

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

Form 10-Q

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

For the quarterly period ended June 30, 2019

OR

- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 1-12295

GENESIS ENERGY, L.P.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

919 Milam, Suite 2100,
Houston , TX
(Address of principal executive offices)

Registrant's telephone number, including area code: (713) 860-2500

76-0513049
(I.R.S. Employer
Identification No.)

77002
(Zip 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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common units	GEL	NYSE

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. There were 122,539,221 Class A Common Units and 39,997 Class B Common Units outstanding as of August 6, 2019.

GENESIS ENERGY, L.P.
TABLE OF CONTENTS

	Page
<u>PART I. FINANCIAL INFORMATION</u>	
Item 1. Financial Statements	3
Unaudited Condensed Consolidated Balance Sheets	3
Unaudited Condensed Consolidated Statements of Operations	4
Unaudited Condensed Consolidated Statements of Comprehensive Income	5
Unaudited Condensed Consolidated Statements of Partners' Capital	6
Unaudited Condensed Consolidated Statements of Cash Flows	7
Notes to Unaudited Condensed Consolidated Financial Statements	8
1. Organization and Basis of Presentation and Consolidation	8
2. Recent Accounting Developments	8
3. Revenue Recognition	9
4. Lease Accounting	11
5. Inventories	14
6. Fixed Assets, Mineral Leaseholds, and Asset Retirement Obligations	15
7. Equity Investees	16
8. Intangible Assets	17
9. Debt	18
10. Partners' Capital, Mezzanine Capital and Distributions	19
11. Net Income (Loss) Per Common Unit	20
12. Business Segment Information	21
13. Transactions with Related Parties	23
14. Supplemental Cash Flow Information	25
15. Derivatives	25
16. Fair-Value Measurements	28
17. Commitments and Contingencies	30
18. Condensed Consolidating Financial Information	30
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	39
Item 3. Quantitative and Qualitative Disclosures about Market Risk	55
Item 4. Controls and Procedures	56
<u>PART II. OTHER INFORMATION</u>	
Item 1. Legal Proceedings	57
Item 1A. Risk Factors	57
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	57
Item 3. Defaults upon Senior Securities	57
Item 4. Mine Safety Disclosures	57
Item 5. Other Information	57
Item 6. Exhibits	58
SIGNATURES	59

PART I. FINANCIAL INFORMATION
Item 1. Financial Statements

GENESIS ENERGY, L.P.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except units)

	June 30, 2019	December 31, 2018
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 9,579	\$ 10,300
Accounts receivable - trade, net	297,847	323,462
Inventories	84,094	73,531
Other	44,877	35,986
Total current assets	436,397	443,279
FIXED ASSETS, at cost	5,505,360	5,440,858
Less: Accumulated depreciation	(1,160,353)	(1,023,825)
Net fixed assets	4,345,007	4,417,033
MINERAL LEASEHOLDS, net of accumulated depletion	558,197	560,481
NET INVESTMENT IN DIRECT FINANCING LEASES, net of unearned income	112,428	116,925
EQUITY INVESTEEES	344,583	355,085
INTANGIBLE ASSETS, net of amortization	147,178	162,602
GOODWILL	301,959	301,959
RIGHT OF USE ASSETS, net	191,497	—
OTHER ASSETS, net of amortization	117,697	121,707
TOTAL ASSETS	\$ 6,554,943	\$ 6,479,071
LIABILITIES AND CAPITAL		
CURRENT LIABILITIES:		
Accounts payable - trade	\$ 132,026	\$ 127,327
Accrued liabilities	220,975	205,507
Total current liabilities	353,001	332,834
SENIOR SECURED CREDIT FACILITY	967,000	970,100
SENIOR UNSECURED NOTES, net of debt issuance costs	2,466,137	2,462,363
DEFERRED TAX LIABILITIES	12,911	12,576
OTHER LONG-TERM LIABILITIES	397,690	259,198
Total liabilities	4,196,739	4,037,071
MEZZANINE CAPITAL:		
Class A Convertible Preferred Units, 25,336,778 and 24,438,022 issued and outstanding at June 30, 2019 and December 31, 2018, respectively	790,115	761,466
PARTNERS' CAPITAL:		
Common unitholders, 122,579,218 units issued and outstanding at June 30, 2019 and December 31, 2018	1,575,599	1,690,799
Accumulated other comprehensive income	939	939
Noncontrolling interests	(8,449)	(11,204)
Total partners' capital	1,568,089	1,680,534
TOTAL LIABILITIES, MEZZANINE CAPITAL AND PARTNERS' CAPITAL	\$ 6,554,943	\$ 6,479,071

The accompanying notes are an integral part of these Unaudited Condensed Consolidated Financial Statements.

GENESIS ENERGY, L.P.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per unit amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
REVENUES:				
Offshore pipeline transportation services	\$ 78,427	\$ 69,969	\$ 156,744	\$ 143,229
Sodium minerals and sulfur services	274,606	298,881	550,092	584,791
Marine transportation	58,706	56,185	115,356	105,114
Onshore facilities and transportation	223,046	327,353	432,602	645,062
Total revenues	634,785	752,388	1,254,794	1,478,196
COSTS AND EXPENSES:				
Onshore facilities and transportation product costs	167,050	283,059	335,155	560,877
Onshore facilities and transportation operating costs	19,175	23,046	38,827	45,341
Marine transportation operating costs	44,836	44,217	88,569	82,064
Sodium minerals and sulfur services operating costs	219,894	232,517	438,602	456,015
Offshore pipeline transportation operating costs	4,117	17,440	22,575	35,780
General and administrative	13,412	13,529	25,098	25,203
Depreciation, depletion and amortization	79,353	77,680	156,991	152,935
Total costs and expenses	547,837	691,488	1,105,817	1,358,215
OPERATING INCOME	86,948	60,900	148,977	119,981
Equity in earnings of equity investees	15,046	8,324	28,043	18,896
Interest expense	(55,507)	(57,909)	(111,208)	(114,045)
Other expense	(4,692)	(188)	(7,668)	(5,432)
Income before income taxes	41,795	11,127	58,144	19,400
Income tax expense	(143)	(256)	(545)	(631)
NET INCOME	41,652	10,871	57,599	18,769
Net loss (income) attributable to noncontrolling interests	(1,532)	126	(1,525)	262
NET INCOME ATTRIBUTABLE TO GENESIS ENERGY, L.P.	\$ 40,120	\$ 10,997	\$ 56,074	\$ 19,031
Less: Accumulated distributions attributable to Class A Convertible Preferred Units	(18,684)	(17,257)	(37,099)	(34,145)
NET INCOME (LOSS) AVAILABLE TO COMMON UNITHOLDERS	\$ 21,436	\$ (6,260)	\$ 18,975	\$ (15,114)
NET INCOME (LOSS) PER COMMON UNIT (Note 11):				
Basic and Diluted	\$ 0.17	\$ (0.05)	\$ 0.15	\$ (0.12)
WEIGHTED AVERAGE OUTSTANDING COMMON UNITS:				
Basic and Diluted	122,579	122,579	122,579	122,579

The accompanying notes are an integral part of these Unaudited Condensed Consolidated Financial Statements.

GENESIS ENERGY, L.P.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net income	\$ 41,652	\$ 10,871	\$ 57,599	\$ 18,769
Other comprehensive income:				
Change in benefit plan liability	—	—	—	—
Total Comprehensive income	<u>41,652</u>	<u>10,871</u>	<u>57,599</u>	<u>18,769</u>
Comprehensive (income) loss attributable to noncontrolling interests	<u>(1,532)</u>	<u>126</u>	<u>(1,525)</u>	<u>262</u>
Comprehensive income attributable to Genesis Energy, L.P.	<u>\$ 40,120</u>	<u>\$ 10,997</u>	<u>\$ 56,074</u>	<u>\$ 19,031</u>

The accompanying notes are an integral part of these Unaudited Condensed Consolidated Financial Statements.

GENESIS ENERGY, L.P.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PARTNERS' CAPITAL
(In thousands)

	Number of Common Units	Partners' Capital	Noncontrolling Interest	Accumulated Other Comprehensive Income	Total
Partners' capital, March 31, 2019	122,579	\$ 1,621,314	\$ (10,601)	\$ 939	\$ 1,611,652
Net income	—	40,120	1,532	—	41,652
Cash distributions to partners	—	(67,419)	—	—	(67,419)
Cash contributions from noncontrolling interests	—	—	620	—	620
Distributions to Class A Convertible Preferred unitholders	—	(18,416)	—	—	(18,416)
Partners' capital, June 30, 2019	122,579	\$ 1,575,599	\$ (8,449)	\$ 939	\$ 1,568,089
	Number of Common Units	Partners' Capital	Noncontrolling Interest	Accumulated Other Comprehensive Loss	Total
Partners' capital, March 31, 2018	122,579	\$ 1,951,590	\$ (7,815)	\$ (604)	\$ 1,943,171
Net income	—	10,997	(126)	—	10,871
Cash distributions to partners	—	(63,742)	—	—	(63,742)
Cash contributions from noncontrolling interests	—	—	920	—	920
Distributions to Class A Convertible Preferred unitholders	—	(16,888)	—	—	(16,888)
Partners' capital, June 30, 2018	122,579	\$ 1,881,957	\$ (7,021)	\$ (604)	\$ 1,874,332

	Number of Common Units	Partners' Capital	Noncontrolling Interest	Accumulated Other Comprehensive Income	Total
Partners' capital, January 1, 2019	122,579	\$ 1,690,799	\$ (11,204)	\$ 939	\$ 1,680,534
Net income	—	56,074	1,525	—	57,599
Cash distributions to partners	—	(134,838)	—	—	(134,838)
Cash contributions from noncontrolling interests	—	—	1,230	—	1,230
Distributions to Class A Convertible Preferred unitholders	—	(36,436)	—	—	(36,436)
Partners' capital, June 30, 2019	122,579	\$ 1,575,599	\$ (8,449)	\$ 939	\$ 1,568,089
	Number of Common Units	Partners' Capital	Noncontrolling Interest	Accumulated Other Comprehensive Loss	Total
Partners' capital, January 1, 2018	122,579	\$ 2,022,597	\$ (8,079)	\$ (604)	\$ 2,013,914
Net income	—	19,031	(262)	—	18,769
Cash distributions to partners	—	(126,257)	—	—	(126,257)
Cash contributions from noncontrolling interests	—	—	1,320	—	1,320
Distributions to Class A Convertible Preferred unitholders	—	(33,414)	—	—	(33,414)
Partners' capital, June 30, 2018	122,579	\$ 1,881,957	\$ (7,021)	\$ (604)	\$ 1,874,332

The accompanying notes are an integral part of these Unaudited Condensed Consolidated Financial Statements.

GENESIS ENERGY, L.P.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Six Months Ended June 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 57,599	\$ 18,769
Adjustments to reconcile net income to net cash provided by operating activities -		
Depreciation, depletion and amortization	156,991	152,935
Amortization and write-off of debt issuance costs and discount	5,370	6,820
Amortization of unearned income and initial direct costs on direct financing leases	(6,227)	(6,615)
Payments received under direct financing leases	10,334	10,334
Equity in earnings of investments in equity investees	(28,043)	(18,896)
Cash distributions of earnings of equity investees	27,735	20,162
Non-cash effect of long-term incentive compensation plans	3,822	1,662
Deferred and other tax liabilities	335	331
Unrealized loss on derivative transactions	13,304	3,269
Other, net	(7,703)	(3,800)
Net changes in components of operating assets and liabilities (Note 14)	(37,907)	(34,155)
Net cash provided by operating activities	<u>195,610</u>	<u>150,816</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments to acquire fixed and intangible assets	(68,666)	(110,970)
Cash distributions received from equity investees - return of investment	10,811	17,828
Investments in equity investees	—	(395)
Proceeds from asset sales	861	1,192
Net cash used in investing activities	<u>(56,994)</u>	<u>(92,345)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings on senior secured credit facility	387,000	543,100
Repayments on senior secured credit facility	(390,100)	(336,000)
Repayment of senior unsecured notes	—	(145,170)
Debt issuance costs	—	(224)
Contributions from noncontrolling interests	1,230	1,320
Distributions to common unitholders	(134,838)	(126,257)
Distributions to preferred unitholders	(6,138)	—
Other, net	3,509	3,565
Net cash used in financing activities	<u>(139,337)</u>	<u>(59,666)</u>
Net decrease in cash and cash equivalents	(721)	(1,195)
Cash and cash equivalents at beginning of period	10,300	9,041
Cash and cash equivalents at end of period	<u>\$ 9,579</u>	<u>\$ 7,846</u>

The accompanying notes are an integral part of these Unaudited Condensed Consolidated Financial Statements.

GENESIS ENERGY, L.P.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Basis of Presentation and Consolidation

Organization

We are a growth-oriented master limited partnership formed in Delaware in 1996 and focused on the midstream segment of the crude oil and natural gas industry in the Gulf Coast region of the United States and the Gulf of Mexico. We provide an integrated suite of services to refiners, crude oil and natural gas producers, and industrial and commercial enterprises and have a diverse portfolio of assets, including pipelines, offshore hub and junction platforms, our soda ash business (our "Alkali Business"), refinery-related plants, storage tanks and terminals, railcars, rail unloading facilities, barges and other vessels, and trucks. We are owned 100% by our limited partners. Genesis Energy, LLC, our general partner, is a wholly-owned subsidiary. Our general partner has sole responsibility for conducting our business and managing our operations. We conduct our operations and own our operating assets through our subsidiaries and joint ventures.

We currently manage our businesses through the following four divisions that constitute our reportable segments:

- Offshore pipeline transportation and processing of crude oil and natural gas in the Gulf of Mexico;
- Sodium minerals and sulfur services involving trona and trona-based exploring, mining, processing, producing, marketing and selling activities, as well as processing of high sulfur (or "sour") gas streams for refineries to remove the sulfur, and selling the related by-product, sodium hydrosulfide (or "NaHS", commonly pronounced "nash");
- Onshore facilities and transportation, which include terminalling, blending, storing, marketing, and transporting crude oil, petroleum products, and CO₂; and
- Marine transportation to provide waterborne transportation of petroleum products and crude oil throughout North America.

Basis of Presentation and Consolidation

The accompanying Unaudited Condensed Consolidated Financial Statements include Genesis Energy, L.P. and its subsidiaries, including our general partner, Genesis Energy, LLC.

Our results of operations for the interim periods shown in this report are not necessarily indicative of results to be expected for the fiscal year. The Condensed Consolidated Financial Statements included herein have been prepared by us without audit pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Accordingly, they reflect all adjustments (which consist solely of normal recurring adjustments) that are, in the opinion of management, necessary for a fair presentation of the financial results for interim periods. Certain information and notes normally included in annual financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP") have been condensed or omitted pursuant to such rules and regulations. However, we believe that the disclosures are adequate to make the information presented not misleading when read in conjunction with the information contained in the periodic reports we file with the SEC pursuant to the Securities Exchange Act of 1934, including the Consolidated Financial Statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2018.

Except per unit amounts, or as noted within the context of each footnote disclosure, the dollar amounts presented in the tabular data within these footnote disclosures are stated in thousands of dollars.

2. Recent Accounting Developments

Recently Adopted

We have adopted guidance under ASC Topic 606, Revenue from Contracts with Customers, and all related ASUs (collectively "ASC 606") as of January 1, 2018 utilizing the modified retrospective method of adoption. Our material equity method investment, Poseidon Oil Pipeline Company, LLC ("Poseidon"), adopted ASC 606 on January 1, 2019. The adoption did not have an impact to our investment balance or equity in earnings at the transition date or at June 30, 2019. Refer to [Note 3](#) for further details.

We have adopted guidance under ASC Topic 842, Lease Accounting ("ASC 842"), as of January 1, 2019 utilizing the modified retrospective method of adoption. Additionally, we elected to implement the practical expedients that pertain to easements, separation of lease components, and the package of practical expedients which among other things, allows us to carry over previous lease conclusions reached under ASC 840. As a result of adopting the new lease standard, we recorded an operating lease right of use asset of approximately \$209 million with a corresponding lease liability as of the transition date. Refer to [Note 4](#) for further details.

GENESIS ENERGY, L.P.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Recently Issued

In June 2016, the FASB issued ASU 2016-13 “Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments” (“ASU 2016-13”). ASU 2016-13 changes the impairment model for most financial assets and certain other instruments. For trade and other receivables, held-to-maturity debt securities, loans, and other instruments, entities will be required to use a new forward-looking “expected loss” model that generally will result in the earlier recognition of allowances for losses. The guidance also requires increased disclosures. ASU 2016-13 is effective for interim and annual periods beginning after December 15, 2019. Early adoption is permitted. The standard requires varying transition methods for the different categories of amendments. We do not expect ASU 2016-13 to have a material impact on our financial statements.

3. Revenue Recognition*Revenue from Contracts with Customers*

The following tables reflect the disaggregation of our revenues by major category for the three months ended June 30, 2019 and 2018, respectively:

	Three Months Ended June 30, 2019				Consolidated
	Onshore Facilities & Transportation	Sodium Minerals & Sulfur Services	Offshore Pipeline Transportation	Marine Transportation	
Fee-based revenues	\$ 37,764	\$ —	\$ 78,427	\$ 58,706	\$ 174,897
Product Sales	185,282	252,089	—	—	437,371
Refinery Services	—	22,517	—	—	22,517
	<u>\$ 223,046</u>	<u>\$ 274,606</u>	<u>\$ 78,427</u>	<u>\$ 58,706</u>	<u>\$ 634,785</u>

	Three Months Ended June 30, 2018				Consolidated
	Onshore Facilities & Transportation	Sodium Minerals & Sulfur Services	Offshore Pipeline Transportation	Marine Transportation	
Fee-based revenues	\$ 35,010	\$ —	\$ 69,969	\$ 56,185	\$ 161,164
Product Sales	292,343	269,151	—	—	561,494
Refinery Services	—	29,730	—	—	29,730
	<u>\$ 327,353</u>	<u>\$ 298,881</u>	<u>\$ 69,969</u>	<u>\$ 56,185</u>	<u>\$ 752,388</u>

GENESIS ENERGY, L.P.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following tables reflect the disaggregation of our revenues by major category for the six months ended June 30, 2019 and 2018, respectively:

	Six Months Ended June 30, 2019				
	Onshore Facilities & Transportation	Sodium Minerals & Sulfur Services	Offshore Pipeline Transportation	Marine Transportation	Consolidated
Fee-based revenues	\$ 75,776	\$ —	\$ 156,744	\$ 115,356	\$ 347,876
Product Sales	356,826	509,932	—	—	866,758
Refinery Services	—	40,160	—	—	40,160
	<u>\$ 432,602</u>	<u>\$ 550,092</u>	<u>\$ 156,744</u>	<u>\$ 115,356</u>	<u>\$ 1,254,794</u>

	Six Months Ended June 30, 2018				
	Onshore Facilities & Transportation	Sodium Minerals & Sulfur Services	Offshore Pipeline Transportation	Marine Transportation	Consolidated
Fee-based revenues	\$ 65,348	\$ —	\$ 143,229	\$ 105,114	\$ 313,691
Product Sales	579,714	533,116	—	—	1,112,830
Refinery Services	—	51,675	—	—	51,675
	<u>\$ 645,062</u>	<u>\$ 584,791</u>	<u>\$ 143,229</u>	<u>\$ 105,114</u>	<u>\$ 1,478,196</u>

The Company recognizes revenue upon the satisfaction of its performance obligations under its contracts. The timing of revenue recognition varies for our different revenue streams. In general, the timing includes recognition of revenue over time as services are being performed as well as recognition of revenue at a point in time, for delivery of products.

