Woodhead Mark
Form 3
November 26, 2018

FORM 3

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

OMB APPROVAL	
OMB Number:	3235-0104
Expires:	January 31, 2005
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INITIAL STATEMENT OF BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
Â Woodhead Mark
(Last) (First) (Middle)

50 ENTERPRISE CENTER
(Street)

MIDDLETOWN,Â RIÂ 02842
(City) (State) (Zip)

2. Date of Event Requiring Statement (Month/Day/Year)
11/19/2018

3. Issuer Name **and** Ticker or Trading Symbol
KVH INDUSTRIES INC \DE\ [KVHI]

4. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
EVP, Mobile Connectivity

5. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Beneficially Owned

1.Title of Security (Instr. 4)	2. Amount of Securities Beneficially Owned (Instr. 4)	3. Ownership Form: Direct (D) or Indirect (I) (Instr. 5)	4. Nature of Indirect Beneficial Ownership (Instr. 5)
Common Stock	40,178	D	Â

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

SEC 1473 (7-02)

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

Table II - Derivative Securities Beneficially Owned (*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 4)	2. Date Exercisable and Expiration Date (Month/Day/Year)		3. Title and Amount of Securities Underlying Derivative Security (Instr. 4)		4. Conversion or Exercise Price of Derivative Security	5. Ownership Form of Derivative Security: Direct (D) or Indirect	6. Nature of Indirect Beneficial Ownership (Instr. 5)
	Date Exercisable	Expiration Date	Title	Amount or Number of			

				Shares		(I) (Instr. 5)	
Employee Stock Options-Right to Buy	02/28/2019 [(1)](#)	03/30/2022	Common Stock	27,005	$ 7.85	D	Â
Employee Stock Options-Right to Buy	06/06/2019 [(2)](#)	06/06/2023	Common Stock	21,270	$ 11.3	D	Â

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Woodhead Mark 50 ENTERPRISE CENTER MIDDLETOWN,Â RIÂ 02842	Â	Â	Â EVP, Mobile Connectivity	Â

Signatures

Mark Woodhead	11/26/2018
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 5(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Stock option grant vested/vests in 4 installments (6752 on 4/28/2018; 6751 on 2/28/2019; 6751 on 4/29/2020; 6751 on 2/28/2021).

(2) Stock option grant vests in 4 installments (5318 on 6/6/2019; 5318 on 6/6/2020; 5317 on 6/6/2021; 5317 on 6/6/2022).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *See* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. ; FONT-FAMILY: Times New Roman, Times, serif; WIDTH: 1%; VERTICAL-ALIGN: bottom; PADDING-BOTTOM: 1px; MARGIN-LEFT: 0pt; BACKGROUND-COLOR: #ffffff" noWrap>

Total property and equipment, net

\- 13,188 2,307 - 15,495

Intangible assets, net

\- 25,006 6,118 - 31,124

Goodwill

\- 53,913 3,038 - 56,951

Investment in subsidiaries

22,356 (449) - (21,907) -

Notes receivable - affiliates

- 13,716 - (13,716) -

Other assets

- (2) 10 - 8

Total assets

$24,626 $171,026 $24,788 $(45,311) $175,129

LIABILITIES AND OWNERS' EQUITY

Current liabilities:

Accounts payable

$- $2,314 $938 $(1,455) $1,797

Accounts payable - affiliates

1,167 - 6,801 (7,125) 843

Accrued payroll and other

48 13,922 1,005 (1,108) 13,867

Income taxes payable

- 117 (85) - 32

Total current liabilities

1,215 16,353 8,659 (9,688) 16,539

Long-term debt

(1,489) 131,400 5,500 - 135,411

Notes payable - affiliates

- - 13,716 (13,716) -

Deferred tax liabilities

- 5 340 - 345

Asset retirement obligations

- 117 - - 117

Total liabilities

(274) 147,875 28,215 (23,404) 152,412

Owners' equity:

Total partners' capital

20,273 18,524 (3,427) (17,280) 18,090

Non-controlling interests

4,627 4,627 - (4,627) 4,627

Total owners' equity

24,900 23,151 (3,427) (21,907) 22,717

Total liabilities and owners' equity

$24,626 $171,026 $24,788 $(45,311) $175,129

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CYPRESS ENERGY PARTNERS, L.P.

Notes to the Unaudited Condensed Consolidated Financial Statements

Condensed Consolidating Balance Sheet

As of December 31, 2015

(as adjusted - in thousands)

	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$378	$ 19,570	$ 4,202	$ -	$ 24,150
Trade accounts receivable, net	-	40,029	8,289	(53)	48,265
Accounts receivable - affiliates	-	5,601	-	(5,601)	-
Prepaid expenses and other	-	2,078	286	(35)	2,329
Total current assets	378	67,278	12,777	(5,689)	74,744
Property and equipment:					
Property and equipment, at cost	-	20,790	2,916	-	23,706
Less: Accumulated depreciation	-	4,941	428	-	5,369
Total property and equipment, net	-	15,849	2,488	-	18,337
Intangible assets, net	-	26,135	6,351	-	32,486
Goodwill	-	53,914	11,359	-	65,273
Investment in subsidiaries	42,034	10,465	-	(52,499)	-
Notes receivable - affiliates	-	13,527	-	(13,527)	-
Other assets	-	32	10	-	42
Total assets	$42,412	$ 187,200	$ 32,985	$ (71,715)	$ 190,882
LIABILITIES AND OWNERS' EQUITY					
Current liabilities:					
Accounts payable	$6	$ 467	$ 1,732	$ -	$ 2,205
Accounts payable - affiliates	1,237	912	4,042	(5,278)	913
Accrued payroll and other	-	6,855	293	(53)	7,095
Income taxes payable	-	385	-	(35)	350
Total current liabilities	1,243	8,619	6,067	(5,366)	10,563
Long-term debt	(1,771)	135,400	5,500	-	139,129
Notes payable - affiliates	-	-	13,850	(13,850)	-
Deferred tax liabilities	-	43	328	-	371

Asset retirement obligations	-	117	-	-	117
Total liabilities	(528)	144,179	25,745	(19,216)	150,180
Commitments and contingencies					
Owners' equity:					
Total partners' capital	32,967	33,048	7,240	(42,526)	30,729
Non-controlling interests	9,973	9,973	-	(9,973)	9,973
Total owners' equity	42,940	43,021	7,240	(52,499)	40,702
Total liabilities and owners' equity	$42,412	$ 187,200	$ 32,985	$ (71,715)	$ 190,882

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CYPRESS ENERGY PARTNERS, L.P.

Notes to the Unaudited Condensed Consolidated Financial Statements

Condensed Consolidating Statement of Operations

For the Three Months Ended June 30, 2016

(in thousands)

	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Revenues	$ -	$ 64,025	$ 12,310	$ (4,024)	$ 72,311
Costs of services	-	57,257	11,713	(4,024)	64,946
Gross margin	-	6,768	597	-	7,365
Operating costs and expense:					
General and administrative	1,115	3,118	1,327	-	5,560
Depreciation, amortization and accretion	-	1,032	214	-	1,246
Impairments	-	2,119	8,411	-	10,530
Operating (loss)	(1,115)	499	(9,355)	-	(9,971)
Other income (expense):					
Equity earnings (loss) in subsidiaries	(5,562)	(9,415)	-	14,977	-
Interest expense, net	(222)	(1,190)	(207)	-	(1,619)
Other, net	-	19	5	-	24
Net income (loss) before income tax expense	(6,899)	(10,087)	(9,557)	14,977	(11,566)
Income tax expense	-	87	(37)	-	50
Net income (loss)	(6,899)	(10,174)	(9,520)	14,977	(11,616)
Net (loss) attributable to non-controlling interests	-	(4,612)	-	-	(4,612)
Net income (loss) attributable to controlling interests	(6,899)	(5,562)	(9,520)	14,977	(7,004)
Net (loss) attributable to general partner	(2,967)	-	-	-	(2,967)
Net income (loss) attributable to limited partners	$ (3,932)	$ (5,562)	$ (9,520)	$ 14,977	$ (4,037)

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CYPRESS ENERGY PARTNERS, L.P.

Notes to the Unaudited Condensed Consolidated Financial Statements

Condensed Consolidating Statement of Operations

For the Three Months Ended June 30, 2015

(in thousands)

	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Revenues	$ -	$ 82,521	$ 10,922	$ (2,490)	$ 90,953
Costs of services	-	72,844	$ 9,836	(2,490)	80,190
Gross margin	-	9,677	1,086	-	10,763
Operating costs and expense:					
General and administrative	351	4,722	994	-	6,067
Depreciation, amortization and accretion	-	1,223	151	-	1,374
Operating income (loss)	(351)	3,732	(59)	-	3,322
Other income (expense):					
Equity earnings in subsidiaries	2,665	-	-	(2,665)	-
Interest expense, net	(216)	(1,072)	(152)	-	(1,440)
Other, net	-	47	8	-	55
Net income (loss) before income tax expense	2,098	2,707	(203)	(2,665)	1,937
Income tax expense	-	101	(23)	-	78
Net income (loss)	2,098	2,606	(180)	(2,665)	1,859
Net income (loss) attributable to non-controlling interests	-	(59)	-	(18)	(77)
Net income (loss) attributable to partners / controlling interests	$ 2,098	$ 2,665	$ (180)	$ (2,647)	$ 1,936

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CYPRESS ENERGY PARTNERS, L.P.

Notes to the Unaudited Condensed Consolidated Financial Statements

Condensed Consolidating Statement of Operations

For the Six Months Ended June 30, 2016

(in thousands)

	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Revenues	$ -	$ 126,197	$ 26,194	$ (6,606)	$ 145,785
Costs of services	-	112,688	$ 24,578	(6,606)	130,660
Gross margin	-	13,509	1,616	-	15,125
Operating costs and expense:					
General and administrative	2,317	6,696	2,736	-	11,749
Depreciation, amortization and accretion	-	2,070	401	-	2,471
Impairments	-	2,119	8,411	-	10,530
Operating (loss)	(2,317)	2,624	(9,932)	-	(9,625)
Other income (expense):					
Equity earnings (loss) in subsidiaries	(5,094)	(10,164)	-	15,258	-
Interest expense, net	(440)	(2,381)	(416)	-	(3,237)
Other, net	-	38	9	-	47
Net income (loss) before income tax expense	(7,851)	(9,883)	(10,339)	15,258	(12,815)
Income tax expense	-	190	(28)	-	162
Net income (loss)	(7,851)	(10,073)	(10,311)	15,258	(12,977)
Net (loss) attributable to non-controlling interests	-	(4,979)	-	-	(4,979)
Net income (loss) attributable to controlling interests	(7,851)	(5,094)	(10,311)	15,258	(7,998)
Net (loss) attributable to general partner	(3,935)	-	-	-	(3,935)
Net income (loss) attributable to limited partners	$ (3,916)	$ (5,094)	$ (10,311)	$ 15,258	$ (4,063)

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CYPRESS ENERGY PARTNERS, L.P.

