

MAGELLAN MIDSTREAM PARTNERS LP

Form 424B2

June 22, 2009

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Filed Pursuant to Rule 424(b)(2)  
Registration No. 333-137166

A filing fee of \$16,740, calculated in accordance with Rule 457(r), has been transmitted to the SEC in connection with the securities offered from the registration statement (File No. 333-137166) by means of this prospectus supplement.

**Prospectus supplement**

(To prospectus dated September 7, 2006)

**\$300,000,000**

**6.55% Senior Notes due 2019**

This is an offering by Magellan Midstream Partners, L.P. of \$300.0 million 6.55% Senior Notes due 2019. Interest on the notes is payable on January 15 and July 15 of each year beginning January 15, 2010. Interest on the notes will accrue from June 26, 2009. The notes will mature on July 15, 2019.

We may redeem some or all of the notes at any time or from time to time at a redemption price that includes a make-whole premium, as described under the caption Description of notes Optional redemption.

The notes will be our senior unsecured obligations and will rank equally with all of our existing and future senior debt and senior to any future subordinated debt that we may incur.

**Investing in the notes involves risk. Please read Risk factors beginning on page S-9 of this prospectus supplement and on page 1 of the accompanying prospectus as well as the risk factors discussed in our 2008 Annual Report on Form 10-K and our Quarterly Report on Form 10-Q for the period ended March 31, 2009.**

	Public offering price(1)	Underwriting discount	Proceeds to us (before expenses)(1)
Per note	99.653%	0.65%	99.003%
Total	\$298,959,000	\$1,950,000	\$297,009,000

(1) Plus accrued interest from June 26, 2009, if settlement occurs after that date.

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

The notes will not be listed on any national securities exchange or quoted on any automated quotation system. Currently, there is no public market for the notes.

It is expected that delivery of the notes will be made to investors in registered book-entry form only through the facilities of The Depository Trust Company on or about June 26, 2009.

*Joint Book-Running Managers*

**J.P. Morgan**

**Banc of America Securities LLC**

**SunTrust Robinson Humphrey**

*Co-Managers*

**Citi**

**Credit Suisse**

**Mitsubishi UFJ Securities**

**Morgan Stanley**

**Wachovia Securities**

June 19, 2009

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## About this prospectus supplement

This document is in two parts. The first part is this prospectus supplement, which describes the terms of this offering of notes. The second part is the accompanying prospectus, which gives more general information about the securities we may offer from time to time.

If the information about the offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

You should rely only on the information contained or incorporated by reference in this prospectus supplement or the accompanying prospectus. We and the underwriters have not authorized anyone to provide you with different information. We and the underwriters are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information contained in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the dates shown in these documents or that any information we have incorporated by reference is accurate as of any date other than the date of the document incorporated by reference. Our business, financial condition, results of operations and prospects may have changed since such dates.

None of Magellan Midstream Partners, L.P., the underwriters or any of their respective representatives is making any representation to you regarding the legality of an investment in the notes by you under applicable laws. You should consult with your own advisors as to legal, tax, business, financial and related aspects of an investment in the notes.

As used in this prospectus supplement and the accompanying prospectus, unless we indicate otherwise, the terms our, we, us and similar terms refer to Magellan Midstream Partners, L.P., together with our subsidiaries.

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## Summary

*This summary highlights information contained elsewhere in this prospectus supplement and the accompanying prospectus. It does not contain all of the information you should consider before making an investment decision. You should read the entire prospectus supplement, the accompanying prospectus, the documents incorporated by reference and the other documents to which we refer for a more complete understanding of this offering. Please read Risk factors beginning on page S-9 of this prospectus supplement and page 1 of the accompanying prospectus as well as the risk factors discussed in our 2008 Annual Report on Form 10-K and our Quarterly Report on Form 10-Q for the period ended March 31, 2009 for more information about important factors that you should consider before buying notes in this offering.*

### **Magellan Midstream Partners, L.P.**

We were formed as a limited partnership under the laws of the State of Delaware in August 2000. As of March 31, 2009, our asset portfolio consisted of:

- an approximately 8,700-mile petroleum products pipeline system, including 49 terminals;
- seven marine petroleum products terminals and 27 inland petroleum products terminals; and
- an 1,100-mile ammonia pipeline and six company-owned terminals.

Our principal executive offices are located in One Williams Center, Tulsa, Oklahoma 74172 and our phone number is (918) 574-7000.

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**Partnership structure and management**

Our general partner has sole responsibility for conducting our business and managing our operations. Our general partner does not receive a management fee or other compensation in connection with its management of our business, but it is reimbursed for direct and indirect expenses incurred on our behalf.

The following chart depicts our current organizational and ownership structure. The percentages reflected in the organizational chart represent approximate ownership interests in us.

<b>Ownership of Magellan Midstream Partners, L.P.</b>	<b>Approximate percentage interest</b>
Public common units	98.02%
Magellan GP, LLC general partner interest	1.98%
<b>Total</b>	<b>100.00%</b>

- (1) MGG GP is MGG's general partner but does not hold an economic interest; therefore, MGG GP does not receive distributions from MGG nor is MGG GP allocated any of MGG's net income.

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### **Recent developments**

#### ***Longhorn Pipeline acquisition***

We have been selected by the United States Bankruptcy Court in Delaware as the stalking horse bidder for the majority of the assets of Longhorn Partners Pipeline, L.P., which include a 700-mile common carrier pipeline system that transports refined petroleum products from Houston to El Paso, Texas and a terminal in El Paso comprised of a 5-bay truck loading rack and over 900,000 barrels of storage. This terminal serves local petroleum products demand and distributes product to connecting third-party pipelines for ultimate delivery to markets in Arizona, New Mexico and, in the future, Northern Mexico. We currently serve as the operator of the pipeline system. The seller of the pipeline system is currently in bankruptcy. Completion of the acquisition is subject to an auction process by the bankruptcy court and, if we remain the highest bidder following the auction process, customary closing conditions, including bankruptcy court approval and regulatory approval. The preliminary purchase price for the pipeline system is \$250 million plus the fair market value of line fill, which is currently estimated at approximately \$90 million. We expect to finance the acquisition with available capacity under our revolving credit facility. We expect the acquisition to be completed in the third quarter of 2009 if we remain the highest bidder, but we cannot assure you that it will be completed in that time frame or at all.

#### ***Simplification agreement***

On March 3, 2009, we and our general partner and MGG and its general partner entered into an Agreement Relating to Simplification of Capital Structure. The agreement provides for various transformation, distribution and contribution steps among us, MGG, our respective general partners and MGG's unitholders. Pursuant to the simplification agreement, among other things, we will transform the incentive distribution rights and general partnership interest in us owned by our general partner into approximately 39.6 million of our common units, and those common units will be distributed to MGG. Following the completion of the steps contemplated in the simplification agreement, MGG will liquidate and redistribute our common units that it receives to its unitholders. If the simplification is approved, each of MGG's unitholders will receive 0.6325 of our common units for each MGG common unit, our unitholders will continue to own their existing common units and MGG will cease to exist. We and MGG expect that the simplification will be completed in the third quarter of 2009. However, the completion of the simplification is subject to a number of conditions, including the approval of both our and MGG's unitholders, and there can therefore be no assurance that the simplification will be completed or that we will realize the expected benefits of the simplification. For additional details about the simplification agreement, please see our Current Report on Form 8-K as filed with the Securities and Exchange Commission (SEC) on March 4, 2009.