Contract Assets and Liabilities

The table below depicts our contract asset and liability balances at December 31, 2018 and June 30, 2019:

	Contract Assets		Contract Liabilities
	Current	Non-Current	Non-Current
Balance at December 31, 2018	\$ —	\$ 72,241	\$ 26,271
Balance at June 30, 2019	6,972	74,279	27,056

During both the three and six months ended June 30, 2019, \$0.7 million that was previously classified as a contract liability at the beginning of the period was recognized as revenue. Additionally, no revenues were recognized in the period related to performance obligations satisfied or partially satisfied from a previous period. Accounts receivable-trade, net does not include consideration received in kind from our refinery services process. We did not have any material contract modifications during the period that would affect our contract asset and liability balances.

Transaction Price Allocations to Remaining Performance Obligations

We are required to disclose the amount of our transaction prices that are allocated to unsatisfied performance obligations as of June 30, 2019. However, ASC 606 does provide the following practical expedients and exemptions that we utilized:

- 1) Performance obligations that are part of a contract with an expected duration of one year or less;
- 2) Revenue recognized from the satisfaction of performance obligations where we have a right to consideration in an amount that corresponds directly with the value provided to customers; and

GENESIS ENERGY, L.P.**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

- 3) Contracts that contain variable consideration, such as index-based pricing or variable volumes, that is allocated entirely to a wholly unsatisfied performance obligation or to a wholly unsatisfied promise to transfer a distinct good or service that is part of a series.

We apply these practical expedients and exemptions to our revenue streams recognized over time. The majority of our contracts qualify for one of these expedients or exemptions. After considering these practical expedients and identifying the remaining contract types that involve revenue recognition over a long-term period and include long-term fixed consideration (adjusted for indexing as required), we determined our allocations of transaction price that relate to unsatisfied performance obligations. As it relates to our tiered pricing offshore transportation contracts, we provide firm capacity for both fixed and variable consideration over a long term period. Therefore, we have allocated the remaining contract value (as estimated and discussed above) to future periods.

The following chart depicts how we expect to recognize revenues for future periods related to these contracts:

	Offshore Pipeline Transportation	Onshore Facilities and Transportation
Remainder of 2019	\$ 47,476	\$ 32,170
2020	67,600	57,615
2021	52,479	20,269
2022	38,152	4,283
2023	25,353	—
Thereafter	142,114	—
Total	\$ 373,174	\$ 114,337

4. Lease Accounting***Lessee Arrangements***

We lease a variety of transportation equipment (including trucks, trailers, and railcars), terminals, land and facilities, and office space and equipment. Lease terms vary and can range from short term (under 12 months) to long term (greater than 12 months). A majority of our leases contain options to extend the life of the lease at our sole discretion. We considered these options when determining the lease terms used to derive our right of use asset and associated lease liability. Leases with a term of less than 12 months are not recorded on our consolidated balance sheet and we recognize lease expense for these leases on a straight line basis over the lease term.

Certain lease agreements include lease and non-lease components. We have elected to combine lease and non-lease components for all of our underlying assets for the purpose of deriving our right of use asset and lease liability. Additionally, certain lease payments are driven by variable factors, such as plant production or indexing rates. Variable costs are expensed as incurred and are not included in our determination for our lease liability and right of use asset.

As a lessee, we do not have any finance leases and none of our leases contain material residual value guarantees or material restrictive covenants. In addition, most of our leases do not provide an implicit rate, and as such, we determined our incremental borrowing rate based on the information available at January 1, 2019 in determining the present value of lease payments.

GENESIS ENERGY, L.P.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Our lease portfolio consists of operating leases within three major categories:

Leases	Classification	Financial Statement Caption	June 30, 2019	January 1, 2019
Assets				
	Transportation Equipment	Right of Use Assets, net	107,383	117,727
	Office Space & Equipment	Right of Use Assets, net	12,517	14,194
	Facilities and Equipment	Right of Use Assets, net	71,597	77,008
Total Right of Use Assets, net			191,497	208,929
Liabilities				
Current		Accrued liabilities	30,501	33,016
Non-Current		Other long-term liabilities	157,228	171,348
Total Lease Liability			\$ 187,729	\$ 204,364

Our Right of Use Assets, net balance above includes our unamortized initial direct costs associated with certain of our transportation equipment leases. Additionally, it includes our unamortized prepaid rents, our deferred rents, and our previously classified intangible asset associated with a favorable lease (Note 8). Our lease liability includes our remaining provision for each period presented for our cease-use provision for railcars no longer in use.

We recorded total operating lease costs of \$13.0 million and \$26.2 million during the three and six months ended June 30, 2019. The total operating cost includes the amounts associated with our existing lease liabilities, along with both short term and variable lease costs incurred during the period which are not significant to the operating lease cost individually, or in the aggregate.

The maturities of our operating lease liabilities as of June 30, 2019 on an undiscounted cash flow basis reconciled to the present value recorded on our Unaudited Condensed Consolidated Balance Sheet:

Maturity of Lease Liabilities	Transportation Equipment	Office Space and Equipment	Facilities and Equipment	Operating Leases
Remainder of 2019	\$ 16,213	\$ 2,412	\$ 6,219	\$ 24,844
2020	25,996	4,069	9,383	39,448
2021	20,137	3,087	6,720	29,944
2022	17,980	2,376	5,410	25,766
2023	17,077	600	5,349	23,026
Thereafter	43,619	2,307	129,085	175,011
Total Lease Payments	141,022	14,851	162,166	318,039
Less: Interest	(29,195)	(2,264)	(98,851)	(130,310)
Present value of operating lease liabilities	\$ 111,827	\$ 12,587	\$ 63,315	\$ 187,729

The following table presents the weighted average remaining term and discount rate related to our right of use assets:

Lease Term and Discount Rate	June 30, 2019
Weighted-average remaining lease term	12.24 years
Weighted-average discount rate	7.56%

GENESIS ENERGY, L.P.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following table provides information regarding the cash paid and right of use assets obtained related to our operating leases:

Cash Flows Information	June 30, 2019
Cash paid for amounts included in the measurement of lease liabilities	\$ 23,868
Leased assets obtained in exchange for new operating lease liabilities	197,877

Lessor Arrangements

We have the following contracts in which we act as a lessor. We also, from time to time, sublease certain of our transportation and facilities equipment to third parties.

Operating Leases

We act as a lessor in our revenue contract associated with the M/T American Phoenix, within the marine transportation segment. The M/T American Phoenix ocean tanker is currently under charter along the Gulf Coast until 2020 with a large refining customer. We recorded lease revenue of \$6.7 million and \$13.4 million for the three and six months ended June 30, 2019 and \$7.1 million and \$13.4 million for the three and six months ended June 30, 2018, respectively, which is recorded in marine transportation revenues on the Unaudited Condensed Consolidated Statements of Operations.

Additionally, we act as a lessor on our Free State pipeline system, which is included in the onshore and facilities transportation segment. The Free State pipeline is an 86 mile pipeline in Eastern Mississippi used to transport CO₂ that is recovered in the area downstream to several delivery points in and around the Mississippi region. Our Free State pipeline is currently under lease through 2028 to an affiliate of an independent crude oil company. We receive fixed installments through the life of the lease as well as variable consideration that is determined by average daily volumes of throughput. We recorded total revenue of \$1.3 million and \$2.9 million for the three and six months ended June 30, 2019 and \$1.6 million and \$3.1 million for the three and six months ended June 30, 2018, respectively, which is recorded in onshore facilities and transportation revenues on the Unaudited Condensed Consolidated Statements of Operations.

Direct Finance Lease

Our direct finance lease includes a lease of the Northeast Jackson Dome ("NEJD") Pipeline. Under the terms of the agreement, we are paid a quarterly payment, which commenced in August 2008. These payments are fixed at approximately \$5.2 million per quarter during the lease term at an interest rate of 10.25%. At the end of the lease term in 2028, we will convey all of our interest in the NEJD Pipeline to the lessee for a nominal payment.

The following table details the fixed lease payments we will receive for our lessor arrangements as of June 30, 2019:

Maturity of Lessor Receipts	Operating Leases		Direct Financing Lease
	Marine Transportation	Onshore Facilities and Transportation	Onshore Facilities and Transportation
Remainder of 2019	\$ 13,616	\$ 600	\$ 10,334
2020	20,128	1,200	20,668
2021	—	1,200	20,668
2022	—	1,200	20,668
2023	—	1,200	20,668
Thereafter	—	5,300	93,005
Total Lease Receipts	33,744	10,700	186,011
Less: Interest	—	—	(64,736)
Total Net Lease Receipts	\$ 33,744	\$ 10,700	\$ 121,275

The present value of our lease receivables for our direct finance lease includes a current portion of \$8.8 million, which is recorded in other current assets on the Unaudited Condensed Consolidated Balance Sheet as of June 30, 2019.

GENESIS ENERGY, L.P.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. Inventories

The major components of inventories were as follows:

	June 30, 2019	December 31, 2018
Petroleum products	\$ 13,884	\$ 12,203
Crude oil	21,231	8,379
Caustic soda	6,856	10,372
NaHS	7,277	12,400
Raw materials - Alkali operations	7,457	5,952
Work-in-process - Alkali operations	5,081	2,322
Finished goods, net - Alkali operations	11,172	11,402
Materials and supplies, net - Alkali operations	11,079	10,490
Other	57	11
Total	<u>\$ 84,094</u>	<u>\$ 73,531</u>

Inventories are valued at the lower of cost or net realizable value. The net realizable value of inventories were not recorded below cost as of June 30, 2019 and were recorded below cost by \$1.0 million as of December 31, 2018.

GENESIS ENERGY, L.P.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. Fixed Assets, Mineral Leaseholds, and Asset Retirement Obligations

Fixed Assets

Fixed assets, net consisted of the following:

	June 30, 2019	December 31, 2018
Crude oil pipelines and natural gas pipelines and related assets	\$ 2,919,237	\$ 2,918,285
Alkali facilities, machinery, and equipment	542,919	533,924
Onshore facilities, machinery, and equipment	640,129	639,023
Transportation equipment	19,573	20,102
Marine vessels	960,947	951,597
Land, buildings and improvements	223,341	222,242
Office equipment, furniture and fixtures	20,560	20,505
Construction in progress	136,763	94,025
Other	41,891	41,155
Fixed assets, at cost	5,505,360	5,440,858
Less: Accumulated depreciation	(1,160,353)	(1,023,825)
Net fixed assets	<u>\$ 4,345,007</u>	<u>\$ 4,417,033</u>

Mineral Leaseholds

Our Mineral Leaseholds, relating to our Alkali Business, consist of the following:

	June 30, 2019	December 31, 2018
Mineral leaseholds	\$ 566,019	\$ 566,019
Less: Accumulated depletion	(7,822)	(5,538)
Mineral leaseholds, net	<u>\$ 558,197</u>	<u>\$ 560,481</u>

Our depreciation and depletion expense for the periods presented was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Depreciation expense	\$ 73,206	\$ 70,836	\$ 144,878	\$ 139,264
Depletion expense	965	1,054	2,284	2,191

Asset Retirement Obligations

We record asset retirement obligations ("AROs") in connection with legal requirements to perform specified retirement activities under contractual arrangements and/or governmental regulations.

The following table presents information regarding our AROs since December 31, 2018:

ARO liability balance, December 31, 2018	\$ 239,865
Accretion expense	4,576
Changes in estimate	(15,711)
Settlements	(20,277)
ARO liability balance, June 30, 2019	<u>\$ 208,453</u>

GENESIS ENERGY, L.P.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Of the ARO balances disclosed above, \$62.2 million and \$67.5 million is included as current in "Accrued liabilities" on our Unaudited Condensed Consolidated Balance Sheet as of June 30, 2019 and December 31, 2018, respectively. The remainder of the ARO liability as of June 30, 2019 and December 31, 2018 is included in "Other long-term liabilities" on our Unaudited Condensed Consolidated Balance Sheet. During 2019, we recorded a change in estimate of \$15.7 million related to revisions in our estimated abandonment costs for certain of our non-operating offshore gas assets.

With respect to our AROs, the following table presents our estimate of accretion expense for the periods indicated:

Remainder of 2019	\$	5,136
2020	\$	9,053
2021	\$	9,297
2022	\$	9,892
2023	\$	10,586

Certain of our unconsolidated affiliates have AROs recorded at June 30, 2019 relating to contractual agreements and regulatory requirements. These amounts are immaterial to our Consolidated Financial Statements.

7. Equity Investees

We account for our ownership in our joint ventures under the equity method of accounting. The price we pay to acquire an ownership interest in a company may exceed or be less than the underlying book value of the capital accounts we acquire. Such excess cost amounts are included within the carrying values of our equity investees. At June 30, 2019 and December 31, 2018, the unamortized excess cost amounts totaled \$358.6 million and \$366.4 million, respectively. We amortize the excess cost as a reduction in equity earnings.

The following table presents information included in our Unaudited Condensed Consolidated Financial Statements related to our equity investees.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Genesis' share of operating earnings	\$ 18,918	\$ 12,266	\$ 35,788	\$ 26,780
Amortization of excess purchase price	\$ (3,872)	(3,942)	(7,745)	(7,884)
Net equity in earnings	\$ 15,046	\$ 8,324	\$ 28,043	\$ 18,896
Distributions received	\$ 20,721	\$ 18,361	\$ 38,546	\$ 37,990

The following tables present the unaudited balance sheet and income statement information (on a 100% basis) for Poseidon (which is our most significant equity investment):

	June 30, 2019	December 31, 2018
BALANCE SHEET DATA:		
Assets		
Current assets	\$ 17,230	\$ 18,911
Fixed assets, net	194,398	202,116
Other assets	2,310	886
Total assets	\$ 213,938	\$ 221,913
Liabilities and equity		
Current liabilities	\$ 16,611	\$ 15,909
Other liabilities	237,158	242,881
Equity	(39,831)	(36,877)
Total liabilities and equity	\$ 213,938	\$ 221,913

GENESIS ENERGY, L.P.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
INCOME STATEMENT DATA:				
Revenues	\$ 34,387	\$ 27,250	\$ 65,439	\$ 56,194
Operating income	\$ 25,655	\$ 19,325	\$ 47,960	\$ 39,672
Net income	\$ 23,295	\$ 17,432	\$ 43,145	\$ 36,010

Poseidon's Revolving Credit Facility

Borrowings under Poseidon's revolving credit facility, which was amended and restated in March 2019, are primarily used to fund spending on capital projects. The March 2019 credit facility is non-recourse to Poseidon's owners and secured by substantially all of Poseidon's assets and has a new maturity date of March 2024. The March 2019 credit facility contains customary covenants such as restrictions on debt levels, liens, guarantees, mergers, sale of assets and distributions to owners. A breach of any of these covenants could result in acceleration of the maturity date of Poseidon's debt. Poseidon was in compliance with the terms of its credit agreement for all periods presented in these Unaudited Condensed Consolidated Financial Statements.

8. Intangible Assets

The following table summarizes the components of our intangible assets at the dates indicated:

	June 30, 2019			December 31, 2018		
	Gross Carrying Amount	Accumulated Amortization	Carrying Value	Gross Carrying Amount	Accumulated Amortization	Carrying Value
Intangibles associated with lease ⁽¹⁾	\$ —	\$ —	\$ —	\$ 13,260	\$ 5,407	\$ 7,853
Marine contract intangibles	27,800	20,313	7,487	27,800	17,593	10,207
Offshore pipeline contract intangibles	158,101	32,591	125,510	158,101	28,431	129,670
Other	33,123	18,942	14,181	31,747	16,875	14,872
Total	\$ 219,024	\$ 71,846	\$ 147,178	\$ 230,908	\$ 68,306	\$ 162,602

(1) Intangible assets associated with a lease in our onshore facilities & transportation segment are now classified as part of our Right or Use Assets, net as part of our adoption of ASC 842 as of January 1, 2019 (Note 4).

Our amortization of intangible assets for the periods presented was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Amortization of intangible assets	\$ 4,812	\$ 5,461	\$ 9,101	\$ 10,894

We estimate that our amortization expense for the next five years will be as follows:

Remainder of 2019	\$ 8,616
2020	\$ 15,910
2021	\$ 10,421
2022	\$ 10,247
2023	\$ 9,975

GENESIS ENERGY, L.P.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. Debt

Our obligations under debt arrangements consisted of the following:

	June 30, 2019			December 31, 2018		
	Principal	Unamortized Discount and Debt Issuance Costs ⁽¹⁾	Net Value	Principal	Unamortized Discount and Debt Issuance Costs ⁽¹⁾	Net Value
Senior secured credit facility	\$ 967,000	\$ —	\$ 967,000	\$ 970,100	\$ —	\$ 970,100
6.750% senior unsecured notes	750,000	11,069	738,931	750,000	12,763	737,237
6.000% senior unsecured notes	400,000	4,090	395,910	400,000	4,624	395,376
5.625% senior unsecured notes	350,000	4,372	345,628	350,000	4,820	345,180
6.500% senior unsecured notes	550,000	7,631	542,369	550,000	8,241	541,759
6.250% senior unsecured notes	450,000	6,701	443,299	450,000	7,189	442,811
Total long-term debt	\$ 3,467,000	\$ 33,863	\$ 3,433,137	\$3,470,100	\$ 37,637	\$3,432,463

(1) Unamortized debt issuance costs associated with our senior secured credit facility (included in Other Long Term Assets on the Unaudited Condensed Consolidated Balance Sheet) were \$9.2 million and \$10.8 million as of June 30, 2019 and December 31, 2018, respectively.

As of June 30, 2019, we were in compliance with the financial covenants contained in our credit agreement and senior unsecured notes indentures.