Notes to the Unaudited Condensed Consolidated Financial Statements

Condensed Consolidating Statement of Operations

For the Six Months Ended June 30, 2015

(in thousands)

	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Revenues	$ -	$ 167,267	$ 21,489	$ (3,737)	$ 185,019
Costs of services	-	147,782	$ 19,662	(3,737)	163,707
Gross margin	-	19,485	1,827	-	21,312
Operating costs and expense:					
General and administrative	455	9,413	1,461	-	11,329
Depreciation, amortization and accretion	-	2,436	196	-	2,632
Operating income (loss)	(455)	7,636	170	-	7,351
Other income (expense):					
Equity earnings in subsidiaries	5,755	-	-	(5,755)	-
Interest expense, net	(474)	(1,746)	(227)	-	(2,447)
Other, net	-	53	10	-	63
Net income (loss) before income tax expense	4,826	5,943	(47)	(5,755)	4,967
Income tax expense	-	258	24	-	282
Net income (loss)	4,826	5,685	(71)	(5,755)	4,685
Net income (loss) attributable to non-controlling interests	145	(70)	-	15	90
Net income (loss) attributable to partners / controlling interests	$ 4,681	$ 5,755	$ (71)	$ (5,770)	$ 4,595

CYPRESS ENERGY PARTNERS, L.P.

Notes to the Unaudited Condensed Consolidated Financial Statements

Condensed Consolidating Statement of Comprehensive Income (Loss)

For the Three Months Ended June 30, 2016

(in thousands)

	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Net income (loss)	$ (6,899)	$ (10,174)	$ (9,520)	$ 14,977	$ (11,616)
Other comprehensive income -			-		
Foreign currency translation	-	-	(2)	-	(2)
			-		
Comprehensive income (loss)	$ (6,899)	$ (10,174)	$ (9,522)	$ 14,977	$ (11,618)
Comprehensive (loss) attributable to non-controlling interests	-	(4,612)	-	-	(4,612)
Comprehensive (loss) attributable to general partner	(2,967)	-	-	-	(2,967)
Comprehensive income (loss) attributable to controlling interests	$ (3,932)	$ (5,562)	$ (9,522)	$ 14,977	$ (4,039)

Condensed Consolidating Statement of Comprehensive Income (Loss)

For the Three Months Ended June 30, 2015

(in thousands)

	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Net income (loss)	$ 2,098	$ 2,606	$ (180)	$ (2,665)	$ 1,859
Other comprehensive income -			-		
Foreign currency translation	-	37	100	-	137

Comprehensive income (loss)	$2,098	$ 2,643	- $ (80)	$ (2,665)	$ 1,996
Comprehensive (loss) attributable to non-controlling interests	-	(59)	-	(18)	(77)
Comprehensive income (loss) attributable to controlling interests	$2,098	$ 2,702	$ (80)	$ (2,647)	$ 2,073

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CYPRESS ENERGY PARTNERS, L.P.

Notes to the Unaudited Condensed Consolidated Financial Statements

Condensed Consolidating Statement of Comprehensive Income (Loss)

For the Six Months Ended June 30, 2016

(in thousands)

	Parent	**Guarantors**	**Non-Guarantors**	**Eliminations**	**Consolidated**
Net income (loss)	$ (7,851)	$ (10,073)	$ (10,311)	$ 15,258	$ (12,977)
Other comprehensive income -			-		
Foreign currency translation	-	192	394	-	586
			-		
Comprehensive income (loss)	$ (7,851)	$ (9,881)	$ (9,917)	$ 15,258	$ (12,391)
Comprehensive (loss) attributable to non-controlling interests	-	(4,979)	-	-	(4,979)
Comprehensive (loss) attributable to general partner	(3,935)	-	-	-	(3,935)
Comprehensive income (loss) attributable to controlling interests	$ (3,916)	$ (4,902)	$ (9,917)	$ 15,258	$ (3,477)

Condensed Consolidating Statement of Comprehensive Income (Loss)

For the Six Months Ended June 30, 2015

(in thousands)

	Parent	**Guarantors**	**Non-Guarantors**	**Eliminations**	**Consolidated**
Net income (loss)	$4,826	$ 5,685	$ (71)	$ (5,755)	$ 4,685
Other comprehensive income -			-		
Foreign currency translation	-	(256)	(491)	-	(747)

			-		
Comprehensive income (loss)	$4,826	$ 5,429	$ (562)	$ (5,755)	$ 3,938
Comprehensive (loss) attributable to non-controlling interests	145	(70)	-	(442)	(367)
Comprehensive income (loss) attributable to controlling interests	$4,681	$ 5,499	$ (562)	$ (5,313)	$ 4,305

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CYPRESS ENERGY PARTNERS, L.P.

Notes to the Unaudited Condensed Consolidated Financial Statements

Condensed Consolidating Statement of Cash Flows

For the Six Months Ended June 30, 2016

(in thousands)

	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Operating activities:					
Net income (loss)	$(7,851)	$ (10,073)	$ (10,311)	$ 15,258	$ (12,977)
Adjustments to reconcile net income (loss) to cash provided by (used in) operating activities:					
Depreciation, amortization and accretion	-	2,251	656	-	2,907
Impairments	-	2,119	8,411	-	10,530
Gain on asset disposal	-	-	(2)	-	(2)
Interest expense from debt issuance cost amortization	282	-	-	-	282
Amortization of equity-based compensation	507	-	-	-	507
Equity earnings in investee company	-	(30)	-	-	(30)
Distributions from investee company	-	63	-	-	63
Equity earnings in subsidiaries	5,094	10,164	-	(15.258)	-
Deferred tax benefit, net	-	(38)	26	-	(12)
Non-cash allocated expenses	1,935	-	-	-	1,935
Changes in assets and liabilities:					
Trade accounts receivable	-	(1,304)	540	2,510	1,746
Receivables from affiliates	-	(1,524)	-	1,524	-
Prepaid expenses and other	(75)	679	155	154	913
Accounts payable and accrued payroll and other	(28)	7,868	2,589	(4,223)	6,206
Income taxes payable	-	(268)	(85)	35	(318)
Net cash provided by (used in) operating activities	(136)	9,907	1,979	-	11,750
Investing activities:					
Proceeds from fixed asset disposals	-	-	4	-	4
Purchase of property and equipment	-	(446)	(198)	-	(644)
Net cash used in investing activities	-	(446)	(194)	-	(640)
Financing activities:					

Repayment of long-term debt	-	(4,000)	-	-	(4,000)
Taxes paid related to net share settlement of equity awards	(47)	-	-	-	(47)
Contribution attributable to general partner	2,000	-	-	-	2,000
Distributions from subsidiaries	9,622	(9,239)	(383)	-	-
Distributions to limited partners	(9,622)	-	-	-	(9,622)
Distributions to non-controlling members	-	-	(367)	-	(367)
Net cash provided by (used in) financing activities	1,953	(13,239)	(750)	-	(12,036)
Effects of exchange rates on cash	-	191	201	-	392
Net increase (decrease) in cash and cash equivalents	1,817	(3,587)	1,236	-	(534)
Cash and cash equivalents, beginning of period	378	19,570	4,202	-	24,150
Cash and cash equivalents, end of period	$2,195	$ 15,983	$ 5,438	$ -	$ 23,616
Non-cash items:					
Accounts payable excluded from capital expenditures	$-	140	$ 48	$ -	$ 188

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CYPRESS ENERGY PARTNERS, L.P.

Notes to the Unaudited Condensed Consolidated Financial Statements

Condensed Consolidating Statement of Cash Flows

For the Six Months Ended June 30, 2015

(in thousands)

	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Operating activities:					
Net income (loss)	$4,826	$ 5,685	$ (71)	$ (5,755)	$ 4,685
Adjustments to reconcile net income (loss) to cash provided by (used in) operating activities:					
Depreciation, amortization and accretion	-	2,553	276	-	2,829
Loss on asset disposal	-	-	(1)	-	(1)
Interest expense from debt issuance cost amortization	271	-	-	-	271
Amortization of equity-based compensation	532	-	-	-	532
Equity earnings in investee company	-	(48)	-	-	(48)
Equity earnings in subsidiaries	(5,755)	-	-	5,755	-
Deferred tax benefit, net	-	12	16	-	28
Non-cash allocated expenses	183	-	-	-	183
Changes in assets and liabilities:					
Trade accounts receivable	22	5,257	(834)	(295)	4,150
Receivables from affiliates	-	3,628	-	(3,628)	-
Prepaid expenses and other	-	1,057	65	-	1,122
Accounts payable and accrued payroll and other	374	6,247	(3,320)	3,923	7,224
Income taxes payable	-	(240)	(39)	-	(279)
Net cash provided by (used in) operating activities	453	24,151	(3,908)	-	20,696
Investing activities:					
Proceeds from disposals of property and equipment	-	2	-	-	2
Cash paid for acquisition of 49.9% interest in the TIR Entities	-	(52,588)	-	-	(52,588)
Cash paid for acquisition of 51% of Brown Integrity, LLC, net of cash acquired of $175	-	(10,516)	-	-	(10,516)
Purchase of property and equipment	-	(1,309)	(30)	-	(1,339)
Net cash (used in) investing activities	-	(64,411)	(30)	-	(64,441)

Financing activities:					
Advances on long-term debt	-	63,300	5,500	-	68,800
Repayments of long-term debt	-	(5,500)	-	-	(5,500)
Distributions from subsidiaries	8,269	(8,269)	-	-	-
Distributions to limited partners	(9,614)	-	-	-	(9,614)
Distributions to non-controlling members	-	(1,567)	-	-	(1,567)
Net cash provided by (used in) financing activities	(1,345)	47,964	5,500	-	52,119
Effects of exchange rates on cash	-	(255)	(289)	-	(544)
Net increase (decrease) in cash and cash equivalents	(892)	7,449	1,273	-	7,830
Cash and cash equivalents, beginning of period	982	16,598	3,177	-	20,757
Cash and cash equivalents, end of period	$90	$ 24,047	$ 4,450	$ -	$ 28,587
Non-cash items:					
Accounts payable excluded from capital expenditures	$-	18	$ -	$ -	$ 18

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

The following discussion contains forward-looking statements that reflect our future plans, estimates, beliefs and expected performance. The forward-looking statements are dependent upon events, risks and uncertainties that may be outside our control, including among other things, the risk factors discussed in "Item 1A. Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2015 and this Quarterly Report on Form 10-Q. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, market prices for oil and natural gas, production volumes, capital expenditures, weather, economic and competitive conditions, regulatory changes and other uncertainties, as well as those factors discussed below and elsewhere in our Annual Report on Form 10-K for the year ended December 31, 2015 and this Quarterly Report on Form 10-Q, all of which are difficult to predict. In light of these risks, uncertainties and assumptions, the forward-looking events discussed may not occur. See "Cautionary Remarks Regarding Forward-Looking Statements" in the front of this Quarterly Report on Form 10-Q.