#### ***EPA issue***

In June 2009, we received notice from the Department of Justice (the DOJ) that the DOJ, at the request of the Environmental Protection Agency, is prepared to initiate a lawsuit alleging violations of Sections 301 and 311 of the Clean Water Act (the Act) with respect to a discharge of gasoline that occurred on January 5, 2008 from our petroleum products pipeline near Oologah, Rogers County, Oklahoma. The DOJ stated that the maximum statutory penalty for the alleged violations of the Act, assuming only mere negligence, is approximately \$1.2 million. The DOJ stated in its notice to us that it does not expect us to pay the maximum statutory penalty in a settlement although it will explore whether injunctive relief is necessary to prevent future violations of the Act. We have accrued an amount for this matter based on our best estimates that is less than the maximum statutory penalty.

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## The notes offering

<b>Issuer</b>	Magellan Midstream Partners, L.P.
<b>Securities</b>	\$300.0 million aggregate principal amount of 6.55% Senior Notes due 2019.
<b>Maturity Date</b>	July 15, 2019.
<b>Interest Payment Dates</b>	January 15 and July 15 of each year, beginning January 15, 2010.
<b>Use of Proceeds</b>	We intend to use a portion of the net proceeds from this offering to repay all borrowings outstanding under our revolving credit facility, and we will use the balance for general partnership purposes.
<b>Optional Redemption</b>	We may redeem some or all of the notes at any time or from time to time at a redemption price, which includes a make-whole premium, plus accrued and unpaid interest, if any, to the redemption date, as described under the caption Description of notes Optional redemption
<b>Subsidiary Guarantees</b>	Our subsidiaries will not initially guarantee the notes. In the future, however, we will cause any of our subsidiaries that guarantees or becomes a co-obligor in respect of any of our funded debt to equally and ratably guarantee the notes.
<b>Ranking</b>	<p>The notes will be our senior unsecured obligations and will rank equally with all of our other existing and future senior debt, including borrowings under our revolving credit facility, and senior to any future subordinated debt.</p> <p>We conduct substantially all of our business through our subsidiaries. The notes will be structurally subordinated to all existing and future debt and other liabilities, including trade payables, of any of our non-guarantor subsidiaries. As of March 31, 2009, our subsidiaries had no debt for borrowed money owing to any unaffiliated third parties.</p>
<b>Certain Covenants</b>	<p>We will issue the notes under an indenture with U.S. Bank National Association, as trustee. The indenture does not limit the amount of unsecured debt we may incur. The indenture will contain limitations on, among other things, our ability to:</p> <p>incur debt secured by certain liens; engage in certain sale-leaseback transactions; and consolidate, merge or dispose of all or substantially all of our assets.</p>





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**Ratings**

We have obtained the following ratings on the notes: Baa2 by Moody's Investors Service, Inc. and BBB by Standard & Poor's Ratings Services.

A rating reflects only the view of a rating agency and is not a recommendation to buy, sell or hold the notes. Any rating can be revised upward or downward or withdrawn at any time by a rating agency if the rating agency decides that the circumstances warrant a revision.

**Additional Issuances**

We may, at any time, without the consent of the holders of the notes, issue additional notes having the same interest rate, maturity and other terms as these notes. Any additional notes having such similar terms, together with these notes, will constitute a single series under the indenture.

**Risk Factors**

Please read "Risk factors" beginning on page S-9 of this prospectus supplement and on page 1 of the accompanying prospectus, as well as the risk factors discussed in our 2008 Annual Report on Form 10-K and our Quarterly Report on Form 10-Q for the period ended March 31, 2009, for a discussion of factors you should carefully consider before investing in the notes.

**Governing Law**

The notes and the indenture relating to the notes will be governed by New York law.

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## Summary selected financial and operating data

The following table sets forth summary selected financial data as of and for the years ended December 31, 2006, 2007 and 2008 and as of and for the three months ended March 31, 2008 and 2009. This financial data was derived from our audited consolidated financial statements and related notes included in our Current Report on Form 8-K filed with the SEC on May 21, 2009 and from our unaudited consolidated financial statements and related notes included in our Quarterly Report on Form 10-Q for the three months ended March 31, 2008 and 2009. The financial data set forth below should be read in conjunction with those consolidated financial statements and the notes thereto, which are incorporated by reference into this prospectus supplement and the accompanying prospectus and have been filed with the SEC. All other amounts have been prepared from our financial records.

The financial measures of Adjusted EBITDA and operating margin, which are not prepared in accordance with generally accepted accounting principles, or GAAP, are presented in the summary selected historical financial data. We have presented these financial measures because we believe that investors benefit from having access to the same financial measures utilized by management.

We define Adjusted EBITDA, which is a non-GAAP measure, in the following schedules as net income plus provision for income taxes, debt prepayment premium, debt placement fee amortization, interest expense (net of interest income and interest capitalized) and depreciation and amortization. Adjusted EBITDA should not be considered an alternative to net income, operating profit, cash flow from operations or any other measure of financial performance presented in accordance with GAAP. Because Adjusted EBITDA excludes some items that affect net income and these items may vary among other companies, the Adjusted EBITDA data presented may not be comparable to similarly titled measures of other companies. Our management uses Adjusted EBITDA as a performance measure to assess the viability of projects and to determine overall rates of return on alternative investment opportunities. A reconciliation of Adjusted EBITDA to net income, the nearest comparable GAAP measure, is included in the following schedules.

In addition to Adjusted EBITDA, the non-GAAP measure of operating margin (in the aggregate and by segment) is presented in the following tables. We compute the components of operating margin by using amounts that are determined in accordance with GAAP. A reconciliation of total operating margin to operating profit, which is its nearest comparable GAAP financial measure, is included in the following tables. A reconciliation of segment operating margin to segment operating profit is included in our Form 8-K filed with the SEC on May 21, 2009 and our Quarterly Report on Form 10-Q for the three months ended March 31, 2009. Operating margin is an important measure of the economic performance of our core operations. This measure forms the basis of our internal financial reporting and is used by our management in deciding how to allocate capital resources between segments. Operating profit, alternatively, includes expense items, such as depreciation and amortization and general and administrative expenses, which our management does not consider when evaluating the core profitability of an operation.