Senior Secured Credit Facility

The key terms for rates under our \$1.7 billion senior secured credit facility, which are dependent on our leverage ratio (as defined in the credit agreement), are as follows:

- The interest rate on borrowings may be based on an alternate base rate or a Eurodollar rate, at our option. The alternate base rate is equal to the sum of (a) the greatest of (i) the prime rate as established by the administrative agent for the credit facility, (ii) the federal funds effective rate plus 0.5% of 1% and (iii) the LIBOR rate for a one-month maturity plus 1% and (b) the applicable margin. The Eurodollar rate is equal to the sum of (a) the LIBOR rate for the applicable interest period multiplied by the statutory reserve rate and (b) the applicable margin. The applicable margin varies from 1.50% to 3.00% on Eurodollar borrowings and from 0.50% to 2.00% on alternate base rate borrowings, depending on our leverage ratio. Our leverage ratio is recalculated quarterly and in connection with each material acquisition. At June 30, 2019, the applicable margins on our borrowings were 1.75% for alternate base rate borrowings and 2.75% for Eurodollar rate borrowings.
- Letter of credit fee rates range from 1.50% to 3.00% based on our leverage ratio as computed under the credit facility. The rate can fluctuate quarterly. At June 30, 2019, our letter of credit rate was 2.75%.
- We pay a commitment fee on the unused portion of the \$1.7 billion maximum facility amount. The commitment fee rates on the unused committed amount will range from 0.25% to 0.50% per annum depending on our leverage ratio. At June 30, 2019, our commitment fee rate on the unused committed amount was 0.50%.
- The accordion feature is \$300.0 million, giving us the ability to expand the size of the facility to up to \$2.0 billion for acquisitions or growth projects, subject to lender consent.

At June 30, 2019, we had \$967.0 million borrowed under our \$1.7 billion credit facility, with \$30.3 million of the borrowed amount designated as a loan under the inventory sublimit. Our credit agreement allows up to \$100.0 million of the capacity to be used for letters of credit, of which \$1.1 million was outstanding at June 30, 2019. Due to the revolving nature of loans under our credit facility, additional borrowings and periodic repayments and re-borrowings may be made until the maturity date. The total amount available for borrowings under our credit facility at June 30, 2019 was \$731.9 million.

Senior Unsecured Note Issuances, Redemption, and Extinguishment

On December 11, 2017, we issued \$450 million in aggregate principal amount of 6.25% senior unsecured notes due May 15, 2026 (the "2026 Notes"). Interest payments are due May 15 and November 15 of each year with the initial interest

GENESIS ENERGY, L.P.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

payment due May 15, 2018. Our 2026 Notes mature on May 15, 2026. That issuance generated proceeds of \$441.8 million, net of issuance costs incurred. We used \$204.8 million of the net proceeds to redeem the portion of the senior unsecured notes due February 15, 2021 (the "2021 Notes") that were validly tendered and the remaining net proceeds to repay a portion of the borrowings outstanding under our revolving credit facility. On February 15, 2018, we redeemed our remaining 2021 Notes in full at a redemption price of 101.438% of the principal amount, plus accrued and unpaid interest up to, but not including, the redemption date. We incurred a total loss of approximately \$3.3 million relating to the extinguishment of those notes (including the write-off of the related unamortized debt issuance costs), which is recorded as "Other expense" in our Consolidated Statements of Operations for the six months ended June 30, 2018.

10. Partners' Capital, Mezzanine Capital and Distributions

At June 30, 2019, our outstanding common units consisted of 122,539,221 Class A units and 39,997 Class B units.

Distributions

We paid or will pay the following distributions to our common unitholders in 2018 and 2019:

Distribution For	Date Paid	Per Unit Amount	Total Amount
2018			
1 st Quarter	May 15, 2018	\$ 0.5200	\$ 63,741
2 nd Quarter	August 14, 2018	\$ 0.5300	\$ 64,967
3 rd Quarter	November 14, 2018	\$ 0.5400	\$ 66,193
4 th Quarter	February 14, 2019	\$ 0.5500	\$ 67,419
2019			
1 st Quarter	May 15, 2019	\$ 0.5500	\$ 67,419
2 nd Quarter	August 14, 2019 ⁽¹⁾	\$ 0.5500	\$ 67,419

(1) This distribution was declared on July 9, 2019 and will be paid to unitholders of record as of July 31, 2019.

Class A Convertible Preferred Units

On September 1, 2017, we sold \$750 million of our Class A Convertible Preferred units (our "preferred units") in a private placement, comprised of 22,249,494 units for a cash purchase price per unit of \$33.71 (subject to certain adjustments, the "Issue Price") to two initial purchasers. Our general partner executed an amendment to our partnership agreement in connection therewith, which, among other things, authorized and established the rights and preferences of our preferred units. Our preferred units are a new class of security that ranks senior to all of our currently outstanding classes or series of limited partner interests with respect to distribution and/or liquidation rights. Holders of our preferred units vote on an as-converted basis with holders of our common units and have certain class voting rights, including with respect to any amendment to the partnership agreement that would adversely affect the rights, preferences or privileges, or otherwise modify the terms, of those preferred units.

Accounting for the Class A Convertible Preferred Units

Our preferred units are considered redeemable securities under GAAP due to the existence of redemption provisions upon a deemed liquidation event that is outside our control. Therefore, we present them as temporary equity in the mezzanine section of the Consolidated Balance Sheet. Because our preferred units are not currently redeemable and we do not have plans or expect any events that constitute a change of control in our partnership agreement, we present our preferred units at their initial carrying amount. However, we would be required to adjust that carrying amount if it becomes probable that we would be required to redeem our preferred units.

Initial and Subsequent Measurement

We initially recognized our preferred units at their issuance date fair value, net of issuance costs. We will not be required to adjust the carrying amount of our preferred units until it becomes probable that they would become redeemable. Once redemption becomes probable, we would adjust the carrying amount of our preferred units to the redemption value over a period of time comprising the date the feature first becomes probable and the date the units can first be redeemed.

GENESIS ENERGY, L.P.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Preferred unit distributions are recognized on the date in which they are declared. Paid-in-kind ("PIK") distributions were declared and issued as follows:

Distribution For	Date Issued	Number of Units	Total Amount
2018			
1 st Quarter	May 15, 2018	500,976	\$ 16,888
2 nd Quarter	August 14, 2018	511,934	\$ 17,527
3 rd Quarter	November 14, 2018	523,132	\$ 17,635
4 th Quarter	February 14, 2019	534,576	\$ 18,021
2019			
1 st Quarter	May 15, 2019	364,180	\$ 12,277

Net Income Attributable to Genesis Energy, L.P. is reduced by preferred unit distributions in the form of PIK and cash that accumulated during the period. For the three and six months ended June 30, 2019, net income attributable to common unitholders was reduced by \$18.7 million and \$37.1 million, respectively. In the first quarter of 2019, we declared a PIK for a portion of the quarterly distribution attributable to the first two months of the first quarter of 2019 (as defined below), resulting in the issuance of 364,180 preferred units. For the portion of the quarterly distribution attributable to the final month of the first quarter of 2019, we paid a cash distribution of \$0.2458 for each preferred unit. This total quarterly distribution to the preferred unitholders equates to a quarterly distribution of \$0.7374 per preferred unit (or \$2.9496 on an annualized basis). With respect to our preferred units related to the second quarter of 2019, we declared a cash distribution of \$0.7374 per preferred unit (or \$2.9496 on an annualized basis), that will be payable on August 14, 2019 to preferred unitholders of record at the close of business on July 31, 2019.

We paid or will pay the following cash distributions to our preferred unitholders in 2019:

Distribution For	Date Paid	Per Unit Amount	Total Amount
2019			
1 st Quarter	May 15, 2019	\$ 0.2458	\$ 6,138
2 nd Quarter	August 14, 2019	\$ 0.7374	\$ 18,684

The following table shows the change in our mezzanine and preferred units balances from December 31, 2018 to June 30, 2019:

	Class A Convertible Preferred Units	
	Units	\$
Balance as of December 31, 2018	24,438,022	\$ 761,466
Distributions paid-in-kind	898,756	30,298
Allocation of Distributions paid in-kind to Preferred Distribution Rate Reset Election (Note 16)	—	(1,649)
Balance as of June 30, 2019	\$ 25,336,778	\$ 790,115

11. Net Income (Loss) Per Common Unit

Basic net income per common unit is computed by dividing net income, after considering income attributable to our preferred unitholders, by the weighted average number of common units outstanding.

The dilutive effect of our preferred units is calculated using the if-converted method. Under the if-converted method, our preferred units are assumed to be converted at the beginning of the period (beginning with their respective issuance date), and the resulting common units are included in the denominator of the diluted net income per common unit calculation for the

GENESIS ENERGY, L.P.**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

period being presented. Distributions declared in the period and undeclared distributions that accumulated during the period are added back to the numerator for purposes of the if-converted calculation. For the three and six months ended June 30, 2019, the effect of the assumed conversion of the 25,336,778 preferred units was anti-dilutive and was not included in the computation of diluted earnings per unit.

The following table reconciles net income and weighted average units used in computing basic and diluted net income (loss) per common unit (in thousands, except per unit amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net Income Attributable to Genesis Energy L.P.	\$ 40,120	10,997	\$ 56,074	\$ 19,031
Less: Accumulated distributions attributable to Class A Convertible Preferred Units	(18,684)	(17,257)	(37,099)	(34,145)
Net Income (Loss) Available to Common Unitholders	\$ 21,436	\$ (6,260)	\$ 18,975	\$ (15,114)
Weighted Average Outstanding Units	122,579	122,579	122,579	122,579
Basic and Diluted Net Income (Loss) per Common Unit	\$ 0.17	\$ (0.05)	\$ 0.15	\$ (0.12)

12. Business Segment Information

We currently manage our businesses through four divisions that constitute our reportable segments:

- Offshore pipeline transportation – offshore transportation of crude oil and natural gas in the Gulf of Mexico;
- Sodium minerals and sulfur services – trona and trona-based exploring, mining, processing, producing, marketing and selling activities, as well as processing high sulfur (or “sour”) gas streams for refineries to remove the sulfur, and selling the related by-product, NaHS;
- Onshore facilities and transportation – terminalling, blending, storing, marketing and transporting crude oil, petroleum products (primarily fuel oil, asphalt, and other heavy refined products) and CO₂; and
- Marine transportation – marine transportation to provide waterborne transportation of petroleum products and crude oil throughout North America.

Substantially all of our revenues are derived from, and substantially all of our assets are located in, the United States.

We define Segment Margin as revenues less product costs, operating expenses (excluding non-cash gains and charges, such as depreciation, depletion and amortization), and segment general and administrative expenses, plus our equity in distributable cash generated by our equity investees. In addition, our Segment Margin definition excludes the non-cash effects of our long-term incentive compensation plan and includes the non-income portion of payments received under direct financing leases.

Our chief operating decision maker (our Chief Executive Officer) evaluates segment performance based on a variety of measures including Segment Margin, segment volumes, where relevant, and capital investment.

GENESIS ENERGY, L.P.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Segment information for the periods presented below was as follows:

	Offshore Pipeline Transportation	Sodium Minerals & Sulfur Services	Onshore Facilities & Transportation	Marine Transportation	Total
Three Months Ended June 30, 2019					
Segment margin (a)	\$ 76,528	\$ 57,705	\$ 35,920	\$ 13,959	\$ 184,112
Capital expenditures (b)	\$ 2,521	\$ 26,137	\$ 3,009	\$ 7,696	\$ 39,363
Revenues:					
External customers	\$ 78,427	\$ 276,513	\$ 223,778	\$ 56,067	\$ 634,785
Intersegment (c)	—	(1,907)	(732)	2,639	—
Total revenues of reportable segments	<u>\$ 78,427</u>	<u>\$ 274,606</u>	<u>\$ 223,046</u>	<u>\$ 58,706</u>	<u>\$ 634,785</u>
Three Months Ended June 30, 2018					
Segment margin (a)	\$ 71,602	\$ 64,542	\$ 25,744	\$ 11,966	\$ 173,854
Capital expenditures (b)	\$ 1,447	\$ 18,560	\$ 12,570	\$ 9,814	\$ 42,391
Revenues:					
External customers	\$ 69,969	\$ 300,928	\$ 328,134	\$ 53,357	\$ 752,388
Intersegment (c)	—	(2,047)	(781)	2,828	—
Total revenues of reportable segments	<u>\$ 69,969</u>	<u>\$ 298,881</u>	<u>\$ 327,353</u>	<u>\$ 56,185</u>	<u>\$ 752,388</u>
Six Months Ended June 30, 2019					
Segment Margin (a)	\$ 152,918	\$ 116,344	\$ 61,523	\$ 26,891	\$ 357,676
Capital expenditures (b)	\$ 2,979	\$ 48,843	\$ 3,784	\$ 16,924	\$ 72,530
Revenues:					
External customers	\$ 156,744	\$ 553,862	\$ 434,803	\$ 109,385	1,254,794
Intersegment (c)	—	(3,770)	(2,201)	5,971	—
Total revenues of reportable segments	<u>\$ 156,744</u>	<u>\$ 550,092</u>	<u>\$ 432,602</u>	<u>\$ 115,356</u>	<u>\$ 1,254,794</u>
Six Months Ended June 30, 2018					
Segment Margin (a)	\$ 144,775	\$ 128,933	\$ 47,433	\$ 22,953	\$ 344,094
Capital expenditures (b)	\$ 2,101	\$ 28,259	\$ 35,859	\$ 20,679	\$ 86,898
Revenues:					
External customers	\$ 143,229	\$ 588,331	\$ 648,349	\$ 98,287	1,478,196
Intersegment (c)	—	(3,540)	(3,287)	6,827	—
Total revenues of reportable segments	<u>\$ 143,229</u>	<u>\$ 584,791</u>	<u>\$ 645,062</u>	<u>\$ 105,114</u>	<u>\$ 1,478,196</u>

Total assets by reportable segment were as follows:

	June 30, 2019	December 31, 2018
Offshore pipeline transportation	\$ 2,336,898	\$ 2,359,013
Sodium minerals and sulfur services	1,947,472	1,844,845
Onshore facilities and transportation	1,446,972	1,431,910
Marine transportation	780,565	800,243
Other assets	43,036	43,060
Total consolidated assets	<u>\$ 6,554,943</u>	<u>\$ 6,479,071</u>

- (a) A reconciliation of total Segment Margin to net income attributable to Genesis Energy, L.P. for the periods is presented below.
- (b) Capital expenditures include maintenance and growth capital expenditures, such as fixed asset additions (including enhancements to existing facilities and construction of growth projects) as well as acquisitions of businesses and contributions to equity investees related to same.

GENESIS ENERGY, L.P.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

- (c) Intersegment sales were conducted under terms that we believe were no more or less favorable than then-existing market conditions.

Reconciliation of total Segment Margin to net income attributable to Genesis Energy, L.P.:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Total Segment Margin	\$ 184,112	\$ 173,854	\$ 357,676	\$ 344,094
Corporate general and administrative expenses	(13,502)	(13,466)	(24,602)	(23,926)
Depreciation, depletion, amortization and accretion	(66,104)	(79,862)	(146,041)	(157,870)
Interest expense	(55,507)	(57,909)	(111,208)	(114,045)
Adjustment to exclude distributable cash generated by equity investees not included in income and include equity in investees net income ⁽¹⁾	(5,675)	(10,037)	(10,503)	(19,094)
Other non-cash items	(11,012)	(638)	(17,103)	(6,775)
Cash payments from direct financing leases in excess of earnings	(2,079)	(1,884)	(4,107)	(3,723)
Loss on extinguishment of debt	—	—	—	(3,339)
Differences in timing of cash receipts for certain contractual arrangements ⁽²⁾	9,848	1,148	12,135	4,479
Non-cash provision for leased items no longer in use	182	47	372	(139)
Income tax expense	(143)	(256)	(545)	(631)
Net income attributable to Genesis Energy, L.P.	<u>\$ 40,120</u>	<u>\$ 10,997</u>	<u>\$ 56,074</u>	<u>\$ 19,031</u>

- (1) Includes distributions attributable to the quarter and received during or promptly following such quarter.
(2) Includes the difference in timing of cash receipts from customers during the period and the revenue we recognize in accordance with GAAP on our related contracts.

13. Transactions with Related Parties

The transactions with related parties were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Revenues:				
Sales of CO ₂ to Sandhill Group, LLC ⁽¹⁾	\$ —	\$ 690	\$ —	\$ 1,233
Revenues from services and fees to Poseidon ⁽²⁾	3,236	3,039	6,401	6,239
Revenues from product sales to ANSAC	81,784	93,938	172,463	184,734
Costs and expenses:				
Amounts paid to our CEO in connection with the use of his aircraft	\$ 165	\$ 165	\$ 330	\$ 330
Charges for services from Poseidon ⁽²⁾	255	250	502	499
Charges for services from ANSAC	1,279	1,256	2,336	3,034

- (1) We owned a 50% interest in Sandhill Group, LLC which was sold during the third quarter of 2018.
(2) We own 64% interest in Poseidon

Our CEO, Mr. Sims, owns an aircraft which is used by us for business purposes in the course of operations. We pay Mr. Sims a fixed monthly fee and reimburse the aircraft management company for costs related to our usage of the aircraft, including fuel and the actual out-of-pocket costs. Based on current market rates for chartering of private aircraft under long-term, priority arrangements with industry recognized chartering companies, we believe that the terms of this arrangement are no worse than what we could have expected to obtain in an arms-length transaction.

GENESIS ENERGY, L.P.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Poseidon

At both June 30, 2019 and December 31, 2018 Poseidon owed us \$2.4 million for services rendered.

We are the operator of Poseidon and provide management, administrative and pipeline operator services to Poseidon under an Operation and Management Agreement. Currently, that agreement renews automatically annually unless terminated by either party (as defined in the agreement). Our revenues for the three and six months ended June 30, 2019 reflect \$2.2 million and \$4.5 million, respectively. Our revenues for the three and six months ended June 30, 2018 reflect \$2.2 million and \$4.3 million, respectively of fees we earned through the provision of services under that agreement.

ANSAC

We (through a subsidiary of our Alkali Business) are a member of the American Natural Soda Ash Corp. ("ANSAC"), an organization whose purpose is promoting and increasing the use and sale of natural soda ash and other refined or processed sodium products produced in the U.S. and consumed in specified countries outside of the U.S. Members sell products to ANSAC to satisfy ANSAC's sales commitments to its customers. ANSAC passes its costs through to its members using a pro rata calculation based on sales. Those costs include sales and marketing, employees, office supplies, professional fees, travel, rent, and certain other costs. Those transactions do not necessarily represent arm's length transactions and may not represent all costs we would otherwise incur if we operated our Alkali Business on a stand-alone basis. We also benefit from favorable shipping rates for our direct exports when using ANSAC to arrange for ocean transport. Net Sales to ANSAC were \$81.8 million and \$172.5 million during the three and six months ended June 30, 2019 and were \$93.9 million and \$184.7 million during the three and six months ended June 30, 2018. The cost charges to us by ANSAC, included in operating costs, were \$1.3 million and \$2.3 million during the three and six months ended June 30, 2019 and were \$1.3 million and \$3.0 million during the three and six months ended June 30, 2018.

Receivables from and payables to ANSAC as of June 30, 2019 and December 31, 2018 are as follows:

	June 30,	December 31,
	2019	2018
Receivables:		
ANSAC	\$ 58,871	\$ 60,594
Payables:		
ANSAC	\$ 1,139	\$ 815

ANSAC is considered a variable interest entity (VIE) because we experience certain risks and rewards from our relationship with it. Because we do not exercise control over ANSAC and are not considered its primary beneficiary, we do not consolidate ANSAC.

