemnify us through December 31, 2012, against certain potential environmental liabilities associated with the operation of the Southeast terminals that occurred on or prior to December 31, 2007. Our environmental losses must first exceed \$250,000 and TransMontaigne Inc.'s indemnification obligations are capped at \$15.0 million. The cap amount does not apply to any environmental liabilities known to exist as of December 31, 2007. TransMontaigne Inc. has no indemnification obligations with respect to environmental claims made as a result of additions to or modifications of environmental laws promulgated after December 31, 2007.

TransMontaigne Partners L.P. and subsidiaries

Notes to consolidated financial statements (unaudited) (Continued)

(2) TRANSACTIONS WITH TRANSMONTAIGNE INC. AND MORGAN STANLEY CAPITAL GROUP (Continued)

Terminaling Services Agreement—Florida Terminals and Razorback Pipeline System. We have a terminaling and transportation services agreement with Morgan Stanley Capital Group relating to our Florida, Mt. Vernon, Missouri and Rogers, Arkansas terminals. Effective June 1, 2008, we amended the terminaling services agreement to include renewable fuels blending functionality at the Florida Terminals. The initial term expires on May 31, 2014 for the Florida terminals and on May 31, 2012 for the Razorback pipeline system. After the initial term, the terminaling services agreement will automatically renew for subsequent one-year periods, subject to either party's right to terminate with six months' notice prior to the end of the initial term or the then current renewal term. Under this agreement, Morgan Stanley Capital Group agreed to throughput a volume of refined product that will, at the fee and tariff schedule contained in the agreement, result in minimum throughput payments to us of approximately \$36.3 million for the contract year ending May 31, 2010 (approximately \$36.6 million for the contract year ending May 31, 2011); with stipulated annual increases in throughput payments each contract year thereafter. Morgan Stanley Capital Group's minimum annual throughput payment is reduced proportionately for any decrease in storage capacity due to out-of-service tank capacity.

If a force majeure event occurs that renders performance impossible with respect to an asset for at least 30 consecutive days, Morgan Stanley Capital Group's obligations would be temporarily suspended with respect to that asset. If a force majeure event continues for 30 consecutive days or more and results in a diminution in the storage capacity we make available to Morgan Stanley Capital Group, Morgan Stanley Capital Group's minimum revenue commitment would be reduced proportionately for the duration of the force majeure event.

Morgan Stanley Capital Group may not assign the terminaling services agreement without our consent. Upon termination of the agreement, Morgan Stanley Capital Group has a right of first refusal to enter into a new terminaling services agreement with us, provided they pay no less than 105% of the fees offered by any third party.

Terminal Revenue Support Agreement—Oklahoma City Terminal. We have a terminal revenue support agreement with TransMontaigne Inc. that provides that in the event any current third-party terminaling agreement should expire, TransMontaigne Inc. agrees to enter into a terminaling services agreement that will expire no earlier than November 1, 2012. The terminaling services agreement will provide that TransMontaigne Inc. agrees to throughput such volume of refined product as may be required to guarantee minimum revenue of approximately \$0.8 million per year. If TransMontaigne Inc. fails to meet its minimum revenue commitment in any year, it must pay us the amount of any shortfall within 15 business days following receipt of an invoice from us. In exchange for TransMontaigne Inc.'s minimum revenue commitment, we will agree to provide TransMontaigne Inc. approximately 153,000 barrels of light oil storage capacity at our Oklahoma City terminal. TransMontaigne Inc.'s minimum revenue commitment currently is not in effect because a major oil company is under contract through March 31, 2011, for the utilization of the light oil storage capacity at the terminal.

Terminaling Services Agreement—Mobile Terminal. We have a terminaling services agreement with TransMontaigne Inc. that will expire on December 31, 2012. Under this agreement, TransMontaigne Inc. agreed to throughput at our Mobile terminal a volume of refined products that will, at the fee schedule contained in the agreement, result in minimum revenue to us of approximately \$2.5 million for the contract year ending December 31, 2010.

TransMontaigne Partners L.P. and subsidiaries

Notes to consolidated financial statements (unaudited) (Continued)

(2) TRANSACTIONS WITH TRANSMONTAIGNE INC. AND MORGAN STANLEY CAPITAL GROUP (Continued)

Terminaling Services Agreement—Brownsville Terminals. We had a terminaling services agreement with Morgan Stanley Capital Group, relating to our Brownsville, Texas terminal complex that was terminated effective May 1, 2010. Under this agreement, Morgan Stanley Capital Group agreed to store a specified minimum amount of fuel oils at our terminals that will result in minimum revenue to us of approximately \$2.2 million per year. In exchange for its minimum revenue commitment, we agreed to provide Morgan Stanley Capital Group a minimum amount of storage capacity for such fuel oils. Effective November 1, 2009, we amended the terminaling services agreement with Morgan Stanley Capital Group to reduce Morgan Stanley Capital Group's minimum revenue commitment to approximately \$1.3 million per year in exchange for Morgan Stanley Capital Group returning approximately 200,000 barrels of storage capacity. The storage capacity under this agreement is now under contract with third parties.

Terminaling Services Agreement—Brownsville LPG. We have a terminaling services agreement with TransMontaigne Inc. relating to our Brownsville, Texas facilities that expires on March 31, 2011. In the event that TransMontaigne Inc.'s underlying customer terminates its agreement with TransMontaigne Inc. prior to March 31, 2011, TransMontaigne Inc. has the right to terminate the terminaling services agreement prior to the end of the initial term by providing us at least 180 days' prior written notice, provided TransMontaigne Inc. shall pay us an early termination payment based on the remaining term of the agreement, not to exceed \$0.2 million. Either party may terminate the agreement at the end of the initial term without an early termination payment by providing at least 30 days' prior written notice to the other party. After the initial term, the terminaling services agreement will automatically renew for subsequent one-month periods, subject to either party's right to terminate with thirty days' notice prior to the end of the then current renewal term. Under this agreement, TransMontaigne Inc. agreed to throughput at our Brownsville facilities certain minimum volumes of natural gas liquids that will result in minimum revenue to us of approximately \$1.3 million per year. In exchange for TransMontaigne Inc.'s minimum throughput commitment, we agreed to provide TransMontaigne Inc. approximately 33,000 barrels of storage capacity at our Brownsville facilities.

Terminaling Services Agreement—Matamoros LPG. We have a terminaling services agreement with TransMontaigne Inc. relating to our natural gas liquids storage facility in Matamoros, Mexico that expires on March 31, 2011. In the event that the Brownsville LPG agreement between us and TransMontaigne Inc. terminates, this terminaling services agreement will also terminate. Under this agreement, TransMontaigne Inc. agreed to throughput a volume of natural gas liquids that will, at the fee schedule contained in the agreement, result in minimum throughput payments to us of approximately \$0.6 million per year. In exchange for TransMontaigne Inc.'s minimum throughput payments, we agreed to provide TransMontaigne Inc. approximately 7,000 barrels of natural gas liquids storage capacity.

Terminaling Services Agreement—Brownsville and River Terminals. We have a terminaling services agreement with TransMontaigne Inc. relating to certain renewable fuels capacity at our Brownsville and River terminals that will expire on May 31, 2012. Under this agreement, TransMontaigne Inc. agreed to throughput at these terminals certain minimum volumes of renewable fuels that will, at the fee schedule contained in the agreement, result in minimum revenue to us of approximately \$0.6 million

TransMontaigne Partners L.P. and subsidiaries

Notes to consolidated financial statements (unaudited) (Continued)

(2) TRANSACTIONS WITH TRANSMONTAIGNE INC. AND MORGAN STANLEY CAPITAL GROUP (Continued)

per year. In exchange for TransMontaigne Inc.'s minimum throughput commitment, we agreed to provide TransMontaigne Inc. approximately 116,000 barrels of storage capacity at these terminals.

Terminaling Services Agreement—Southeast Terminals. We have a terminaling services agreement with Morgan Stanley Capital Group relating to our Southeast terminals. The terminaling services agreement commenced on January 1, 2008 and has a seven-year term expiring on December 31, 2014, subject to a seven-year renewal option at the election of Morgan Stanley Capital Group. Under this agreement, Morgan Stanley Capital Group agreed to throughput a volume of refined product at our Southeast terminals that will, at the fee schedule contained in the agreement, result in minimum throughput payments to us of approximately \$33.7 million for the contract year ending December 31, 2010; with stipulated annual increases in throughput payments each contract year thereafter. Morgan Stanley Capital Group's minimum annual throughput payment is reduced proportionately for any decrease in storage capacity due to out-of-service tank capacity. In exchange for its minimum throughput commitment, we agreed to provide Morgan Stanley Capital Group approximately 8.8 million barrels of light oil storage capacity at our Southeast terminals. Under this agreement, we also agreed to undertake certain capital projects to provide renewable fuels blending functionality at certain of our Southeast terminals with estimated completion dates that extend through June 30, 2011. Upon completion of each of the projects, Morgan Stanley Capital Group has agreed to pay us an ethanol blending fee. Through September 30, 2010, we had received payments totaling approximately \$20.3 million and we expect to receive future payments through June 30, 2011 from Morgan Stanley Capital Group in the range of \$1 million to \$4 million.

If a force majeure event occurs that renders performance impossible with respect to an asset for at least 30 consecutive days, Morgan Stanley Capital Group's obligations would be temporarily suspended with respect to that asset. If a force majeure event continues for 30 consecutive days or more and results in a diminution in the storage capacity we make available to Morgan Stanley Capital Group, Morgan Stanley Capital Group's minimum revenue commitment would be reduced proportionately for the duration of the force majeure event.

Morgan Stanley Capital Group may not assign the terminaling services agreement without our consent.

Terminaling Services Agreement—Collins Terminal. In January 2010, we entered into a terminaling services agreement with Morgan Stanley Capital Group relating to our Collins, Mississippi facility that will expire seven years following the in-service date of certain tank capacity and other improvements to be constructed by us, subject to one-year automatic renewals unless terminated by either party upon 180 days notice prior to the end of the then-current renewal term. Under this agreement, Morgan Stanley Capital Group agreed to throughput a volume of light oil products at our terminal that will, at the fee schedule contained in the agreement, result in minimum throughput payments to us of approximately \$4.1 million for the one-year period following the in-service date and for each contract year thereafter. In exchange for its minimum revenue commitment, we agreed to undertake certain capital projects to provide an additional 700,000 barrels of light oil capacity and other improvements at the Collins terminal, with estimated completion to occur on or before August 1, 2011.

If a force majeure event occurs that renders performance impossible with respect to an asset for at least 30 consecutive days, Morgan Stanley Capital Group's obligations would be temporarily suspended

TransMontaigne Partners L.P. and subsidiaries**Notes to consolidated financial statements (unaudited) (Continued)****(2) TRANSACTIONS WITH TRANSMONTAIGNE INC. AND MORGAN STANLEY CAPITAL GROUP (Continued)**

with respect to that asset. If a force majeure event continues for 30 consecutive days or more and results in a diminution in the storage capacity we make available to Morgan Stanley Capital Group, Morgan Stanley Capital Group's minimum revenue commitment would be reduced proportionately for the duration of the force majeure event.

Neither party may transfer or assign this agreement without the consent of the other party unless such assignment is to an affiliate or, in the case of Partners, a successor in interest to us or to the Collins terminal.

(3) ACQUISITIONS

Collins and Bainbridge Terminals. On April 27, 2010, we purchased from BP Products North America Inc. ("BP"), two refined product terminals with approximately 60,000 barrels and 110,000 barrels of aggregate active storage capacity in Collins, Mississippi and Bainbridge, Georgia, respectively, for cash consideration of approximately \$1.6 million. We previously managed and operated these two refined product terminals that are adjacent to our Southeast facilities and received a reimbursement of their proportionate share of operating and maintenance costs. These two refined product terminals currently provide integrated terminaling services to Morgan Stanley Capital Group. The accompanying consolidated financial statements include the assets, liabilities and results of operations of these assets from April 27, 2010.