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	Year ended December 31,		Three months ended March 31,		
	2006	2007	2008	2008	2009
(unaudited)					
(in thousands, except per unit amounts and operating statistics)					
<b>Income Statement Data:</b>					
Transportation and terminals revenues	\$ 558,301	\$ 607,845	\$ 637,958	\$ 144,592	\$ 154,888
Product sales revenues	664,569	709,564	574,095	201,718	57,716
Affiliate management fee revenues	690	712	733	183	190
Total revenues	1,223,560	1,318,121	1,212,786	346,493	212,794
Operating expenses	244,526	251,601	265,728	55,592	60,727
Product purchases	605,341	633,909	436,567	177,568	52,630
Gain on assignment of supply agreement			(26,492)	(26,492)	
Equity earnings	(3,324)	(4,027)	(4,067)	(405)	(519)
Operating margin	377,017	436,638	541,050	140,230	99,956
Depreciation and amortization expense	60,852	63,792	71,153	17,176	19,315
Affiliate G&A expense	67,112	72,587	70,435	17,780	20,525
Operating profit	249,053	300,259	399,462	105,274	60,116
Interest expense, net	53,010	51,045	50,470	11,341	14,390
Debt prepayment premium		1,984			
Debt placement fee amortization	2,681	2,144	767	168	220
Other (income) expense, net	634	728	(375)		(82)
Income before provision for income taxes	192,728	244,358	348,600	93,765	45,588
Provision for income taxes(a)		1,568	1,987	443	357
Net income	\$ 192,728	\$ 242,790	\$ 346,613	\$ 93,322	\$ 45,231
Basic net income per limited partner unit	\$ 2.21	\$ 2.69	\$ 3.77	\$ 1.10	\$ 0.34
Diluted net income per limited partner unit	\$ 2.20	\$ 2.69	\$ 3.76	\$ 1.10	\$ 0.34
<b>Balance Sheet Data:</b>					
Working capital (deficit)(b)	\$ (341,371)	\$ (15,563)	\$ (29,675)	\$ (30,608)	\$ (37,562)
Total assets	1,952,649	2,101,194	2,296,115	2,125,239	2,317,244
Long-term debt(b)	518,609	914,536	1,083,485	952,171	1,125,089
Partners capital	806,482	871,164	955,442	905,635	928,630
<b>Cash Distribution Data:</b>					
Cash distributions declared per unit(c)	\$ 2.34	\$ 2.55	\$ 2.77	\$ 0.67	\$ 0.71
Cash distributions paid per unit(c)	\$ 2.29	\$ 2.49	\$ 2.72	\$ 0.66	\$ 0.71
<b>Other Data:</b>					
Operating margin (loss):					
Petroleum products pipeline system	\$ 284,190	\$ 351,246	\$ 424,957	\$ 109,419	\$ 74,167
Petroleum products terminals	86,703	85,368	103,967	26,816	24,717
Ammonia pipeline system	2,541	(3,008)	8,643	3,166	111
Allocated partnership depreciation costs(d)	3,583	3,032	3,483	829	961
Operating margin	\$ 377,017	\$ 436,638	\$ 541,050	\$ 140,230	\$ 99,956
Adjusted EBITDA:					
Net income	\$ 192,728	\$ 242,790	\$ 346,613	\$ 93,322	\$ 45,231
Provision for income taxes(a)		1,568	1,987	443	357
Debt prepayment premium		1,984			
Debt placement fee amortization	2,681	2,144	767	168	220
Interest expense, net	53,010	51,045	50,470	11,341	14,390

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Depreciation and amortization	60,852	63,792	71,153	17,176	19,315
Adjusted EBITDA	\$ 309,271	\$ 363,323	\$ 470,990	\$ 122,450	\$ 79,513

**Operating Statistics:**

Petroleum products pipeline system:					
Transportation revenue per barrel shipped	\$ 1.060	\$ 1.147	\$ 1.193	\$ 1.153	\$ 1.145
Volume shipped (millions of barrels)	309.6	307.2	295.9	68.9	71.7
Petroleum products terminals:					
Marine terminal average storage utilized (millions of barrels per month)	20.9	21.8	23.3	22.6	25.1
Inland terminal throughput (millions of barrels)	110.1	117.3	108.1	27.1	26.0
Ammonia pipeline system:					
Volume shipped (thousands of tons)	726	716	822	220	124

(footnotes on next page)

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- (a) Beginning in 2007, the State of Texas implemented a partnership-level tax based on a percentage of the financial results of our assets apportioned to the State of Texas. We have reported our estimate of this tax as a provision for income taxes on our consolidated statements of income.
  
- (b) The maturity date of our pipeline notes was October 7, 2007. As a result, the \$270.8 million carrying value of these notes was classified as a current liability on our December 31, 2006 consolidated balance sheet. This debt was refinanced before its maturity. The notes were repaid in full on May 3, 2007.
  
- (c) Cash distributions declared represent distributions declared associated with each calendar year. Distributions were declared and paid within 45 days following the close of each quarter. Cash distributions paid represent cash payments for distributions during each of the periods presented.
  
- (d) We own certain assets that have been recorded as property, plant and equipment at the partnership level and not at the segment level. The associated depreciation expense has been allocated to our various business segments, which in turn recognized these allocated costs as operating expense, reducing segment operating margins by these amounts.

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## Risk factors

*An investment in our notes involves risk. You should carefully read the risk factors set forth below, the risk factors included under the caption "Risk factors" beginning on page 1 of the accompanying prospectus, and those risks discussed in our Annual Report on Form 10-K for the year ended December 31, 2008 and our Quarterly Report on Form 10-Q for the period ended March 31, 2009, which are both incorporated by reference into this prospectus supplement and the accompanying prospectus.*

***Your ability to transfer the notes at a time or price you desire may be limited by the absence of an active trading market, which may not develop.***

The notes are a new issue of securities for which there is no established public market. Although we have registered the notes under the Securities Act of 1933, we do not intend to apply for listing of the notes on any securities exchange or for quotation of the notes in any automated dealer quotation system. In addition, although the underwriters have informed us that they intend to make a market in the notes as permitted by applicable laws and regulations, they are not obligated to make a market in the notes, and they may discontinue their market-making activities at any time without notice. An active market for the notes may not develop or, if developed, may not continue. In the absence of an active trading market, you may not be able to transfer the notes within the time or at the price you desire.

***The notes will be senior unsecured obligations. As such, the notes will be effectively junior to any secured debt we may incur in the future, to the existing and future debt and other liabilities of our subsidiaries that do not guarantee the notes and to the future secured debt of any subsidiaries that guarantee the notes.***

The notes will be our senior unsecured debt and will rank equally in right of payment with all of our other existing and future unsubordinated debt. The notes will be effectively junior to any secured debt we may incur in the future, to the existing and future debt and other liabilities of our subsidiaries that do not guarantee the notes and to the future secured debt of any subsidiaries that guarantee the notes. As of March 31, 2009, our subsidiaries had no debt for borrowed money owing to any unaffiliated third parties. Initially, there will be no subsidiary guarantors of the notes, and there may be none in the future.