GENESIS ENERGY, L.P.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. Supplemental Cash Flow Information

The following table provides information regarding the net changes in components of operating assets and liabilities.

	Six Months Ended June 30,	
	2019	2018
(Increase) decrease in:		
Accounts receivable	\$ 34,843	\$ 15,834
Inventories	(11,298)	(1,436)
Deferred charges	463	(3,968)
Other current assets	(14,804)	(2,024)
Decrease in:		
Accounts payable	(5,705)	(26,596)
Accrued liabilities	(41,406)	(15,965)
Net changes in components of operating assets and liabilities	\$ (37,907)	\$ (34,155)

Payments of interest and commitment fees were \$107.5 million and \$115.9 million for the six months ended June 30, 2019 and June 30, 2018, respectively. We capitalized interest of \$1.7 million and \$2.0 million during the six months ended June 30, 2019 and June 30, 2018, respectively.

At June 30, 2019 and June 30, 2018, we had incurred liabilities for fixed and intangible asset additions totaling \$15.1 million and \$18.6 million, respectively, that had not been paid at the end of the quarter, and, therefore, were not included in the caption "Payments to acquire fixed and intangible assets" under Cash Flows from Investing Activities in the Unaudited Condensed Consolidated Statements of Cash Flows.

15. Derivatives*Commodity Derivatives*

We have exposure to commodity price changes related to our inventory and purchase commitments. We utilize derivative instruments (primarily futures and options contracts traded on the NYMEX) to hedge our exposure to commodity prices, primarily of crude oil, fuel oil and petroleum products. Our decision as to whether to designate derivative instruments as fair value hedges for accounting purposes relates to our expectations of the length of time we expect to have the commodity price exposure and our expectations as to whether the derivative contract will qualify as highly effective under accounting guidance in limiting our exposure to commodity price risk. Most of the petroleum products, including fuel oil that we supply, cannot be hedged with a high degree of effectiveness with derivative contracts available on the NYMEX; therefore, we do not designate derivative contracts utilized to limit our price risk related to these products as hedges for accounting purposes. Typically we utilize crude oil and other petroleum products futures and option contracts to limit our exposure to the effect of fluctuations in petroleum products prices on the future sale of our inventory or commitments to purchase petroleum products, and we recognize any changes in fair value of the derivative contracts as increases or decreases in our cost of sales. The recognition of changes in fair value of the derivative contracts not designated as hedges for accounting purposes can occur in reporting periods that do not coincide with the recognition of gain or loss on the actual transaction being hedged. Therefore we will, on occasion, report gains or losses in one period that will be partially offset by gains or losses in a future period when the hedged transaction is completed.

We have designated certain crude oil futures contracts as hedges of crude oil inventory due to our expectation that these contracts will be highly effective in hedging our exposure to fluctuations in crude oil prices during the period that we expect to hold that inventory. We account for these derivative instruments as fair value hedges under the accounting guidance. Changes in the fair value of these derivative instruments designated as fair value hedges are used to offset related changes in the fair value of the hedged crude oil inventory. Any hedge ineffectiveness in these fair value hedges and any amounts excluded from effectiveness testing are recorded as a gain or loss in the Unaudited Consolidated Statements of Operations.

In accordance with NYMEX requirements, we fund the margin associated with our loss positions on commodity derivative contracts traded on the NYMEX. The amount of the margin is adjusted daily based on the fair value of the commodity contracts. The margin requirements are intended to mitigate a party's exposure to market volatility and the associated contracting party risk. We offset fair value amounts recorded for our NYMEX derivative contracts against margin funding as required by the NYMEX in Current Assets - Other in our Unaudited Consolidated Balance Sheets.

GENESIS ENERGY, L.P.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Additionally, we enter into swap arrangements. Our Alkali Business relies on natural gas to generate heat and electricity for operations. We use a combination of commodity price swap contracts and future purchase contracts to manage our exposure to fluctuations in natural gas prices. The swap contracts fix the basis differential between NYMEX Henry Hub and NW Rocky Mountain posted prices. We do not designate these contracts as hedges for accounting purposes. We recognize any changes in fair value of the derivative contracts as increases or decreases in our cost of sales.

At June 30, 2019, we entered into the following outstanding derivative commodity contracts to economically hedge inventory or fixed price purchase commitments.

	Sell (Short) Contracts	Buy (Long) Contracts
Designated as hedges under accounting rules:		
Crude oil futures:		
Contract volumes (1,000 bbls)	56	—
Weighted average contract price per bbl	\$ 53.93	\$ —
Not qualifying or not designated as hedges under accounting rules:		
Crude oil futures:		
Contract volumes (1,000 bbls)	384	132
Weighted average contract price per bbl	\$ 55.62	\$ 61.38
Natural gas swaps:		
Contract volumes (10,000 MMBTU)	549	—
Weighted average price differential per MMBTU	\$ 0.45	\$ —
Natural gas futures:		
Contract volumes (10,000 MMBTU)	138	637
Weighted average contract price per MMBTU	\$ 2.44	\$ 2.75
NYM NYHBRULSD:		
Contract volumes (42,000 gal)	35	19
Weighted average contract price per gallon	\$ 1.97	\$ 1.87
NYM RBOB Gas futures:		
Contract volumes (42,000 gal)	5	5
Weighted average contract price per gallon	\$ 1.75	\$ 1.73
Fuel oil futures:		
Contract volumes (1,000 bbls)	233	—
Weighted average contract price per bbl	\$ 56.34	\$ —
Crude oil options:		
Contract volumes (1,000 bbls)	65	20
Weighted average premium received/paid	\$ 1.10	\$ 0.32

Financial Statement Impacts

Unrealized gains are subtracted from net income and unrealized losses are added to net income in determining cash flows from operating activities. To the extent that we have fair value hedges outstanding, the offsetting change recorded in the fair value of inventory is also eliminated from net income in determining cash flows from operating activities. Changes in margin deposits necessary to fund unrealized losses also affect cash flows from operating activities.

GENESIS ENERGY, L.P.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following tables reflect the estimated fair value gain (loss) position of our derivatives at June 30, 2019 and December 31, 2018:

Fair Value of Derivative Assets and Liabilities

	Unaudited Condensed Consolidated Balance Sheets Location	Fair Value	
		June 30, 2019	December 31, 2018
Asset Derivatives:			
Commodity derivatives - futures and call options (undesignated hedges):			
Gross amount of recognized assets	Current Assets - Other	\$ 613	\$ 3,431
Gross amount offset in the Unaudited Condensed Consolidated Balance Sheets	Current Assets - Other	(613)	(1,361)
Net amount of assets presented in the Unaudited Condensed Consolidated Balance Sheets related to commodity derivatives		<u>\$ —</u>	<u>\$ 2,070</u>
Natural Gas Swap (undesignated hedge)	Current Assets - Other	666	1,274
Commodity derivatives - futures and call options (designated hedges):			
Gross amount of recognized assets	Current Assets - Other	\$ 6	\$ 469
Gross amount offset in the Unaudited Condensed Consolidated Balance Sheets	Current Assets - Other	(6)	(44)
Net amount of assets presented in the Unaudited Condensed Consolidated Balance Sheets related to commodity derivatives		<u>\$ —</u>	<u>\$ 425</u>
Liability Derivatives:			
Preferred Distribution Rate Reset Election ⁽²⁾	Other long-term liabilities	(50,157)	(40,840)
Natural Gas Swap (undesignated hedge)	Current Liabilities - Accrued Liabilities	(288)	(125)
Commodity derivatives - futures and call options (undesignated hedges):			
Gross amount of recognized liabilities	Current Assets - Other ⁽¹⁾	\$ (4,700)	\$ (1,361)
Gross amount offset in the Unaudited Condensed Consolidated Balance Sheets	Current Assets - Other ⁽¹⁾	3,280	1,361
Net amount of liabilities presented in the Unaudited Condensed Consolidated Balance Sheets related to commodity derivatives		<u>\$ (1,420)</u>	<u>\$ —</u>
Commodity derivatives - futures and call options (designated hedges):			
Gross amount of recognized liabilities	Current Assets - Other ⁽¹⁾	\$ (260)	\$ (44)
Gross amount offset in the Unaudited Condensed Consolidated Balance Sheets	Current Assets - Other ⁽¹⁾	260	44
Net amount of liabilities presented in the Unaudited Condensed Consolidated Balance Sheets related to commodity derivatives		<u>\$ —</u>	<u>\$ —</u>

(1) These derivative liabilities have been funded with margin deposits recorded in our Unaudited Condensed Consolidated Balance Sheets under Current Assets - Other.

(2) Refer to [Note 10](#) and [Note 16](#) for additional discussion surrounding the Preferred Distribution Rate Reset Election derivative.

Our accounting policy is to offset derivative assets and liabilities executed with the same counterparty when a master netting arrangement exists. Accordingly, we also offset derivative assets and liabilities with amounts associated with cash margin. Our exchange-traded derivatives are transacted through brokerage accounts and are subject to margin requirements as

GENESIS ENERGY, L.P.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

established by the respective exchange. On a daily basis, our account equity (consisting of the sum of our cash balance and the fair value of our open derivatives) is compared to our initial margin requirement resulting in the payment or return of variation margin. As of June 30, 2019, we had a net broker receivable of approximately \$2.9 million (consisting of initial margin of \$2.7 million increased by \$0.2 million of variation margin). As of December 31, 2018, we had a net broker receivable of approximately \$2.2 million (consisting of initial margin of \$3.1 million decreased by \$0.9 million of variation margin). At June 30, 2019 and December 31, 2018, none of our outstanding derivatives contained credit-risk related contingent features that would result in a material adverse impact to us upon any change in our credit ratings.

Preferred Distribution Rate Reset Election

A derivative feature embedded in a contract that does not meet the definition of a derivative in its entirety must be bifurcated and accounted for separately if the economic characteristics and risks of the embedded derivative are not clearly and closely related to those of the host contract. For a period of 30 days following (i) September 1, 2022 and (ii) each subsequent anniversary thereof, the holders of our preferred units may make a one-time election to reset the quarterly distribution amount (a "Rate Reset Election") to a cash amount per preferred unit equal to the amount that would be payable per quarter if a preferred unit accrued interest on the Issue Price at an annualized rate equal to three-month LIBOR plus 750 basis points; provided, however, that such reset rate shall be equal to 10.75% if (i) such alternative rate is higher than the LIBOR-based rate and (ii) the then market price for our common units is then less than 110% of the Issue Price. The Rate Reset Election of our preferred units represents an embedded derivative that must be bifurcated from the related host contract and recorded at fair value on our Unaudited Condensed Consolidated Balance Sheet. Corresponding changes in fair value are recognized in Other Expense in our Unaudited Condensed Consolidated Statement of Operations. At June 30, 2019, the fair value of this embedded derivative was a liability of \$50.2 million. See [Note 10](#) for additional information regarding our preferred units and the Rate Reset Election.

Effect on Operating Results

Unaudited Condensed Consolidated Statements of Operations Location		Amount of Gain (Loss) Recognized in Income			
		Three Months Ended June 30,		Six Months Ended June 30,	
		2019	2018	2019	2018
Commodity derivatives - futures and call options:					
Contracts designated as hedges under accounting guidance	Onshore facilities and transportation product costs	\$ 23	\$ (1,421)	\$ (719)	\$ (2,787)
Contracts not considered hedges under accounting guidance	Onshore facilities and transportation product costs, sodium minerals and sulfur services operating costs	(1,399)	(5,344)	(8,091)	(5,676)
Total commodity derivatives		\$ (1,376)	\$ (6,765)	\$ (8,810)	\$ (8,463)
Natural Gas Swap Liability	Sodium minerals and sulfur services operating costs	\$ (284)	\$ 90	\$ 1,235	\$ (185)
Preferred Distribution Rate Reset Election	Other expense	\$ (4,692)	\$ (188)	\$ (7,668)	\$ (2,094)

16. Fair-Value Measurements

We classify financial assets and liabilities into the following three levels based on the inputs used to measure fair value:

- (1) Level 1 fair values are based on observable inputs such as quoted prices in active markets for identical assets and liabilities;
- (2) Level 2 fair values are based on pricing inputs other than quoted prices in active markets for identical assets and liabilities and are either directly or indirectly observable as of the measurement date; and

GENESIS ENERGY, L.P.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(3) Level 3 fair values are based on unobservable inputs in which little or no market data exists.

As required by fair value accounting guidance, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Our assessment of the significance of a particular input to the fair value requires judgment and may affect the placement of assets and liabilities within the fair value hierarchy levels.

The following table sets forth by level within the fair value hierarchy our financial assets and liabilities that were accounted for at fair value on a recurring basis as of June 30, 2019 and December 31, 2018.

Recurring Fair Value Measures	Fair Value at June 30, 2019			Fair Value at December 31, 2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Commodity derivatives:						
Assets	\$ 619	\$ 666	\$ —	\$ 3,900	\$ 1,274	\$ —
Liabilities	\$ (4,960)	\$ (288)	\$ —	\$ (1,405)	\$ (125)	\$ —
Preferred Distribution Rate Reset Election	\$ —	\$ —	\$ (50,157)	\$ —	\$ —	\$ (40,840)

Rollforward of Level 3 Fair Value Measurements

The following table provides a reconciliation of changes in fair value at the beginning and ending balances for our derivatives classified as level 3:

	Six Months Ended June 30, 2019
Balance as of December 31, 2018	\$ (40,840)
Net loss for the period included in earnings	(7,668)
Allocation of Distributions Paid-in-kind	(1,649)
Balance as of June 30, 2019	\$ (50,157)

Our commodity derivatives include exchange-traded futures and exchange-traded options contracts. The fair value of these exchange-traded derivative contracts is based on unadjusted quoted prices in active markets and is, therefore, included in Level 1 of the fair value hierarchy. The fair value of the swaps contracts was determined using market price quotations and a pricing model. The swap contracts were considered a level 2 input in the fair value hierarchy at June 30, 2019.

The fair value of the embedded derivative feature is based on a valuation model that estimates the fair value of our preferred units with and without a Rate Reset Election. This model contains inputs, including our common unit price, a ten year history of the dividend yield, default probabilities and timing estimates which involve management judgment. A significant increase or decrease in the value of these inputs could result in a material change in fair value to this embedded derivative feature. We report unrealized gains and losses associated with this embedded derivative in our Unaudited Condensed Consolidated Statements of Operations as Other expense, net.

See [Note 15](#) for additional information on our derivative instruments.

Other Fair Value Measurements

We believe the debt outstanding under our credit facility approximates fair value as the stated rate of interest approximates current market rates of interest for similar instruments with comparable maturities. At June 30, 2019 our senior unsecured notes had a carrying value and fair value of \$2.5 billion compared to \$2.5 billion and \$2.3 billion, respectively, at December 31, 2018. The fair value of the senior unsecured notes is determined based on trade information in the financial markets of our public debt and is considered a Level 2 fair value measurement.

GENESIS ENERGY, L.P.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. Commitments and Contingencies

We are subject to various environmental laws and regulations. Policies and procedures are in place to aid in monitoring compliance and detecting and addressing releases of crude oil from our pipelines or other facilities and from our mining operations relating to our Alkali Business; however, no assurance can be made that such environmental releases may not substantially affect our business.

We are subject to lawsuits in the normal course of business and examination by tax and other regulatory authorities. We do not expect such matters presently pending to have a material effect on our financial position, results of operations, or cash flows.

18. Condensed Consolidating Financial Information

Our \$2.5 billion aggregate principal amount of senior unsecured notes co-issued by Genesis Energy, L.P. and Genesis Energy Finance Corporation are fully and unconditionally guaranteed jointly and severally by all of Genesis Energy, L.P.'s current and future 100% owned domestic subsidiaries, except Genesis Free State Pipeline, LLC, Genesis NEJD Pipeline, LLC and certain other minor subsidiaries. Genesis NEJD Pipeline, LLC is 100% owned by Genesis Energy, L.P., the parent company. The remaining non-guarantor subsidiaries are owned by Genesis Crude Oil, L.P., a guarantor subsidiary. Genesis Energy Finance Corporation has no independent assets or operations. See [Note 9](#) for additional information regarding our consolidated debt obligations.

The following is condensed consolidating financial information for Genesis Energy, L.P., the guarantor subsidiaries and the non-guarantor subsidiaries.

GENESIS ENERGY, L.P.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Unaudited Condensed Consolidating Balance Sheet
June 30, 2019

	Genesis Energy, L.P. (Parent and Co-Issuer)	Genesis Energy Finance Corporation (Co-Issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Genesis Energy, L.P. Consolidated
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 6	\$ —	\$ 7,390	\$ 2,183	\$ —	\$ 9,579
Other current assets	—	—	414,971	11,866	(19)	426,818
Total current assets	6	—	422,361	14,049	(19)	436,397
Fixed assets, at cost	—	—	5,427,775	77,585	—	5,505,360
Less: Accumulated depreciation	—	—	(1,129,886)	(30,467)	—	(1,160,353)
Net fixed assets	—	—	4,297,889	47,118	—	4,345,007
Mineral Leaseholds, net of accumulated depletion	—	—	558,197	—	—	558,197
Goodwill	—	—	301,959	—	—	301,959
Other assets, net	9,179	—	428,860	113,183	(173,919)	377,303
Advances to affiliates	3,189,059	—	—	110,077	(3,299,136)	—
Equity investees	—	—	344,583	—	—	344,583
Investments in subsidiaries	2,690,066	—	78,474	—	(2,768,540)	—
Right of Use Assets, net	\$ —	\$ —	\$ 191,497	\$ —	\$ —	\$ 191,497
Total assets	\$ 5,888,310	\$ —	\$ 6,623,820	\$ 284,427	\$ (6,241,614)	\$ 6,554,943
LIABILITIES AND CAPITAL						
Current liabilities	\$ 39,302	\$ —	\$ 273,130	\$ 40,692	\$ (123)	\$ 353,001
Senior secured credit facility	967,000	—	—	—	—	967,000
Senior unsecured notes, net of debt issuance costs	2,466,137	—	—	—	—	2,466,137
Deferred tax liabilities	—	—	12,911	—	—	12,911
Advances from affiliates	—	—	3,299,146	—	(3,299,146)	—
Other liabilities	50,157	—	353,169	168,149	(173,785)	397,690
Total liabilities	3,522,596	—	3,938,356	208,841	(3,473,054)	4,196,739
Mezzanine Capital:						
Class A Convertible Preferred Units	790,115	—	—	—	—	790,115
Partners' capital, common units	1,575,599	—	2,684,525	84,035	(2,768,560)	1,575,599
Accumulated other comprehensive income ⁽¹⁾	—	—	939	—	—	939
Noncontrolling interests	—	—	—	(8,449)	—	(8,449)
Total liabilities, mezzanine capital and partners' capital	\$ 5,888,310	\$ —	\$ 6,623,820	\$ 284,427	\$ (6,241,614)	\$ 6,554,943

⁽¹⁾The entire balance and activity within Accumulated Other Comprehensive Income is related to our pension held within our Guarantor Subsidiaries.