The purchase price was allocated to the assets and liabilities acquired based upon the estimated fair value of the assets and liabilities as of the acquisition date. The purchase price was allocated as follows (in thousands):

	Collins and Bainbridge Terminals
Other current assets	\$ 33
Property, plant and equipment	2,125
Other accrued liabilities	(525)
Cash paid	<u>\$ 1,633</u>

Other accrued liabilities include assumed environmental obligations of approximately \$0.5 million.

(4) CONCENTRATION OF CREDIT RISK AND TRADE ACCOUNTS RECEIVABLE

Our primary market areas are located in the United States along the Gulf Coast, in the Southeast, in Brownsville, Texas, along the Mississippi and Ohio Rivers, and in the Midwest. We have a concentration of trade receivable balances due from companies engaged in the trading, distribution and marketing of refined products, crude oil, chemicals, fertilizers and other liquid products, and the United States government. These concentrations of customers may affect our overall credit risk in that the customers may be similarly affected by changes in economic, regulatory or other factors. Our customers' historical financial and operating information is analyzed prior to extending credit. We manage our exposure to credit risk through credit analysis, credit approvals, credit limits and

TransMontaigne Partners L.P. and subsidiaries

Notes to consolidated financial statements (unaudited) (Continued)

(4) CONCENTRATION OF CREDIT RISK AND TRADE ACCOUNTS RECEIVABLE (Continued)

monitoring procedures, and for certain transactions we may request letters of credit, prepayments or guarantees. We maintain allowances for potentially uncollectible accounts receivable.

Trade accounts receivable, net consists of the following (in thousands):

	September 30, 2010	December 31, 2009
Trade accounts receivable	\$ 7,355	\$ 6,711
Less allowance for doubtful accounts	(310)	(394)
	<u>\$ 7,045</u>	<u>\$ 6,317</u>

The following customers accounted for at least 10% of our consolidated revenue in at least one of the periods presented or represent affiliated revenue in the accompanying consolidated statements of operations:

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Morgan Stanley Capital Group	61%	59%	61%	57%
TransMontaigne Inc	6%	6%	7%	7%

(5) OTHER CURRENT ASSETS

Other current assets are as follows (in thousands):

	September 30, 2010	December 31, 2009
Amounts due from insurance companies	\$ 3,940	\$ 4,375
Additive detergent	1,880	1,743
Deposits and other assets	984	1,588
	<u>\$ 6,804</u>	<u>\$ 7,706</u>

Amounts due from insurance companies. We periodically file claims for recovery of environmental remediation costs with our insurance carriers under our comprehensive liability policies. We recognize our insurance recoveries in the period that we assess the likelihood of recovery as being probable (i.e., likely to occur). At September 30, 2010 and December 31, 2009, we have recognized amounts due from insurance companies of approximately \$3.9 million and \$4.4 million, respectively, representing our best estimate of our probable insurance recoveries. During the three and nine months ended September 30, 2010, we received reimbursements from insurance companies of approximately \$0.3 million and \$2.5 million, respectively. During the three and nine months ended September 30, 2010, we increased our estimate of insurance recoveries approximately \$0.5 million and \$2.0 million, respectively, as we assessed the likelihood of recovery was probable related to certain increases in our estimate of environmental remediation obligations (see Note 9 of Notes to consolidated financial statements).

TransMontaigne Partners L.P. and subsidiaries**Notes to consolidated financial statements (unaudited) (Continued)****(6) PROPERTY, PLANT AND EQUIPMENT, NET**

Property, plant and equipment, net is as follows (in thousands):

	September 30, 2010	December 31, 2009
Land	\$ 52,551	\$ 52,360
Terminals, pipelines and equipment	521,378	505,055
Furniture, fixtures and equipment	1,305	1,556
Construction in progress	11,660	12,278
	<u>586,894</u>	<u>571,249</u>
Less accumulated depreciation	(129,626)	(111,651)
	<u>\$ 457,268</u>	<u>\$ 459,598</u>

(7) GOODWILL

Goodwill is as follows (in thousands):

	September 30, 2010	December 31, 2009
Brownsville terminals (includes approximately \$42 and \$55, respectively, of foreign currency translation adjustments)	\$ 16,230	\$ 16,217
River terminals	8,465	8,465
	<u>\$ 24,695</u>	<u>\$ 24,682</u>

The acquisition of the Brownsville and River terminals from TransMontaigne Inc. has been recorded at TransMontaigne Inc.'s carryover basis in a manner similar to a reorganization of entities under common control. TransMontaigne Inc.'s carryover basis in the Brownsville and River terminals is derived from the application of pushdown accounting associated with Morgan Stanley Capital Group's acquisition of TransMontaigne Inc. on September 1, 2006. Goodwill represents the excess of Morgan Stanley Capital Group's aggregate purchase price over the fair value of the identifiable assets acquired attributable to the Brownsville and River terminals.

Included in the Brownsville terminals' operating segment is the results of the Mexican LPG operations. The adjusted purchase price for the acquisition of the Mexican LPG operations from Rio Vista Energy Partners L.P. was allocated to the identifiable assets and liabilities acquired based upon the estimated fair value of the assets and liabilities as of the acquisition date. Goodwill of approximately \$1.5 million was recorded and represents the excess of our adjusted purchase price over the fair value of the identifiable assets acquired attributable to the Mexican LPG operations.

Goodwill is required to be tested for impairment annually unless events or changes in circumstances indicate it is more likely than not that an impairment loss has been incurred at an interim date. Our annual test for the impairment of goodwill is performed as of December 31. The impairment test is performed at the reporting unit level. Our reporting units are our operating segments (see Note 17 of Notes to consolidated financial statements). If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not considered to be impaired. Management exercises judgment in determining the estimated fair values of Partners' reporting units.

TransMontaigne Partners L.P. and subsidiaries

Notes to consolidated financial statements (unaudited) (Continued)

(7) GOODWILL (Continued)

At December 31, 2009, the fair value of our reporting units with goodwill exceeded their carrying amount. Accordingly, we did not recognize any goodwill impairment charges during the year ended December 31, 2009. A significant decline in the price of our common units with a resulting increase in our weighted average cost of capital, a loss of a significant customer, an inability to subscribe available capacity, or an unforeseen increase in the costs to operate and maintain our terminals and pipelines, may result in the recognition of an impairment charge in the future. Certain of our River terminals have available capacity, which has resulted in a decline in revenue and net margins. While we continue to market available capacity at certain of our River terminals, if we are unable to subscribe the available capacity in the future, we may conclude the River terminals' goodwill is impaired and recognize an impairment charge up to approximately \$8.5 million.

(8) OTHER ASSETS, NET

Other assets, net are as follows (in thousands):

	September 30, 2010	December 31, 2009
Amounts due under long-term terminaling services agreements:		
External customers	\$ 813	\$ 1,021
Affiliates	3,939	3,433
	<u>4,752</u>	<u>4,454</u>
Deferred financing costs, net of accumulated amortization of \$2,883 and \$2,434, respectively	747	1,196
Customer relationships, net of accumulated amortization of \$1,259 and \$1,028, respectively	2,440	2,671
Deposits and other assets	905	195
	<u>\$ 8,844</u>	<u>\$ 8,516</u>

Amounts due under long-term terminaling services agreements. We have long-term terminaling services agreements with certain of our customers that provide for minimum payments that increase over the terms of the respective agreements. We recognize as revenue the minimum payments under the long-term terminaling services agreements on a straight-line basis over the term of the respective agreements. At September 30, 2010 and December 31, 2009, we have recognized revenue in excess of the minimum payments that are due through those respective dates under the long-term terminaling services agreements resulting in an asset of approximately \$4.8 million and \$4.5 million, respectively.

Deferred financing costs. Deferred financing costs are amortized using the effective interest method over the term of the related credit facility (see Note 11 of Notes to consolidated financial statements).

Customer relationships. Our acquisitions from TransMontaigne Inc. have been recorded at TransMontaigne Inc.'s carryover basis in a manner similar to a reorganization of entities under common control. Other assets, net include the carryover basis of certain customer relationships at our Brownsville and River terminals. The carryover basis of the customer relationships is being amortized on a straight-line basis over twelve years.

TransMontaigne Partners L.P. and subsidiaries**Notes to consolidated financial statements (unaudited) (Continued)****(9) ACCRUED LIABILITIES**

Accrued liabilities are as follows (in thousands):

	September 30, 2010	December 31, 2009
Customer advances and deposits:		
External customers	\$ 970	\$ 942
Morgan Stanley Capital Group	5,951	5,924
	6,921	6,866
Accrued property taxes	3,169	539
Accrued environmental obligations	5,164	5,582
Interest payable	185	254
Rebate due to Morgan Stanley Capital Group	1,728	465
Unrealized loss on derivative instrument	1,963	2,690
Accrued expenses and other	1,893	2,839
	<u>\$ 21,023</u>	<u>\$ 19,235</u>

Customer advances and deposits. We bill certain of our customers one month in advance for terminaling services to be provided in the following month. At September 30, 2010 and December 31, 2009, we have billed and collected from certain of our customers approximately \$6.9 million and \$6.9 million, respectively, in advance of the terminaling services being provided.

Accrued environmental obligations. At September 30, 2010 and December 31, 2009, we have accrued environmental obligations of approximately \$5.2 million and \$5.6 million, respectively, representing our best estimate of our remediation obligations. During the three and nine months ended September 30, 2010, we made payments of approximately \$0.7 million and \$3.3 million, respectively, towards our environmental remediation obligations. During the three and nine months ended September 30, 2010, we increased our remediation obligations by approximately \$0.6 million and \$2.9 million, respectively, to reflect a change in our estimate of our future environmental remediation costs. Changes in our estimates of our future environmental remediation obligations may occur as a result of the passage of time and the occurrence of future events.

Rebate due to Morgan Stanley Capital Group. Pursuant to our terminaling services agreement related to the Southeast terminals, we agreed to rebate to Morgan Stanley Capital Group 50% of the proceeds we receive annually in excess of \$4.2 million from the sale of product gains at our Southeast terminals. At September 30, 2010 and December 31, 2009, we have accrued a liability due to Morgan Stanley Capital Group of approximately \$1.7 million and \$0.5 million, respectively. During the three months ended March 31, 2010, we paid Morgan Stanley Capital Group approximately \$0.5 million for the rebate due to Morgan Stanley Capital Group for the year ended December 31, 2009.

Unrealized loss on derivative instrument. Our derivative instrument is limited to an interest rate swap. We manage our interest rate risk with an interest rate swap, which reduces our cash exposure to changes in interest rates by converting variable interest rates to fixed interest rates. At September 30, 2010, we have an interest rate swap agreement with a notional amount of \$150.0 million that expires June 2011. Pursuant to the terms of the interest rate swap agreement, we pay a fixed rate of approximately 2.2% and receive an interest payment based on the one-month LIBOR. The net

TransMontaigne Partners L.P. and subsidiaries**Notes to consolidated financial statements (unaudited) (Continued)****(9) ACCRUED LIABILITIES (Continued)**

difference to be paid or received under the interest rate swap agreement is settled monthly and is recognized as an adjustment to interest expense. During the three months ended September 30, 2010 and 2009, we recognized net payments to the counterparty in the amount of approximately \$0.7 million and \$0.7 million, respectively, as an adjustment to interest expense. During the nine months ended September 30, 2010 and 2009, we recognized net payments to the counterparty in the amount of approximately \$2.1 million and \$1.9 million, respectively, as an adjustment to interest expense. Our obligations under the interest rate swap agreement are secured by a first priority security interest in our assets, including cash, accounts receivable, inventory, general intangibles, investment property, contract rights and real property (see Note 11 of Notes to consolidated financial statements). At September 30, 2010 and December 31, 2009, the fair value of the interest rate swap was approximately \$2.0 million and \$2.7 million, respectively.