This Management's Discussion and Analysis of Financial Condition and Results of Operations contains a discussion of our business, including a general overview of our properties, our results of operations, our liquidity and capital resources, and our quantitative and qualitative disclosures about market risk broken down into three segments: (1) our Pipeline Inspection Services ("PIS segment")(formerly the Pipeline Inspection and Integrity Services ("PI&IS") segment) comprised of our investment in the TIR Entities – a 50.1% ownership interest in the TIR Entities through February 1, 2015, and a 100% ownership interest thereafter; (2) our Integrity Services ("IS") segment, made up of our 51% ownership interest in Brown Integrity, LLC acquired May 1, 2015 and: (3) our Water and Environmental Services ("W&ES") segment, comprised of our wholly-owned investments in various salt water disposal ("SWD") facilities and activities related thereto. The financial information for PIS, IS and W&ES included in "Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations" should be read in conjunction with the interim financial statements and related notes included elsewhere in this report and prepared in accordance with accounting principles generally accepted in the United States of America and our Consolidated Financial Statements for the year ended December 31, 2015.

Overview

We are a growth-oriented master limited partnership formed in September 2013 to provide services to the oil and gas industry. We provide independent pipeline inspection and integrity services to various energy exploration and production ("E&P") companies, public utility companies, and midstream companies and their vendors in our PIS and IS segments throughout the United States and Canada. The PIS segment is comprised of the operations of the TIR Entities and the IS segment is comprised of the operations of Brown. The economic characteristics of Brown are sufficiently dissimilar from our Pipeline Inspection Services segment resulting in a different, distinct segment. As such, the previous Pipeline Inspection and Integrity Services segment was renamed Pipeline Inspection Services and the Integrity Services segment was created upon the acquisition of Brown in May 2015. We also provide SWD and other water and environmental services to U.S. onshore oil and natural gas producers and trucking companies through our W&ES segment. The W&ES segment is comprised of the historical operations of CEP LLC that were contributed to us. We own ten SWD facilities, eight of which are in the Bakken Shale region of the Williston Basin in North Dakota and two of which are in the Permian Basin in west Texas. We also have management agreements in place to provide staffing and management services to third party SWD facilities in the Bakken Shale region. W&ES customers are oil and natural gas exploration and production companies and trucking companies operating in the regions that we serve. In all of our business segments, we work closely with our customers to help them comply with increasingly complex and strict environmental and safety rules and regulations applicable to production and pipeline operations, assisting in reducing their operating costs.

Ownership

As of June 30, 2016, Holdings owns approximately 58.7% of the Partnership, while affiliates of Holdings own approximately 5.7% of the Partnership, for a total ownership percentage of the Partnership of approximately 64.4% by Holdings and its affiliates. Affiliates of Holdings also own 100% of the General Partner and the incentive distribution rights (“IDR’s”).

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Omnibus Agreement

We are party to an omnibus agreement with Holdings and other related parties. The omnibus agreement, as amended in February 2015, governs the following matters, among other things:

- our payment of a quarterly administrative fee in the amount of $1.0 million to Holdings for providing certain partnership overhead services, including certain executive management services by certain officers of our General Partner, and payroll services for substantially all employees required to manage and operate our businesses. This fee also includes the incremental general and administrative expenses we incur as a result of being a publicly traded partnership. For the three and six months ended June 30, 2016, Holdings has provided sponsor support to the Partnership by waiving payment of the quarterly administrative fee. The waiving of the administrative fee will likely continue through the end of 2016 or such earlier time that our business results improve, as determined by Holdings;

- our right of first offer on Holdings' and its subsidiaries' assets used in, and entities primarily engaged in, providing SWD and other water and environmental services; and

- indemnification of us by Holdings for certain environmental and other liabilities, including events and conditions associated with the operation of assets that occurred prior to the closing of the IPO and our obligation to indemnify Holdings for events and conditions associated with the operation of our assets that occur after the closing of the IPO and for environmental liabilities related to our assets to the extent Holdings is not required to indemnify us.

So long as Holdings controls our General Partner, the omnibus agreement will remain in full force and effect, unless we and Holdings agree to terminate it sooner. If Holdings ceases to control our General Partner, either party may terminate the omnibus agreement, provided that the indemnification obligations will remain in full force and effect in accordance with their terms. We and Holdings may agree to amend the omnibus agreement; however, amendments will also require the approval of the conflicts committee.

Pipeline Inspection Services

We generate revenue in the PIS segment primarily by providing inspection services on midstream pipelines, gathering systems and distribution systems, including data gathering and supervision of third-party construction, inspection, and maintenance and repair projects. Our results in this segment are driven primarily by the number of inspectors that perform services for our customers and the fees that we charge for those services, which depend on the type and number of inspectors used on a particular project, the nature of the project and the duration of the project. The number of inspectors engaged on projects is driven by the type of project, prevailing market rates, the age and condition of customers' midstream pipelines, gathering systems and distribution systems and the legal and regulatory requirements relating to the inspection and maintenance of those assets. We charge our customers on a per project basis, including per diem charges, mileage and other reimbursement items.

Integrity Services

We generate revenue in our IS segment primarily by providing hydrostatic testing services to major natural gas and petroleum companies and pipeline construction companies of newly constructed and existing natural gas and petroleum pipelines. We generally charge our customers in this segment on a fixed bid basis depending on the size and length of the pipeline being inspected, the complexity of services provided and the utilization of our work force and equipment. Our results in this segment are driven primarily by the number of field personnel that perform services for our customers and the fees that we charge for those services, which depend on the type and number of field personnel used on a particular project, the type of equipment used and the fees charged for the utilization of that equipment, the nature and the duration of the project.

Water and Environmental Services

We generate revenue in the W&ES segment primarily by treating flowback and produced water and injecting the saltwater into our SWD facilities. Our results in W&ES are driven primarily by the volumes of produced water and flowback water we inject into our SWD facilities and the fees we charge for our services. These fees are charged on a per barrel basis under contracts that are short-term in nature and vary based on the quantity and type of saltwater disposed, competitive dynamics and operating costs. In addition, for minimal marginal cost, we generate revenue by selling residual oil we recover from the flowback and produced water. We also generate revenue managing SWD facilities for a fee. Revenues in this segment are recognized when the service is performed and collectability of fees is reasonably assured.

The volumes of saltwater disposed at our SWD facilities are driven by water volumes generated from existing oil and natural gas wells during their useful lives and development drilling and production volumes from the wells located near our facilities. Producers' willingness to engage in new drilling is determined by a number of factors, the most important of which are the prevailing and projected prices of oil, natural gas and NGLs, the cost to drill and operate a well, the availability and cost of capital and environmental and governmental regulations. We generally expect the level of drilling to positively correlate with long-term trends in prices of oil, natural gas and NGLs. Similarly, oil and natural gas production levels nationally and regionally generally tend to positively correlate with drilling activity.

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We also generate revenues from the sales of residual oil recovered during the saltwater treatment process. Our ability to recover residual oil is dependent upon the residual oil content in the saltwater we treat, which is, among other things, a function of water type, chemistry, source and temperature. Generally, where outside temperatures are lower, there is less residual oil content and separation is more difficult. Thus, our residual oil recovery during the winter season is usually lower than our recovery during the summer season in North Dakota. Additionally, residual oil content will decrease if, among other things, producers begin recovering higher levels of residual oil in saltwater prior to delivering such saltwater to us for treatment.

Outlook

Overall

Our 2016 second quarter operating performance was effectively flat as compared to the first quarter of 2016. Fortunately, the Partnership's businesses do not require substantial capital expenditures. We finished the quarter with a strong balance sheet and $23.6 million of cash and continue to have ample liquidity under our credit facility. Additionally, the subordinated nature of approximately 50% of our limited partner units protects common unitholders who will have the right to receive available cash distributions up to the minimum quarterly distributions before the subordinated unitholders during the subordination period. Pursuant to our Partnership Agreement, the subordination period will extend at least through the payment of our distribution for the period ending December 31, 2016.

Our sponsor and its affiliates are aligned with our common unitholders, with an approximate 64.4% total ownership interest in us. Because of this ownership alignment, Holdings has committed its support to the unitholders by contributing $2.0 million to the Partnership for the reimbursement of certain Partnership operating expenses and providing temporary relief of the administrative fee paid to our sponsor pursuant to the Omnibus Agreement, which would have charged $1.0 million to us this quarter. Temporary relief of the administrative fee paid to Holdings pursuant to the Omnibus Agreement will likely continue throughout 2016 or such earlier time that our business results improve, as determined by Holdings. Holdings has not committed to support the Partnership beyond 2016 regardless of whether the energy industry rebounds or not and will continue to evaluate this relief of the administrative fee. Without Holding's reimbursement of such Partnership operating expenses and temporary waiver of the administrative fee, we would not have sustained our distribution level in the second quarter of 2016.

During the second quarter of 2016, we initiated the implementation of various cost cutting measures (more fully described in the March 31, 2016 Form 10-Q filed May 16, 2016) intended to reduce our expenses and improve our overall operating performance in an attempt to right-size our businesses and protect our current liquidity and our future distributions to unitholders. These cost savings initiatives should save us approximately $5.0 million annually. These actions contributed to some of the sequential improvement in the second quarter of 2016 and should continue to benefit the remainder of 2016 and beyond.

Recently, the U.S. Department of Transportation's Pipeline and Hazardous Materials Safety Administration ("PHMSA") proposed rulemaking to revise the pipeline safety regulations for onshore gas transmission and gathering pipelines. Essentially, the proposal would broaden the scope of monitoring, testing and repairing pipes, as well as the types of assets subject to protocols. In addition to expanding the coverage to gathering pipelines, PHMSA is also proposing to delete the "grandfather clause" and require all gas transmission pipelines constructed before 1970 be subjected to a hydrostatic spike pressure test. Currently, pipes built before 1970 are exempted from certain pipeline safety regulations, e.g., a requirement to pressure test the pipeline and verify its integrity to establish maximum allowable operating pressure ("MAOP"). This could result in a significant increase in testing, as approximately 60% of total U.S. natural gas pipelines were installed prior to 1970 according to a study commissioned by The INGAA Foundation, Inc. Additionally, PHMSA would like to expand protocols to include pipelines located in areas of medium population density or Moderate Consequence Area ("MCA"). If passed, this would likely require integrity management, material documentation verification, as well as MAOP verification for pipes in these areas. PHMSA estimates that approximately 41,000 miles of MCA pipe would require an assessment within 15 years under this proposed rule. Pipeline inspection and integrity services are federally mandated to protect our nation's critical energy infrastructure. These new proposed rules could materially benefit our PIS and IS businesses if enacted.