GENESIS ENERGY, L.P.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Unaudited Condensed Consolidating Balance Sheet
Year Ended December 31, 2018

	Genesis Energy, L.P. (Parent and Co-Issuer)	Genesis Energy Finance Corporation (Co-Issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Genesis Energy, L.P. Consolidated
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 6	\$ —	\$ 8,968	\$ 1,326	\$ —	\$ 10,300
Other current assets	50	—	419,809	13,285	(165)	432,979
Total current assets	<u>56</u>	<u>—</u>	<u>428,777</u>	<u>14,611</u>	<u>(165)</u>	<u>443,279</u>
Fixed assets, at cost	—	—	5,363,274	77,584	—	5,440,858
Less: Accumulated depreciation	—	—	(994,609)	(29,216)	—	(1,023,825)
Net fixed assets	—	—	4,368,665	48,368	—	4,417,033
Mineral Leaseholds, net of accumulated depletion	—	—	560,481	—	—	560,481
Goodwill	—	—	301,959	—	—	301,959
Other assets, net	10,776	—	440,312	117,766	(167,620)	401,234
Advances to affiliates	3,305,568	—	—	103,061	(3,408,629)	—
Equity investees and other investments	—	—	355,085	—	—	355,085
Investments in subsidiaries	2,648,510	—	60,532	—	(2,709,042)	—
Total assets	<u>\$ 5,964,910</u>	<u>\$ —</u>	<u>\$ 6,515,811</u>	<u>\$ 283,806</u>	<u>\$ (6,285,456)</u>	<u>\$ 6,479,071</u>
LIABILITIES AND CAPITAL						
Current liabilities:						
Senior secured credit facilities	\$ 39,342	\$ —	\$ 266,252	\$ 27,350	\$ (110)	\$ 332,834
Senior unsecured notes, net of debt issuance costs	970,100	—	—	—	—	970,100
Deferred tax liabilities	2,462,363	—	—	—	—	2,462,363
Advances from affiliates	—	—	12,576	—	—	12,576
Other liabilities	—	—	3,408,659	—	(3,408,659)	—
Total liabilities	<u>40,840</u>	<u>—</u>	<u>188,181</u>	<u>197,658</u>	<u>(167,481)</u>	<u>259,198</u>
Total liabilities	<u>3,512,645</u>	<u>—</u>	<u>3,875,668</u>	<u>225,008</u>	<u>(3,576,250)</u>	<u>4,037,071</u>
Mezzanine Capital:						
Class A Convertible Preferred Units	761,466	—	—	—	—	761,466
Partners' capital, common units	1,690,799	—	2,639,204	70,002	(2,709,206)	1,690,799
Accumulated other comprehensive income ⁽¹⁾	—	—	939	—	—	939
Noncontrolling interests	—	—	—	(11,204)	—	(11,204)
Total liabilities, mezzanine capital and partners' capital	<u>\$ 5,964,910</u>	<u>\$ —</u>	<u>\$ 6,515,811</u>	<u>\$ 283,806</u>	<u>\$ (6,285,456)</u>	<u>\$ 6,479,071</u>

⁽¹⁾The entire balance and activity within Accumulated Other Comprehensive Income is related to our pension plan held within our Guarantor Subsidiaries.

GENESIS ENERGY, L.P.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Unaudited Condensed Consolidating Statement of Operations
Three Months Ended June 30, 2019

	Genesis Energy, L.P. (Parent and Co-Issuer)	Genesis Energy Finance Corporation (Co-Issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Genesis Energy, L.P. Consolidated
REVENUES:						
Offshore pipeline transportation services	\$ —	\$ —	\$ 78,427	\$ —	\$ —	78,427
Sodium minerals and sulfur services	—	—	273,833	2,101	(1,328)	274,606
Marine transportation	—	—	58,706	—	—	58,706
Onshore facilities and transportation	—	—	218,685	4,361	—	223,046
Total revenues	—	—	629,651	6,462	(1,328)	634,785
COSTS AND EXPENSES:						
Onshore facilities and transportation costs	—	—	185,909	316	—	186,225
Marine transportation costs	—	—	44,836	—	—	44,836
Sodium minerals and sulfur services operating costs	—	—	218,761	2,461	(1,328)	219,894
Offshore pipeline transportation operating costs	—	—	11,780	(7,663)	—	4,117
General and administrative	—	—	13,412	—	—	13,412
Depreciation, depletion and amortization	—	—	78,728	625	—	79,353
Total costs and expenses	—	—	553,426	(4,261)	(1,328)	547,837
OPERATING INCOME	—	—	76,225	10,723	—	86,948
Equity in earnings of subsidiaries	101,107	—	6,094	—	(107,201)	—
Equity in earnings of equity investees	—	—	15,046	—	—	15,046
Interest (expense) income, net	(56,295)	—	3,911	(3,123)	—	(55,507)
Other expense	(4,692)	—	—	—	—	(4,692)
Income before income taxes	40,120	—	101,276	7,600	(107,201)	41,795
Income tax expense	—	—	(135)	(8)	—	(143)
NET INCOME	40,120	—	101,141	7,592	(107,201)	41,652
Net income attributable to noncontrolling interest	—	—	—	(1,532)	—	(1,532)
NET INCOME ATTRIBUTABLE TO GENESIS ENERGY, L.P.	<u>\$ 40,120</u>	<u>\$ —</u>	<u>\$ 101,141</u>	<u>\$ 6,060</u>	<u>\$ (107,201)</u>	<u>\$ 40,120</u>
Less: Accumulated distributions attributable to Class A Convertible Preferred Units	(18,684)	—	—	—	—	(18,684)
NET INCOME AVAILABLE TO COMMON UNIT HOLDERS	<u>\$ 21,436</u>	<u>\$ —</u>	<u>\$ 101,141</u>	<u>\$ 6,060</u>	<u>\$ (107,201)</u>	<u>\$ 21,436</u>

GENESIS ENERGY, L.P.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Unaudited Condensed Consolidating Statement of Operations
Three Months Ended June 30, 2018

	Genesis Energy, L.P. (Parent and Co-Issuer)	Genesis Energy Finance Corporation (Co-Issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Genesis Energy, L.P. Consolidated
REVENUES:						
Offshore pipeline transportation services	\$ —	\$ —	\$ 69,969	\$ —	\$ —	69,969
Sodium minerals and sulfur services	—	—	297,929	3,068	(2,116)	298,881
Marine transportation	—	—	56,185	—	—	56,185
Onshore facilities and transportation	—	—	322,469	4,884	—	327,353
Total revenues	—	—	746,552	7,952	(2,116)	752,388
COSTS AND EXPENSES:						
Onshore facilities and transportation costs	—	—	305,828	277	—	306,105
Marine transportation costs	—	—	44,217	—	—	44,217
Sodium minerals and sulfur services operating costs	—	—	232,021	2,612	(2,116)	232,517
Offshore pipeline transportation operating costs	—	—	16,809	631	—	17,440
General and administrative	—	—	13,529	—	—	13,529
Depreciation, depletion and amortization	—	—	77,055	625	—	77,680
Total costs and expenses	—	—	689,459	4,145	(2,116)	691,488
OPERATING INCOME	—	—	57,093	3,807	—	60,900
Equity in earnings of subsidiaries	69,433	—	897	—	(70,330)	—
Equity in earnings of equity investees	—	—	8,324	—	—	8,324
Interest (expense) income, net	(58,248)	—	3,660	(3,321)	—	(57,909)
Other expense	(188)	—	—	—	—	(188)
Income before income taxes	10,997	—	69,974	486	(70,330)	11,127
Income tax expense	—	—	(478)	222	—	(256)
NET INCOME	10,997	—	69,496	708	(70,330)	10,871
Net loss attributable to noncontrolling interest	—	—	—	126	—	126
NET INCOME ATTRIBUTABLE TO GENESIS ENERGY, L.P.	<u>\$ 10,997</u>	<u>\$ —</u>	<u>\$ 69,496</u>	<u>\$ 834</u>	<u>\$ (70,330)</u>	<u>\$ 10,997</u>
Less: Accumulated distributions attributable to Class A Convertible Preferred Units	(17,257)	—	—	—	—	(17,257)
NET INCOME (LOSS) AVAILABLE TO COMMON UNIT HOLDERS	<u>\$ (6,260)</u>	<u>\$ —</u>	<u>\$ 69,496</u>	<u>\$ 834</u>	<u>\$ (70,330)</u>	<u>\$ (6,260)</u>

GENESIS ENERGY, L.P.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Unaudited Condensed Consolidating Statement of Operations
Six Months Ended June 30, 2019

	Genesis Energy, L.P. (Parent and Co-Issuer)	Genesis Energy Finance Corporation (Co-Issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Genesis Energy, L.P. Consolidated
REVENUES:						
Offshore pipeline transportation services	\$ —	\$ —	\$ 156,744	\$ —	\$ —	\$ 156,744
Sodium minerals and sulfur services	—	—	549,010	4,210	(3,128)	550,092
Marine transportation	—	—	115,356	—	—	115,356
Onshore facilities and transportation	—	—	423,491	9,111	—	432,602
Total revenues	—	—	1,244,601	13,321	(3,128)	1,254,794
COSTS AND EXPENSES:						
Onshore facilities and transportation costs	—	—	373,306	676	—	373,982
Marine transportation costs	—	—	88,569	—	—	88,569
Sodium minerals and sulfur services operating costs	—	—	436,979	4,751	(3,128)	438,602
Offshore pipeline transportation operating costs	—	—	30,201	(7,626)	—	22,575
General and administrative	—	—	25,098	—	—	25,098
Depreciation, depletion and amortization	—	—	155,741	1,250	—	156,991
Total costs and expenses	—	—	1,109,894	(949)	(3,128)	1,105,817
OPERATING INCOME	—	—	134,707	14,270	—	148,977
Equity in earnings of subsidiaries	176,394	—	6,511	—	(182,905)	—
Equity in earnings of equity investees	—	—	28,043	—	—	28,043
Interest (expense) income, net	(112,652)	—	7,742	(6,298)	—	(111,208)
Other expense	(7,668)	—	—	—	—	(7,668)
Income before income taxes	56,074	—	177,003	7,972	(182,905)	58,144
Income tax expense	—	—	(537)	(8)	—	(545)
NET INCOME	56,074	—	176,466	7,964	(182,905)	57,599
Net income attributable to noncontrolling interest	—	—	—	(1,525)	—	(1,525)
NET INCOME ATTRIBUTABLE TO GENESIS ENERGY, L.P.	<u>\$ 56,074</u>	<u>\$ —</u>	<u>\$ 176,466</u>	<u>\$ 6,439</u>	<u>\$ (182,905)</u>	<u>\$ 56,074</u>
Less: Accumulated distributions attributable to Class A Convertible Preferred Units	(37,099)	—	—	—	—	\$ (37,099)
NET INCOME (LOSS) AVAILABLE TO COMMON UNIT HOLDERS	<u>\$ 18,975</u>	<u>\$ —</u>	<u>\$ 176,466</u>	<u>\$ 6,439</u>	<u>\$ (182,905)</u>	<u>\$ 18,975</u>

GENESIS ENERGY, L.P.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Unaudited Condensed Consolidating Statement of Operations
Six Months Ended June 30, 2018

	Genesis Energy, L.P. (Parent and Co-Issuer)	Genesis Energy Finance Corporation (Co-Issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Genesis Energy, L.P. Consolidated
REVENUES:						
Offshore pipeline transportation services	\$ —	\$ —	\$ 143,229		\$ —	\$ 143,229
Sodium minerals and sulfur services	—	—	583,026	6,134	(4,369)	584,791
Marine transportation	—	—	105,114	—	—	105,114
Onshore facilities and transportation	—	—	635,343	9,719	—	645,062
Total revenues	—	—	1,466,712	15,853	(4,369)	1,478,196
COSTS AND EXPENSES:						
Onshore facilities and transportation costs	—	—	605,669	549	—	606,218
Marine transportation costs	—	—	82,064	—	—	82,064
Sodium minerals and sulfur services operating costs	—	—	455,268	5,116	(4,369)	456,015
Offshore pipeline transportation operating costs	—	—	34,471	1,309	—	35,780
General and administrative	—	—	25,203	—	—	25,203
Depreciation, depletion and amortization	—	—	151,685	1,250	—	152,935
Total costs and expenses	—	—	1,354,360	8,224	(4,369)	1,358,215
OPERATING INCOME	—	—	112,352	7,629	—	119,981
Equity in earnings of subsidiaries	139,025	—	1,529	—	(140,554)	—
Equity in earnings of equity investees	—	—	18,896	—	—	18,896
Interest (expense) income, net	(114,562)	—	7,204	(6,687)	—	(114,045)
Other expense	(5,432)	—	—	—	—	(5,432)
Income before income taxes	19,031	—	139,981	942	(140,554)	19,400
Income tax expense	—	—	(855)	224	—	(631)
NET INCOME	19,031	—	139,126	1,166	(140,554)	18,769
Net loss attributable to noncontrolling interest	—	—	—	262	—	262
NET INCOME ATTRIBUTABLE TO GENESIS ENERGY, L.P.	<u>\$ 19,031</u>	<u>\$ —</u>	<u>\$ 139,126</u>	<u>\$ 1,428</u>	<u>\$ (140,554)</u>	<u>\$ 19,031</u>
Less: Accumulated distributions attributable to Class A Convertible Preferred Units	(34,145)	—	—	—	—	(34,145)
NET INCOME (LOSS) AVAILABLE TO COMMON UNIT HOLDERS	<u>\$ (15,114)</u>	<u>\$ —</u>	<u>\$ 139,126</u>	<u>\$ 1,428</u>	<u>\$ (140,554)</u>	<u>\$ (15,114)</u>

GENESIS ENERGY, L.P.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Unaudited Condensed Consolidating Statement of Cash Flows
Six Months Ended June 30, 2019

	Genesis Energy, L.P. (Parent and Co-Issuer)	Genesis Energy Finance Corporation (Co-Issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Genesis Energy, L.P. Consolidated
Net cash provided by operating activities	\$ 33,704	\$ —	\$ 292,202	\$ 380	\$ (130,676)	\$ 195,610
CASH FLOWS FROM INVESTING ACTIVITIES:						
Payments to acquire fixed and intangible assets	—	—	(68,666)	—	—	(68,666)
Cash distributions received from equity investees - return of investment	—	—	10,811	—	—	10,811
Intercompany transfers	110,372	—	—	—	(110,372)	—
Repayments on loan to non-guarantor subsidiary	—	—	4,036	—	(4,036)	—
Proceeds from asset sales	—	—	861	—	—	861
Net cash used in investing activities	110,372	—	(52,958)	—	(114,408)	(56,994)
CASH FLOWS FROM FINANCING ACTIVITIES:						
Borrowings on senior secured credit facility	387,000	—	—	—	—	387,000
Repayments on senior secured credit facility	(390,100)	—	—	—	—	(390,100)
Intercompany transfers	—	—	(103,355)	(7,017)	110,372	—
Distributions to common unitholders	(134,838)	—	(134,838)	—	134,838	(134,838)
Distributions to preferred unitholders	(6,138)	—	(6,138)	—	6,138	(6,138)
Contributions from noncontrolling interest	—	—	—	1,230	—	1,230
Other, net	—	—	3,509	6,264	(6,264)	3,509
Net cash used in financing activities	(144,076)	—	(240,822)	477	245,084	(139,337)
Net decrease in cash and cash equivalents	—	—	(1,578)	857	—	(721)
Cash and cash equivalents at beginning of period	6	—	8,968	1,326	—	10,300
Cash and cash equivalents at end of period	\$ 6	\$ —	\$ 7,390	\$ 2,183	\$ —	\$ 9,579

GENESIS ENERGY, L.P.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Unaudited Condensed Consolidating Statement of Cash Flows
Six Months Ended June 30, 2018

	Genesis Energy, L.P. (Parent and Co-Issuer)	Genesis Energy Finance Corporation (Co-Issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Genesis Energy, L.P. Consolidated
Net cash provided by operating activities	\$ 9,724	\$ —	\$ 255,552	\$ 1,494	\$ (115,954)	\$ 150,816
CASH FLOWS FROM INVESTING ACTIVITIES:						
Payments to acquire fixed and intangible assets	—	—	(110,970)	—	—	(110,970)
Cash distributions received from equity investees - return of investment	—	—	17,828	—	—	17,828
Investments in equity investees	—	—	(395)	—	—	(395)
Acquisitions	—	—	—	—	—	—
Intercompany transfers	54,827	—	—	—	(54,827)	—
Repayments on loan to non-guarantor subsidiary	—	—	3,647	—	(3,647)	—
Proceeds from asset sales	—	—	1,192	—	—	1,192
Net cash used in investing activities	54,827	—	(88,698)	—	(58,474)	(92,345)
CASH FLOWS FROM FINANCING ACTIVITIES:						
Borrowings on senior secured credit facility	543,100	—	—	—	—	543,100
Repayments on senior secured credit facility	(336,000)	—	—	—	—	(336,000)
Repayment of senior unsecured notes	(145,170)	—	—	—	—	(145,170)
Debt issuance costs	(224)	—	—	—	—	(224)
Intercompany transfers	—	—	(46,605)	(8,222)	54,827	—
Distributions to common unitholders	(126,257)	—	(126,257)	—	126,257	(126,257)
Contributions from noncontrolling interest	—	—	—	1,320	—	1,320
Other, net	—	—	3,565	6,656	(6,656)	3,565
Net cash used in financing activities	(64,551)	—	(169,297)	(246)	174,428	(59,666)
Net increase (decrease) in cash and cash equivalents	—	—	(2,443)	1,248	—	(1,195)
Cash and cash equivalents at beginning of period	6	—	8,340	695	—	9,041
Cash and cash equivalents at end of period	\$ 6	\$ —	\$ 5,897	\$ 1,943	\$ —	\$ 7,846

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following information should be read in conjunction with our Unaudited Condensed Consolidated Financial Statements and accompanying notes included in this Quarterly Report on Form 10-Q. The following information and such Unaudited Condensed Consolidated Financial Statements should also be read in conjunction with the audited financial statements and related notes, together with our discussion and analysis of financial position and results of operations, included in our Annual Report on Form 10-K for the year ended December 31, 2018.

Included in Management's Discussion and Analysis are the following sections:

- Overview
- Results of Operations
- Liquidity and Capital Resources
- Non-GAAP Financial Measures
- Commitments and Off-Balance Sheet Arrangements
- Forward Looking Statements

Overview

We reported Net Income Attributable to Genesis Energy, L.P. of \$40.1 million during the three months ended June 30, 2019 ("2019 Quarter") compared to Net Income Attributable to Genesis Energy, L.P. of \$11.0 million during the three months ended June 30, 2018 ("2018 Quarter"). Net Income Attributable to Genesis Energy, L.P. in the 2019 Quarter benefited from an increase in segment margin of \$10.3 million, positive changes in estimated abandonment costs for certain of our non-operating offshore gas assets of \$15.7 million (which is included within "offshore pipeline transportation operating costs" on the Unaudited Condensed Consolidated Statements of Operations), and an increase in equity in earnings of equity investees of \$6.7 million. These were offset by higher depreciation, depletion, and amortization expense of \$1.7 million and an unrealized loss from the valuation of the embedded derivative associated with our Class A Convertible Preferred units of \$4.7 million during the 2019 Quarter compared to an unrealized loss of \$0.2 million during the 2018 Quarter.