(10) OTHER LIABILITIES

Other liabilities are as follows (in thousands):

	September 30, 2010	December 31, 2009
Deferred revenue—ethanol blending fees and other projects	\$ 16,318	\$ 15,745
Advance payments received under long-term terminaling services agreements—Morgan Stanley Capital Group	1,132	1,255
	<u>\$ 17,450</u>	<u>\$ 17,000</u>

Deferred revenue—ethanol blending fees and other projects. Pursuant to agreements with Morgan Stanley Capital Group, we agreed to undertake certain capital projects to provide renewable fuels blending functionality at certain of our Southeast terminals and other projects. Upon completion of the projects, Morgan Stanley Capital Group has agreed to pay us amounts that will be recognized as revenue on a straight-line basis over the remaining term of the agreements. At September 30, 2010 and December 31, 2009, we have unamortized deferred revenue of approximately \$16.3 million and \$15.7 million, respectively, for completed projects. During the three and nine months ended September 30, 2010, we billed Morgan Stanley Capital Group approximately \$nil and \$3.4 million, respectively, for completed projects. During the three months ended September 30, 2010 and 2009, we recognized revenue on a straight-line basis of approximately \$1.0 million and \$0.8 million, respectively, for completed projects. During the nine months ended September 30, 2010 and 2009, we recognized revenue on a straight-line basis of approximately \$2.8 million and \$1.7 million, respectively, for completed projects.

Advance payments received under long-term terminaling services agreements—Morgan Stanley Capital Group. We have long-term terminaling services agreements with Morgan Stanley Capital Group that provide for advance minimum payments. We recognize the advance minimum payments as revenue on a straight-line basis over the term of the respective agreements. At September 30, 2010 and December 31, 2009, we have received advance minimum payments in excess of revenue recognized under these long-term terminaling services agreements resulting in a liability of approximately \$1.1 million and \$1.3 million, respectively.

TransMontaigne Partners L.P. and subsidiaries

Notes to consolidated financial statements (unaudited) (Continued)

(11) LONG-TERM DEBT

Senior Secured Credit Facility. At September 30, 2010 and December 31, 2009, our outstanding borrowings under the senior secured credit facility were approximately \$108.0 million and \$165.0 million, respectively. At September 30, 2010 and December 31, 2009, our outstanding letters of credit were approximately \$nil at both dates.

The senior secured credit facility provides for a maximum borrowing line of credit equal to the lesser of (i) \$200 million or (ii) four times Consolidated EBITDA (as defined: \$280.6 million at September 30, 2010). In addition, at our request, the revolving loan commitment can be increased up to an additional \$100 million, in the aggregate, without the approval of the lenders, but subject to the approval of the administrative agent and the receipt of additional commitments from one or more lenders. We may elect to have loans under the senior secured credit facility bear interest either (i) at a rate of LIBOR plus a margin ranging from 1.5% to 2.5% depending on the total leverage ratio then in effect, or (ii) at a base rate (the greater of (a) the federal funds rate plus 0.5% or (b) the prime rate) plus a margin ranging from 0.5% to 1.5% depending on the total leverage ratio then in effect. We also pay a commitment fee ranging from 0.3% to 0.5% per annum, depending on the total leverage ratio then in effect, on the total amount of unused commitments. For the three months ended September 30, 2010 and 2009, the weighted average interest rate on borrowings under our senior secured credit facility was approximately 4.3% and 3.6%, respectively. For the nine months ended September 30, 2010 and 2009, the weighted average interest rate on borrowings under our senior secured credit facility was approximately 4.2% and 3.7%, respectively. Our obligations under the senior secured credit facility are secured by a first priority security interest in favor of the lenders in our assets, including cash, accounts receivable, inventory, general intangibles, investment property, contract rights and real property. The terms of the senior secured credit facility include covenants that restrict our ability to make cash distributions and acquisitions. The principal balance of loans and any accrued and unpaid interest will be due and payable in full on the maturity date, December 22, 2011.

The senior secured credit facility also contains customary representations and warranties (including those relating to organization and authorization, compliance with laws, absence of defaults, material agreements and litigation) and customary events of default (including those relating to monetary defaults, covenant defaults, cross defaults and bankruptcy events). The primary financial covenants contained in the senior secured credit facility are (i) a total leverage ratio test (not to exceed 4.5 times), (ii) a senior secured leverage ratio test (not to exceed 4.0 times), and (iii) a minimum interest coverage ratio test (not less than 2.75 times). We were in compliance with all of the covenants under our senior secured credit facility as of September 30, 2010.

TransMontaigne Partners L.P. and subsidiaries**Notes to consolidated financial statements (unaudited) (Continued)****(12) PARTNERS' EQUITY**

The number of units outstanding is as follows:

	Common units	Subordinated units	General partner units
Units outstanding at December 31, 2008	9,952,867	2,491,699	253,971
Conversion of subordinated units to common units	2,491,699	(2,491,699)	—
Units outstanding at December 31, 2009	12,444,566	—	253,971
Public offering of common units	2,012,500	—	—
TransMontaigne GP to maintain its 2% general partner interest	—	—	41,071
Units outstanding at September 30, 2010	<u>14,457,066</u>	<u>—</u>	<u>295,042</u>

At September 30, 2010 and December 31, 2009, common units outstanding include approximately 12,100 and 9,200 common units, respectively, held on behalf of TransMontaigne Services Inc.'s long-term incentive plan.

Prior to the expiration of the subordination period or the earlier conversion of the subordinated units following satisfaction of the financial tests set forth in the partnership agreement, the common units were entitled to receive distributions from operating surplus of \$0.40 per unit per quarter, which we refer to as the minimum quarterly distribution, or \$1.60 per unit per year, plus any arrearages in the payment of the minimum quarterly distribution from prior quarters, before any such distributions are paid on our subordinated units. On November 13, 2008, May 7, 2009 and November 13, 2009, approximately 0.8 million, 0.8 million and 1.7 million subordinated units, respectively, converted into an equal number of common units.

On January 15, 2010, we issued, pursuant to an underwritten public offering, 1,750,000 common units representing limited partner interests at a public offering price of \$26.60 per common unit. On January 15, 2010, the underwriters of our secondary offering exercised in full their over-allotment option to purchase an additional 262,500 common units representing limited partnership interests at a price of \$26.60 per common unit. The net proceeds from the offering were approximately \$51.0 million, after deducting underwriting discounts, commissions, and offering expenses of approximately \$0.3 million. Additionally, TransMontaigne GP made a cash contribution of approximately \$1.1 million to us to maintain its 2% general partner interest.

(13) LONG-TERM INCENTIVE PLAN

TransMontaigne GP is our general partner and manages our operations and activities. TransMontaigne GP is an indirect wholly owned subsidiary of TransMontaigne Inc. TransMontaigne Services Inc. is an indirect wholly owned subsidiary of TransMontaigne Inc. TransMontaigne Services Inc. employs the personnel who provide support to TransMontaigne Inc.'s operations, as well as our operations. TransMontaigne Services Inc. adopted a long-term incentive plan for its employees and consultants and the independent directors of our general partner. The long-term incentive plan currently permits the grant of awards covering an aggregate of 1,238,463 units, which amount will automatically increase on an annual basis by 2% of the total outstanding common and subordinated units, if any, at the end of the preceding fiscal year. At September 30, 2010, 1,008,523 units are available for future grant under the long-term incentive plan. Ownership in the awards is subject to forfeiture until the vesting date, but recipients have distribution and voting rights from the date of

TransMontaigne Partners L.P. and subsidiaries**Notes to consolidated financial statements (unaudited) (Continued)****(13) LONG-TERM INCENTIVE PLAN (Continued)**

grant. Pursuant to the terms of the long-term incentive plan, all restricted phantom units and restricted common units vest upon a change in control of TransMontaigne Inc. The long-term incentive plan is administered by the compensation committee of the board of directors of our general partner. On May 7, 2007, we announced a program for the purchase of outstanding common units on the open market for purposes of making subsequent grants of restricted phantom units to independent directors of our general partner. TransMontaigne GP, on behalf of the long-term incentive plan, anticipates purchasing annually up to 10,000 common units for this purpose. TransMontaigne GP, on behalf of the long-term incentive plan, has purchased 6,915 and 5,010 common units pursuant to the program during the nine months ended September 30, 2010 and 2009, respectively. In addition to the foregoing purchases, on August 10, 2010, we purchased 10,000 common units from TransMontaigne Services Inc. for the purpose of delivering these units to Charles L. Dunlap, the CEO of our general partner, upon the vesting of an equivalent number of restricted phantom units, which were granted to Mr. Dunlap on August 10, 2009 under the Long-Term Incentive Plan.

Information about restricted phantom unit activity for the year ended December 31, 2009 and the nine months ended September 30, 2010 is as follows:

	Available for future grant	Restricted phantom units	Grant date price
Units outstanding at December 31, 2008	564,741	11,000	
Automatic increase in units available for future grant on January 1, 2009	248,891	—	
Grant on March 31, 2009	(8,000)	8,000	\$ 16.77
Vesting on March 31, 2009	—	(3,000)	
Grant on August 10, 2009	(40,000)	40,000	\$ 24.90
Units outstanding at December 31, 2009	765,632	56,000	
Automatic increase in units available for future grant on January 1, 2010	248,891	—	
Vesting on January 7, 2010	—	(3,500)	
Grant on March 31, 2010	(6,000)	6,000	\$ 27.24
Vesting on March 31, 2010	—	(4,000)	
Vesting on August 10, 2010	—	(10,000)	
Units outstanding at September 30, 2010	<u>1,008,523</u>	<u>44,500</u>	

On January 7, 2010, we accelerated the vesting of 3,500 restricted phantom units held by Duke R. Ligon as a result of his resignation as a member of the board of directors of our general partner and then repurchased those units for cash. The aggregate consideration paid to the former director of approximately \$98,000 is included in direct general and administrative expenses for the three months ended March 31, 2010.

On March 31, 2010, TransMontaigne Services Inc. granted 6,000 restricted phantom units to the independent directors of our general partner. Effective August 10, 2009, Charles L. Dunlap was appointed to serve as Chief Executive Officer ("CEO") of our general partner and President and CEO of TransMontaigne Inc. In connection with his appointments, on August 10, 2009, TransMontaigne Services Inc. granted Mr. Dunlap 40,000 restricted phantom units under the long-term incentive plan.

TransMontaigne Partners L.P. and subsidiaries**Notes to consolidated financial statements (unaudited) (Continued)****(13) LONG-TERM INCENTIVE PLAN (Continued)**

In accordance with the long-term incentive plan, because Mr. Dunlap continues to provide services to our general partner as an employee, the restricted phantom units previously granted to Mr. Dunlap for his services as an independent member of the board of directors of our general partner remain in effect and continue to vest in accordance with the four-year vesting schedule for our independent directors. On March 31, 2009, TransMontaigne Services Inc. granted 8,000 restricted phantom units to the independent directors of our general partner. Over their respective four-year vesting periods, we will amortize deferred equity-based compensation of approximately \$0.2 million, \$1.0 million and \$0.1 million, associated with the March 2010, August 2009 and March 2009 grants, respectively.

Deferred equity-based compensation of approximately \$98,000 and \$65,000 is included in direct general and administrative expenses for the three months ended September 30, 2010 and 2009, respectively. Deferred equity-based compensation of approximately \$287,000 and \$119,000 is included in direct general and administrative expenses for the nine months ended September 30, 2010 and 2009, respectively.

(14) COMMITMENTS AND CONTINGENCIES

Contract Commitments. At September 30, 2010, we have contractual commitments of approximately \$15.3 million for the purchase of services, labor and materials related to capital projects that currently are under development. We expect that these contractual commitments will be paid within one year.