If we are involved in any dissolution, liquidation or reorganization, any secured debt holders would be paid before you receive any amounts due under the notes to the extent of the value of the assets securing their debt and creditors of our subsidiaries may also be paid before you receive any amounts due under the notes. In that event, you may not be able to recover any principal or interest you are due under the notes.

***A guarantee could be voided if the guarantor fraudulently transferred the guarantee at the time it incurred the indebtedness, which could result in the noteholders being able to rely only on us to satisfy claims.***

Initially, none of our subsidiaries will guarantee the notes. In the future, however, if our subsidiaries become guarantors or co-obligors of our funded debt, then these subsidiaries will guarantee our payment obligations under the notes. Under U.S. bankruptcy law and comparable provisions of state fraudulent transfer laws, a guarantee can be voided, or claims under a

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guarantee may be subordinated to all other debts of that guarantor if, among other things, the guarantor, at the time it incurred the indebtedness evidenced by its guarantee:

intended to hinder, delay or defraud any present or future creditor or received less than reasonably equivalent value or fair consideration for the incurrence of the guarantee;

was insolvent or rendered insolvent by reason of such incurrence;

was engaged in a business or transaction for which the guarantor's remaining assets constituted unreasonably small capital; or

intended to incur, or believed that it would incur, debts beyond its ability to pay those debts as they mature.

In addition, any payment by that guarantor under a guarantee could be voided and required to be returned to the guarantor or to a fund for the benefit of the creditors of the guarantor.

***We do not have the same flexibility as other types of organizations to accumulate cash, which may limit cash available to service the notes or to repay them at maturity.***

Our partnership agreement requires us to distribute, on a quarterly basis, 100% of our available cash to our unitholders of record and our general partner, subject to reasonable reserves as described below. As a result, we do not have the same flexibility as corporations or other entities that do not pay dividends or have complete flexibility regarding the amounts they will distribute to their equity holders. Available cash is generally all of our cash receipts adjusted for cash distributions and reserves. The timing and amount of our distributions could significantly reduce the cash available to pay the principal, premium (if any) and interest on the notes. The board of directors of our general partner will determine the amount and timing of such distributions and has broad discretion to establish and make additions to our reserves or the reserves of our operating subsidiaries as it determines are necessary or appropriate.

Although our payment obligations to our unitholders are subordinate to our payment obligations to you, the value of our units will decrease in correlation with decreases in the amount we distribute for each unit. Accordingly, if we experience a liquidity problem in the future, we may not be able to issue equity to recapitalize.

## **Tax risks**

***Our tax treatment will depend on our status as a partnership for federal income tax purposes, as well as our not being subject to entity-level taxation by individual states. If the IRS treats us as a corporation for tax purposes or we become subject to entity-level taxation, it would reduce the amount of cash available for payment of principal and interest on the notes.***

If we were classified as a corporation for federal income tax purposes, we would be required to pay federal income tax on our taxable income at the corporate tax rate, which is currently a maximum of 35%, and would likely pay state income tax at varying rates. Treatment of us as a corporation would cause a material reduction in our anticipated cash flow, which could materially and adversely affect our ability to make payments on the notes.

Current law may change so as to cause us to be treated as a corporation for federal income tax purposes or otherwise subject us to entity-level taxation. For example, at the federal level, legislation has been proposed that would eliminate partnership tax treatment for certain publicly



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traded partnerships. Although such legislation would not apply to us as currently proposed, it could be amended prior to enactment in a manner that does apply to us. We are unable to predict whether any of these changes, or other proposals, will ultimately be enacted. Any such changes could materially and adversely affect our ability to make payments on the notes. At the state level, because of widespread state budget deficits and for other reasons, several states are evaluating ways to subject partnerships to entity-level taxation through the imposition of state income, franchise and other forms of taxation. For example, partnerships operating in Texas are required to pay franchise tax at a maximum effective rate of 0.7% of gross income apportioned to Texas in the prior year. If any other state were to impose a tax on us, the cash we have available to make payments on the notes could be materially reduced.

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The ratio of earnings to fixed charges for each of the periods indicated is as follows:

	Years ended December 31,					Three months ended
	2004	2005	2006	2007	2008	March 31, 2009
Ratio of earnings to fixed charges	3.6x	3.8x	4.2x	5.0x	7.0x	3.9x

For purposes of calculating the ratio of earnings to fixed charges:

fixed charges represent interest expense (including amounts capitalized), amortization of debt costs and the portion of rental expense representing the interest factor; and

earnings represent the aggregate of income from continuing operations (before adjustment for income taxes, extraordinary loss (gain), earnings from equity investments and cumulative effect of change in accounting principle), fixed charges, amortization of capitalized interest and distributions from equity investment, less capitalized interest.

**Use of proceeds**

We will receive net proceeds from this offering of approximately \$296.5 million, after deducting the underwriting discount and estimated offering expenses payable by us. We intend to use a portion of the net proceeds from this offering to repay all borrowings outstanding under our revolving credit facility, and we will use the balance for general partnership purposes. Borrowings under our revolving credit facility have been used for general partnership purposes, including capital expenditures. Amounts paid down on our revolving credit facility may be drawn down in the future, among other things, to fund acquisitions, including to fund the Longhorn Pipeline acquisition, if completed. Please read Summary Recent developments Longhorn Pipeline acquisition. The revolving credit facility's maturity date is September 20, 2012, and as of June 18, 2009, the weighted-average interest rate on borrowings outstanding under this facility was approximately 0.75% and the outstanding balance was approximately \$209.0 million.

Affiliates of the underwriters participating in this offering are lenders under our revolving credit facility and will receive a portion of the proceeds of this offering through the repayment by us of the indebtedness outstanding under this facility with such proceeds. Please read Underwriting.

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The following table sets forth our cash balance and capitalization as of March 31, 2009:

on a historical basis; and

as adjusted to give effect to the sale of the notes offered by us pursuant to this prospectus supplement and the ultimate application of the net proceeds therefrom in the manner described under Use of proceeds.

We will receive net proceeds from this offering of approximately \$296.5 million, after deducting the underwriting discount and estimated offering expenses payable by us.

This table should be read together with our historical financial statements and the accompanying notes incorporated by reference into this prospectus supplement and the accompanying prospectus. Please read Use of proceeds.

	<b>As of March 31, 2009</b>	
	<b>Historical</b>	<b>As adjusted for this offering</b>
	<b>(in thousands)</b>	
Cash and cash equivalents	\$ 15,070	\$ 199,579
Debt:		
Revolving credit facility(a)	\$ 112,000	\$
6.45% senior notes due 2014(b)	249,693	249,693
5.65% senior notes due 2016(c)	253,220	253,220
6.40% senior notes due 2018(d)	261,251	261,251
6.40% senior notes due 2037(e)	248,925	248,925
6.55 % senior notes due 2019(f)		298,959
<b>Total debt</b>	<b>1,125,089</b>	<b>1,312,048</b>
Total partners' capital	928,630	928,630
<b>Total capitalization</b>	<b>\$ 2,053,719</b>	<b>\$ 2,240,678</b>

(a) A total of approximately \$209.0 million of debt was outstanding under our revolving credit facility at June 18, 2009.