Cash flow from operating activities was \$81.6 million for the 2019 Quarter compared to \$64.5 million for the 2018 Quarter. This increase is primarily attributable to our increase in segment margin during the 2019 Quarter.

Available Cash before Reserves (as defined below in "Non-GAAP Financial Measures") to our common unitholders was \$93.5 million for the 2019 Quarter, a decrease of \$7.5 million, or 7.5%, from the 2018 Quarter. Available Cash before Reserves for the 2019 Quarter is inclusive of the \$18.7 million declared cash distribution to our preferred unitholders that is attributable to the 2019 Quarter and will be paid on August 14, 2019. See "Non-GAAP Financial Measures" below for additional information on Available Cash before Reserves and Segment Margin.

Segment Margin (as defined below in "Non-GAAP Financial Measures") was \$184.1 million for the 2019 Quarter, an increase of \$10.3 million, or 6%, from the 2018 Quarter. A more detailed discussion of our segment results and other costs is included below in "Results of Operations".

Distribution

In July 2019, we declared our quarterly distribution to our common unitholders of \$0.55 per unit related to the 2019 Quarter. With respect to our Class A Convertible Preferred Units (our "preferred units"), we declared a quarterly cash distribution of \$0.7374 per preferred unit (or \$2.9496 on an annualized basis) for each preferred unit held of record. These distributions will be payable on August 14, 2019 to unitholders of record at the close of business on July 31, 2019.

Results of Operations

Revenues and Costs and Expenses

Our revenues for the 2019 Quarter decreased \$117.6 million, or 16%, from the 2018 Quarter. In addition, our total costs and expenses as presented on the Unaudited Condensed Consolidated Statements of Operations decreased \$143.7 million, or 21%, between the two periods. During the 2019 Quarter, we reported an increase in segment margin of \$10.3 million relative to the 2018 Quarter, and a reduction in our estimated abandonment costs for certain of our non-operating offshore gas assets of \$15.7 million, which is included within our offshore pipeline transportation operating costs. In addition to these items, we describe the impact on revenues and costs from each of our businesses below.

A substantial portion of our revenues and costs are derived from the purchase and sale of crude oil and petroleum products in our legacy marketing business, which is included in the onshore facilities and transportation segment. The decrease in our revenues and costs in this segment between the 2019 Quarter and the 2018 Quarter is primarily attributable to decreases in crude oil and petroleum product prices and, to an extent, sales volumes. The average closing prices for West Texas Intermediate crude oil on the New York Mercantile Exchange ("NYMEX") decreased 11.9% to \$59.79 per barrel in the 2019 Quarter, as compared to \$67.85 per barrel in the 2018 Quarter. We would expect changes in crude oil prices to continue to proportionately affect our revenues and costs attributable to our purchase and sale of crude oil and petroleum products, producing minimal direct impact on Segment Margin, Net Income, and Available Cash before Reserves. We have limited our direct commodity price exposure related to crude oil and petroleum products through the broad use of fee-based service contracts, back-to-back purchase and sale arrangements, and hedges. As a result, changes in the price of crude oil would proportionately impact both our revenues and our costs, with a disproportionately smaller net impact on our Segment Margin. However, we do have some indirect exposure to certain changes in prices for oil, natural gas, and petroleum products, particularly if they are significant and extended. We tend to experience more demand for certain of our services when prices increase significantly over extended periods of time, and we tend to experience less demand for certain of our services when prices decrease significantly over extended periods of time. For additional information regarding certain of our indirect exposure to commodity prices, see our segment-by-segment analysis below and the section of our Annual Report entitled "Risks Related to Our Business."

In addition to our legacy marketing business discussed above, we continue to operate in our other core businesses including: (i) our offshore Gulf of Mexico crude oil and natural gas pipeline transportation and handling operations, focusing on integrated and large independent energy companies who make intensive capital investments (often in excess of billions of dollars) to develop numerous large reservoir, long-lived crude oil and natural gas properties; (ii) our sodium minerals and sulfur services businesses, which includes our Alkali Business, which is one of the leading producers of natural soda ash worldwide, and our legacy sulfur removal business; and (iii) our onshore-based refinery-centric operations located primarily in the Gulf Coast region of the U.S., which focus on providing a suite of services primarily to refiners. Refiners are the shippers of approximately 95% of the volumes transported on our onshore crude pipelines, and refiners contract for over 90% of the use of our inland barges, which are used primarily to transport intermediate refined products (not crude oil) between refining complexes. The shippers on our offshore pipelines are mostly integrated and large independent energy companies whose production is ideally suited for the vast majority of refineries along the Gulf Coast, unlike the lighter crude oil and condensates produced from numerous onshore shale plays. Their large-reservoir properties and the related pipelines and other infrastructure needed to develop them are capital intensive and yet, we believe, economically viable, in most cases, even in relatively low commodity price environments. Given these facts, we do not expect changes in commodity prices to impact our Net Income, Available Cash before Reserves or Segment Margin derived from our offshore Gulf of Mexico crude oil and natural gas pipeline transportation and handling operations in the same manner in which they impact our revenues and costs derived from the purchase and sale of crude oil and petroleum products.

Additionally, changes in certain of our operating costs between the respective quarters, such as those associated with our sodium minerals and sulfur services, offshore pipeline and marine transportation segments, are not correlated with crude oil prices. We discuss certain of those costs in further detail below in our segment-by-segment analysis.

Segment Margin

The contribution of each of our segments to total Segment Margin in the 2019 Quarter and the 2018 Quarter was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	<i>(in thousands)</i>		<i>(in thousands)</i>	
Offshore pipeline transportation	\$ 76,528	\$ 71,602	\$ 152,918	\$ 144,775
Sodium minerals and sulfur services	57,705	64,542	116,344	128,933
Onshore facilities and transportation	35,920	25,744	61,523	47,433
Marine transportation	13,959	11,966	26,891	22,953
Total Segment Margin	\$ 184,112	\$ 173,854	\$ 357,676	\$ 344,094

We define Segment Margin as revenues less product costs, operating expenses, and segment general and administrative expenses, after eliminating gain or loss on sale of assets, plus or minus applicable Select Items. Although we do not necessarily consider all of our Select Items to be non-recurring, infrequent or unusual, we believe that an understanding of these Select Items is important to the evaluation of our core operating results. See "Non-GAAP Financial Measures" for further discussion surrounding total Segment Margin.

A reconciliation of total Segment Margin to Net Income Attributable to Genesis Energy, L.P. for the periods presented is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Total Segment Margin	\$ 184,112	\$ 173,854	\$ 357,676	\$ 344,094
Corporate general and administrative expenses	(13,502)	(13,466)	(24,602)	(23,926)
Depreciation, depletion, amortization and accretion	(66,104)	(79,862)	(146,041)	(157,870)
Interest expense	(55,507)	(57,909)	(111,208)	(114,045)
Adjustment to exclude distributable cash generated by equity investees not included in income and include equity in investees net income ⁽¹⁾	(5,675)	(10,037)	(10,503)	(19,094)
Other non-cash items	(11,012)	(638)	(17,103)	(6,775)
Cash payments from direct financing leases in excess of earnings	(2,079)	(1,884)	(4,107)	(3,723)
Non-cash provision for leased items no longer in use	182	47	372	(139)
Differences in timing of cash receipts for certain contractual arrangements ⁽²⁾	9,848	1,148	12,135	4,479
Loss on debt extinguishment	—	—	—	(3,339)
Income tax expense	(143)	(256)	(545)	(631)
Net Income Attributable to Genesis Energy, L.P.	\$ 40,120	\$ 10,997	\$ 56,074	\$ 19,031

(1) Includes distributions attributable to the quarter and received during or promptly following such quarter.

(2) Includes the difference in timing of cash receipts from customers during the period and the revenue we recognize in accordance with GAAP on our related contracts.

Offshore Pipeline Transportation Segment

Operating results and volumetric data for our offshore pipeline transportation segment are presented below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	<i>(in thousands)</i>		<i>(in thousands)</i>	
Offshore crude oil pipeline revenue, excluding non-cash revenues	\$ 59,976	\$ 56,672	\$ 124,170	\$ 113,805
Offshore natural gas pipeline revenue, excluding non-cash revenues	13,415	12,024	24,348	24,684
Offshore pipeline operating costs, excluding non-cash expenses	(17,159)	(15,180)	(33,238)	(30,803)
Distributions from equity investments ⁽¹⁾	20,296	18,086	37,638	37,089
Offshore pipeline transportation Segment Margin	<u>\$ 76,528</u>	<u>\$ 71,602</u>	<u>\$ 152,918</u>	<u>\$ 144,775</u>

Volumetric Data 100% basis:

Crude oil pipelines (average barrels/day unless otherwise noted):

CHOPS	228,931	181,291	235,307	190,455
Poseidon	264,802	225,559	259,167	232,090
Odyssey	150,039	90,326	150,953	99,793
GOPL ⁽²⁾	11,990	9,110	10,173	9,431
Total crude oil offshore pipelines	<u>655,762</u>	<u>506,286</u>	<u>655,600</u>	<u>531,769</u>

Natural gas transportation volumes (MMBtus/d)	445,734	431,853	432,888	453,910
---	---------	---------	---------	---------

Volumetric Data net to our ownership interest ⁽²⁾:

Crude oil pipelines (average barrels/day unless otherwise noted):

CHOPS	228,931	181,291	235,307	190,455
Poseidon	169,473	144,358	165,867	148,538
Odyssey	43,511	26,195	43,776	28,940
GOPL ⁽³⁾	11,990	9,110	10,173	9,431
Total crude oil offshore pipelines	<u>453,905</u>	<u>360,954</u>	<u>455,123</u>	<u>377,364</u>

Natural gas transportation volumes (MMBtus/d)	174,490	156,412	167,748	169,887
---	---------	---------	---------	---------

- (1) Offshore pipeline transportation Segment Margin includes distributions received from our offshore pipeline joint ventures accounted for under the equity method of accounting in 2019 and 2018, respectively.
- (2) Volumes are the product of our effective ownership interest through the year, including changes in ownership interest, multiplied by the relevant throughput over the given year.
- (3) One of our wholly-owned subsidiaries (GEL Offshore Pipeline, LLC, or "GOPL") owns our undivided interest in the Eugene Island pipeline system.

Three Months Ended June 30, 2019 Compared with Three Months Ended June 30, 2018

Offshore pipeline transportation Segment Margin for the 2019 Quarter increased \$4.9 million, or 7%, from the 2018 Quarter, primarily due to higher volumes on our crude oil pipeline systems. These increased volumes are the result of: (i) the continued receipt of additional volumes on our CHOPS and Poseidon systems due to deliveries from a third party pipeline that had insufficient capacity to deliver its committed volumes to shore, and (ii) first oil flow in the second half of the 2019 Quarter from the Buckskin and Hadrian North production fields, both of which are fully dedicated to our SEKCO pipeline and further downstream, our Poseidon oil pipeline system. As the Buckskin and Hadrian North volumes noted above began near the end of the 2019 Quarter, contributions to segment margin were minimal in the period. However, we expect the contributions to increase throughout the remainder of 2019 and beyond. These increased volumes during the 2019 Quarter more than offset the approximately \$3.9 million in platform fees, related to our interest in Poseidon Oil Pipeline, LLC ("Poseidon"), that we received during the 2018 Quarter. These minimum bill payments ended during June 2018.

Six Months Ended June 30, 2019 Compared with Six Months Ended June 30, 2018

Offshore pipeline transportation Segment Margin for the first six months of 2019 increased \$8.1 million, or 6%, from the first six months of 2018, primarily due to higher volumes on our crude oil pipeline systems. These increased volumes are the result of: (i) the continued receipt of additional volumes on our CHOPS and Poseidon systems due to deliveries from a third party pipeline that had insufficient capacity to deliver its committed volumes to shore, and (ii) first oil flow in the second half of June 2019 from the Buckskin and Hadrian North production fields, of which both are dedicated to our SEKCO pipeline, and further downstream, our Poseidon oil pipeline system. As the Buckskin and Hadrian North volumes noted above began near the end of the 2019 Quarter, contributions to segment margin were minimal in 2019. However, we expect the contributions to increase throughout the remainder of 2019 and beyond. Additionally, the first six months of 2018 was negatively impacted by a significant amount of temporary downtime on certain laterals and the underperformance of several major oilfields in the deepwater Gulf of Mexico. These increased volumes during the first half of 2019 more than offset the approximately \$7.8 million in platform fees, related to our interest in Poseidon, that we received during the first six months of 2018. These minimum bill payments ended during June 2018.

Sodium Minerals and Sulfur Services Segment

Operating results for our sodium minerals and sulfur services segment were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Volumes sold:				
NaHS volumes (Dry short tons "DST")	34,527	38,090	70,270	75,304
Soda Ash volumes (short tons sold)	824,881	936,000	1,695,410	1,853,000
NaOH (caustic soda) volumes (dry short tons sold)	20,525	27,573	41,327	57,833
Total	879,933	1,001,663	1,807,007	1,986,137
Revenues (in thousands):				
NaHS revenues, excluding non-cash revenues	\$ 41,054	\$ 45,884	\$ 84,002	\$ 89,240
NaOH (caustic soda) revenues	10,745	16,111	22,558	31,978
Revenues associated with Alkali Business	200,871	207,121	404,201	412,004
Other revenues	1,325	2,082	2,941	3,434
Total external segment revenues, excluding non-cash revenues	\$ 253,995	\$ 271,198	\$ 513,702	\$ 536,656
Segment Margin (in thousands)	\$ 57,705	\$ 64,542	\$ 116,344	\$ 128,933
Average index price for NaOH per DST ⁽¹⁾	\$ 697	\$ 795	\$ 707	\$ 772

(1) Source: IHS Chemical.

Three Months Ended June 30, 2019 Compared with Three Months Ended June 30, 2018

Sodium minerals and sulfur services Segment Margin for the 2019 Quarter decreased \$6.8 million, or 11%. This decrease is primarily due to lower volumes during the 2019 Quarter, including both our soda ash and refinery services businesses. Soda ash volumes in the 2019 Quarter were negatively impacted by longer than expected mine downtime due to hoist maintenance and repairs performed during the move of our longwall mining machine to a different section of our mine. Costs impacting the results of our Alkali Business, many of which are similar in nature to costs related to our sulfur removal business, include costs associated with processing and producing soda ash (and other alkali products) and marketing and selling activities. In addition, costs include activities associated with mining and extracting trona ore (including energy costs and employee compensation). Our refinery services business continues to perform as expected. NaHS volumes slightly decreased during the 2019 Quarter due to lower demand from certain of our international customers, primarily located in South America, and our domestic pulp and paper customers.

Six Months Ended June 30, 2019 Compared with Six Months Ended June 30, 2018

Sodium minerals and sulfur services Segment Margin for the first six months of 2019 decreased \$12.6 million, or 10% from the first six months of 2018. This decrease is primarily due to lower volumes including both our soda ash and refinery services businesses. During the first half of 2019, our soda ash business experienced more downtime relative to 2018 due to certain planned maintenance activities (including the planned replacement and upgrade of a heat exchanger and a move of our longwall mining machine) and a temporary electrical equipment failure during the first quarter that impacted our production volumes at our plant sites. Overall, the contributions from our Alkali Business have continued to exceed our expectations. Costs impacting the results of our Alkali Business, many of which are similar in nature to costs related to our sulfur removal business, include costs associated with processing and producing soda ash (and other alkali products) and marketing and selling activities. In addition, costs include activities associated with mining and extracting trona ore (including energy costs and employee compensation). Our refinery services business continues to perform as expected. NaHS volumes slightly decreased during the first six months of 2019 due to lower demand from certain of our international customers, primarily located in South America, and our domestic pulp and paper customers.

Onshore Facilities and Transportation Segment

Our onshore facilities and transportation segment utilizes an integrated set of pipelines and terminals, as well as trucks, railcars, and barges to facilitate the movement of crude oil and refined products on behalf of producers, refiners and other customers. This segment includes crude oil and refined products pipelines, terminals, rail facilities and CO₂ pipelines operating primarily within the United States Gulf Coast crude oil market. In addition, we utilize our railcar and trucking fleets that support the purchase and sale of gathered and bulk purchased crude oil, as well as purchased and sold refined products. Through these assets we offer our customers a full suite of services, including the following:

- facilitating the transportation of crude oil from producers to refineries and from owned and third party terminals to refiners via pipelines;
- transporting CO₂ from natural and anthropogenic sources to crude oil fields owned by our customers;
- shipping crude oil and refined products to and from producers and refiners via trucks, pipelines, and railcars;
- Unloading railcars at our crude-by-rail terminals;
- storing and blending of crude oil and intermediate and finished refined products;
- purchasing/selling and/or transporting crude oil from the wellhead to markets for ultimate use in refining; and
- purchasing products from refiners, transporting those products to one of our terminals and blending those products to a quality that meets the requirements of our customers and selling those products (primarily fuel oil, asphalt and other heavy refined products) to wholesale markets.

We also use our terminal facilities to take advantage of contango market conditions, to gather and market crude oil, and to capitalize on regional opportunities which arise from time to time for both crude oil and petroleum products.

Despite crude oil being considered a somewhat homogeneous commodity, many refiners are very particular about the quality of crude oil feedstock they process. Many U.S. refineries have distinct configurations and product slates that require crude oil with specific characteristics, such as gravity, sulfur content and metals content. The refineries evaluate the costs to obtain, transport and process their preferred feedstocks. That particularity provides us with opportunities to help the refineries in our areas of operation identify crude oil sources and transport crude oil meeting their requirements. The imbalances and inefficiencies relative to meeting the refiners' requirements may also provide opportunities for us to utilize our purchasing and logistical skills and assets to meet their demands. The pricing in the majority of our crude oil purchase contracts contains a market price component and a deduction to cover the cost of transportation and to provide us with a margin. Contracts sometimes contain a grade differential which considers the chemical composition of the crude oil and its appeal to different customers. Typically, the pricing in a contract to sell crude oil will consist of the market price components and the grade differentials. The margin on individual transactions is then dependent on our ability to manage our transportation costs and to capitalize on grade differentials.

In our refined products marketing operations, we supply primarily fuel oil, asphalt and other heavy refined products to wholesale markets and some end-users such as paper mills and utilities. We also provide a service to refineries by purchasing "heavier" petroleum products that are the residual fuels from gasoline production, transporting them to one of our terminals and blending them to a quality that meets the requirements of our customers.