Operating Leases. We lease property and equipment under non-cancelable operating leases that extend through August 2030. At September 30, 2010, future minimum lease payments under these non-cancelable operating leases are as follows (in thousands):

<u>Years ending December 31:</u>	<u>Property and equipment</u>
2010 (remainder of the year)	\$ 384
2011	1,512
2012	852
2013	748
2014	633
Thereafter	5,926
	<u>\$ 10,055</u>

Rental expense under operating leases was approximately \$450,000 and \$460,000 for the three months ended September 30, 2010 and 2009, respectively. Rental expense under operating leases was approximately \$1.2 million and \$1.1 million for the nine months ended September 30, 2010 and 2009, respectively.

TransMontaigne Partners L.P. and subsidiaries**Notes to consolidated financial statements (unaudited) (Continued)****(15) NET EARNINGS PER LIMITED PARTNER UNIT**

The following table reconciles net earnings to net earnings allocable to limited partners (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Net earnings	\$ 10,369	\$ 5,699	\$ 30,027	\$ 20,030
Less:				
Distributions payable on behalf of incentive distribution rights	(588)	(467)	(1,764)	(1,401)
Distributions payable on behalf of general partner interest	(177)	(150)	(531)	(450)
Distributions payable to the general partner interest (less than) in excess of earnings allocable to the general partner interest	(19)	45	(62)	77
Earnings allocable to general partner interest including incentive distribution rights	(784)	(572)	(2,357)	(1,774)
Net earnings allocable to limited partners	<u>\$ 9,585</u>	<u>\$ 5,127</u>	<u>\$ 27,670</u>	<u>\$ 18,256</u>

Earnings allocated to the general partner interest include amounts attributable to the incentive distribution rights. Pursuant to our partnership agreement we are required to distribute available cash (as defined by our partnership agreement) as of the end of the reporting period. Such distributions are declared within 45 days after period end. The net earnings allocated to the general partner interest in the consolidated statements of partners' equity and comprehensive income reflects the earnings allocation included in the table above.

The following table sets forth the distribution declared per common unit attributable to the periods indicated:

	Distribution
January 1, 2009 through March 31, 2009	\$ 0.59
April 1, 2009 through June 30, 2009	\$ 0.59
July 1, 2009 through September 30, 2009	\$ 0.59
October 1, 2009 through December 31, 2009	\$ 0.59
January 1, 2010 through March 31, 2010	\$ 0.60
April 1, 2010 through June 30, 2010	\$ 0.60
July 1, 2010 through September 30, 2010	\$ 0.60

TransMontaigne Partners L.P. and subsidiaries**Notes to consolidated financial statements (unaudited) (Continued)****(15) NET EARNINGS PER LIMITED PARTNER UNIT (Continued)**

The following table reconciles the computation of basic and diluted weighted average units (in thousands):

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2010	2009	2010	2009
Basic weighted average units	14,446	12,438	14,344	12,439
Dilutive effect of restricted phantom units	15	5	11	2
Diluted weighted average units	<u>14,461</u>	<u>12,443</u>	<u>14,355</u>	<u>12,441</u>

For the three and nine months ended September 30, 2010, we included the dilutive effect of approximately 6,000, 30,000, 4,500, 1,000, 2,000 and 1,000 restricted phantom units granted March 31, 2010, August 10, 2009, March 31, 2009, July 18, 2008, March 31, 2008 and March 31, 2007, respectively, in the computation of diluted earnings per limited partner unit because the average closing market price of our common units exceeded the related remaining deferred compensation per unvested restricted phantom units. For the three months ended September 30, 2009, we included the dilutive effect of 40,000, 8,000, 1,500 and 4,500 restricted phantom units granted August 10, 2009, March 31, 2009, July 18, 2008 and March 31, 2008, respectively, in the computation of diluted earnings per limited partner unit because the average closing market price of our common units exceeded the related remaining deferred compensation per unvested restricted phantom units. For the nine months ended September 30, 2009, we included the dilutive effect of 8,000 and 1,500 restricted phantom units granted March 31, 2009 and July 18, 2008, respectively, in the computation of diluted earnings per limited partner unit because the average closing market price of our common units exceeded the related remaining deferred compensation per unvested restricted phantom units.

We exclude potentially dilutive securities from our computation of diluted earnings per limited partner unit when their effect would be anti-dilutive. For the three months ended September 30, 2009, we excluded the dilutive effect of approximately 2,000 restricted phantom units granted March 31, 2007 in the computation of diluted earnings per limited partner unit because the related remaining deferred compensation per unvested restricted phantom units exceeded the average closing market price of our common units for the period. For the nine months ended September 30, 2009, we excluded the dilutive effect of approximately 40,000, 4,500 and 2,000 restricted phantom units granted August 10, 2009, March 31, 2008 and March 31, 2007, respectively, in the computation of diluted earnings per limited partner unit because the related remaining deferred compensation per unvested restricted phantom units exceeded the average closing market price of our common units for the period.

(16) DISCLOSURES ABOUT FAIR VALUE

Statement of Financial Accounting Standards No. 157, "Fair Value Measurements," or FASB ASC 820, "Fair Value Measurements and Disclosures," defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This statement establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are: (1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities; (2) Level 2 inputs are inputs other than quoted prices

TransMontaigne Partners L.P. and subsidiaries

Notes to consolidated financial statements (unaudited) (Continued)

(16) DISCLOSURES ABOUT FAIR VALUE (Continued)

included within Level 1 that are observable for the asset or liability, either directly or indirectly; and (3) Level 3 inputs are unobservable inputs for the asset or liability.

The fair values of the following financial instruments represent our best estimate of the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an orderly transaction between market participants at that date. Our fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects our judgments about the assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The following methods and assumptions were used to estimate the fair value of financial instruments at September 30, 2010 and December 31, 2009.

Cash and Cash Equivalents, Trade Receivables and Trade Accounts Payable. The carrying amount approximates fair value because of the short-term maturity of these instruments.

Derivative instrument. The fair value of our interest rate swap is determined using a pricing model based on the LIBOR swap rate and other observable market data. The fair value was determined after considering the potential impact of collateralization, adjusted to reflect nonperformance risk of both Wachovia Bank N.A., the counterparty, and us. Our fair value measurement of our interest rate swap utilizes Level 2 inputs.

Debt. The carrying amount of the senior secured credit facility approximates fair value since borrowings under the senior secured credit facility bear interest at current market interest rates.

(17) BUSINESS SEGMENTS

We provide integrated terminaling, storage, transportation and related services to companies engaged in the trading, distribution and marketing of refined petroleum products, crude oil, chemicals, fertilizers and other liquid products. Our chief operating decision maker is our general partner's CEO. Our general partner's CEO reviews the financial performance of our business segments using disaggregated financial information about "net margins" for purposes of making operating decisions and assessing financial performance. "Net margins" is composed of revenue less direct operating costs and expenses. Accordingly, we present "net margins" for each of our business segments: (i) Gulf Coast terminals, (ii) Midwest terminals and pipeline system, (iii) Brownsville terminals, (iv) River terminals and (v) Southeast terminals.

TransMontaigne Partners L.P. and subsidiaries

Notes to consolidated financial statements (unaudited) (Continued)

(17) BUSINESS SEGMENTS (Continued)

The financial performance of our business segments is as follows (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Gulf Coast Terminals:				
Terminaling services fees, net	\$ 11,624	\$ 10,990	\$ 35,006	\$ 32,156
Other	1,482	1,813	5,566	6,231
Revenue	13,106	12,803	40,572	38,387
Direct operating costs and expenses	(4,871)	(5,281)	(14,810)	(15,813)
Net margins	8,235	7,522	25,762	22,574
Midwest Terminals and Pipeline System:				
Terminaling services fees, net	941	881	2,802	2,724
Pipeline transportation fees	533	539	1,570	1,518
Other	522	275	1,426	646
Revenue	1,996	1,695	5,798	4,888
Direct operating costs and expenses	(503)	(729)	(1,196)	(1,769)
Net margins	1,493	966	4,602	3,119
Brownsville Terminals:				
Terminaling services fees, net	4,128	3,838	11,235	11,134
Pipeline transportation fees	641	380	1,982	1,587
Other	1,415	1,155	4,116	3,633
Revenue	6,184	5,373	17,333	16,354
Direct operating costs and expenses	(3,123)	(2,662)	(9,256)	(8,522)
Net margins	3,061	2,711	8,077	7,832
River Terminals:				
Terminaling services fees, net	3,725	4,050	11,123	13,082
Other	99	276	265	461
Revenue	3,824	4,326	11,388	13,543
Direct operating costs and expenses	(1,969)	(2,663)	(5,502)	(6,379)
Net margins	1,855	1,663	5,886	7,164
Southeast Terminals:				
Terminaling services fees, net	10,601	9,937	31,292	28,887
Other	1,788	1,236	5,052	3,562
Revenue	12,389	11,173	36,344	32,449
Direct operating costs and expenses	(4,372)	(5,580)	(13,171)	(15,406)
Net margins	8,017	5,593	23,173	17,043
Total net margins	22,661	18,455	67,500	57,732
Direct general and administrative expenses	(622)	(606)	(2,196)	(2,410)
Allocated general and administrative expenses	(2,578)	(2,510)	(7,734)	(7,530)
Allocated insurance expense	(796)	(725)	(2,388)	(2,175)
Reimbursement of bonus awards	(313)	(309)	(939)	(927)
Depreciation and amortization	(7,006)	(6,541)	(20,832)	(19,346)
Gain on disposition of assets	—	—	—	1
Operating income	11,346	7,764	33,411	25,345
Other income (expenses), net	(977)	(2,065)	(3,384)	(5,315)
Net earnings	\$ 10,369	\$ 5,699	\$ 30,027	\$ 20,030

TransMontaigne Partners L.P. and subsidiaries
Notes to consolidated financial statements (unaudited) (Continued)
(17) BUSINESS SEGMENTS (Continued)

Supplemental information about our business segments is summarized below (in thousands):

	Three months ended September 30, 2010					
	Gulf Coast Terminals	Midwest Terminals and Pipeline System	Brownsville Terminals	River Terminals	Southeast Terminals	Total
Revenue:						
External customers	\$ 2,792	\$ 426	\$ 5,040	\$ 3,247	\$ 788	\$ 12,293
Morgan Stanley Capital Group	9,264	1,570	—	507	11,601	22,942
TransMontaigne Inc.	1,050	—	1,144	70	—	2,264
Total revenue	\$ 13,106	\$ 1,996	\$ 6,184	\$ 3,824	\$ 12,389	\$ 37,499
Identifiable assets	\$ 144,181	\$ 11,331	\$ 80,225	\$ 61,545	\$ 184,861	\$ 482,143
Capital expenditures	\$ 1,364	\$ 61	\$ 1,212	\$ 88	\$ 2,313	\$ 5,038

	Three months ended September 30, 2009					
	Gulf Coast Terminals	Midwest Terminals and Pipeline System	Brownsville Terminals	River Terminals	Southeast Terminals	Total
Revenue:						
External customers	\$ 2,748	\$ 366	\$ 4,289	\$ 3,961	\$ 885	\$ 12,249
Morgan Stanley Capital Group	8,908	1,329	85	301	10,288	20,911
TransMontaigne Inc.	1,147	—	999	64	—	2,210
Total revenue	\$ 12,803	\$ 1,695	\$ 5,373	\$ 4,326	\$ 11,173	\$ 35,370
Identifiable assets	\$ 144,611	\$ 11,913	\$ 77,314	\$ 67,210	\$ 182,080	\$ 483,128
Capital expenditures	\$ 2,635	\$ 36	\$ 388	\$ 215	\$ 1,682	\$ 4,956