(b) Reflects approximately \$0.3 million of unamortized debt discount.

(c) Reflects approximately \$0.2 million of unamortized debt discount and \$3.4 million of unamortized gain recognized upon termination of an associated fair value hedge.

(d) Reflects unamortized gain of approximately \$11.3 million recognized upon termination of an associated fair value hedge.

(e) Reflects approximately \$1.1 million of unamortized debt discount.

(f) Reflects approximately \$1.0 million of unamortized debt discount.

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## Description of notes

We will issue the notes under a senior indenture dated as of April 19, 2007, between us and U.S. Bank National Association, as trustee, as supplemented by a third supplemental indenture. The third supplemental indenture will set forth certain specific terms applicable to the notes, and references to the indenture in this description mean the senior indenture as so supplemented. You can find the definitions of various terms used in this description under *Certain definitions*. The terms of the notes include those set forth in the indenture and those made a part of the indenture by reference to the Trust Indenture Act of 1939.

This description is intended to be an overview of the material provisions of the notes and the indenture. This summary is not complete and is qualified in its entirety by reference to the indenture. You should carefully read the summary below, the description of the general terms and provisions of our debt securities set forth in the accompanying prospectus under *Description of debt securities* and the provisions of the indenture that may be important to you before investing in the notes. This summary supplements, and to the extent inconsistent therewith replaces, the description of the general terms and provisions of our debt securities set forth in the accompanying prospectus. Capitalized terms defined in the accompanying prospectus or in the indenture have the same meanings when used in this prospectus supplement unless updated herein. In this description, all references to *we*, *us* or *our* are to Magellan Midstream Partners, L.P. only, and not its subsidiaries, unless otherwise indicated.

The indenture does not limit the amount of debt securities that we may issue. Debt securities may be issued under the indenture from time to time in separate series, each up to the aggregate amount from time to time authorized for such series. The notes will be the third series of debt securities to be issued under the indenture.

### General

*The notes.* We will issue notes initially in an aggregate principal amount of \$300.0 million. The notes will be issued in denominations of \$2,000 and integral multiples of \$1,000 in excess thereof. The notes:

will be our general unsecured, senior obligations;

will constitute a new series of debt securities issued under the indenture, and such series will be initially limited to an aggregate principal amount of \$300.0 million;

will mature on July 15, 2019;

will not be entitled to the benefit of any sinking fund; and

initially will be issued only in book-entry form represented by one or more global notes registered in the name of Cede & Co., as nominee of The Depository Trust Company ( *DTC* ), or such other name as may be requested by an authorized representative of *DTC*, and deposited with the trustee as custodian for *DTC*.

*Interest.* Interest on the notes will:

accrue at the rate of 6.55% per annum;

accrue from June 26, 2009 or the most recent interest payment date;



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be payable in cash semi-annually in arrears on January 15 and July 15 of each year, commencing on January 15, 2010;

be payable to holders of record on January 1 and July 1 immediately preceding the related interest payment dates;

be computed on the basis of a 360-day year consisting of twelve 30-day months; and

be payable on overdue interest to the extent permitted by law at the same rate as interest is payable on principal.

If any interest payment date, stated maturity date or redemption date falls on a day that is not a business day, the payment will be made on the next business day and no interest will accrue for the period from and after such interest payment date, stated maturity date or redemption date.

*Payment and transfer.* Initially, the notes will be issued only in global form. Beneficial interests in notes in global form will be shown on, and transfers of interests in notes in global form will be made only through, records maintained by DTC and its participants. Notes in definitive form, if any, may be presented for registration of transfer or exchange at the office or agency maintained by us for such purpose. Initially, this will be the corporate trust office of the trustee located at 100 Wall Street, Suite 1600, New York, New York 10005.

Payment of principal of, premium, if any, and interest on notes in global form registered in the name of DTC's nominee will be made in immediately available funds to DTC's nominee, as the registered holder of such global notes. If any of the notes are no longer represented by a global note, payments of interest on notes in definitive form may, at our option, be made at the corporate trust office or agency of the trustee indicated above or by check mailed directly to holders at their respective registered addresses or by wire transfer to an account designated by a holder of at least \$1,000,000 of notes. All funds that we provide to the trustee or a paying agent for the payment of principal and any premium or interest on any note that remain unclaimed at the end of two years will (subject to applicable abandoned property laws) be repaid to us, and the holder of such note must thereafter look only to us for payment as a general creditor.

No service charge will be imposed for any registration of transfer or exchange of notes, but we or the trustee may require payment of a sum sufficient to cover any tax or other governmental charge payable upon transfer or exchange of notes. We are not required to register the transfer of or to exchange any note (1) selected or called for redemption or (2) during a period of 15 days before mailing notice of any redemption of notes.

The registered holder of a note will be treated as its owner for all purposes, and all references in this description to holders mean holders of record, unless otherwise indicated.

*Replacement of securities.* We will replace any mutilated, destroyed, lost or stolen notes at the expense of the holder upon surrender of the mutilated notes to the trustee or evidence of destruction, loss or theft of a note satisfactory to us and the trustee. In the case of a destroyed, lost or stolen note, we may require an indemnity satisfactory to the trustee and to us before a replacement note will be issued.

## **Additional issuances**

We may from time to time, without notice or the consent of the holders of the notes, create and issue additional notes of the series ranking equally and ratably with the original notes in all

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respects (except for the public offering price, issue date and the payment of interest accruing prior to the date such additional notes are initially issued under the indenture), so that such additional notes form a single series with the original notes and have the same terms as to status, redemption or otherwise as the original notes.

## **Optional redemption**

The notes will be redeemable, at our option, at any time in whole, or from time to time in part, at a price equal to the greater of:

100% of the principal amount of the notes to be redeemed; and

the sum of the present values of the remaining scheduled payments of principal and interest on the notes to be redeemed (exclusive of interest accrued to the date of redemption) discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined below) plus 50 basis points; plus, in either case, accrued interest to the date of redemption. The actual redemption price, calculated as provided in this description, will be calculated and certified to the trustee and us by the Independent Investment Banker (as defined below).

Notes called for redemption become due on the date fixed for redemption. Notices of redemption will be mailed at least 30 but not more than 60 days before the redemption date to each holder of the notes to be redeemed at its registered address. The notice of redemption for the notes will state, among other things, the amount of notes to be redeemed, if less than all of the outstanding notes are to be redeemed, the redemption date, the redemption price (or the method of calculating it) and each place that payment will be made upon presentation and surrender of notes to be redeemed. Unless we default in payment of the redemption price, interest will cease to accrue on any notes that have been called for redemption on the redemption date. If less than all the notes are redeemed at any time, the trustee will select the notes (or any portion of notes in integral multiples of \$1,000) to be redeemed on a pro rata basis or by any other method the trustee deems fair and appropriate, but beneficial interests in notes in global form will be selected for redemption in accordance with DTC's customary practices.