Operating results from our onshore facilities and transportation segment were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	<i>(in thousands)</i>		<i>(in thousands)</i>	
Gathering, marketing, and logistics revenue	\$ 204,607	\$ 307,724	\$ 396,138	\$ 607,185
Crude oil and CO ₂ pipeline tariffs and revenues from direct financing leases of CO ₂ pipelines	17,157	16,606	34,252	35,054
Payments received under direct financing leases not included in income	2,079	1,884	4,107	3,723
Crude oil and petroleum products costs, excluding unrealized gains and losses from derivative transactions	(165,398)	(282,020)	(332,776)	(559,912)
Operating costs, excluding non-cash charges for long-term incentive compensation and other non-cash expenses	(18,271)	(23,092)	(36,989)	(44,675)
Other	(4,254)	4,642	(3,209)	6,058
Segment Margin	<u>\$ 35,920</u>	<u>\$ 25,744</u>	<u>\$ 61,523</u>	<u>\$ 47,433</u>

Volumetric Data (average barrels per day unless otherwise noted):

Onshore crude oil pipelines:

Texas	47,229	20,643	45,117	25,060
Jay	10,171	13,004	10,823	14,947
Mississippi	6,032	6,367	5,974	6,986
Louisiana ⁽¹⁾	131,456	151,807	113,738	133,598
Wyoming ⁽²⁾	—	32,210	—	31,703
Onshore crude oil pipelines total	<u>194,888</u>	<u>224,031</u>	<u>175,652</u>	<u>212,294</u>

CO₂ pipeline (average Mcf/day):

Free State	76,297	103,867	91,062	100,308
------------	--------	---------	--------	---------

Crude oil and petroleum products sales:

Total crude oil and petroleum products sales	30,788	49,278	32,262	50,818
Rail unload volumes	99,519	53,005	92,345	52,844

(1) Total daily volume for the three and six months ended June 30, 2019 include 64,574 and 58,472 barrels per day, respectively, of intermediate refined products associated with our Port of Baton Rouge Terminal pipelines. Total daily volume for the three and six months ended June 30, 2018 includes 69,614 and 55,053 barrels per day, respectively, of intermediate refined products associated with our Port of Baton Rouge Terminal pipelines.

(2) Our Powder River Basin midstream assets were divested during the fourth quarter of 2018.

Three Months Ended June 30, 2019 Compared with Three Months Ended June 30, 2018

Onshore facilities and transportation Segment Margin for the 2019 Quarter increased \$10.2 million, or 40%. This increase is partially due to increased volumes at our Raceland and Scenic Station rail facilities during the 2019 Quarter. Our main customer associated with our Baton Rouge infrastructure exceeded the minimum take-or-pay volumes, including rail, terminal and pipeline movements, during the 2019 Quarter to a level that utilized and exceeded 100% of the prepaid transportation credits that accumulated during the first quarter of 2019. We also received a cash payment of \$10 million during the 2019 Quarter associated with the resolution of a crude oil supply agreement. Additionally, while the volumes on our Texas system increased during the 2019 Quarter, we were only able to recognize our minimum volume commitment because our main customer utilized some of its prepaid transportation credits. This was offset partially by the margin recognized during the 2018 Quarter associated with our previously owned Powder River midstream assets that were divested in the fourth quarter of 2018.

Six Months Ended June 30, 2019 Compared with Six Months Ended June 30, 2018

Segment Margin for our onshore facilities and transportation segment increased by \$14.1 million, or 30%, between the first six months of 2019 and the first six months of 2018. This increase is partially due to increased volumes at our Raceland and Scenic Station rail facilities during 2019 relative to 2018. Even after reflecting the curtailments on production in Alberta in 2019, our Baton Rouge corridor assets still exceeded the contributions to Segment Margin from the first six months of 2018. We also received a cash payment of \$10 million during 2019 associated with the resolution of a crude oil supply agreement. Additionally, although volumes on our Texas system increased during the first half of 2019, we were only able to recognize our minimum volume commitment because our main customer utilized some of its prepaid transportation credits. This was offset partially by the margin recognized during the 2018 Quarter associated with our previously owned Powder River midstream assets that were divested in the fourth quarter of 2018.

Marine Transportation Segment

Within our marine transportation segment, we own a fleet of 91 barges (82 inland and 9 offshore) with a combined transportation capacity of 3.2 million barrels, 42 push/tow boats (33 inland and 9 offshore), and a 330,000 barrel ocean going tanker, the M/T American Phoenix. Operating results for our marine transportation segment were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Revenues (in thousands):				
Inland freight revenues	\$ 26,312	\$ 22,560	\$ 51,438	\$ 44,117
Offshore freight revenues	18,272	17,557	36,572	34,060
Other rebill revenues ⁽¹⁾	14,122	16,068	27,346	26,937
Total segment revenues	\$ 58,706	\$ 56,185	\$ 115,356	\$ 105,114
Operating costs, excluding non-cash charges for long-term incentive compensation and other non-cash expenses				
	\$ 44,747	\$ 44,219	\$ 88,465	\$ 82,161
Segment Margin (in thousands)	\$ 13,959	\$ 11,966	\$ 26,891	\$ 22,953
Fleet Utilization: ⁽²⁾				
Inland Barge Utilization	98.7%	93.5%	97.7%	92.9%
Offshore Barge Utilization	93.9%	92.0%	95.1%	93.4%

(1) Under certain of our marine contracts, we "rebill" our customers for a portion of our operating costs.

(2) Utilization rates are based on a 365 day year, as adjusted for planned downtime and dry-docking.

Three Months Ended June 30, 2019 Compared with Three Months Ended June 30, 2018

Marine transportation Segment Margin for the 2019 Quarter increased \$2.0 million, or 17%, from the 2018 Quarter. This increase in Segment Margin is primarily attributable to higher inland and offshore barge utilization during the 2019 Quarter along with an increase in average day rates in the market that have been advantageous in both spot and term contracts. While we have seen a slight uptick in day rates, we have continued to enter into short term contracts (less than a year) in both the inland and offshore markets because we believe the day rates currently being offered by the market are still near cyclical lows. This was partially offset by an increase in operating costs during the 2019 Quarter relative to the 2018 Quarter due to an increase in dry-docking costs in both our inland and offshore fleet.

Six Months Ended June 30, 2019 Compared with Six Months Ended June 30, 2018

Marine transportation Segment Margin for the first six months of 2019 increased \$3.9 million, or 17%, from the first six months of 2018. The increase in Segment Margin is primarily attributable to higher inland and offshore barge utilization and an increase in average day rates in the market that have been advantageous in both spot and term contracts. While we have seen a slight uptick in day rates, we have continued to enter into short term contracts (less than a year) in both the inland and offshore markets because we believe the day rates currently being offered by the market are still near cyclical lows. These increases were partially offset by an increase in operating costs during 2019 due to an increase in our dry-docking costs in both our inland and offshore fleet.

Other Costs, Interest, and Income Taxes

General and administrative expenses

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	<i>(in thousands)</i>		<i>(in thousands)</i>	
General and administrative expenses not separately identified below:				
Corporate	\$ 11,048	\$ 8,612	\$ 20,528	\$ 17,286
Segment	1,059	579	2,218	1,716
Long-term incentive compensation expense	964	1,442	1,894	1,618
Third party costs related to business development activities and growth projects	341	2,896	458	4,583
Total general and administrative expenses	\$ 13,412	\$ 13,529	\$ 25,098	\$ 25,203

Total general and administrative expenses decreased by \$0.1 million for the three and six month periods. This decrease is primarily attributable to lower third party transaction costs during 2019, as 2018 included the effects of the acquisition and integration of our Alkali Business. This decrease was almost fully offset by higher corporate general and administrative costs.

Depreciation, depletion, and amortization expense

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	<i>(in thousands)</i>		<i>(in thousands)</i>	
Depreciation and depletion expense	\$ 74,171	\$ 71,890	\$ 147,162	\$ 141,455
Amortization of intangible assets	4,812	5,461	9,101	10,894
Amortization of CO ₂ volumetric production payments	370	329	728	586
Total depreciation, depletion and amortization expense	\$ 79,353	\$ 77,680	\$ 156,991	\$ 152,935

Total depreciation, depletion, and amortization expense increased \$1.7 million and \$4.1 million between the three and six month periods, respectively, primarily as a result of placing additional assets into service that were completed during 2019.

Interest expense, net

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	<i>(in thousands)</i>		<i>(in thousands)</i>	
Interest expense, senior secured credit facility (including commitment fees)	\$ 14,304	\$ 16,347	\$ 28,462	\$ 30,441
Interest expense, senior unsecured notes	39,547	39,547	79,094	80,081
Amortization of debt issuance costs and discount	2,688	2,659	5,370	5,569
Capitalized interest	(1,032)	(644)	(1,718)	(2,046)
Net interest expense	\$ 55,507	\$ 57,909	\$ 111,208	\$ 114,045

Three Months Ended June 30, 2019 Compared with Three Months Ended June 30, 2018

Net interest expense decreased \$2.4 million during the 2019 Quarter primarily due to a lower average outstanding balance on our revolving credit facility during the 2019 Quarter which was partially offset by an increase in LIBOR rates relative to the 2018 Quarter.

Six Months Ended June 30, 2019 Compared with Six Months Ended June 30, 2018

Net interest expense decreased \$2.8 million during the first six months of 2019 primarily due to a lower average outstanding balance on our revolving credit facility during the period which was partially offset by an increase in LIBOR rates relative to the first six months of 2018. Additionally, during 2018, we recorded \$1.0 million of interest expense on our previously held 2021 notes, which we redeemed in February 2018.

Income tax expense

A portion of our operations are owned by wholly-owned corporate subsidiaries that are taxable as corporations. As a result, a substantial portion of the income tax expense we record relates to the operations of those corporations, and will vary from period to period as a percentage of our income before taxes based on the percentage of our income or loss that is derived from those corporations. The balance of the income tax expense we record relates to state taxes imposed on our operations that are treated as income taxes under generally accepted accounting principles and foreign income taxes.

Liquidity and Capital Resources

General

As of June 30, 2019, our balance sheet and liquidity position remained strong, including \$731.9 million of remaining borrowing capacity under our \$1.7 billion senior secured revolving credit facility. We anticipate that our future internally-generated funds and the funds available under our credit facility will allow us to meet our ordinary course capital needs. Our primary sources of liquidity have been cash flows from operations, borrowing availability under our credit facility and the proceeds from issuances of equity and senior unsecured notes.

Our primary cash requirements consist of:

- working capital, primarily inventories and trade receivables and payables;
- routine operating expenses;
- capital growth and maintenance projects;
- acquisitions of assets or businesses;
- payments related to servicing and reducing outstanding debt; and
- quarterly cash distributions to our preferred and common unitholders.

Capital Resources

Our ability to satisfy future capital needs will depend on our ability to raise substantial amounts of additional capital from time to time — including through equity and debt offerings (public and private), borrowings under our credit facility and other financing transactions—and to implement our growth strategy successfully. No assurance can be made that we will be able to raise necessary funds on satisfactory terms or implement our growth strategy successfully.

At June 30, 2019, our long-term debt totaled approximately \$3.4 billion, consisting of \$1.0 billion outstanding under our credit facility (including \$30.3 million borrowed under the inventory sublimit tranche) and \$2.5 billion of senior unsecured notes, comprising \$750 million carrying amount due August 1, 2022, \$400 million carrying amount due on May 15, 2023, \$350 million carrying amount due on June 15, 2024, \$550 million carrying amount due October 2025, and \$450 million carrying amount due May 2026.

Equity Distribution Program and Shelf Registration Statements

We expect to issue additional equity and debt securities in the future to assist us in meeting our future liquidity requirements, particularly those related to opportunistically acquiring assets and businesses and constructing new facilities and refinancing outstanding debt.

In 2016, we implemented an equity distribution program that will allow us to consummate “at the market” offerings of common units from time to time through brokered transactions, which should help mitigate certain adverse consequences of underwritten offerings, including the downward pressure on the market price of our common units and the expensive fees and other costs associated with such public offerings. We entered into an equity distribution agreement with a group of banks who will act as sales agents or principals for up to \$400.0 million of our common units, if and when we should elect to issue additional common units from time to time, although there are limits to the amount of our “at the market” offerings the market can absorb from time to time. In connection with implementing our equity distribution program, we filed a universal shelf registration statement (our “EDP Shelf”) with the SEC. Our EDP Shelf allows us to issue up to \$1.0 billion of equity and debt securities, whether pursuant to our equity distribution program or otherwise. Our EDP Shelf will expire in October 2020. As of June 30, 2019, we had issued no units under this program.

We have another universal shelf registration statement (our "2018 Shelf") on file with the SEC. Our 2018 Shelf allows us to issue an unlimited amount of equity and debt securities in connection with certain types of public offerings. However, the receptiveness of the capital markets to an offering of equity and/or debt securities cannot be assured and may be negatively impacted by, among other things, our long-term business prospects and other factors beyond our control, including market conditions. Our 2018 Shelf will expire in April 2021. We expect to file a replacement universal shelf registration statement before our 2018 Shelf expires.

Cash Flows from Operations

We generally utilize the cash flows we generate from our operations to fund our distributions and working capital needs. Excess funds that are generated are used to repay borrowings under our credit facility and/or to fund a portion of our capital expenditures. Our operating cash flows can be impacted by changes in items of working capital, primarily variances in the carrying amount of inventory and the timing of payment of accounts payable and accrued liabilities related to capital expenditures.

We typically sell our purchased crude oil in the same month in which we acquire it, so we do not need to rely on borrowings under our credit facility to pay for such crude oil purchases, other than inventory. During such periods, our accounts receivable and accounts payable generally move in tandem, as we make payments and receive payments for the purchase and sale of crude oil.

In our petroleum products onshore facilities and transportation activities, we purchase products and typically either move those products to one of our storage facilities for further blending or sell those products within days of our purchase. The cash requirements for these activities can result in short term increases and decreases in our borrowings under our credit facility.

In our Alkali Business, we typically extract trona from our mining facilities, process it into soda ash and other alkali products, and deliver and sell the alkali products to our customers all within a relatively short time frame. If we do experience any differences in timing of extraction, processing and sales of our trona or alkali products, it could impact the cash requirements for these activities in the short term.

The storage of our inventory of crude oil and petroleum products can have a material impact on our cash flows from operating activities. In the month we pay for the stored crude oil or petroleum products, we borrow under our credit facility (or use cash on hand) to pay for the crude oil or petroleum products, utilizing a portion of our operating cash flows. Conversely, cash flow from operating activities increases during the period in which we collect the cash from the sale of the stored crude oil or petroleum products. Additionally, we may be required to deposit margin funds with the NYMEX when commodity prices increase as the value of the derivatives utilized to hedge the price risk in our inventory fluctuates. These deposits also impact our operating cash flows as we borrow under our credit facility or use cash on hand to fund the deposits.

See [Note 14](#) in our Unaudited Condensed Consolidated Financial Statements for information regarding changes in components of operating assets and liabilities for the six months ended June 30, 2019 and June 30, 2018.

Net cash flows provided by our operating activities for the six months ended June 30, 2019 were \$195.6 million compared to \$150.8 million for the six months ended June 30, 2018. This increase in operating cash flow is primarily due to an increase in overall segment margin during 2019 and higher distributions from equity investees during 2019 that were classified as operating.

Capital Expenditures, Distributions and Certain Cash Requirements

We use cash primarily for our operating expenses, working capital needs, debt service, acquisition activities, organic growth projects, maintenance capital expenditures and distributions we pay to our preferred and common unitholders. We finance maintenance capital expenditures and smaller organic growth projects and distributions primarily with cash generated by our operations. We have historically funded material growth capital projects (including acquisitions and organic growth projects) with borrowings under our credit facility, equity issuances and/or issuances of senior unsecured notes. We currently plan to allocate a substantial portion of our excess cash flow to reduce the balance outstanding under our revolving credit facility.

Capital Expenditures

A summary of our expenditures for fixed assets, business and other asset acquisitions for the six months ended June 30, 2019 and June 30, 2018 is as follows:

	Six Months Ended June 30,	
	2019	2018
<i>(in thousands)</i>		
Capital expenditures for fixed and intangible assets:		
Maintenance capital expenditures:		
Offshore pipeline transportation assets	\$ 2,942	\$ 1,432
Sodium minerals and sulfur services assets	21,581	21,130
Marine transportation assets	16,924	8,665
Onshore facilities and transportation assets	1,132	886
Information technology systems	672	64
Total maintenance capital expenditures	<u>43,251</u>	<u>32,177</u>
Growth capital expenditures:		
Offshore pipeline transportation assets	37	669
Sodium minerals and sulfur services assets	27,262	7,129
Marine transportation assets	—	12,014
Onshore facilities and transportation assets	2,652	34,973
Information technology systems	1,226	2,647
Total growth capital expenditures	<u>31,177</u>	<u>57,432</u>
Total capital expenditures for fixed and intangible assets	<u>\$ 74,428</u>	<u>\$ 89,609</u>

Expenditures for capital assets to grow the partnership distribution will depend on our access to debt and equity capital. We will look for opportunities to acquire assets from other parties that meet our criteria for stable cash flows. We continue to pursue a long-term growth strategy that may require significant capital.

Growth Capital Expenditures

We do not anticipate spending material growth capital expenditures on any individual projects during the remainder of 2019.

Maintenance Capital Expenditures

Maintenance capital expenditures incurred during the 2019 Quarter primarily relate to expenditures in our Alkali Business and in our marine transportation segment. Our Alkali Business incurs expenditures to maintain and replace its plant equipment due to the nature of its operations. Our marine transportation segment incurs expenditures as we frequently replace and upgrade certain equipment associated with our barge and vessel fleet during our planned and unplanned drydocks. See further discussion under "Available Cash before Reserves" for how such maintenance capital utilization is reflected in our calculation of Available Cash before Reserves.

Distributions to Unitholders

On August 14, 2019, we will pay a distribution of 0.55 per common unit totaling \$67.4 million with respect to the 2019 Quarter. Information on our recent distribution history is included in [Note 10](#) to our Unaudited Condensed Consolidated Financial Statements.

With respect to our Class A Convertible Preferred Units (our "preferred units"), we declared a quarterly cash distribution of \$0.7374 per preferred unit (or \$2.9496 on an annualized basis) for each preferred unit held of record. These distributions will be payable on August 14, 2019 to unitholders holders of record at the close of business on July 31, 2019.

Non-GAAP Financial Measure Reconciliations

For definitions and discussion of our Non-GAAP financial measures refer to the "Non-GAAP Financial Measures" as later discussed and defined.

Available Cash before Reserves for the periods presented below was as follows:

	Three Months Ended June 30,	
	2019	2018
	<i>(in thousands)</i>	
Net income attributable to Genesis Energy, L.P.	\$ 40,120	\$ 10,997
Income tax expense	143	256
Depreciation, depletion, amortization and accretion	66,104	79,862
Plus (minus) Select Items, net	12,270	14,742
Maintenance capital utilized ⁽¹⁾	(6,425)	(4,700)
Cash tax expense	(60)	(150)
Distributions to preferred unitholders	(18,684)	—
Other	—	(7)
Available Cash before Reserves	\$ 93,468	\$ 101,000

- (1) For a description of the term "maintenance capital utilized", please see the definition of the term "Available Cash before Reserves" discussed below. Maintenance capital expenditures in the 2019 Quarter and 2018 Quarter were \$25.2 million and \$22.2 million, respectively.