	Nine months ended September 30, 2010					
	Gulf Coast Terminals	Midwest Terminals and Pipeline System	Brownsville Terminal	River Terminals	Southeast Terminals	Total
Revenue:						
External customers	\$ 8,549	\$ 1,404	\$ 13,555	\$ 9,730	\$ 2,501	\$ 35,739
Morgan Stanley Capital Group	28,695	4,394	31	1,460	33,843	68,423
TransMontaigne Inc.	3,328	—	3,747	198	—	7,273
Total revenue	\$ 40,572	\$ 5,798	\$ 17,333	\$ 11,388	\$ 36,344	\$ 111,435
Identifiable assets	\$ 144,181	\$ 11,331	\$ 80,225	\$ 61,545	\$ 184,861	\$ 482,143
Capital expenditures	\$ 4,111	\$ 61	\$ 5,208	\$ 47	\$ 9,127	\$ 18,554

TransMontaigne Partners L.P. and subsidiaries

Notes to consolidated financial statements (unaudited) (Continued)

(17) BUSINESS SEGMENTS (Continued)

	Nine months ended September 30, 2009					
	Gulf Coast Terminals	Midwest Terminals and Pipeline System	Brownsville Terminals	River Terminals	Southeast Terminals	Total
Revenue:						
External customers	\$ 8,553	\$ 1,158	\$ 12,738	\$ 12,958	\$ 2,637	\$ 38,044
Morgan Stanley Capital Group	26,620	3,730	148	367	29,812	60,677
TransMontaigne Inc.	3,214	—	3,468	218	—	6,900
Total revenue	<u>\$ 38,387</u>	<u>\$ 4,888</u>	<u>\$ 16,354</u>	<u>\$ 13,543</u>	<u>\$ 32,449</u>	<u>\$ 105,621</u>
Identifiable assets	<u>\$ 144,611</u>	<u>\$ 11,913</u>	<u>\$ 77,314</u>	<u>\$ 67,210</u>	<u>\$ 182,080</u>	<u>\$ 483,128</u>
Capital expenditures	<u>\$ 14,873</u>	<u>\$ 181</u>	<u>\$ 5,129</u>	<u>\$ 487</u>	<u>\$ 8,755</u>	<u>\$ 29,425</u>

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

A summary of the significant accounting policies that we have adopted and followed in the preparation of our consolidated financial statements is detailed in our consolidated financial statements for the year ended December 31, 2009, included in our Annual Report on Form 10-K filed on March 8, 2010 (see Note 1 of Notes to consolidated financial statements). Certain of these accounting policies require the use of estimates. The following estimates, in management's opinion, are subjective in nature, require the exercise of judgment, and involve complex analyses: allowance for doubtful accounts, accrued environmental obligations and determining the fair value of our reporting units when performing our annual goodwill impairment analysis. These estimates are based on our knowledge and understanding of current conditions and actions we may take in the future. Changes in these estimates will occur as a result of the passage of time and the occurrence of future events. Subsequent changes in these estimates may have a significant impact on our financial condition and results of operations.

REGULATORY MATTERS

Our general partner is an indirect wholly-owned subsidiary of Morgan Stanley Capital Group Inc., which, in turn, is a wholly-owned subsidiary of Morgan Stanley. Morgan Stanley is a "bank holding company," subject to consolidated supervision and regulation by the Board of Governors of the Federal Reserve System under the Bank Holding Company Act, as amended. Morgan Stanley qualifies as a bank holding company that is a "financial holding company."

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act was signed into law by President Obama. The Dodd-Frank Act contains various provisions that affect financial firms, including financial holding companies, and amend various existing laws, including the Bank Holding Company Act. The Dodd-Frank Act and the Bank Holding Company Act, among other laws, contain restrictions and prohibitions on the activities and investments of financial holding companies. Various regulatory agencies, including the Federal Reserve Board, are required to issue regulations that carry out the intent of the Dodd-Frank Act's provisions. The Dodd-Frank Act is a part of a trend to increase regulatory supervision of the financial industry.

As a result of this trend for increased regulatory supervision, it is possible that legislative or regulatory changes may be made that would adversely affect Morgan Stanley's ability or business strategy to own and operate our general partner and to operate Partners. In addition, the Federal Reserve Board could conclude in the future that certain activities or investments will not be deemed permissible under the Bank Holding Company Act for any specific institution that is deemed to be systemically important, or for financial holding companies generally.

We cannot predict whether any such future legislation or regulation would adversely affect Morgan Stanley's ability to continue its physical energy trading activities or business strategy to continue to maintain its ownership of our general partner, or if such activities will otherwise be grandfathered under the Bank Holding Company Act. In addition, we are currently unable to predict whether any future changes in the statutes and regulations governing the activities of financial holding companies would have a material adverse impact on our financial condition or results of operations.

SIGNIFICANT DEVELOPMENTS DURING THE THREE MONTHS ENDED SEPTEMBER 30, 2010

On July 16, 2010, we announced a distribution of \$0.60 per unit for the period from April 1, 2010 through June 30, 2010, payable on August 10, 2010 to unitholders of record on July 30, 2010.

SUBSEQUENT EVENTS

On October 15, 2010, we announced a distribution of \$0.60 per unit for the period from July 1, 2010 through September 30, 2010, payable on November 9, 2010 to unitholders of record on October 29, 2010.

On October 26, 2010, Jay A. Wiese was appointed to serve as a director of our general partner. The board of directors of our general partner has determined that Mr. Wiese qualifies as an independent director under the applicable listing standards of the New York Stock Exchange. Mr. Wiese will also serve as a member of the Conflicts Committee of the general partner. From December 2006 to the present, Mr. Wiese has served as the Managing Member of Liberated Partners LLC, a global energy consulting business with a focus on client strategy, acquisitions, logistics, business development and operational analysis. From 1982 to October 2006, Mr. Wiese served in various senior management positions, including most recently Vice President, with Magellan Midstream Partners, L.P., where he had responsibility over Magellan Terminal Holdings in the areas of commercial and business development, acquisitions and operations. Mr. Wiese holds a Bachelor of Science degree in Business from Oklahoma State University where Mr. Wiese is on the Foundation's Board of Governors and a member of the Investment Committee.

RESULTS OF OPERATIONS—THREE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009

The following discussion and analysis of the results of operations and financial condition should be read in conjunction with the accompanying unaudited consolidated financial statements.

ANALYSIS OF REVENUE

Total Revenue. We derive revenue from our terminal and pipeline transportation operations by charging fees for providing integrated terminaling, transportation and related services. Our total revenue by category was as follows (in thousands):

Total Revenue by Category

	Three months ended September 30,	
	2010	2009
Terminaling services fees, net	\$ 31,019	\$ 29,696
Pipeline transportation fees	1,174	919
Management fees and reimbursed costs	527	547
Other	4,779	4,208
Revenue	<u>\$ 37,499</u>	<u>\$ 35,370</u>

See discussion below for a detailed analysis of terminaling services fees, net, pipeline transportation fees, management fees and reimbursed costs, and other revenue included in the table above.

We operate our business and report our results of operations in five principal business segments: (i) Gulf Coast terminals, (ii) Midwest terminals and pipeline system, (iii) Brownsville terminals,

(iv) River terminals and (v) Southeast terminals. The aggregate revenue of each of our business segments was as follows (in thousands):

Total Revenue by Business Segment

	Three months ended September 30,	
	2010	2009
Gulf Coast terminals	\$ 13,106	\$ 12,803
Midwest terminals and pipeline system	1,996	1,695
Brownsville terminals	6,184	5,373
River terminals	3,824	4,326
Southeast terminals	12,389	11,173
Revenue	<u>\$ 37,499</u>	<u>\$ 35,370</u>

Total revenue by business segment is presented and further analyzed below by category of revenue.

Terminaling Services Fees, Net. Pursuant to terminaling services agreements with our customers, which range from one month to ten years in duration, we generate fees by distributing and storing products for our customers. Terminaling services fees, net include throughput fees based on the volume of product distributed from the facility, injection fees based on the volume of product injected with additive compounds and storage fees based on a rate per barrel of storage capacity per month. The terminaling services fees, net by business segments were as follows (in thousands):

Terminaling Services Fees, Net, by Business Segment

	Three months ended September 30,	
	2010	2009
Gulf Coast terminals	\$ 11,624	\$ 10,990
Midwest terminals and pipeline system	941	881
Brownsville terminals	4,128	3,838
River terminals	3,725	4,050
Southeast terminals	10,601	9,937
Terminaling services fees, net	<u>\$ 31,019</u>	<u>\$ 29,696</u>

The increase in terminaling services fees, net includes an increase of approximately \$0.6 million resulting from newly constructed tank capacity placed into service at certain of our Gulf Coast terminals, an increase of approximately \$0.2 million resulting from completion of ethanol blending functionality at certain of our Southeast terminals, and an increase of approximately \$0.2 million resulting from our April 27, 2010 purchase of two refined product terminals that are adjacent to our Collins, Mississippi and Bainbridge, Georgia terminals in the Southeast. These increases have been partially offset by a decline in terminaling services fees, net at certain of our River terminals due to unsubscribed capacity.

Included in terminaling services fees, net for the three months ended September 30, 2010 and 2009 are fees recognized from agreements with Morgan Stanley Capital Group of approximately \$19.3 million and \$17.7 million, respectively, and TransMontaigne Inc. of approximately \$1.5 million and \$1.8 million, respectively.

Our terminaling services agreements are structured as either throughput agreements or storage agreements. Certain throughput agreements contain provisions that require our customers to

throughput a minimum volume of product at our facilities over a stipulated period of time, which results in a fixed amount of revenue to be recognized by us. Our storage agreements require our customers to make minimum payments based on the volume of storage capacity available to the customer under the agreement, which results in a fixed amount of revenue to be recognized by us. We refer to the fixed amount of revenue recognized pursuant to our terminaling services agreements as being "firm commitments." Revenue recognized in excess of firm commitments and revenue recognized based solely on the volume of product distributed or injected are referred to as "variable." The "firm commitments" and "variable" revenue included in terminaling services fees, net were as follows (in thousands):

Firm Commitments and Variable Revenue

	Three months ended	
	September 30,	
	2010	2009
Firm commitments:		
External customers	\$ 9,155	\$ 8,973
Affiliates	20,694	19,499
Total	<u>29,849</u>	<u>28,472</u>
Variable:		
External customers	1,075	1,283
Affiliates	95	(59)
Total	<u>1,170</u>	<u>1,224</u>
Terminating services fees, net	<u>\$ 31,019</u>	<u>\$ 29,696</u>

At September 30, 2010, the remaining terms on the terminaling services agreements that generated "firm commitments" for the three months ended September 30, 2010 were as follows (in thousands):

	At
	September 30,
	2010
Remaining terms on terminaling services agreements that generated "firm commitments":	
Less than 1 year remaining	\$ 4,725
More than 1 year but less than 3 years remaining	5,643
More than 3 years but less than 5 years remaining	19,079
More than 5 years remaining	402
Total firm commitments for the three months ended September 30, 2010	<u>\$ 29,849</u>

Pipeline Transportation Fees. We earn pipeline transportation fees at our Razorback pipeline and Diamondback pipeline based on the volume of product transported and the distance from the origin point to the delivery point. The Federal Energy Regulatory Commission regulates the tariff on the

Razorback pipeline and the Diamondback pipeline. The pipeline transportation fees by business segments were as follows (in thousands):

Pipeline Transportation Fees by Business Segment

	Three months ended September 30,	
	2010	2009
Gulf Coast terminals	\$ —	\$ —
Midwest terminals and pipeline system	533	539
Brownsville terminals	641	380
River terminals	—	—
Southeast terminals	—	—
Pipeline transportation fees	<u>\$ 1,174</u>	<u>\$ 919</u>

Included in pipeline transportation fees for the three months ended September 30, 2010 and 2009 are fees charged to Morgan Stanley Capital Group of approximately \$0.5 million and \$0.5 million, respectively, and TransMontaigne Inc. of approximately \$0.7 million and \$0.4 million, respectively.