Pipeline Inspection Services

Subsequent to the end of the second quarter of 2016, our average weekly inspector headcounts have increased, with July average headcounts exceeding 1,200. We have seen significant growth in our technician headcounts in our non-destructive examination service offering, which provides stronger margins than our typical inspection business and we also have seen growth in our inline inspection service offering. We also continue to renew several sizeable existing contracts.

Integrity Services

In the first half of 2016, our IS results were quite soft through mid-June when we saw an increase in activity and utilization of our field personnel in this segment. We have lowered our bid margins in this segment to support our customers and make us more fiscally competitive. Our backlog remains solid heading into the third quarter and we continue to bid on a substantial amount of new work.

Water and Environmental Services

We continue to work collaboratively with our customers to help them address the downturn in commodity prices and their need to reduce operating expenses until prices recover. We also continue to carefully evaluate market pricing on a facility-by-facility basis. In response to these conditions, we have temporarily closed an additional facility in the Bakken and have automated our remaining facilities. These cost savings steps, in addition to those previously discussed, should yield an additional $0.5 million of savings on an annualized basis. A substantial number of drilled and uncompleted wells (“DUC’s”) exist around our various SWD facilities. As oil and gas commodity prices improve, we expect to benefit materially from the completion of these DUC’s.

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Results of Operations

Factors Impacting Comparability

The historical results of operations for the periods presented may not be comparable, either to each other or to our future results of operations, for the reasons described below:

The quarterly administrative fee assessed by Holdings to the Partnership pursuant to the Omnibus Agreement for the first half of 2016 has been waived by Holdings. In addition, the General Partner provided $2.0 million of cash support to the Partnership in the second quarter of 2016. As a result, the Unaudited Condensed Consolidated Statement of Operations for the three and six months ended June 30, 2016 reflect a *net (loss) attributable to general partner* related to the waived administrative fee and the cash support.

Depreciation expense is not comparable from year to year as the Partnership recorded impairment of long-lived assets in the third and fourth quarters of 2015 totaling $6.6 million, thus reducing the depreciable cost base of the property and equipment. The Partnership also recorded impairments in property and equipment of $2.1 million and impairments of goodwill of $8.4 million in the three and six month periods ended June 30, 2016. There were no impairments recorded in the three and six month periods ended June 30, 2015.

The Partnership has historically provided management services for non-owned SWD facilities under contractual arrangements. In May 2015, the Partnership was notified by principals of two of our management services customers (under common ownership) that they were terminating the management contracts. The management contracts did not have termination rights and the Partnership is pursuing its legal remedies. Revenues (and the costs related to these revenues) that were included in the Unaudited Condensed Consolidated Financial Statements related to these contractual arrangements for the three and six months ended June 30, 2015 have not been included in the Unaudited Condensed Consolidated Financial Statements after the customer’s termination of the contract.

Effective May 1, 2015, the Partnership acquired a 51% controlling interest in Brown, a hydrostatic integrity services business. The Unaudited Condensed Consolidated Financial Statements will include Brown in the IS segment from this date forward, including a 49% non-controlling interest.

Effective February 1, 2015, the Partnership acquired the 49.9% non-controlling ownership interest of the TIR Entities from affiliated parties. Accordingly, the Unaudited Condensed Consolidated Financial Statements for the three and six months ended June 30, 2015 reflect a non-controlling interest of 49.9% of the TIR Entities from January 1, 2015 through January 31, 2015 related to the TIR Entities (less certain amounts charged directly to the non-controlling interests in both periods).

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Explanation of Responses:

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Consolidated Results of Operations

The following table summarizes our historical Unaudited Condensed Consolidated Statements of Operations for the three and six month periods ended June 30, 2016 and 2015:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	**2015**	**2016**	**2015**
	(in thousands)		*(in thousands)*	
Revenues	$72,311	$90,953	$145,785	$185,019
Costs of services	64,946	80,190	130,660	163,707
Gross margin	7,365	10,763	15,125	21,312
Operating costs and expense:				
General and administrative - segment	4,445	5,716 (a)	9,432	10,874 (a)
General and administrative - corporate	1,115 (a)	351	2,317 (a)	455
Depreciation, amortization and accretion	1,246	1,374	2,471	2,632
Impairments	10,530	-	10,530	-
Operating income	(9,971)	3,322	(9,625)	7,351
Other (expense) income:				
Interest expense, net	(1,619)	(1,440)	(3,237)	(2,447)
Other, net	24	55	47	63
Net income (loss) before income tax expense	(11,566)	1,937	(12,815)	4,967
Income tax expense	50	78	162	282
Net income (loss)	(11,616)	1,859	(12,977)	4,685
Net income (loss) attributable to non-controlling interests	(4,612)	(77)	(4,979)	90
Net income (loss) attributable to partners / controlling interests	(7,004)	1,936	(7,998)	4,595
Net loss attributable to general partner	(2,967)	(183)	(3,935)	(183)
Net income (loss) attributable to limited partners	$(4,037)	$2,119	$(4,063)	$4,778

(a) For the three and six months ended June 30, 2015, a $1.0 million administrative fee per quarter was paid to Holdings for providing certain partnership overhead services. For the three and six months ended June 30, 2016, this quarterly $1.0 million administrative fee was waived by Holdings and actual costs for Partnership overhead services are reflected in general and administrative - corporate.

See the detailed discussion of revenues, cost of services, gross margin, general and administrative expense and depreciation, amortization and accretion by reportable segment below. The following is a discussion of significant changes in the non-segment related corporate other income and expenses during the respective periods.

General and administrative – segment. General and administrative-segment decreased $1.3 million and $1.4 million, respectively, for the three and six months ended June 30, 2016 compared to the three and six months ended June 30, 2015. This is primarily due to our Sponsor's decision to waive the quarterly administrative fee of $1.0 million and cost cutting measures implemented by the Partnership beginning in the second quarter of 2016 in response to the continued depressed energy economy. The savings related to the waiver of the administrative fee by our Sponsor and the implemented cost cutting measures is offset by a $0.3 million and $1.3 million increase of general and administrative expenses for the three and six months ended June 30, 2016, respectively, attributable to the IS segment, which was not acquired until May 2015.

General and administrative – corporate. General and administrative-corporate increased $0.8 million and $1.9 million, respectively, for the three and six months ended June 30, 2016 compared to the three and six months ended June 30, 2015 primarily due to increased non-cash allocated expenses from our General Partner in 2016 related to actual costs for Partnership overhead services that were previously covered by the administrative fee.

Interest expense. Interest expense primarily consists of interest on borrowings under our credit agreement, as well as amortization of debt issuance costs and unused commitment fees. Interest expense increased from 2015 to 2016 primarily due to an increase in the average borrowings in 2016 and an increase in borrowing interest rates. Average debt outstanding during the three months ended June 30, 2016 and 2015 was $136.9 million and $136.7 million, respectively, and $137.7 million and $118.6 million for the six months ended June 30, 2016 and 2015, respectively. The increase in average borrowings is primarily related to amounts borrowed to fund the $52.6 million February 2015 acquisition of the remaining 49.9% ownership interest in the TIR Entities and $10.7 million in May 2015 to acquire a 51% ownership interest in Brown. The average interest rate on our borrowings has increased approximately 0.72% from 3.33% in the six months ended June 30, 2015 to 4.05% in the six months ended June 30, 2016.

Income tax expense. Income tax expense includes income taxes related to two taxable corporate subsidiaries in the United States and two taxable corporate subsidiaries in Canada in our PIS and IS segments, as well as business activity, gross margin, and franchise taxes incurred in certain states. The decrease in income tax expense for the six months ended June 30, 2016 generally reflects reduced income and revenues of the Partnership, and therefore, corresponding reductions in federal, foreign and state income taxes and Texas franchise taxes.

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Net income (loss) attributable to non-controlling interests. Non-controlling interests primarily relates to the 49.9% interest in each of the TIR Entities within PIS owned by Holdings and its affiliates for one month in 2015 prior to the acquisition of this non-controlling interest on February 1, 2015, a 49% interest in CES LLC within W&ES, prior to the acquisition of its remaining 49% as of June 1, 2015 and the 49% non-controlling ownership interest in Brown originating as of May 1, 2015, the acquisition date of Brown. The non-controlling interest holders of the TIR Entities within PIS were charged directly for certain financing expenses of the Partnership. These charges are reflected as a direct reduction of their proportionate share of net income (loss).

Net loss attributable to general partner. Net loss attributable to the General Partner includes $2 million of cash support provided by the General Partner in the three and six month periods ending June 30, 2016, as well as allocated expenses related to the waiving of the administrative fee pursuant to the Omnibus Agreement. The $0.2 million reflected for the three and six month periods ended June 30, 2015 is comprised of allocated expenses in excess of the paid administrative fee pursuant to the Omnibus Agreement.

Segment Operating Results

Pipeline Inspection Services (PIS)

The following table summarizes the operating results of the PIS segment for the three months ended June 30, 2016 and 2015.

	Three Months Ended June 30,					
	2016	**% of Revenue**	**2015**	**% of Revenue**	**Change**	**% Change**
	(in thousands, except average revenue and inspector data)					
Revenue	$67,610		$83,501		$(15,891)	(19.0)%
Costs of services	61,365		75,659		(14,294)	(18.9)%
Gross margin	6,245	9.2%	7,842	9.4%	(1,597)	(20.4)%
General and administrative	3,079	4.6%	4,295	5.1%	(1,216)	(28.3)%
Depreciation, amortization and accretion	609	0.9%	628	0.8%	(19)	(3.0)%
Operating income	$2,557	3.8%	$2,919	3.5%	$(362)	(12.4)%
Operating Data						
Average number of inspectors	1,134		1,367		(233)	(17.0)%
Average revenue per inspector per week	$4,586		$4,699		$(113)	(2.4)%
Revenue variance due to number of inspectors					$(13,887)	

Revenue variance due to average revenue per inspector	$(2,004)

Revenues. Revenues decreased approximately $15.9 million primarily due to a decrease in the average number of inspectors ($13.9 million) and a decrease in the average weekly revenue generated by inspectors ($2.0 million). The average inspector count with each customer fluctuates from quarter to quarter due to changes in customer spending budgets, project completions and new projects starting, among other factors. The average revenue per inspector per week has declined from period to period due primarily to pricing pressures exerted by our customers as they react and respond to the current sluggish energy economy. We have seen delays in the start-up of new projects with our existing customers as a result of the downturn in the energy market. As existing projects are completed, the delay in new projects negatively impacts our average number of inspectors in the field.

Costs of services. Costs of services are driven primarily by the payroll costs and other expenses associated with inspectors employed during the period, including reimbursable expenses associated with the inspectors (per diem, travel and other expenses) and equipment costs. Costs of services declined approximately $14.3 million from 2015 to 2016 commensurate with the associated reduction in revenues.

Gross margin. Gross margin decreased $1.6 million from 2015 to 2016 primarily due to the changes in revenues and costs of services outlined above. There was a slight decrease in the gross margin as a percentage of revenue between periods due primarily to pricing pressures exerted by our customers.