For purposes of determining the optional redemption price, the following definitions are applicable:

**Comparable Treasury Issue** means the U.S. Treasury security or securities selected by the Independent Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of the notes to be redeemed.

**Comparable Treasury Price** means, for any redemption date, (1) the average of four Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (2) if the Independent Investment Banker obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

**Independent Investment Banker** means J.P. Morgan Securities Inc., Banc of America Securities LLC or SunTrust Robinson Humphrey, Inc. or any of their respective successor firms, or if each such



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firm is unwilling or unable to select the Comparable Treasury Issue, an independent investment banking institution of national standing appointed by the trustee after consultation with us.

**Reference Treasury Dealer** means each of J.P. Morgan Securities Inc., Banc of America Securities LLC and SunTrust Robinson Humphrey, Inc., plus two other U.S. government securities dealers (in each case, or its affiliates and successors) selected by the trustee, provided that if any of the Reference Treasury Dealers resigns, its successor dealer shall be a primary U.S. government securities dealer selected by the trustee.

**Reference Treasury Dealer Quotations** means, for each Reference Treasury Dealer and any redemption date, the average, as determined by the trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the trustee by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the third business day preceding such redemption date.

**Treasury Rate** means, with respect to any redemption date, (1) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated H.15(519) or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption Treasury Constant Maturities, for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three months before or after the remaining term of the notes to be redeemed, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (2) if such release (or any successor release) is not published during the week in which the calculation date falls (or in the immediately preceding week if the calculation date falls on any day prior to the usual publication date for such release) or does not contain such yields, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date. The Treasury Rate shall be calculated on the third business day preceding the redemption date. Any weekly average yields calculated by interpolation or extrapolation will be rounded to the nearest 1/100th of 1%, with any figure of 1/200th of 1% or above being rounded upward.

Except as set forth above, the notes will not be redeemable by us prior to maturity, will not be entitled to the benefit of any sinking fund and will not be subject to repurchase by us at the option of the holders.

## **Ranking**

The notes will be unsecured, unless we are required to secure them as described below under Certain covenants Limitations on liens. The notes will also be our unsubordinated obligations and will rank equally in contractual right of payment with all of our other existing and future unsubordinated indebtedness.

We currently conduct substantially all our operations through our Subsidiaries, and our Subsidiaries generate substantially all our operating income and cash flow. As a result, we depend on distributions or advances from our Subsidiaries for funds to meet our debt service obligations. Contractual provisions or laws, as well as our Subsidiaries financial condition and

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operating requirements, may limit our ability to obtain from our Subsidiaries cash that we require to pay our debt service obligations, including payments on the notes. The notes will be structurally subordinated to all obligations of our Subsidiaries, including claims of trade payables, except for any Subsidiary Guarantees as described below under Potential guarantee of notes by subsidiaries. This means that you, as a holder of the notes, will have a junior position to the claims of creditors of such Subsidiaries on their assets and earnings. The notes will also be effectively subordinated to any secured debt we may incur, to the extent of the value of the assets securing that debt. The indenture does not limit the amount of debt we or our Subsidiaries may incur.

As of March 31, 2009, we had an aggregate of approximately \$1.112 billion of total debt outstanding, excluding discounts and fair value adjustments, all of which would rank equally in right of payment with the notes. Of such total debt, \$112.0 million was borrowings outstanding under our revolving credit facility, all of which will be repaid from the proceeds of this offering. As of March 31, 2009, our Subsidiaries had no debt for borrowed money owing to any unaffiliated third parties.

### **Potential guarantee of notes by subsidiaries**

Initially, the notes will not be guaranteed by any of our Subsidiaries. In the future, however, if any of our Subsidiaries become guarantors or co-obligors of our Funded Debt, then those Subsidiaries will jointly and severally, fully and unconditionally, guarantee our payment obligations under the notes. We refer to any such Subsidiaries as Subsidiary Guarantors and sometimes to such guarantees as Subsidiary Guarantees. Each Subsidiary Guarantor will execute a supplement to the indenture and a notation of a guarantee as further evidence of its guarantee.

The obligations of each Subsidiary Guarantor under its guarantee of the notes will be limited to the maximum amount that will not result in the obligations of the Subsidiary Guarantor under the guarantee constituting a fraudulent conveyance or fraudulent transfer under federal or state law, after giving effect to:

all other contingent and fixed liabilities of the Subsidiary Guarantor; and

any collections from or payments made by or on behalf of any other Subsidiary Guarantor in respect of the obligations of such other Subsidiary Guarantor under its guarantee.

### **Addition and release of subsidiary guarantors**

The guarantee of any Subsidiary Guarantor may be released under certain circumstances. If we exercise our legal or covenant defeasance option with respect to the notes as described below under Defeasance or discharge our obligations under the indenture with respect to the notes as described below under Satisfaction and discharge, then any Subsidiary Guarantee will be released. Further, if no Default has occurred and is continuing under the indenture, a Subsidiary Guarantor will be unconditionally released and discharged from its guarantee:

automatically upon any sale, exchange or transfer, whether by way of merger or otherwise, to any person that is not our affiliate, of all of our direct or indirect limited partnership, limited liability company or other equity interests in the Subsidiary Guarantor;

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automatically upon the merger of the Subsidiary Guarantor into us or any other Subsidiary Guarantor or the liquidation or dissolution of the Subsidiary Guarantor; or

upon delivery of a written notice by us to the trustee of the release of all guarantees by the Subsidiary Guarantor of any Funded Debt of ours, except the debt securities outstanding under the indenture.

If at any time following any release of a Subsidiary Guarantor from its initial guarantee of the notes pursuant to the third bullet point in the preceding paragraph, the Subsidiary Guarantor again guarantees any of our Funded Debt (other than our obligations under the indenture), then we will cause the Subsidiary Guarantor to again guarantee the notes in accordance with the indenture.

## **Certain covenants**

The following is a description of certain covenants of the indenture that limit our ability and the ability of our Subsidiaries to take certain actions.