Management Fees and Reimbursed Costs. We manage and operate for a major oil company certain tank capacity at our Port Everglades (South) terminal and receive reimbursement of their proportionate share of operating and maintenance costs. We manage and operate for an affiliate of Mexico's state-owned petroleum company a bi-directional products pipeline connected to our Brownsville, Texas terminal facility and receive a management fee and reimbursement of costs. Prior to April 27, 2010, we also managed and operated for another major oil company two terminals that are adjacent to our Southeast facilities and received a reimbursement of their proportionate share of operating and maintenance costs. On April 27, 2010, we purchased the two terminals that were adjacent to our Southeast facilities. The management fees and reimbursed costs by business segments were as follows (in thousands):

Management Fees and Reimbursed Costs by Business Segment

	Three months ended September 30,	
	2010	2009
Gulf Coast terminals	\$ 34	\$ 21
Midwest terminals and pipeline system	—	—
Brownsville terminals	492	435
River terminals	—	—
Southeast terminals	1	91
Management fees and reimbursed costs	<u>\$ 527</u>	<u>\$ 547</u>

Other Revenue. We provide ancillary services including heating and mixing of stored products, product transfer services, railcar handling, wharfage fees and vapor recovery fees. Pursuant to terminaling services agreements with our throughput customers, we are entitled to the volume of product gained resulting from differences in the measurement of product volumes received and distributed at our terminaling facilities. Consistent with recognized industry practices, measurement differentials occur as the result of the inherent variances in measurement devices and methodology. We recognize as revenue the net proceeds from the sale of the product gained. Other revenue is composed of the following (in thousands):

Principal Components of Other Revenue

	Three months ended September 30,	
	2010	2009
Product gains, net	\$ 2,902	\$ 2,122
Steam heating fees	851	782
Product transfer services	360	199
Railcar handling	138	231
Other	528	874
Other revenue	<u>\$ 4,779</u>	<u>\$ 4,208</u>

For the three months ended September 30, 2010 and 2009, we sold approximately 42,000 and 27,300 barrels, respectively, of product gained resulting from differences in the measurement of product volumes received and distributed at our terminaling facilities at average prices of \$86 and \$81 per barrel, respectively. Pursuant to our terminaling services agreement related to the Southeast terminals, we agreed to rebate to Morgan Stanley Capital Group 50% of the proceeds we receive annually in excess of \$4.2 million from the sale of product gains at our Southeast terminals. For the three months ended September 30, 2010 and 2009, we have accrued a liability due to Morgan Stanley Capital Group of approximately \$0.7 million and \$0.1 million, respectively.

Included in other revenue for the three months ended September 30, 2010 and 2009 are amounts charged to Morgan Stanley Capital Group of approximately \$3.1 million and \$2.7 million, respectively, and TransMontaigne Inc. of approximately \$0.1 million and \$nil, respectively.

The other revenue by business segments were as follows (in thousands):

Other Revenue by Business Segment

	Three months ended September 30,	
	2010	2009
Gulf Coast terminals	\$ 1,448	\$ 1,792
Midwest terminals and pipeline system	522	275
Brownsville terminals	923	720
River terminals	99	276
Southeast terminals	1,787	1,145
Other revenue	<u>\$ 4,779</u>	<u>\$ 4,208</u>

ANALYSIS OF COSTS AND EXPENSES

Costs and Expenses. The direct operating costs and expenses of our operations include the directly related wages and employee benefits, utilities, communications, maintenance and repairs, property taxes, rent, vehicle expenses, environmental compliance costs, materials and supplies. The direct operating costs and expenses of our operations were as follows (in thousands):

Direct Operating Costs and Expenses

	Three months ended September 30,	
	2010	2009
Wages and employee benefits	\$ 5,507	\$ 5,415
Utilities and communication charges	1,845	1,834
Repairs and maintenance	4,188	6,710
Office, rentals and property taxes	1,775	1,674
Vehicles and fuel costs	272	267
Environmental compliance costs	785	713
Other	466	302
Direct operating costs and expenses	<u>\$ 14,838</u>	<u>\$ 16,915</u>

The direct operating costs and expenses of our business segments were as follows (in thousands):

Direct Operating Costs and Expenses by Business Segment

	Three months ended September 30,	
	2010	2009
Gulf Coast terminals	\$ 4,871	\$ 5,281
Midwest terminals and pipeline system	503	729
Brownsville terminals	3,123	2,662
River terminals	1,969	2,663
Southeast terminals	4,372	5,580
Direct operating costs and expenses	<u>\$ 14,838</u>	<u>\$ 16,915</u>

The direct general and administrative expenses of our operations include accounting and legal costs associated with annual and quarterly reports and tax return and Schedule K-1 preparation and

distribution, independent director fees and deferred equity-based compensation. Direct general and administrative expenses were as follows (in thousands):

Direct General and Administrative Expenses

	Three months ended September 30,	
	2010	2009
Accounting and tax expenses	\$ 198	\$ 223
Legal expenses	147	85
Independent director fees and investor relations expenses	52	60
Deferred equity-based compensation	98	65
Income tax expense	70	114
Other	57	59
Direct general and administrative expenses	<u>\$ 622</u>	<u>\$ 606</u>

The accompanying consolidated financial statements include allocated general and administrative charges from TransMontaigne Inc. for allocations of indirect corporate overhead to cover costs of centralized corporate functions such as legal, accounting, treasury, insurance administration and claims processing, health, safety and environmental, information technology, human resources, credit, payroll, taxes, engineering and other corporate services. The allocated general and administrative expenses were approximately \$2.6 million and \$2.5 million for the three months ended September 30, 2010 and 2009, respectively.

The accompanying consolidated financial statements also include allocated insurance charges from TransMontaigne Inc. for allocations of insurance premiums to cover costs of insuring activities such as property, casualty, pollution, automobile, directors' and officers' liability, and other insurable risks. The allocated insurance expenses were approximately \$0.8 million and \$0.7 million for the three months ended September 30, 2010 and 2009, respectively.

The accompanying consolidated financial statements also include amounts paid to TransMontaigne Services Inc. as a partial reimbursement of bonus awards granted by TransMontaigne Services Inc. to certain key officers and employees that vest over future service periods. The reimbursement of bonus awards was approximately \$0.3 million and \$0.3 million for the three months ended September 30, 2010 and 2009, respectively.

For the three months ended September 30, 2010 and 2009, depreciation and amortization expense was approximately \$7.0 million and \$6.5 million, respectively.

RESULTS OF OPERATIONS—NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009

The following discussion and analysis of the results of operations and financial condition should be read in conjunction with the accompanying unaudited consolidated financial statements.

ANALYSIS OF REVENUE

Total Revenue. We derive revenue from our terminal and pipeline transportation operations by charging fees for providing integrated terminaling, transportation and related services. Our total revenue by category was as follows (in thousands):

Total Revenue by Category

	Nine months ended September 30,	
	2010	2009
Terminaling services fees, net	\$ 91,458	\$ 87,983
Pipeline transportation fees	3,552	3,105
Management fees and reimbursed costs	1,581	1,524
Other	14,844	13,009
Revenue	<u>\$ 111,435</u>	<u>\$ 105,621</u>

The aggregate revenue of each of our business segments was as follows (in thousands):

Total Revenue by Business Segment

	Nine months ended September 30,	
	2010	2009
Gulf Coast terminals	\$ 40,572	\$ 38,387
Midwest terminals and pipeline system	5,798	4,888
Brownsville terminals	17,333	16,354
River terminals	11,388	13,543
Southeast terminals	36,344	32,449
Revenue	<u>\$ 111,435</u>	<u>\$ 105,621</u>

Terminaling Services Fees, Net. Pursuant to terminaling services agreements with our customers, which range from one month to ten years in duration, we generate fees by distributing and storing products for our customers. Terminaling services fees, net include throughput fees based on the volume of product distributed from the facility, injection fees based on the volume of product injected with additive compounds and storage fees based on a rate per barrel of storage capacity per month. The terminaling services fees, net by business segments were as follows (in thousands):

Terminaling Services Fees, Net, by Business Segment

	Nine months ended September 30,	
	2010	2009
Gulf Coast terminals	\$ 35,006	\$ 32,156
Midwest terminals and pipeline system	2,802	2,724
Brownsville terminals	11,235	11,134
River terminals	11,123	13,082
Southeast terminals	31,292	28,887
Terminaling services fees, net	<u>\$ 91,458</u>	<u>\$ 87,983</u>

The increase in terminaling services fees, net includes an increase of approximately \$2.6 million resulting from newly constructed tank capacity placed into service at certain of our Gulf Coast terminals, an increase of approximately \$1.1 million resulting from completion of ethanol blending functionality at certain of our Southeast terminals, and an increase of approximately \$0.3 million resulting from our April 27, 2010 purchase of two refined product terminals that are adjacent to our Collins, Mississippi and Bainbridge, Georgia terminals in the Southeast. These increases have been partially offset by a decline in terminaling services fees, net at certain of our River terminals due to unsubscribed capacity.

Included in terminaling services fees, net for the nine months ended September 30, 2010 and 2009 are fees recognized from agreements with Morgan Stanley Capital Group of approximately \$57.3 million and \$50.9 million, respectively, and TransMontaigne Inc. of approximately \$4.9 million and \$5.2 million, respectively.

Our terminaling services agreements are structured as either throughput agreements or storage agreements. Certain throughput agreements contain provisions that require our customers to throughput a minimum volume of product at our facilities over a stipulated period of time, which results in a fixed amount of revenue to be recognized by us. Our storage agreements require our customers to make minimum payments based on the volume of storage capacity available to the customer under the agreement, which results in a fixed amount of revenue to be recognized by us. We refer to the fixed amount of revenue recognized pursuant to our terminaling services agreements as being "firm commitments." Revenue recognized in excess of firm commitments and revenue recognized based solely on the volume of product distributed or injected are referred to as "variable." The "firm commitments" and "variable" revenue included in terminaling services fees, net were as follows (in thousands):

Firm Commitments and Variable Revenue

	Nine months ended September 30,	
	2010	2009
Firm commitments:		
External customers	\$ 26,492	\$ 28,021
Affiliates	62,312	56,853
Total	88,804	84,874
Variable:		
External customers	2,736	3,863
Affiliates	(82)	(754)
Total	2,654	3,109
Terminaling services fees, net	<u>\$ 91,458</u>	<u>\$ 87,983</u>

At September 30, 2010, the remaining terms on the terminating services agreements that generated "firm commitments" for the nine months ended September 30, 2010 were as follows (in thousands):

	At September 30, 2010
Remaining terms on terminating services agreements that generated "firm commitments":	
Less than 1 year remaining	\$ 14,601
More than 1 year but less than 3 years remaining	16,682
More than 3 years but less than 5 years remaining	56,330
More than 5 years remaining	1,191
Total firm commitments for the nine months ended September 30, 2010	<u>\$ 88,804</u>

Pipeline Transportation Fees. We earn pipeline transportation fees at our Razorback pipeline and Diamondback pipeline based on the volume of product transported and the distance from the origin point to the delivery point. The Federal Energy Regulatory Commission regulates the tariff on the Razorback pipeline and the Diamondback pipeline. The pipeline transportation fees by business segments were as follows (in thousands):

Pipeline Transportation Fees by Business Segment

	Nine months ended September 30,	
	2010	2009
Gulf Coast terminals	\$ —	\$ —
Midwest terminals and pipeline system	1,570	1,518
Brownsville terminals	1,982	1,587
River terminals	—	—
Southeast terminals	—	—
Pipeline transportation fees	<u>\$ 3,552</u>	<u>\$ 3,105</u>

Included in pipeline transportation fees for the nine months ended September 30, 2010 and 2009 are fees charged to Morgan Stanley Capital Group of approximately \$1.6 million and \$1.5 million, respectively, and TransMontaigne Inc. of approximately \$2.0 million and \$1.6 million, respectively.