General and administrative. General and administrative expenses declined $1.2 million from 2015 to 2016 primarily due to the our Sponsor's decision to waive the quarterly administrative fee, as well as cost cutting measures which were accelerated by the Partnership in the second quarter of 2016 in response to the continued depressed energy economy.

Operating income. Operating income declined $0.4 million from 2015 to 2016 due to the decrease in the gross margin, offset, in part by the decrease in general and administrative expenses.

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The following table summarizes the operating results of the PIS segment for the six months ended June 30, 2016 and 2015.

	Six Months Ended June 30,					
	2016	**% of Revenue**	**2015**	**% of Revenue**	**Change**	**% Change**
	(in thousands, except average revenue and inspector data)					
Revenue	$134,319		$173,315		$(38,996)	(22.5)%
Costs of services	122,209		157,475		(35,266)	(22.4)%
Gross margin	12,110	9.0%	15,840	9.1%	(3,730)	(23.5)%
General and administrative	6,519	4.9%	8,581	5.0%	(2,062)	(24.0)%
Depreciation, amortization and accretion	1,226	0.9%	1,254	0.7%	(28)	(2.2)%
Operating income	$4,365	3.2%	$6,005	3.5%	$(1,640)	(27.3)%
Operating Data						
Average number of inspectors	1,132		1,415		(283)	(20.0)%
Average revenue per inspector per week	$4,564		$4,737		$(173)	(3.7)%
Revenue variance due to number of inspectors					$(32,656)	
Revenue variance due to average revenue per inspector					$(6,340)	

Revenues. Revenues decreased approximately $39.0 million primarily due to a decrease in the average number of inspectors ($32.7 million) and a decrease in the average weekly revenue generated by inspectors ($6.3 million). The average inspector count with each customer fluctuates from quarter to quarter due to changes in customer spending budgets, project completions and new projects starting, among other factors. The average revenue per inspector per week has declined from period to period due primarily to pricing pressures exerted by our customers as they react and respond to the current sluggish energy economy. We continue to see delays in the start-up of new projects with our existing customers as a result of the downturn in the energy market. As existing projects complete, the delay in new projects negatively impacts our average number of inspectors in the field.

Costs of services. Costs of services are driven primarily by the payroll costs and other expenses associated with inspectors employed during the period including reimbursable expenses associated with the inspectors (per diem, travel and other expenses) and equipment costs. Costs of services declined approximately $35.3 million from 2015 to 2016 commensurate with the associated reduction in revenues.

Gross margin. Gross margin decreased $3.7 million, primarily related to the decline in revenues discussed above. Gross margin, as a percentage of revenue, remained relatively consistent between periods.

General and administrative. General and administrative expenses declined $2.1 million from 2015 to 2016 primarily due to the our Sponsor's decision to waive the quarterly administrative fee, as well as cost cutting measures which were accelerated by the Partnership in the second quarter of 2016 in response to the continued depressed energy economy.

Operating income. Operating income declined $1.6 million from 2015 to 2016 due to the decrease in the gross margin, offset, in part by the decrease in general and administrative expenses.

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Integrity Services (IS)

The following table summarizes the results of the IS segment for the three months ended June 30, 2016 and 2015.

	Three Months Ended June 30,					
	2016	% of Revenue	2015 (a)	% of Revenue	Change	% Change
	(in thousands, except average revenue and inspector data)					
Revenue	$2,546		$3,478		$(932)	(26.8)%
Costs of services	2,378		2,794		(416)	(14.9)%
Gross margin	168	6.6 %	684	19.7 %	(516)	(75.4)%
General and administrative	883	34.7 %	563	16.2 %	320	56.8 %
Depreciation, amortization and accretion	186	7.3 %	105	3.0 %	81	77.1 %
Impairments	8,411	330.4 %	-	0.0 %	8,411	0.0 %
Operating income (loss)	$(9,312)	(365.8)%	$16	0.5 %	$(9,328)	(58300)%
Operating Data						
Average number of field personnel	21		36		(15)	(41.7)%
Average revenue per field personnel per week	$9,326		$11,087		$(1,761)	(15.9)%
Revenue variance due to number of field personnel					$(824)	
Revenue variance due to average revenue per field personnel					$(1,818)	
Revenue variance due to period differences (see (a))					$1,710	

(a) represents activity from effective date of acquisition (May 1, 2015).

Revenue. Although the revenue above for the three months ended June 30, 2016 reflects a full three months of revenue and the revenue for the three months ended June 30, 2015 reflects revenue for two months (the IS segment was acquired May 1, 2015), revenues are down from 2015 to 2016 due to a decline in the average number of field personnel (15) and a decline in the average revenue per field personnel per week.

Costs of services. Costs of services decreased $0.4 million and represent labor, equipment, supplies and other costs necessary to perform the contracted hydrostatic tests.

Gross margin. The gross margin decreased $0.5 million from 2015 to 2016 primarily due to our decreased revenue and cost activity, which, in turn, is directly related to the depressed oil and gas economy.

General and administrative. General and administrative costs increased $0.3 million from 2015 to 2016 and generally represent the difference between three and two months of activity since the segment was acquired May 1, 2015.

Impairments. Due to the continued depressed energy economy and its resulting impact on our IS segment, goodwill impairments of $8.4 million were recognized in the second quarter of 2016.

Operating income (loss). The decrease in operating income (loss) from period to period is primarily attributable to goodwill impairments recognized in the second quarter of 2016.

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The following table summarizes the results of the IS segment for the six months ended June 30, 2016 and 2015.

	Six Months Ended June 30,					
	2016	**% of Revenue**	**2015 (a)**	**% of Revenue**	**Change**	**% Change**
	(in thousands, except average revenue and inspector data)					
Revenue	$6,804		$3,478		$3,326	95.6 %
Costs of services	6,110		2,794		3,316	118.7 %
Gross margin	694	10.2 %	684	19.7 %	10	1.5 %
General and administrative	1,874	27.5 %	563	16.2 %	1,311	232.9 %
Depreciation, amortization and accretion	345	5.1 %	105	3.0 %	240	228.6 %
Impairments	8,411	123.6 %	-	0.0 %	8,411	0.0 %
Operating income (loss)	$(9,936)	(146.0)%	$16	0.5 %	$(9,952)	(62200)%
Operating Data						
Average number of field personnel	24		36		(12)	(33.3)%
Average revenue per field personnel per week	$10,904		$11,087		$(183)	(1.7)%
Revenue variance due to number of field personnel					$(171)	
Revenue variance due to average revenue per field personnel					$(3,402)	
Revenue variance due to period differences (see (a))					$6,899	

(a) represents activity from effective date of acquisition (May 1, 2015).

Revenue. Revenues for the IS segment increased $3.3 million from 2015 to 2016 primarily due to the fact that the 2016 revenues reflect activity for six months whereas the 2015 revenues reflect activity for two months (segment acquired May 1, 2015).

Costs of services. Costs of services also increased $3.3 million from 2015 to primarily due to the fact that the 2016 costs of services reflect activity for six months whereas the 2015 costs of services reflect activity for two months (segment acquired May 1, 2015).

Gross margin. The gross margin as a percentage of revenue decreased from 2015 to 2016 due to pricing pressures and trimmed bidding margins as a direct result of the depressed energy economy.

General and administrative. General and administrative costs primarily composed of salaries and general office expenditures. The increase in general and administrative costs is primarily attributable to six months of activity in 2016 as compared to two months of activity in 2015 (since the May 1, 2015 date of acquisition).

Impairments. Due to the continued depressed energy economy and its resulting impact on our IS segment, goodwill impairments of $8.4 million were recognized in the second quarter of 2016.

Operating income (loss). The decrease in operating income (loss) from period to period is primarily attributable to goodwill impairments recognized in the second quarter of 2016.

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Water & Environmental Services (W&ES)

The following table summarizes the operating results of the W&ES segment for the three months ended June 30, 2016 and 2015.

	Three Months Ended June 30,					
	2016	% of Revenue	2015	% of Revenue	Change	% Change
	(in thousands, except per barrel data)					
Revenue	$2,155		$3,974		$(1,819)	(45.8)%
Costs of services	1,203		1,737		(534)	(30.7)%
Gross margin	952	44.2 %	2,237	56.3 %	(1,285)	(57.4)%
General and administrative	483	22.4 %	858	21.6 %	(375)	(43.7)%
Depreciation, amortization and accretion	451	20.9 %	641	16.1 %	(190)	(29.6)%
Impairments	2,119	98.3 %	-	0.0 %	2,119	0.0 %
Operating income	$(2,101)	(97.5)%	$738	18.6 %	$(2,839)	(384.7)%
Operating Data						
Total barrels of saltwater disposed	3,283		5,168		(1,885)	(36.5)%
Average revenue per barrel disposed (a)	$0.66		$0.77		$(0.11)	(14.6)%
Revenue variance due to barrels disposed					$(1,449)	
Revenue variance due to revenue per barrel					$(370)	

(a) Average revenue per barrel disposed is calculated by dividing revenues (which includes disposal revenues, residual oil sales and management fees) by the total barrels of saltwater disposed.

Revenues. The $1.8 million decrease in revenues is due to a $1.4 million decline related to the number of barrels of saltwater disposed and a $0.4 million decrease related to the average price per barrel disposed. Average revenue per barrel disposed decreased primarily due to lower skim oil revenues and lower average pricing for our disposal services. The lower skim oil revenues are attributable to a decline in the number of barrels recovered and sold as well as a continuing decline in oil prices from year to year. The decline in oil barrels sold is impacted by reduced drilling activity in the areas in which we operate. The decline in prices for disposal services is also attributable to our decision to lower prices for disposal services in response to competitive and customer pressures associated with the general economic downturn in the energy market.

Costs of services. Costs of services declined due primarily to $0.1 million lower employee related costs and $0.3 million lower repairs and maintenance costs. The lower employee costs are directly attributable to the cost cutting measures implemented by the Partnership beginning in the second quarter of 2016 in response to the continued depressed energy economy. Repairs and maintenance costs can fluctuate from period to period depending on numerous factors.

Gross margin. The decrease in gross margin from 2015 to 2016 is mainly caused by decreased revenues, partially offset by decreased costs of services, both discussed above. The gross margin percentage also declined due primarily to a reduction in the average revenue per barrel charged for barrels of saltwater disposed and a general reduction in revenues from period to period.

General and administrative expense. General and administrative expenses decreased from year to year due primarily to the reallocation of certain segment administrative charges pursuant to the Omnibus Agreement in 2015 that were reallocated to corporate general and administrative expenses in 2016 and cost reduction measures implemented in the second quarter of 2016.

Depreciation, amortization and accretion. The decline in depreciation, amortization and accretion is attributable to a reduction in the cost basis of our fixed assets associated with impairment charges recorded in the third and fourth quarter of 2015.

Impairments. Due to the continued depressed energy economy and its resulting impact on our W&ES segment, property and equipment impairments of $2.1 million were recognized in the second quarter of 2016.