*Limitations on liens.* We will not, nor will we permit any Subsidiary to, create, assume, incur or suffer to exist any Lien upon any Principal Property or upon any capital stock of any Restricted Subsidiary, whether owned or leased on the date of the indenture or thereafter acquired, to secure any Debt of ours or any other Person (other than debt securities issued under the indenture), without in any such case making effective provision whereby all of the notes and other debt securities then outstanding under the indenture are secured equally and ratably with, or prior to, such Debt so long as such Debt is so secured. This restriction does not apply to or prevent the creation or existence of:

any Lien on any property or assets owned by us or any Restricted Subsidiary in existence on the Issue Date or created pursuant to an after acquired property clause or similar term in existence on the Issue Date in any mortgage, pledge agreement, security agreement or other similar instrument applicable to us or any Restricted Subsidiary and in existence on the Issue Date;

any Lien on any property or assets created at the time of acquisition of such property or assets by us or any Restricted Subsidiary or within one year after such time to secure all or a portion of the purchase price for such property or assets or Debt incurred to finance such purchase price, whether such Debt was incurred prior to, at the time of or within one year of such acquisition;

any Lien on any property or assets existing thereon at the time of the acquisition thereof by us or any Restricted Subsidiary (whether or not the obligations secured thereby are assumed by us or any Restricted Subsidiary), provided that such Lien only encumbers the property or assets so acquired;

any Lien on any property or assets of a Person existing thereon at the time such Person becomes a Restricted Subsidiary by acquisition, merger or otherwise, provided that such Lien is not incurred in anticipation of such Person becoming a Restricted Subsidiary;

any Lien on any property or assets to secure all or part of the cost of construction, development, repair or improvements thereon or to secure Debt incurred prior to, at the time of, or within one year after completion of such construction, development, repair or

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improvements or the commencement of full operations thereof (whichever is later), to provide funds for any such purpose;

any Lien in favor of us or any Restricted Subsidiary;

any Lien created or assumed by us or any Restricted Subsidiary in connection with the issuance of Debt the interest on which is excludable from gross income of the holder of such Debt pursuant to the Internal Revenue Code of 1986, as amended, or any successor statute, for the purpose of financing, in whole or in part, the acquisition or construction of property or assets to be used by us or any Subsidiary;

Permitted Liens;

any Lien on any additions, improvements, replacements, repairs, fixtures, appurtenances or component parts thereof attaching to or required to be attached to property or assets pursuant to the terms of any mortgage, pledge agreement, security agreement or other similar instrument, creating a Lien upon such property or assets permitted by the first eight bullet points, inclusive, above; or

any extension, renewal, refinancing, refunding or replacement (or successive extensions, renewals, refinancing, refundings or replacements) of any Lien, in whole or in part, that is referred to in the first nine bullet points, inclusive, above, or of any Debt secured thereby; provided, however, that the principal amount of Debt secured thereby shall not exceed the greater of (A) the principal amount of Debt so secured at the time of such extension, renewal, refinancing, refunding or replacement (plus the aggregate amount of premiums, other payments, costs and expenses required to be paid or incurred in connection with such extension, renewal, refinancing, refunding or replacement) and (B) the maximum committed principal amount of Debt so secured at such time; provided further, however, that such extension, renewal, refinancing, refunding or replacement shall be limited to all or a part of the property or assets (including improvements, alterations and repairs on such property or assets) subject to the Lien so extended, renewed, refinanced, refunded or replaced (plus improvements, alterations and repairs on such property or assets).

Notwithstanding the preceding, under the indenture, we may, and may permit any Subsidiary to, create, assume, incur or suffer to exist any Lien upon any Principal Property or capital stock of a Restricted Subsidiary to secure our Debt or the Debt of any other Person (other than debt securities issued under the indenture) that is not excepted by the bullet points above without securing the notes and other debt securities issued under the indenture, provided that the aggregate principal amount of all Debt then outstanding secured by such Lien and all other Liens not excepted by the bullet points above, together with all net sale proceeds from Sale-Leaseback Transactions (excluding Sale-Leaseback Transactions permitted by bullet points one through four, inclusive, of the first paragraph of the restriction on sale-leasebacks covenant described below), does not exceed at any one time 15% of Consolidated Net Tangible Assets.

*Restriction on sale-leasebacks.* We will not, and will not permit any Restricted Subsidiary to, engage in a Sale-Leaseback Transaction, unless:

the Sale-Leaseback Transaction occurs within one year from the date of acquisition of the Principal Property subject thereto or the date of the completion of construction or commencement of full operations on such Principal Property, whichever is later;

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the Sale-Leaseback Transaction involves a lease for a period, including renewals, of not more than three years;

we or such Restricted Subsidiary would be entitled under the limitations on liens covenant described above to incur Debt secured by a Lien on the Principal Property subject to the Sale-Leaseback Transaction in a principal amount equal to or exceeding the net sale proceeds from such Sale-Leaseback Transaction without equally and ratably securing the debt securities issued under the indenture; or

we or such Restricted Subsidiary, within a one-year period after such Sale-Leaseback Transaction, applies or causes to be applied an amount not less than the net sale proceeds from such Sale-Leaseback Transaction to (A) the prepayment, repayment, redemption or retirement of any unsubordinated Funded Debt of us or any Funded Debt of a Subsidiary of ours, or (B) investment in another Principal Property.

Notwithstanding the preceding, we may, and may permit any Restricted Subsidiary to, effect any Sale-Leaseback Transaction that is not excepted by bullet points one through four, inclusive, of the above paragraph, provided that the net sale proceeds from such Sale-Leaseback Transaction, together with the aggregate principal amount of then outstanding Debt (other than debt securities issued under the indenture) secured by Liens upon Principal Properties not excepted by bullet points one through ten, inclusive, of the first paragraph of the limitations on liens covenant described above do not exceed at any one time 15% of Consolidated Net Tangible Assets.

*Limitation on amending partnership agreement.* Except in limited circumstances, we may not amend certain provisions of our partnership agreement, in a manner that is materially adverse to the interests of the holders of the notes, that require us to maintain our separate existence, resolve any conflicts of interest with our general partner and its affiliates in a manner that is fair and reasonable to us, or take certain actions related to our bankruptcy or liquidation without the approval of the conflicts committee of our general partner.

*Reports.* So long as any notes are outstanding, we will be required to comply with the covenant under the caption Description of Debt Securities Covenants Reports of the accompanying prospectus. We are also required to furnish to the trustee annually a statement as to our compliance with all covenants under the indenture.

## **Merger, amalgamation, consolidation and sale of assets**

We will not merge, amalgamate or consolidate with or into any other Person or sell, convey, transfer, lease or otherwise dispose of all or substantially all of our assets to any Person, whether in a single transaction or series of related transactions, except in accordance with the provisions of our partnership agreement, and unless:

we are the surviving Person in the case of a merger, or the surviving or transferee Person if other than us:

is a partnership, limited liability company or corporation organized under the laws of the United States, a state thereof or the District of Columbia; and

expressly assumes by supplemental indenture satisfactory to the trustee all of our obligations under the indenture and the debt securities issued under the indenture;

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immediately after giving effect to the transaction or series of transactions, no Default or Event of Default has occurred or is continuing;

if we are not the surviving Person, then each Subsidiary Guarantor, unless it is the Person with which we have consummated a transaction under this provision, has confirmed that its guarantee of the notes will continue to apply to the obligations under the notes and the indenture; and

we have delivered to the trustee an officers' certificate and opinion of counsel, each stating that the merger, amalgamation, consolidation, sale, conveyance, transfer, lease or other disposition, and if a supplemental indenture is required, the supplemental indenture, comply with the conditions set forth above and any other applicable provisions of the indenture. Thereafter, if we are not the surviving Person, the surviving or transferee Person will be substituted for us under the indenture. If we sell or otherwise dispose of (except by lease) all or substantially all of our assets and the above stated requirements are satisfied, we will be released from all of our liabilities and obligations under the indenture and the notes. If we lease all or substantially all of our assets, we will not be so released from our obligations under the indenture and the notes.