Management Fees and Reimbursed Costs. We manage and operate for a major oil company certain tank capacity at our Port Everglades (South) terminal and receive reimbursement of their proportionate share of operating and maintenance costs. We manage and operate for an affiliate of Mexico's state-owned petroleum company a bi-directional products pipeline connected to our Brownsville, Texas terminal facility and receive a management fee and reimbursement of costs. Prior to April 27, 2010, we also managed and operated for another major oil company two terminals that are adjacent to our Southeast facilities and received a reimbursement of their proportionate share of operating and maintenance costs. On April 27, 2010, we purchased the two terminals that were adjacent to our

Southeast facilities. The management fees and reimbursed costs by business segments were as follows (in thousands):

Management Fees and Reimbursed Costs by Business Segment

	Nine months ended September 30,	
	2010	2009
Gulf Coast terminals	\$ 74	\$ 45
Midwest terminals and pipeline system	—	—
Brownsville terminals	1,388	1,239
River terminals	—	—
Southeast terminals	119	240
Management fees and reimbursed costs	<u>\$ 1,581</u>	<u>\$ 1,524</u>

Other Revenue. We provide ancillary services including heating and mixing of stored products, product transfer services, railcar handling, wharfage fees and vapor recovery fees. Pursuant to terminaling services agreements with our throughput customers, we are entitled to the volume of product gained resulting from differences in the measurement of product volumes received and distributed at our terminaling facilities. Consistent with recognized industry practices, measurement differentials occur as the result of the inherent variances in measurement devices and methodology. We recognize as revenue the net proceeds from the sale of the product gained. Other revenue is composed of the following (in thousands):

Principal Components of Other Revenue

	Nine months ended September 30,	
	2010	2009
Product gains, net	\$ 8,558	\$ 6,156
Steam heating fees	3,263	2,766
Product transfer services	929	560
Railcar handling	443	923
Other	1,651	2,604
Other revenue	<u>\$ 14,844</u>	<u>\$ 13,009</u>

For the nine months ended September 30, 2010 and 2009, we sold approximately 114,300 and 92,300 barrels, respectively, of product gained resulting from differences in the measurement of product volumes received and distributed at our terminaling facilities at average prices of \$90 and \$68 per barrel, respectively. Pursuant to our terminaling services agreement related to the Southeast terminals, we agreed to rebate to Morgan Stanley Capital Group 50% of the proceeds we receive annually in excess of \$4.2 million from the sale of product gains at our Southeast terminals. For the nine months ended September 30, 2010 and 2009, we have accrued a liability due to Morgan Stanley Capital Group of approximately \$1.7 million and \$0.1 million, respectively.

Included in other revenue for the nine months ended September 30, 2010 and 2009 are amounts charged to Morgan Stanley Capital Group of approximately \$9.5 million and \$8.3 million, respectively, and TransMontaigne Inc. of approximately \$0.4 million and \$0.1 million, respectively.

The other revenue by business segments were as follows (in thousands):

Other Revenue by Business Segment

	Nine months ended September 30,	
	2010	2009
Gulf Coast terminals	\$ 5,492	\$ 6,186
Midwest terminals and pipeline system	1,426	646
Brownsville terminals	2,728	2,394
River terminals	265	461
Southeast terminals	4,933	3,322
Other revenue	<u>\$ 14,844</u>	<u>\$ 13,009</u>

ANALYSIS OF COSTS AND EXPENSES

Costs and Expenses. The direct operating costs and expenses of our operations were as follows (in thousands):

Direct Operating Costs and Expenses

	Nine months ended September 30,	
	2010	2009
Wages and employee benefits	\$ 16,912	\$ 15,832
Utilities and communication charges	6,119	5,708
Repairs and maintenance	10,627	17,176
Office, rentals and property taxes	5,379	5,031
Vehicles and fuel costs	992	748
Environmental compliance costs	2,627	2,387
Other	1,279	1,007
Direct operating costs and expenses	<u>\$ 43,935</u>	<u>\$ 47,889</u>

The direct operating costs and expenses of our business segments were as follows (in thousands):

Direct Operating Costs and Expenses by Business Segment

	Nine months ended September 30,	
	2010	2009
Gulf Coast terminals	\$ 14,810	\$ 15,813
Midwest terminals and pipeline system	1,196	1,769
Brownsville terminals	9,256	8,522
River terminals	5,502	6,379
Southeast terminals	13,171	15,406
Direct operating costs and expenses	<u>\$ 43,935</u>	<u>\$ 47,889</u>

Direct general and administrative expenses were as follows (in thousands):

Direct General and Administrative Expenses

	Nine months ended September 30,	
	2010	2009
Accounting and tax expenses	\$ 912	\$ 1,005
Legal expenses	382	570
Independent director fees and investor relations expenses	303	228
Deferred equity-based compensation	287	119
Income tax expense	140	249
Other	172	239
Direct general and administrative expenses	<u>\$ 2,196</u>	<u>\$ 2,410</u>

The allocated general and administrative expenses were approximately \$7.7 million and \$7.5 million for the nine months ended September 30, 2010 and 2009, respectively.

The allocated insurance expenses were approximately \$2.4 million and \$2.2 million for the nine months ended September 30, 2010 and 2009, respectively.

The reimbursement of bonus awards was approximately \$0.9 million and \$0.9 million for the nine months ended September 30, 2010 and 2009, respectively.

For the nine months ended September 30, 2010 and 2009, depreciation and amortization expense was approximately \$20.8 million and \$19.3 million, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Our primary liquidity needs are to fund our working capital requirements, distributions to unitholders and capital expenditures. We anticipate an increase in our working capital requirements during the fourth quarter of 2010 in order to fund scheduled repairs and maintenance projects across our terminaling and transportation facilities. We believe that we will be able to generate sufficient cash from annual operations to fund our future working capital requirements and our distributions to unitholders. We expect to fund our capital expenditures with additional borrowings under our senior secured credit facility.

On January 15, 2010, we issued, pursuant to an underwritten public offering, 1,750,000 common units representing limited partner interests at a public offering price of \$26.60 per common unit. On January 15, 2010, the underwriters of our secondary offering exercised in full their over-allotment option to purchase an additional 262,500 common units representing limited partnership interests at a price of \$26.60 per common unit. The net proceeds from the offering were approximately \$51.0 million, after deducting underwriting discounts, commissions, and offering expenses of approximately \$0.3 million. Additionally, TransMontaigne GP made a cash contribution of approximately \$1.1 million to us to maintain its 2% general partner interest. The net proceeds from the offering and cash contribution were used to repay outstanding borrowings under our senior secured credit facility.

Excluding acquisitions, our capital expenditures for the nine months ended September 30, 2010 were approximately \$16.4 million for terminal and pipeline facilities and assets to support these facilities. Management and the board of directors of our general partner approved capital projects that currently are or will be under construction with estimated completion dates that extend through August 1, 2011. At September 30, 2010, the remaining expansion capital expenditures to complete the approved capital projects are estimated to range from \$16 million to \$19 million. We expect to fund

our expansion capital expenditures with additional borrowings under our senior secured credit facility. The budgeted capital projects include the following:

<u>Terminal</u>	<u>Description of project</u>	<u>Incremental storage capacity (in Bbls)</u>	<u>Expected completion</u>
Southeast	Renewable fuels blending functionality		1 st half 2011
Brownsville	Build truck rack		In-service
Collins/Purvis	Increase light oil tank capacity	700,000	2 nd half 2011

Pursuant to existing terminaling services agreements with Morgan Stanley Capital Group, we expect to receive payments through June 30, 2011 from Morgan Stanley Capital Group in the range of \$1 million to \$4 million, which are due and payable upon completion of certain of the capital projects referred to above.

At September 30, 2010, our senior secured credit facility provides for a maximum borrowing line of credit equal to \$200 million. At September 30, 2010, our outstanding borrowings were approximately \$108.0 million, resulting in available capacity of approximately \$92.0 million. Upon payment of the remaining capital expenditures to complete the approved capital projects and receipt of payments from Morgan Stanley Capital Group upon completion of certain of the capital projects, we currently expect to have approximately \$70 million in available capacity under our senior secured credit facility. In addition, at our request, the revolving loan commitment can be increased up to an additional \$100 million, in the aggregate, without the approval of the lenders, but subject to the approval of the administrative agent and the receipt of additional commitments from one or more lenders. The terms of the senior secured credit facility also permit us to borrow up to approximately \$25 million from other lenders, including our general partner and its affiliates. Future capital expenditures will depend on numerous factors, including the availability, economics and cost of appropriate acquisitions which we identify and evaluate; the economics, cost and required regulatory approvals with respect to the expansion and enhancement of existing systems and facilities; customer demand for the services we provide; local, state and federal governmental regulations; environmental compliance requirements; and the availability of debt financing and equity capital on acceptable terms.

Senior Secured Credit Facility. At September 30, 2010, the senior secured credit facility provides for a maximum borrowing line of credit equal to the lesser of (i) \$200 million or (ii) four times Consolidated EBITDA (as defined: \$280.6 million at September 30, 2010). We may elect to have loans under the senior secured credit facility bear interest either (i) at a rate of LIBOR plus a margin ranging from 1.5% to 2.5% depending on the total leverage ratio then in effect, or (ii) at a base rate (the greater of (a) the federal funds rate plus 0.5% or (b) the prime rate) plus a margin ranging from 0.5% to 1.5% depending on the total leverage ratio then in effect. We also pay a commitment fee ranging from 0.3% to 0.5% per annum, depending on the total leverage ratio then in effect, on the total amount of unused commitments. Our obligations under the senior secured credit facility are secured by a first priority security interest in favor of the lenders in our assets, including cash, accounts receivable, inventory, general intangibles, investment property, contract rights and real property.

The terms of the senior secured credit facility include covenants that restrict our ability to make cash distributions and acquisitions. We may make distributions of cash to the extent of our "available cash" as defined in our partnership agreement. We may make acquisitions meeting the definition of "permitted acquisitions" which include: acquisitions in which the consideration paid for such acquisition, together with the consideration paid for other acquisitions in the same fiscal year, does not exceed \$25 million; acquisitions that arise from the exercise of options under the omnibus agreement with TransMontaigne Inc.; and acquisitions in which we have (1) provided the agent prior written documentation in form and substance reasonably satisfactory to the agent demonstrating our pro forma compliance with all financial and other covenants contained in the senior secured credit facility after

giving effect to such acquisition and (2) satisfied all other conditions precedent to such acquisition which the agent may reasonably require in connection therewith. The principal balance of loans and any accrued and unpaid interest are due and payable in full on the maturity date, December 22, 2011.