Operating income. The decline in segment operating income of $2.8 million is primarily a function of impairments and reduced revenues, partially offset by reduced other expenses.

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The following table summarizes the operating results of the W&ES segment for the six months ended June 30, 2015 and 2014.

	Six Months Ended June 30,					
	2016	% of Revenue	2015	% of Revenue	Change	% Change
	(in thousands, except per barrel data)					
Revenue	$4,662		$8,226		$(3,564)	(43.3)%
Costs of services	2,341		3,438		(1,097)	(31.9)%
Gross margin	2,321	49.8 %	4,788	58.2 %	(2,467)	(51.5)%
General and administrative	1,039	22.3 %	1,730	21.0 %	(691)	(39.9)%
Depreciation, amortization and accretion	900	19.3 %	1,273	15.5 %	(373)	(29.3)%
Impairments	2,119	45.5 %	-	0.0 %	2,119	0.0 %
Operating income	$(1,737)	(37.3)%	$1,785	21.7 %	$(3,522)	(197.3)%
Operating Data						
Total barrels of saltwater disposed	6,980		9,787		(2,807)	(28.7)%
Average revenue per barrel disposed (a)	$0.67		$0.84		$(0.17)	(20.5)%
Revenue variance due to barrels disposed					$(2,359)	
Revenue variance due to revenue per barrel					$(1,205)	

(a) Average revenue per barrel disposed is calculated by dividing revenues (which includes disposal revenues, residual oil sales and management fees) by the total barrels of saltwater disposed.

Revenues. The $3.6 million decrease in revenues is due to a $2.4 million decline related to the number of barrels of saltwater disposed and a $1.2 million decrease related to the average price per barrel disposed. Average revenue per barrel disposed decreased primarily due to lower skim oil revenues and lower average pricing for our disposal services. The lower skim oil revenues are attributable to a decline in the number of barrels recovered and sold as well as a continuing decline in oil prices from year to year. The decline in oil barrels sold is impacted by reduced drilling activity in the areas in which we operate. The decline in prices for disposal services is also attributable to our decision to lower prices for disposal services in response to competitive and customer pressures associated with the general economic downturn in the energy market.

Costs of services. Costs of services declined due primarily to $0.4 million lower employee related costs and $0.5 million lower repairs and maintenance costs. The lower employee costs are directly attributable to the cost cutting measures implemented by the Partnership beginning in the second quarter of 2016 in response to the continued depressed energy economy. Repairs and maintenance costs can fluctuate from period to period depending on numerous factors.

Gross margin. The decrease in gross margin from 2015 to 2016 is mainly caused by decreased revenues, partially offset by decreased costs of services, both discussed above. The gross margin percentage also declined due primarily to a reduction in the average revenue per barrel charged for barrels of saltwater disposed and a general reduction in revenues from period to period.

General and administrative expense. General and administrative expenses decreased from year to year due primarily to the reallocation of certain segment administrative charges pursuant to the Omnibus Agreement in 2015 that were reallocated to corporate general and administrative expenses in 2016 and cost reduction measures implemented in the second quarter of 2016.

Depreciation, amortization and accretion. The decline in depreciation, amortization and accretion is attributable to a reduction in the cost basis of our fixed assets associated with impairment charges recorded in the third and fourth quarter of 2015.

Impairments. Due to the continued depressed energy economy and its resulting impact on our W&ES segment, property and equipment impairments of $2.1 million were recognized in the second quarter of 2016.

Operating income. The decline in segment operating income of $3.5 million is primarily a function of impairments and reduced revenues, partially offset by reduced other expenses.

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Non-GAAP Measures

We define Adjusted EBITDA as net income (loss); plus interest expense; depreciation, amortization and accretion expenses; income tax expense; impairments; non-cash allocated expenses and equity based compensation expense. We define Adjusted EBITDA Attributable to limited lartners as net income attributable to limited partners, plus interest expense attributable to limited partners, depreciation, amortization and accretion attributable to limited partners, impairments, income tax expense attributable to limited partners and equity based compensation attributable to limited partners. We define Distributable Cash Flow as Adjusted EBITDA attributable to limited partners excluding cash interest paid, cash income taxes paid and maintenance capital expenditures. Adjusted EBITDA, Adjusted EBITDA Attributable to limited partners and Distributable Cash Flow are used as supplemental financial measures by management and by external users of our financial statements, such as investors and commercial banks, to assess:

- the financial performance of our assets without regard to the impact of financing methods, capital structure or historical cost basis of our assets;
- the viability of capital expenditure projects and the overall rates of return on alternative investment opportunities;
- our ability to incur and service debt and fund capital expenditures;
- the ability of our assets to generate cash sufficient to make debt payments and to make distributions; and
- our operating performance as compared to those of other companies in our industry without regard to the impact of financing methods and capital structure.

We believe that the presentation of these non-GAAP measures will provide useful information to investors in assessing our financial condition and results of operations. The GAAP measures most directly comparable to Adjusted EBITDA, Adjusted EBITDA attributable to limited partners and Distributable Cash Flow are net income (loss) and cash flow from operating activities, respectively. These non-GAAP measures should not be considered as alternatives to the most directly comparable GAAP financial measure. Each of these non-GAAP financial measures exclude some, but not all, items that affect the most directly comparable GAAP financial measure. Adjusted EBITDA, Adjusted EBITDA attributable to limited partners and Distributable Cash Flow should not be considered an alternative to net income (loss), income (loss) before income taxes, net income (loss) attributable limited partners, cash flows from operating activities, or any other measure of financial performance calculated in accordance with GAAP, as those items are used to measure operating performance, liquidity, or the ability to service debt obligations.

Because Adjusted EBITDA, Adjusted EBITDA attributable to limited Partners and Distributable Cash Flow may be defined differently by other companies in our industry, our definitions of Adjusted EBITDA, Adjusted EBITDA attributable to limited partners and Distributable Cash Flow may not be comparable to a similarly titled measure of other companies, thereby diminishing their utility.

The following tables present a reconciliation of *net income (loss)* to Adjusted EBITDA, a reconciliation of *net income (loss) attributable to limited partners* to Adjusted EBITDA and Distributable Cash Flow attributable to limited partners and a reconciliation of *net cash provided by operating activities* to Adjusted EBITDA for each of the periods indicated.

Reconciliation of Net Income (Loss) to Adjusted EBITDA

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2016 (a)	**2015 (b)**	**2016 (a)**	**2015 (b)**
	(in thousands)			
Net income (loss)	$(11,616)	$1,859	$(12,977)	$4,685
Add:				
Interest expense	1,619	1,440	3,237	2,447
Depreciation, amortization and accretion	1,474	1,514	2,907	2,829
Impairments	10,530	-	10,530	-
Income tax expense	50	78	162	282
Non-cash allocated expenses	967	183	1,935	183
Equity based compensation	190	321	507	532
Adjusted EBITDA	$3,214	$5,395	$6,301	$10,958
Adjusted EBITDA attributable to general partner	(2,000)	-	(2,000)	-
Adjusted EBITDA attributable to non-controlling interests	(277)	56	(432)	587
Adjusted EBITDA attributable to limited partners / controlling interests	$5,491	$5,339	$8,733	$10,371

(a) The Partnership acquired a 51% ownership interest in Brown effective May 1, 2015. Due to this, amounts for the six months ended June 30, 2015 include Brown from this date forward. Amounts for the six months ended June 30, 2016 include Brown for the entire period.

(b) The Partnership acquired the remainder of the TIR Entities February 1, 2015. Adjusted EBITDA attributable to non-controlling interests for the six months ended June 30, 2015 includes the activity of the TIR Entities through its acquisition date.

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Reconciliation of Net Income (Loss) Attributable to Limited Partners to Adjusted EBITDA and Distributable Cash Flow Attributable to Limited Partners

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(in thousands)			
Net income (loss) attributable to limited partners	$(4,037)	$2,119	$(4,063)	$4,778
Add:				
Interest expense attributable to limited partners	1,557	1,402	3,113	2,204
Depreciation, amortization and accretion attributable to limited partners	1,321	1,419	2,615	2,612
Impairments	6,409	-	6,409	-
Income tax expense attributable to limited partners	51	78	152	245
Equity based compensation attributable to limited partners	190	321	507	532
Adjusted EBITDA attributable to limited partners	$5,491	$5,339	$8,733	$10,371
Less:				
Cash interest paid, cash taxes paid and maintenance capital expenditures attributable to limited partners	1,990	1,796	3,387	2,458
Distributable cash flow attributable to limited partners	$3,501	$3,543	$5,346	$7,913

Reconciliation of Net Cash Provided by Operating Activities to Adjusted EBITDA

	Six Months Ended June 30,	
	2016	2015
	(in thousands)	
Cash flows provided by operating activities	$11,750	$20,696
Changes in trade accounts receivable, net	(1,746)	(4,150)
Changes in prepaid expenses and other	(913)	(1,122)
Changes in accounts payable and accrued liabilities	(6,206)	(7,224)
Change in income taxes payable	318	279
Equity earnings in investee company	30	48
Distributions from investee company	(63)	-
Interest expense (excluding non-cash interest)	2,955	2,176
Income tax expense (excluding deferred tax benefit)	174	254
Other	2	1
Adjusted EBITDA	$6,301	$10,958

(a) The Partnership acquired a 51% ownership interest in Brown effective May 1, 2015. Due to this, amounts for the six months ended June 30, 2015 include Brown from this date forward. Amounts for the six months ended June 30, 2016 include Brown for the entire period.

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Management's Discussion and Analysis of Financial Condition and Liquidity

Liquidity and Capital Resources

At June 30, 2016, our sources of liquidity included:

- cash generated from operations, which resulted in $23.6 million in cash on the balance sheet at June 30, 2016;
- available borrowings under our Credit Agreement of $63.1 million at June 30, 2016 that are limited by certain borrowing base computations and financial covenant ratios as outlined in the agreement; and
- issuance of equity and/or debt securities. The Partnership filed a Securities Registration Statement with the Securities and Exchange Commission on June 8, 2015 to register $1.0 billion in securities, which the Partnership may issue in any combination of equity or debt securities from time to time in one or more offerings.

In addition to these sources of liquidity, we have implemented cost savings initiatives beginning in the second quarter of 2016 that are expected to save up to $5.0 million annually. In addition to these cost savings initiatives, our W&ES segment temporarily shut down one additional facility in the second quarter of 2016 and spent approximately $0.2 million automating the remaining SWD facilities. The automation of these facilities should yield another $0.5 million of cost savings in this segment of our business.