We define Available Cash before Reserves ("Available Cash before Reserves") as net income before interest, taxes, depreciation, depletion, and amortization (including impairment, write-offs, accretion and similar items) after eliminating other non-cash revenues, expenses, gains, losses and charges (including any loss on asset dispositions), plus or minus certain other select items that we view as not indicative of our core operating results (collectively, "Select Items"), as adjusted for certain items, the most significant of which in the relevant reporting periods have been the sum of maintenance capital utilized, net interest expense, cash tax expense, and cash distributions to our preferred unitholders. Although, we do not necessarily consider all of our Select Items to be non-recurring, infrequent or unusual, we believe that an understanding of these Select Items is important to the evaluation of our core operating results. The most significant Select Items in the relevant reporting periods are set forth below.

	Three Months Ended June 30,	
	2019	2018
	<i>(in thousands)</i>	
I. Applicable to all Non-GAAP Measures		
Differences in timing of cash receipts for certain contractual arrangements ¹	\$ (9,848)	\$ (1,148)
Adjustment regarding direct financing leases ²	2,079	1,884
Certain non-cash items:		
Unrealized loss on derivative transactions excluding fair value hedges, net of changes in inventory value	9,065	641
Adjustment regarding equity investees ³	5,675	10,037
Other	1,947	(53)
Sub-total Select Items, net ⁴	8,918	11,361
II. Applicable only to Available Cash before Reserves		
Certain transaction costs ⁵	341	2,896
Equity compensation adjustments	—	61
Other	3,011	424
Total Select Items, net ⁶	\$ 12,270	\$ 14,742

(1) Includes the difference in timing of cash receipts from customers during the period and the revenue we recognize in accordance with GAAP on our related contracts. For purposes of our Non-GAAP measures, we add those amounts in the period of payment and deduct them in the period in which GAAP recognizes them.

(2) Represents the net effect of adding cash receipts from direct financing leases and deducting expenses relating to direct financing leases.

(3) Represents the net effect of adding distributions from equity investees and deducting earnings of equity investees net to us.

(4) Represents all Select Items applicable to Segment Margin and Available Cash before Reserves.

(5) Represents transaction costs relating to certain merger, acquisition, transition, and financing transactions incurred in advance of acquisition.

(6) Represents Select Items applicable to Available Cash before Reserves.

Non-GAAP Financial Measures

General

To help evaluate our business, we use the non-generally accepted accounting principle (“non-GAAP”) financial measure of Available Cash before Reserves. We also present total Segment Margin as if it were a non-GAAP measure. Our non-GAAP measures may not be comparable to similarly titled measures of other companies because such measures may include or exclude other specified items. The schedules above provide reconciliations of Available Cash before Reserves to its most directly comparable financial measures calculated in accordance with generally accepted accounting principles in the United States of America (GAAP). A reconciliation of total Segment Margin to net income is also included in our segment disclosure in [Note 12](#) to our Unaudited Condensed Consolidated Financial Statements. Our non-GAAP financial measures should not be considered (i) as alternatives to GAAP measures of liquidity or financial performance or (ii) as being singularly important in any particular context; they should be considered in a broad context with other quantitative and qualitative information. Our Available Cash before Reserves and total Segment Margin measures are just two of the relevant data points considered from time to time.

When evaluating our performance and making decisions regarding our future direction and actions (including making discretionary payments, such as quarterly distributions) our board of directors and management team has access to a wide range of historical and forecasted qualitative and quantitative information, such as our financial statements; operational information; various non-GAAP measures; internal forecasts; credit metrics; analyst opinions; performance, liquidity and similar measures; income; cash flow; and expectations for us, and certain information regarding some of our peers. Additionally, our board of directors and management team analyze, and place different weight on, various factors from time to time. We believe that investors benefit from having access to the same financial measures being utilized by management, lenders, analysts and other market participants. We attempt to provide adequate information to allow each individual investor and other external user to reach her/his own conclusions regarding our actions without providing so much information as to overwhelm or confuse such investor or other external user. Our non-GAAP financial measures should not be considered as an alternative to GAAP measures such as net income, operating income, cash flow from operating activities or any other GAAP measure of liquidity or financial performance.

Segment Margin

Our chief operating decision maker (our Chief Executive Officer) evaluates segment performance based on a variety of measures including Segment Margin, segment volumes where relevant and capital investment. We define Segment Margin as revenues less product costs, operating expenses, and segment general and administrative expenses, after eliminating gain or loss on sale of assets, plus or minus applicable Select Items. Although, we do not necessarily consider all of our Select Items to be non-recurring, infrequent or unusual, we believe that an understanding of these Select Items is important to the evaluation of our core operating results.

A reconciliation of total Segment Margin to net income is included in our segment disclosure in [Note 12](#) to our Unaudited Condensed Consolidated Financial Statements, as well as previously in this Item 2.

Available Cash before Reserves

Purposes, Uses and Definition

Available Cash before Reserves, often referred to by others as distributable cash flow, is a quantitative standard used throughout the investment community with respect to publicly traded partnerships and is commonly used as a supplemental financial measure by management and by external users of financial statements such as investors, commercial banks, research analysts and rating agencies, to aid in assessing, among other things:

- (1) the financial performance of our assets;
- (2) our operating performance;
- (3) the viability of potential projects, including our cash and overall return on alternative capital investments as compared to those of other companies in the midstream energy industry;
- (4) the ability of our assets to generate cash sufficient to satisfy certain non-discretionary cash requirements, including interest payments and certain maintenance capital requirements; and
- (5) our ability to make certain discretionary payments, such as distributions on our preferred and common units, growth capital expenditures, certain maintenance capital expenditures and early payments of indebtedness.

Disclosure Format Relating to Maintenance Capital

We use a modified format relating to maintenance capital requirements because our maintenance capital expenditures vary materially in nature (discretionary vs. non-discretionary), timing and amount from time to time. We believe that, without such modified disclosure, such changes in our maintenance capital expenditures could be confusing and potentially misleading to users of our financial information, particularly in the context of the nature and purposes of our Available Cash before Reserves measure. Our modified disclosure format provides those users with information in the form of our maintenance capital utilized measure (which we deduct to arrive at Available Cash before Reserves). Our maintenance capital utilized measure constitutes a proxy for non-discretionary maintenance capital expenditures and it takes into consideration the relationship among maintenance capital expenditures, operating expenses and depreciation from period to period.

Maintenance Capital Requirements

Maintenance Capital Expenditures

Maintenance capital expenditures are capitalized costs that are necessary to maintain the service capability of our existing assets, including the replacement of any system component or equipment which is worn out or obsolete. Maintenance capital expenditures can be discretionary or non-discretionary, depending on the facts and circumstances.

Initially, substantially all of our maintenance capital expenditures were (a) related to our pipeline assets and similar infrastructure, (b) non-discretionary in nature and (c) immaterial in amount as compared to our Available Cash before Reserves measure. Those historical expenditures were non-discretionary (or mandatory) in nature because we had very little (if any) discretion as to whether or when we incurred them. We had to incur them in order to continue to operate the related pipelines in a safe and reliable manner and consistently with past practices. If we had not made those expenditures, we would not have been able to continue to operate all or portions of those pipelines, which would not have been economically feasible. An example of a non-discretionary (or mandatory) maintenance capital expenditure would be replacing a segment of an old pipeline because one can no longer operate that pipeline safely, legally and/or economically in the absence of such replacement.

As we exist today, a substantial amount of our maintenance capital expenditures from time to time will be (a) related to our assets other than pipelines, such as our marine vessels, trucks and similar assets, (b) discretionary in nature and (c) potentially material in amount as compared to our Available Cash before Reserves measure. Those expenditures will be discretionary (or non-mandatory) in nature because we will have significant discretion as to whether or when we incur them. We will not be forced to incur them in order to continue to operate the related assets in a safe and reliable manner. If we chose not make those expenditures, we would be able to continue to operate those assets economically, although in lieu of maintenance capital expenditures, we would incur increased operating expenses, including maintenance expenses. An example

of a discretionary (or non-mandatory) maintenance capital expenditure would be replacing an older marine vessel with a new marine vessel with substantially similar specifications, even though one could continue to economically operate the older vessel in spite of its increasing maintenance and other operating expenses.

In summary, as we continue to expand certain non-pipeline portions of our business, we are experiencing changes in the nature (discretionary vs. non-discretionary), timing and amount of our maintenance capital expenditures that merit a more detailed review and analysis than was required historically. Management's recently increasing ability to determine if and when to incur certain maintenance capital expenditures is relevant to the manner in which we analyze aspects of our business relating to discretionary and non-discretionary expenditures. We believe it would be inappropriate to derive our Available Cash before Reserves measure by deducting discretionary maintenance capital expenditures, which we believe are similar in nature in this context to certain other discretionary expenditures, such as growth capital expenditures, distributions/dividends and equity buybacks. Unfortunately, not all maintenance capital expenditures are clearly discretionary or non-discretionary in nature. Therefore, we developed a measure, maintenance capital utilized, that we believe is more useful in the determination of Available Cash before Reserves. Our maintenance capital utilized measure, which is described in more detail below, constitutes a proxy for non-discretionary maintenance capital expenditures and it takes into consideration the relationship among maintenance capital expenditures, operating expenses and depreciation from period to period.

Maintenance Capital Utilized

We believe our maintenance capital utilized measure is the most useful quarterly maintenance capital requirements measure to use to derive our Available Cash before Reserves measure. We define our maintenance capital utilized measure as that portion of the amount of previously incurred maintenance capital expenditures that we utilize during the relevant quarter, which would be equal to the sum of the maintenance capital expenditures we have incurred for each project/component in prior quarters allocated ratably over the useful lives of those projects/components.

Because we did not initially use our maintenance capital utilized measure, our future maintenance capital utilized calculations will reflect the utilization of solely those maintenance capital expenditures incurred since December 31, 2013.

Commitments and Off-Balance Sheet Arrangements

Contractual Obligations and Commercial Commitments

There have been no material changes to the commitments and obligations reflected in our Annual Report on Form 10-K for the year ended December 31, 2018.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements, special purpose entities, or financing partnerships, other than as disclosed under "Contractual Obligations and Commercial Commitments" in our Annual Report on Form 10-K for the year ended December 31, 2018, nor do we have any debt or equity triggers based upon our unit or commodity prices.

Forward Looking Statements

The statements in this Quarterly Report on Form 10-Q that are not historical information may be "forward looking statements" as defined under federal law. All statements, other than historical facts, included in this document that address activities, events or developments that we expect or anticipate will or may occur in the future, including things such as plans for growth of the business, future capital expenditures, competitive strengths, goals, references to future goals or intentions, estimated or projected future financial performance, and other such references are forward-looking statements, and historical performance is not necessarily indicative of future performance. These forward-looking statements are identified as any statement that does not relate strictly to historical or current facts. They use words such as "anticipate," "believe," "continue," "estimate," "expect," "forecast," "goal," "intend," "may," "could," "plan," "position," "projection," "strategy," "should" or "will," or the negative of those terms or other variations of them or by comparable terminology. In particular, statements, expressed or implied, concerning future actions, conditions or events or future operating results or the ability to generate sales, income or cash flow are forward-looking statements. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Future actions, conditions or events and future results of operations may differ materially from those expressed in these forward-looking statements. Many of the factors that will determine these results are beyond our ability or the ability of our affiliates to control or predict. Specific factors that could cause actual results to differ from those in the forward-looking statements include, among others:

- *demand for, the supply of, our assumptions about, changes in forecast data for, and price trends related to crude oil, liquid petroleum, natural gas, NaHS, soda ash, caustic soda and CO₂, all of which may be affected by economic activity, capital expenditures by energy producers, weather, alternative energy sources, international events, conservation and technological advances;*
- *throughput levels and rates;*
- *changes in, or challenges to, our tariff rates;*

- *our ability to successfully identify and close strategic acquisitions on acceptable terms (including obtaining third-party consents and waivers of preferential rights), develop or construct infrastructure assets, make cost saving changes in operations and integrate acquired assets or businesses into our existing operations;*
- *service equipment interruptions in our pipeline transportation systems, processing operations, or mining facilities;*
- *shutdowns or cutbacks at refineries, petrochemical plants, utilities, individual plants, or other businesses for which we transport crude oil, petroleum, natural gas or other products or to whom we sell soda ash, petroleum, or other products;*
- *risks inherent in marine transportation and vessel operation, including accidents and discharge of pollutants;*
- *changes in laws and regulations to which we are subject, including tax withholding issues, regulations regarding qualifying income, accounting pronouncements, and safety, environmental and employment laws and regulations;*
- *the effects of production declines and the effects of future laws and government regulation;*
- *planned capital expenditures and availability of capital resources to fund capital expenditures;*
- *our inability to borrow or otherwise access funds needed for operations, expansions or capital expenditures as a result of our credit agreement and the indentures governing our notes, which contain various affirmative and negative covenants;*
- *loss of key personnel;*
- *cash from operations that we generate could decrease or fail to meet expectations, either of which could reduce our ability to pay quarterly cash distributions at the current level or to increase quarterly cash distributions in the future;*
- *an increase in the competition that our operations encounter;*
- *cost and availability of insurance;*
- *hazards and operating risks that may not be covered fully by insurance;*
- *our financial and commodity hedging arrangements, which may reduce our earnings, profitability and cash flow;*
- *changes in global economic conditions, including capital and credit markets conditions, inflation and interest rates;*
- *natural disasters, accidents or terrorism;*
- *changes in the financial condition of customers or counterparties;*
- *adverse rulings, judgments, or settlements in litigation or other legal or tax matters;*
- *the treatment of us as a corporation for federal income tax purposes or if we become subject to entity-level taxation for state tax purposes;*
- *the potential that our internal controls may not be adequate, weaknesses may be discovered or remediation of any identified weaknesses may not be successful and the impact these could have on our unit price; and*
- *a cyber-attack involving our information systems and related infrastructure, or that of our business associates.*

You should not put undue reliance on any forward-looking statements. When considering forward-looking statements, please review the risk factors described under “Risk Factors” discussed in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2018. These risks may also be specifically described in our Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K (or any amendments to those reports) and other documents that we may file from time to time with the SEC. New factors that could cause actual results to differ materially from those described in forward-looking statements emerge from time to time, and it is not possible for us to predict all such factors, or the extent to which any such factor or combination of factors may cause actual results to differ from those contained in any forward-looking statement. Except as required by applicable securities laws, we do not intend to update these forward-looking statements and information.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The following should be read in conjunction with Quantitative and Qualitative Disclosures About Market Risk included under Item 7A in our Annual Report on Form 10-K for the year ended December 31, 2018. There have been no material changes

that would affect the quantitative and qualitative disclosures provided therein. Also, see [Note 15](#) to our Unaudited Condensed Consolidated Financial Statements for additional discussion related to derivative instruments and hedging activities.

Item 4. Controls and Procedures

We maintain disclosure controls and procedures and internal controls designed to ensure that information required to be disclosed in our filings under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms. Our chief executive officer and chief financial officer, with the participation of our management, have evaluated our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q and have determined that such disclosure controls and procedures are effective in ensuring that material information required to be disclosed in this Quarterly Report on Form 10-Q is accumulated and communicated to them and our management to allow timely decisions regarding required disclosures.

There were no changes during the second quarter of 2019 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Information with respect to this item has been incorporated by reference from our Annual Report on Form 10-K for the year ended December 31, 2018. There have been no material developments in legal proceedings since the filing of such Form 10-K.

Item 1A. Risk Factors

There has been no material change in our risk factors as previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

For additional information about our risk factors, see Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2018, as well as any risk factors contained in other filings with the SEC, including Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and Form 8-K/A and other documents that we may file from time to time with the SEC.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

There were no sales of unregistered equity securities during the 2019 Quarter.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Information regarding mine safety and other regulatory action at our mines in Green River and Granger, Wyoming is including in Exhibit 95 to this Form 10-Q.

Item 5. Other Information

None.

Item 6. Exhibits.

(a) Exhibits

3.1	Certificate of Limited Partnership of Genesis Energy, L.P. (incorporated by reference to Exhibit 3.1 to Amendment No. 2 of the Registration Statement on Form S-1, File No. 333-11545).
3.2	Amendment to the Certificate of Limited Partnership of Genesis Energy, L.P. (incorporated by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2011, File No. 001-12295).
3.3	Fifth Amended and Restated Agreement of Limited Partnership of Genesis Energy, L.P. (incorporated by reference to Exhibit 5.1 to the Company's Current Report on Form 8-K dated January 3, 2011, File No. 001-12295).
3.4	First Amendment to Fifth Amended and Restated Agreement of Limited Partnership of Genesis Energy, L.P., dated September 1, 2017 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated September 7, 2017, File No. 001-12295).
3.5	Second Amendment to Fifth Amended and Restated Agreement of Limited Partnership of Genesis Energy, L.P., dated December 31, 2017 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated January 4, 2018, File No. 001-12295).
3.6	Certificate of Conversion of Genesis Energy, Inc. a Delaware corporation, into Genesis Energy, LLC, a Delaware limited liability company (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated January 7, 2009, File No. 001-12295)
3.7	Certificate of Formation of Genesis Energy, LLC (formerly Genesis Energy, Inc.) (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K dated January 7, 2009, File No. 001-12295).
3.8	Second Amended and Restated Limited Liability Company Agreement of Genesis Energy, LLC dated December 28, 2010 (incorporated by reference to Exhibit 5.2 to the Company's Current Report on Form 8-K dated January 3, 2011, File No. 001-12295).
3.9	Certificate of Incorporation of Genesis Energy Finance Corporation, dated as of November 26, 2006 (incorporated by reference to Exhibit 3.7 to Registration Statement on Form S-4 filed on September 26, 2011, File No. 333-177012).
3.10	Bylaws of Genesis Energy Finance Corporation (incorporated by reference to Exhibit 3.8 to Registration Statement on Form S-4 filed on September 26, 2011, File No. 333-177012).
4.1	Form of Unit Certificate of Genesis Energy, L.P. (incorporated by reference to Exhibit 4.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2007, File No. 001-12295).
* 31.1	Certification by Chief Executive Officer Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
* 31.2	Certification by Chief Financial Officer Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
* 32	Certification by Chief Executive Officer and Chief Financial Officer Pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934.
* 95	Mine Safety Disclosures
101.INS	XBRL Instance Document- the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.LAB	XBRL Label Linkbase Document
101.PRE	XBRL Presentation Linkbase Document
101.DEF	XBRL Definition Linkbase Document

* Filed herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GENESIS ENERGY, L.P.
(A Delaware Limited Partnership)

By: GENESIS ENERGY, LLC,
as General Partner

Date: August 6, 2019

By: /s/ ROBERT V. DEERE

Robert V. Deere
Chief Financial Officer
(Duly Authorized Officer)