The senior secured credit facility also contains customary representations and warranties (including those relating to organization and authorization, compliance with laws, absence of defaults, material agreements and litigation) and customary events of default (including those relating to monetary defaults, covenant defaults, cross defaults and bankruptcy events). The primary financial covenants contained in the senior secured credit facility are (i) a total leverage ratio test (not to exceed 4.5 times), (ii) a senior secured leverage ratio test (not to exceed 4.0 times), and (iii) a minimum interest coverage ratio test (not less than 2.75 times). These financial covenants are based on a defined financial performance measure within the senior secured credit facility known as "Consolidated EBITDA." The calculation of the "total leverage ratio," "senior secured leverage ratio" and "interest coverage ratio" contained in the senior secured credit facility is as follows (in thousands, except ratios):

	Three months ended				Twelve months ended
	December 31, 2009	March 31, 2010	June 30, 2010	September 30, 2010	September 30, 2010
Financial performance debt covenant test:					
Consolidated EBITDA for the total leverage ratio, as stipulated in the credit facility	\$ 15,583	\$ 17,995	\$ 18,096	\$ 18,470	\$ 70,144
Consolidated funded indebtedness					\$ 108,000
Total leverage ratio and senior secured leverage ratio					1.54x
Consolidated EBITDA for the interest coverage ratio	\$ 15,583	\$ 17,995	\$ 18,096	\$ 18,470	\$ 70,144
Consolidated interest expense, as stipulated in the credit facility	\$ 1,416	\$ 1,275	\$ 1,229	\$ 1,188	\$ 5,108
Interest coverage ratio					13.73x
Reconciliation of consolidated EBITDA to cash flows provided by operating activities:					
Consolidated EBITDA	\$ 15,583	\$ 17,995	\$ 18,096	\$ 18,470	\$ 70,144
Consolidated interest expense	(1,416)	(1,275)	(1,229)	(1,188)	(5,108)
Amortization of deferred revenue	(809)	(837)	(955)	(986)	(3,587)
Amounts due under long-term terminaling services agreements, net	(627)	(357)	(356)	292	(1,048)
Change in operating assets and liabilities	1,281	(4,378)	4,776	(871)	808
Cash flows provided by operating activities	\$ 14,012	\$ 11,148	\$ 20,332	\$ 15,717	\$ 61,209

If we were to fail either financial performance covenant, or any other covenant contained in the senior secured credit facility, we would seek a waiver from our lenders under such facility. If we were unable to obtain a waiver from our lenders and the default remained uncured after any applicable grace period, we would be in breach of the senior secured credit facility, and the lenders would be entitled to declare all outstanding borrowings immediately due and payable.

We believe that our future cash expected to be provided by operating activities, available borrowing capacity under our credit facility, and our relationship with institutional lenders and equity investors should enable us to meet our planned capital and liquidity requirements through at least the maturity date of our senior secured credit facility (December 2011).

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information contained in this Item 3 updates, and should be read in conjunction with, information set forth in Part II, Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2009, in addition to the interim unaudited consolidated financial statements, accompanying notes and Management's Discussion and Analysis of Financial Condition and Results of Operations presented in Part 1, Items 1 and 2 of this Quarterly Report on Form 10-Q. There are no material changes in the market risks faced by us from those reported in our Annual Report on Form 10-K for the year ended December 31, 2009.

Market risk is the risk of loss arising from adverse changes in market rates and prices. The principal market risk to which we are exposed is interest rate risk associated with borrowings under our senior secured credit facility. Borrowings under our senior secured credit facility bear interest at a variable rate based on LIBOR or the lender's base rate. At September 30, 2010, we had outstanding borrowings of approximately \$108.0 million under our senior secured credit facility.

We manage a portion of our interest rate risk with an interest rate swap, which reduces our exposure to changes in interest rates by converting variable interest rates to fixed interest rates. At September 30, 2010, we are party to an interest rate swap agreement with Wachovia Bank, N.A with a notional amount of \$150.0 million that expires June 2011. Pursuant to the terms of the interest rate swap agreement, we pay a fixed rate of approximately 2.2% and receive an interest payment based on the one-month LIBOR. The net difference to be paid or received under the interest rate swap agreement is settled monthly and is recognized as an adjustment to interest expense.

Based on the outstanding balance of our variable-interest-rate debt at September 30, 2010, the terms of our interest rate swap agreement with a notional amount of \$150.0 million, and assuming market interest rates increase or decrease by 100 basis points, the potential annual increase or decrease in interest expense is approximately \$nil.

We do not purchase or market products that we handle or transport and, therefore, we do not have material direct exposure to changes in commodity prices, except for the value of product gains arising from certain of our terminaling services agreements with our customers. Pursuant to our terminaling services agreement related to the Southeast terminals, we agreed to rebate to Morgan Stanley Capital Group 50% of the proceeds we receive annually in excess of \$4.2 million from the sale of product gains at our Southeast terminals. We do not use derivative commodity instruments to manage the commodity risk associated with the product we may own at any given time. Generally, to the extent we are entitled to retain product pursuant to terminaling services agreements with our customers, we sell the product to Morgan Stanley Capital Group and other marketing and distribution companies on a monthly basis; the sales price is based on industry indices.

For the nine months ended September 30, 2010 and 2009, we sold approximately 114,300 and 92,300 barrels, respectively, of product gained resulting from differences in the measurement of product volumes received and distributed at our terminaling facilities at average prices of \$90 and \$68 per barrel, respectively.

ITEM 4. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit to the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified by the Commission's rules and forms, and that information is accumulated and communicated to the management of our general partner, including our general partner's principal executive and principal financial officer (whom we refer to as the Certifying Officers), as appropriate to allow timely decisions regarding required disclosure. The management of our general partner evaluated, with the participation of the Certifying Officers, the effectiveness of our disclosure controls and procedures as of September 30, 2010, pursuant to Rule 13a-15(b) under the Exchange Act. Based upon that evaluation, the Certifying Officers concluded that, as of September 30, 2010, our disclosure controls and procedures were effective. There were no changes in our internal control over financial reporting that occurred during our most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II. Other Information

ITEM 1A. RISK FACTORS

The following risk factors, discussed in more detail in "Item 1A. Risk Factors," in our Annual Report on Form 10-K for the year ended December 31, 2009, filed with the Securities and Exchange Commission on March 8, 2010, and the additional risk factor set forth in "Item 1A. Risk Factors" in our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010, filed on August 9, 2010, which risk factors are expressly incorporated into this report by reference, are important factors that could cause actual results to differ materially from our expectations and may adversely affect our business and results of operations, include, but are not limited to:

- a reduction in revenue from any of our significant customers upon which we rely for a substantial majority of our revenue;
- failure by any of our significant customers to continue to engage us to provide services after the expiration of existing terminaling services agreements, or our failure to secure comparable alternative arrangements;
- debt levels and restrictions in our debt agreements that may limit our operational flexibility;
- we may have to refinance our existing debt in unfavorable market conditions;
- a lack of access to new capital would impair our ability to expand our operations;
- the impact of Morgan Stanley's status as a bank holding company and regulation as a financial holding company on its ability to conduct certain nonbanking activities or retain certain investments, including control of our general partner;
- the availability of acquisition opportunities and successful integration and future performance of acquired facilities;
- competition from other terminals and pipelines that may be able to supply our significant customers with terminaling services on a more competitive basis;
- the continued creditworthiness of, and performance by, our significant customers;
- a decrease in demand for products in areas served by our terminals and pipelines;
- the ability of our significant customers to secure financing arrangements adequate to purchase their desired volume of product;
- the impact on our facilities or operations of extreme weather conditions, such as hurricanes, and other events, such as terrorist attacks or war and costs associated with environmental compliance and remediation;
- timing, cost and other economic uncertainties related to the construction of new tank capacity or facilities;
- the impact of current and future laws and governmental regulations, general economic, market or business conditions;
- the failure of our existing and future insurance policies to fully cover all risks incident to our business;
- the age and condition of many of our pipeline and storage assets may result in increased maintenance and remediation expenditures;
- our ability to generate sufficient cash from operations to enable us to maintain or grow the amount of the quarterly distribution to our unitholders;

- conflicts of interest and the limited fiduciary duties of our general partner, which is indirectly controlled by Morgan Stanley Capital Group;
- cost reimbursements, which are determined by our general partner, and fees paid to our general partner and its affiliates for services will continue to be substantial;
- the control of our general partner being transferred to a third party without unitholder consent;
- our general partners limited call right may require unitholders to sell their common units at an undesirable time or price;
- our failure to avoid federal income taxation as a corporation or the imposition of state level taxation;
- the impact of new IRS regulations or a challenge of our current allocation of income, gain, loss and deductions among our unitholders or our use of a calendar year end for federal income tax purposes; and
- the sale or exchange of 50% or more of our capital and profits interests within a 12-month period would result in a deemed termination of our partnership for income tax purposes.

There have been no material changes from risk factors as previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2009, filed with the Securities and Exchange Commission on March 8, 2010, and the Form 10-Q for the quarterly period ended June 30, 2010, filed on August 9, 2010.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Purchases of Securities. The following table covers the purchases of our common units by, or on behalf of, Partners during the three months ended September 30, 2010 covered by this report.

<u>Period</u>	<u>Total number of common units purchased</u>	<u>Average price paid per common unit</u>	<u>Total number of common units purchased as part of publicly announced plans or programs</u>	<u>Maximum number of common units that may yet be purchased under the plans or programs</u>
July	840	\$ 29.34	840	4,765
August	10,840	\$ 25.56	840	3,925
September	840	\$ 35.05	840	3,085
	<u>12,520</u>	<u>\$ 26.45</u>	<u>2,520</u>	

During the three months ended September 30, 2010, we purchased 2,520 common units (840 common units per month), with approximately \$81,000 of aggregate market value, in the open market pursuant to a purchase program announced on May 7, 2007. The purchase program establishes the purchase, from time to time, of our outstanding common units for purposes of making subsequent grants of restricted phantom units under the TransMontaigne Services Inc. Long-Term Incentive Plan to independent directors of our general partner. Pursuant to the terms of the purchase program, we anticipate purchasing annually up to 10,000 common units. There is no guarantee as to the exact number of common units that will be purchased under the purchase program, and the purchase program may be discontinued at any time. Unless we choose to terminate the purchase program earlier, the purchase program terminates on the earlier to occur of May 31, 2012; our liquidation, dissolution, bankruptcy or insolvency; the public announcement of a tender or exchange offer for the common units; or a merger, acquisition, recapitalization, business combination or other occurrence of a "Change of Control" under the TransMontaigne Services Inc. Long-Term Incentive Plan. In addition to the foregoing purchases, on August 10, 2010, we purchased 10,000 common units from TransMontaigne Services Inc. for approximately \$250,000 for the purpose of delivering these units to Charles L. Dunlap,

the CEO of our general partner, upon the vesting of an equivalent number of restricted phantom units, which were granted to Mr. Dunlap on August 10, 2009 under the Long-Term Incentive Plan.

ITEM 6. EXHIBITS

Exhibits:

- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

EXHIBIT INDEX

Exhibit number	Description of exhibits
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**Certification Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002**

I, Charles L. Dunlap, Chief Executive Officer of TransMontaigne GP L.L.C., a Delaware limited liability company and general partner of TransMontaigne Partners L.P. (the "Company"), certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of TransMontaigne Partners L.P. for the fiscal quarter ended September 30, 2010;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2010

/s/ CHARLES L. DUNLAP

Charles L. Dunlap
Chief Executive Officer

QuickLinks

[Exhibit 31.1](#)

[Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)

**Certification Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002**

I, Frederick W. Boutin, Chief Financial Officer of TransMontaigne GP L.L.C., a Delaware limited liability company and general partner of TransMontaigne Partners L.P. (the "Company"), certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of TransMontaigne Partners L.P. for the fiscal quarter ended September 30, 2010;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2010

/s/ FREDERICK W. BOUTIN

Frederick W. Boutin
Chief Financial Officer

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[Exhibit 31.2](#)

[Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)

**Certification of Chief Executive Officer
Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002
(18 U.S.C. Section 1350)**

The undersigned, the Chief Executive Officer of TransMontaigne GP L.L.C., a Delaware limited liability company and general partner of TransMontaigne Partners L.P. (the "Company"), hereby certifies that, to his knowledge on the date hereof:

- (a) the Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended September 30, 2010, filed on the date hereof with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ CHARLES L. DUNLAP

Charles L. Dunlap
Chief Executive Officer
November 8, 2010

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[Exhibit 32.1](#)

[Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 \(18 U.S.C. Section 1350\)](#)

**Certification of Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002
(18 U.S.C. Section 1350)**

The undersigned, the Chief Financial Officer of TransMontaigne GP L.L.C., a Delaware limited liability company and general partner of TransMontaigne Partners L.P. (the "Company"), hereby certifies that, to his knowledge on the date hereof:

- (a) the Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended September 30, 2010, filed on the date hereof with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ FREDERICK W. BOUTIN

Frederick W. Boutin
Chief Financial Officer
November 8, 2010

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[Exhibit 32.2](#)

[Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 \(18 U.S.C. Section 1350\)](#)