We anticipate that we may make significant growth capital expenditures in the future, including acquiring other inspection and integrity companies, acquiring new SWD facilities, pipelines and new lines of business covered under our Internal Revenue Service ("IRS") private letter ruling, or expanding our existing assets and offerings in our current business segments. In addition, as we continue to grow, the substantial working capital needs of PIS and IS could require us to seek additional financing that we may not be able to obtain on satisfactory terms, or at all. Consequently, our ability to develop and maintain sources of funds to meet our capital requirements is critical to our ability to meet our growth objectives. We expect that our future growth capital expenditures will be funded by borrowings under our credit agreement and the issuance of debt and equity securities. However, we may not be able to raise additional funds on desired or favorable terms or at all.

Our partnership agreement requires that, within 45 days after the end of each quarter, we distribute all of our available cash to unitholders of record on the applicable record date.

Available cash, for any quarter, consists of all cash and cash equivalents on hand at the end of that quarter:

less , the amount of cash reserves established by our General Partner at the date of determination of available cash for the quarter to:

- o provide for the proper conduct of our business, which could include, but is not limited to, amounts reserved for capital expenditures, working capital and operating expenses;

- o comply with applicable law, and of our debt instruments or other agreements; or

- o provide funds for distributions to our unitholders (including our General Partner) for any one or more of the next four quarters (provided that our General Partner may not establish cash reserves for the payment of future distributions unless it determines that the establishment of reserves will not prevent us from distributing the minimum quarterly distribution on all common units and any cumulative arrearages on such common units for such quarter);

plus , if our General Partner so determines, all or a portion of cash on hand on the date of determination of available cash for the quarter, including cash on hand resulting from working capital borrowings made after the end of the quarter.

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We believe that the cash generated from our current sources of liquidity will be sufficient to allow us to meet the minimum quarterly distributions as outlined in our partnership agreement, working capital requirements and capital expenditures for the foreseeable future. The following table summarizes the distributions declared since our IPO:

Payment Date	**Per Unit Cash Distributions**	**Total Cash Distributions**	**Total Cash Distributions to Affiliates (a)**
		(in thousands)	
May 15, 2014 (b)	$ 0.301389	$ 3,565	$ 2,264
August 14, 2014	0.396844	4,693	2,980
November 14, 2014	0.406413	4,806	3,052
Total 2014 Distributions	1.104646	13,064	8,296
February 14, 2015	0.406413	4,806	3,052
May 14, 2015	0.406413	4,808	3,053
August 14, 2015	0.406413	4,809	3,087
November 13, 2015	0.406413	4,809	3,092
Total 2015 Distributions	1.625652	19,232	12,284
February 12, 2016	0.406413	4,810	3,107
May 13, 2016	0.406413	4,812	3,099
August 12, 2016 (c)	0.406413	4,817	3,103
Total Distributions (through August 12, 2016 since IPO)	$ 3.949537	$ 46,735	$ 29,889

(a) Approximately 64.4% of the Partnership's outstanding units at June 30, 2016 are held by affiliates.
(b) Distribution was pro-rated from the date of our IPO through March 31, 2014.
(c) Second quarter 2016 distribution was declared and will be paid in the third quarter of 2016.

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Our Credit Agreement

The Partnership is party to a credit agreement (as amended, the “Credit Agreement”) that provides up to $200.0 million in borrowing capacity, subject to certain limitations. The Credit Agreement includes a working capital revolving credit facility (“WCRCF”), which provides up to $75.0 million in borrowing capacity to fund working capital needs and an acquisition revolving credit facility (“ARCF”), which provides up to $125.0 million in borrowing capacity to fund acquisitions and expansion projects. In addition, the Credit Agreement provides for an accordion feature that allows us to increase the availability under the facilities by an additional $125.0 million. The Credit Agreement matures December 24, 2018.

Outstanding borrowings at June 30, 2016 and December 31, 2015 under the Credit Agreement were as follows:

		June 30, 2016 *(in thousands)*	**December 31, 2015**
Working Capital Revolving Credit Facility	(WCRCF)	$ 48,000	$ 52,000
Acquisition Revolving Credit Facility	(ARCF)	88,900	88,900
Total borrowings		136,900	140,900
Debt issuance costs		(1,489)	(1,771)
Long-term debt		$ 135,411	$ 139,129

The carrying value of the partnership’s long-term debt approximates fair value as the borrowings under the Credit Agreement are considered to be priced at market for debt instruments having similar terms and conditions (Level 2 of the fair value hierarchy).

Borrowings under the WCRCF are limited by a monthly borrowing base calculation as defined in the Credit Agreement. If, at any time, outstanding borrowings under the WCRCF exceed the Partnership’s calculated borrowing base, principal in the amount of the excess is due upon submission of the borrowing base calculation. Available borrowings under the ARCF may be limited by certain financial covenant ratios as defined in the Credit Agreement. The obligations under our Credit Agreement are secured by a first priority lien on substantially all assets of the Partnership.

All borrowings under the Credit Agreement bear interest, at our option, on a leveraged based grid pricing at (i) a base rate plus a margin of 1.25% to 2.75% per annum (“Base Rate Borrowing”) or (ii) an adjusted LIBOR rate plus a margin of 2.25% to 3.75% per annum (“LIBOR Borrowings”). The applicable margin is determined based on the leverage ratio of the Partnership, as defined in the Credit Agreement. Generally, the interest rate on Credit Agreement borrowings ranged between 3.54% and 4.22% for the six months ended June 30, 2016 and 2.68% and 4.04% for the six months ended June 30, 2015. Interest on Base Rate Borrowings is payable monthly. Interest on LIBOR Borrowings is paid upon maturity of the underlying LIBOR contract, but no less often than quarterly. Commitment fees are charged at a rate of 0.50% on any unused credit and are payable quarterly. Interest paid during the three months ended June 30, 2016 and 2015 was $1.4 million and $1.1 million, respectively, including commitment fees. Interest paid during the six months ended June 30, 2016 and 2015 was $2.7 million and $1.8 million, respectively, including commitment fees.

Our Credit Agreement contains various customary affirmative and negative covenants and restrictive provisions. It also requires maintenance of certain financial covenants, including a combined total adjusted leverage ratio (as defined in our Credit Agreement) of not more than 4.0 to 1.0 and an interest coverage ratio (as defined in our Credit Agreement) of not less than 3.0 to 1.0. At June 30, 2016, our total adjusted leverage ratio was 3.33 to 1.0 and our interest coverage ratio was 3.80 to 1.0, pursuant to the Credit Agreement. Without Holding's reimbursement of Partnership operating expenses and temporary waiver of the administrative fee, our adjusted leverage ratio would have been higher. Upon the occurrence and during the continuation of an event of default, subject to the terms and conditions of our Credit Agreement, the lenders may declare any outstanding principal of our Credit Agreement debt, together with accrued and unpaid interest, to be immediately due and payable and may exercise the other remedies set forth or referred to in our Credit Agreement. With continued support from Holdings, we expect to remain in compliance with all of our financial debt covenants throughout the next twelve months.

In addition, our Credit Agreement restricts our ability to make distributions on, or redeem or repurchase, our equity interests. However, we may make distributions of available cash so long as, both at the time of the distribution and after giving effect to the distribution, no default exists under our Credit Agreement, the borrowers and the guarantors are in compliance with the financial covenants, the borrowing base (which includes 100% of cash on hand) exceeds the amount of outstanding credit extensions under the WCRCF by at least $5.0 million and at least $5.0 million in lender commitments are available to be drawn under the WCRCF.

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Cash Flows

The following table sets forth a summary of the net cash provided by (used in) operating, investing and financing activities for the six months ended June 30, 2016 and 2015.

	Six Months Ended June 30,	
	2016	**2015**
	(in thousands)	
Net cash provided by operating activities	$11,750	$20,696
Net cash used in investing activities	(640)	(64,441)
Net cash provided by (used in) financing activities	(12,036)	52,119
Effect of exchange rates on cash	392	(544)
Net increase (decrease) in cash and cash equivalents	$(534)	$7,830

Net cash provided by operating activities. The decrease of $9.0 million from 2015 to 2016 is primarily attributable to unfavorable changes in working capital of $3.7 million (mostly trade accounts receivable) and a decrease in net income (loss) of $17.7 million, partially offset by $10.5 million of impairments of goodwill and property and equipment and $1.8 million of non-cash allocated expenses.

Net cash (used in) investing activities. Investing activity for 2015 is primarily attributable to the acquisition of the 49.9% interest in the TIR Entities not previously held by the Partnership of $52.6 million effective February 1, 2015, the acquisition of Brown for $10.7 million effective May 1, 2015 and $1.3 million for the acquisition of property and equipment. Investing activity for 2016 is primarily attributable to the acquisition of property and equipment.

Net cash provided by (used in) financing activities. Net cash provided by financing activities in 2015 relates to borrowings under our Credit Facility of $63.3 million to fund the acquisition of the remaining 49.9% ownership interest in the TIR Entities and the acquisition of the 51% ownership interest in Brown, partially offset by partnership distributions totaling $11.2 million. Net cash used in financing activities for 2016 include partnership distributions of $10.0 million and repayment of $4.0 million of the working capital revolving credit facility, partially offset by $2.0 million of contributions attributable to the General Partner.

Capital Expenditures

W&ES has capital needs requiring investment for the maintenance of existing SWD facilities and the acquisition or construction and development of new SWD facilities. IS has capital needs for heavy equipment in order for it to perform hydrostatic testing procedures. PIS requires limited capital expenditures; primarily purchases of office equipment and small amounts of field equipment. Our partnership agreement requires that we categorize our capital expenditures as either maintenance capital expenditures or expansion capital expenditures.

Maintenance capital expenditures are those cash expenditures that will enable us to maintain our operating capacity or operating income over the long-term. Maintenance capital expenditures include tankage, work overs, pumps and other improvement of existing capital assets, and the construction or development of new capital assets to replace our existing SWD systems as they become obsolete. Other examples of maintenance capital expenditures are expenditures to repair, refurbish and replace downhole tubing and packers on the SWD facilities to maintain equipment reliability, integrity and safety, as well as to comply with environmental laws and regulations. Maintenance capital expenditures for the three and six months ended June 30, 2016 and 2015 were $0.1 million and $0.2 million, respectively.

Expansion capital expenditures are those capital expenditures that we expect will increase our operating capacity or operating income over the long-term. Expansion capital expenditures include the acquisition of assets or businesses from Holdings or third-parties, the construction or development of additional SWD facility capacity or pipelines, to the extent such expenditures are expected to expand our long-term operating capacity or operating income and additional equipment that may be required to expand our PIS or IS pipeline inspection and integrity businesses. Expansion capital expenditures include interest payments (and related fees) on debt incurred to finance all or a portion of expansion capital expenditures in respect of the period from the date that we enter into a binding obligation to commence the construction, development, replacement, improvement, automation or expansion of a capital asset and ending on the earlier to occur of that date that such capital improvement commences commercial service and the date that such capital improvement is abandoned or disposed. Expansion capital expenditures for the three and six months ended June 30, 2016 were $0.1 million and $0.4 million, respectively. Expansion capital expenditures for the three and six months ended June 30, 2015 were $53.3 million and $63.8 million, respectively (including the acquisition of the remainder of the TIR Entities for $52.6 million in the first quarter of 2015 and the acquisition of 51% of Brown for $10.5 million in the second quarter of 2015).

Future expansion capital expenditures may vary significantly from period to period based on the investment opportunities available. We expect to fund future capital expenditures from cash flows generated from our operations, borrowings under our Credit Agreement, the issuance of additional partnership units or debt offerings.

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Contractual Obligations

Borrowings under our Credit Agreement previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2015 have decreased $4.0 million to $136.9 million reflecting the generation of additional cash to pay down on the Credit Agreement. Additionally, the Partnership has long-term office and other lease obligations totaling $1.8 million, payable through calendar year 2042.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements or any hedging arrangements.

Critical Accounting Policies

There have been no significant changes to our critical accounting policies since December 31, 2015. Please refer to our Annual Report on Form 10-K for the year ended December 31, 2015 for a summary of these policies.

Recent Accounting Standards

The Partnership has adopted the following new accounting standards issued by the Financial Accounting Standards Board ("FASB") beginning January 1, 2016:

The FASB issued Accounting Standards Update ("ASU") 2015-17 – *Income Taxes* in November 2015. ASU 2015-17 was issued as a part of the FASB's initiative to reduce complexity in accounting standards. This ASU is effective for annual and interim periods beginning after December 15, 2016 with earlier application permitted as of the beginning of an annual reporting period. The Partnership has elected early application of this guidance beginning January 1, 2016. The guidance simplifies the presentation of deferred income taxes by requiring deferred tax assets and liabilities be classified as noncurrent in a classified consolidated balance sheet. Therefore, the Partnership's deferred tax assets and liabilities have been classified as noncurrent in the Unaudited Condensed Consolidated Balance Sheets for the periods presented.

Business Combinations – ASU 2015-16 was issued by the FASB in September 2015. Essentially, the amendments in the ASU require that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. This will require the Partnership to disclose, by line item, current period earnings adjustments to amounts that otherwise would have been recorded in previous reporting periods as if the adjustment(s) had been recognized as of the acquisition date beginning with fiscal periods after December 15, 2015. The implementation of this ASU has not affected the Partnership's financial position, results of operations or cash flows.

The FASB issued ASU 2015-06 – *Earnings Per Share* in April 2015. The amendments in this update specify that for purposes of calculating historical earnings per unit under the two-class method, the earnings (losses) of a transferred business before the date of a dropdown transaction should be allocated entirely to the general partner. The amendments should be applied retrospectively for all financial statements presented. The Partnership adopted this ASU effective for fiscal and interim periods beginning after December 15, 2015. The adoption of this ASU has not materially impacted our financial position, results of operations or cash flows.

The FASB issued ASU 2015-05 – *Intangibles – Goodwill and Other – Internal-Use Software* in April 2015 as part of its simplification initiative. The amendments in this ASU provide guidance to customers for license fees paid in a cloud computing arrangement. The effective date for adoption of this ASU for public companies is for annual periods beginning after December 15, 2015. As a result, the Partnership adopted this guidance as of January 1, 2016 and its adoption has not materially impacted our financial position, results of operations or cash flows.

The FASB issued ASU 2015-03 – *Interest – Imputation of Interest* in April 2015. This guidance requires debt issuance costs related to long-term debt be presented on the balance sheet as a reduction of the carrying amount of the long-term debt. The Partnership has adopted this guidance beginning January 1, 2016. As a result of the adoption of this ASU, we have been required to net the Partnership's debt issuance costs against *long-term debt* for all periods presented, moving the debt issuance costs from noncurrent assets to noncurrent liabilities on the Partnership's Unaudited Condensed Consolidated Balance Sheets for the periods presented.

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Other accounting guidance proposed by the FASB that may have some impact on the Unaudited Condensed Consolidated Financial Statements of the Partnership, but have not yet been adopted by the Partnership include:

The FASB issued ASU 2016-09 – *Compensation – Stock Compensation* in March 2016. The purpose of the guidance is to simplify several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The amendments in this ASU are effective for fiscal years beginning after December 15, 2016, and all interim periods within that year. Although early adoption is permitted, the Partnership has not adopted this guidance early. We are currently in the process of determining the impact this guidance may have on the Unaudited Condensed Consolidated Financial Statements of the Partnership, but do not expect the adoption of this guidance to materially affect our financial position, results of operations or cash flows.

The FASB issued ASU 2016-02 – *Leases* in February 2016. This guidance was proposed in an attempt to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The main difference between previous GAAP and this new guidance is the recognition on the balance sheet lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. The amendments in this ASU are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early application is permitted. We are currently examining the guidance provided in the ASU and determining the impact this guidance will have on our Unaudited Condensed Consolidated Financial Statements.

The FASB issued ASU 2014-09 – *Revenue from Contracts with Customers* in May 2014. ASU 2014-09 is intended to clarify the principles for recognizing revenue and develop a common standard for recognizing revenue for GAAP and International Financial Reporting Standards that is applicable to all organizations. The Partnership was originally required to comply with this ASU beginning in 2017. However, in August 2015, the FASB issued ASU 2015- 14 – *Revenue from Contracts with Customers* effectively delaying the Partnership's implementation of this standard for one year to periods beginning after December 15, 2017. We are currently evaluating the financial impact of this ASU on the Partnership, but do not anticipate that the adoption of this ASU will materially impact our financial position, results of operations or cash flows.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

There have been no material changes to the Partnership's exposure to market risk since December 31, 2015.

Item 4. Controls and Procedures

Management's Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15 under the Exchange Act, as of the end of the period covered by this report, the Partnership carried out an evaluation of the effectiveness of the design and operation of the Partnership's disclosure controls and procedures. This evaluation was carried out under the supervision and with the participation of our management, including our Chief Executive Officer, Chief Financial Officer, our Chief Accounting Officer, as well as others involved in the accounting and reporting functions.

Disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed in Partnership reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the Partnership reports filed under the Exchange Act is accumulated and communicated to management, including the Partnership's Chief Executive Officer and Chief Financial Officer as appropriate, to allow timely decisions regarding required disclosure.

Based upon that evaluation, our management, including our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, the Partnership's disclosure controls and procedures were effective to provide reasonable assurance that financial information was processed, recorded and reported accurately.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the three months ended June 30, 2016 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Beginning January 1, 2016, the Partnership initiated implementation of a new enterprise resource planning ("ERP") accounting and reporting system designed to improve the timeliness and quality of information (including financial information) to all appropriate levels of Partnership personnel. This new ERP was not implemented in response to any identified deficiency or material weakness in the Partnership's internal control over financial reporting. The implementation is expected to occur in phases during 2016. The implementation of the ERP system will likely affect the processes that constitute our internal control over financial reporting and will require testing for effectiveness. As with any new information technology application we implement, this application, along with the internal controls over financial reporting included in this process, was appropriately considered within the testing for effectiveness with respect to the implementation in these instances. The adoption of this new ERP system has not materially affected our internal controls over financial reporting.

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Explanation of Responses:

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PART II - OTHER INFORMATION

Item 1. Legal Proceedings

On July 3, 2014, a group of former minority shareholders of TIR Inc., formerly an Oklahoma corporation, filed a civil action in the United States District Court for the Northern District of Oklahoma against TIR LLC, members of TIR LLC, and certain affiliates of TIR LLC’s members. TIR LLC is the successor in interest to TIR Inc., resulting from a merger between the entities that closed in December 2013 (the “TIR Merger”). The former shareholders in TIR Inc. claim that they did not receive sufficient value for their shares in the TIR Merger and are seeking rescission of the TIR Merger or, alternatively, compensatory and punitive damages. The Partnership is not named as a defendant in this civil action. TIR LLC and the other defendants have been advised by counsel that the action lacks merit. In addition, the Partnership anticipates no disruption in its business operations or those of TIR LLC related to this action.

In September 2015, Flatland Resources I, LLC and Flatland Resources II, LLC, two of our management services customers (under common ownership) initiated a civil action in the District Court for the McKenzie County District of the State of North Dakota against CES LLC. The customers claim that CES LLC breached the management agreements and interfered with their business relationships, and seek to rescind the management agreements and recover any damages. The customers initiated this lawsuit upon dismissal from federal court due to lack of jurisdiction of CES LLC’s lawsuit against the customers seeking to enforce the management agreements. CES LLC subsequently filed an answer and counterclaims, as well as a third party complaint against the principal of the customers seeking to enforce the management agreements and other injunctive relief, as well as monetary damages. The court subsequently granted CES’s motion to transfer venue to the Grand Forks County District Court. We believe that the possibility of the Partnership incurring material losses as a result of this action is remote.

Like other partnerships, our operations are subject to extensive and rapidly changing federal and state environmental, health and safety and other laws and regulations governing air emissions, wastewater discharges, and solid and hazardous waste management activities. From time to time, we are subject to legal proceedings and claims that arise in the ordinary course of business. We believe that proceedings and/or claims that arise in the ordinary course of business would be incidental to our business and would not have a material impact on our financial results.

Item 1A. Risk Factors

There have been no material changes with respect to the risk factors disclosed in our Annual Report on Form 10-K for the year ended December 31, 2015.

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

None.

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

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Item 6. Exhibits

The following exhibits are filed as part of, or incorporated by reference into, this Form 10-Q.

Exhibit Number	**Description**
3.1	First Amended and Restated Agreement of Limited Partnership of Cypress Energy Partners, L.P. dated as of January 21, 2014 (incorporated by reference to Exhibit 3.1 of our Current Report on Form 8-K filed on January 27, 2014)
3.2	Amended and Restated Limited Liability Company Agreement of Cypress Energy Partners GP, LLC dated as of January 21, 2014 (incorporated by reference to Exhibit 3.2 of our Current Report on Form 8-K filed on January 27, 2014)
31.1*	Chief Executive Officer Certification Pursuant to Exchange Act Rule 13a-14(a) or Rule 15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Chief Financial Officer Certification Pursuant to Exchange Act Rule 13a-14(a) or Rule 15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Chief Executive Officer Certification Pursuant to Exchange Act Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code, as Adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2**	Chief Financial Officer Certification Pursuant to Exchange Act Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code, as Adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101 INS*	XBRL Instance Document
101 SCH*	XBRL Schema Document
101 CAL*	XBRL Calculation Linkbase Document
101 DEF*	XBRL Definition Linkbase Document
101 LAB*	XBRL Label Linkbase Document
101 PRE*	XBRL Presentation Linkbase Document

* Filed herewith.

**Furnished herewith.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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, in the City of Tulsa, State of Oklahoma, on August 11, 2016.

Cypress Energy Partners, L.P.

By:	**Cypress Energy Partners GP, LLC, its general partner**
/s/ Peter C. Boylan III	
By:	Peter C. Boylan III
Title:	Chief Executive Officer
/s/ G. Les Austin	
By:	G. Les Austin
Title:	Chief Financial Officer

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