## **Events of default**

*Events of default.* In addition to the Events of Default described under the caption Description of Debt Securities Events of Default, Remedies and Notice Events of Default on pages 9 through 11 of the accompanying prospectus, Events of Default under the indenture with respect to the notes will also include:

default by us or any of our Subsidiaries in the payment at the stated maturity, after the expiration of any applicable grace period, of principal of, premium, if any, or interest on any Debt then outstanding having a principal amount in excess of \$50.0 million or acceleration of any Debt having a principal amount in excess of such amount so that it becomes due and payable prior to its stated maturity and such acceleration is not rescinded within 30 days after notice;

a final judgment or order for the payment of money in excess of \$50.0 million (net of applicable insurance coverage) having been rendered against us or any Subsidiary and such judgment or order shall continue unsatisfied and unstayed for a period of 30 days; and

except in limited circumstances, the amendment by our general partner of certain provisions of its limited liability company agreement, in a manner that is materially adverse to the interests of the holders of the notes, that require it to maintain its and our separate existence, or take certain actions related to its and our bankruptcy or liquidation without the approval of the conflicts committee of our general partner.

*Exercise of remedies.* If an Event of Default, other than an Event of Default described in the fifth bullet point under the caption Description of Debt Securities Events of Default, Remedies and Notice Events of Default on pages 9 through 11 of the accompanying prospectus, occurs and is continuing, the trustee or the holders of at least 25% in principal amount of the outstanding notes may declare the entire principal of, premium, if any, and accrued and unpaid interest, if any, on all the notes to be due and payable immediately. If an Event of Default described in such fifth bullet point occurs and is continuing, the principal of, premium, if any, and accrued and

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unpaid interest on all debt securities outstanding under the indenture, including the notes, will become immediately due and payable without any declaration of acceleration or other act on the part of the trustee or any holders.

The holders of a majority in principal amount of the outstanding notes may rescind any declaration of acceleration by the trustee or the holders, but only if:

rescinding the declaration of acceleration would not conflict with any judgment or decree of a court of competent jurisdiction; and

all existing Events of Default with respect to the notes have been cured or waived, other than the nonpayment of principal, premium or interest on the notes that have become due solely by the declaration of acceleration.

The trustee will not be obligated, except as otherwise provided in the indenture, to exercise any of the rights or powers under the indenture at the request or direction of any of the holders of notes, unless such holders have offered to the trustee reasonable indemnity or security against any costs, liability or expense that may be incurred in exercising such rights or powers. No holder of notes may pursue any remedy with respect to the indenture or the notes, unless:

such holder has previously given the trustee notice that an Event of Default with respect to the notes is continuing;

holders of at least 25% in principal amount of the outstanding notes have requested that the trustee pursue the remedy;

such holders have offered the trustee reasonable indemnity or security against any cost, liability or expense to be incurred in pursuit of the remedy;

the trustee has not complied with such request within 60 days after the receipt of the request and the offer of indemnity or security; and

the holders of a majority in principal amount of the outstanding notes have not given the trustee a direction that is inconsistent with such request within such 60-day period.

This provision does not, however, affect the right of a holder of a note to sue for enforcement of any overdue payment. The holders of a majority in principal amount of the notes have the right, subject to certain restrictions, to direct the time, method and place of conducting any proceeding for any remedy available to the trustee or of exercising any right or power conferred on the trustee with respect to the notes. The trustee, however, may refuse to follow any direction that:

conflicts with law;

is inconsistent with any provision of the indenture;

the trustee determines is unduly prejudicial to the rights of any holder of notes not taking part in such direction; or

would involve the trustee in personal liability.

*Notice of Default.* Within 30 days after the occurrence of any Default or Event of Default, we are required to give written notice to the trustee and indicate the status of the Default or Event of Default and what action we are taking or propose to take to cure it, as further described under

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the caption Description of Debt Securities Events of Default, Remedies and Notice Notice of Event of Default on page 12 of the accompanying prospectus.

## **Defeasance**

At any time, we may terminate all our obligations under the indenture as they relate to the notes, which we call a legal defeasance. If we decide to make a legal defeasance, however, we may not terminate our obligations:

- relating to the defeasance trust;
- to register the transfer or exchange of the notes;
- to replace mutilated, destroyed, lost or stolen notes; or
- to maintain a registrar and paying agent in respect of the notes.

If we exercise our legal defeasance option, any subsidiary guarantee will terminate with respect to the notes.

At any time we may also effect a covenant defeasance, which means we have elected to terminate our obligations under:

- some of the covenants applicable to the notes, including those described above under Certain covenants Limitations on liens and Certain covenants Restriction on sale-leasebacks;

the guarantee provisions and the bankruptcy provisions with respect to a Subsidiary Guarantor described in the accompanying prospectus under Description of Debt Securities Events of Default, Remedies and Notice Events of Default; and

the cross acceleration and the judgment default provisions and the provisions relating to certain amendments by our general partner described under Events of default Events of default above.

We may exercise our legal defeasance option notwithstanding our prior exercise of our covenant defeasance option. If we exercise our legal defeasance option, payment of the defeased notes may not be accelerated because of an Event of Default. If we exercise our covenant defeasance option, payment of the notes may not be accelerated because of an Event of Default specified in the fourth, fifth (with respect only to a Subsidiary Guarantor (if any)) or sixth bullet points under Description of Debt Securities Events of Default, Remedies and Notice Events of Default in the accompanying prospectus or because of a default under any of the three bullet points under Events of default Events of default above.

In order to exercise either defeasance option, we must:

irrevocably deposit in trust with the trustee money or certain U.S. government obligations for the payment of principal, premium, if any, and interest on the notes to redemption or stated maturity, as the case may be;

comply with certain other conditions, including that no Default has occurred and is continuing after the deposit in trust; and

deliver to the trustee an opinion of counsel to the effect that holders of the notes will not recognize income, gain or loss for federal income tax purposes as a result of such defeasance

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and will be subject to federal income tax on the same amounts and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred. In the case of legal defeasance only, such opinion of counsel must be based on a ruling of the Internal Revenue Service or other change in applicable federal income tax law.

## **Satisfaction and discharge**

We may discharge all our obligations under the indenture with respect to the notes, other than our obligation to register the transfer of and exchange notes, provided that we either:

deliver all outstanding notes to the trustee for cancellation; or

all such notes not so delivered for cancellation have either become due and payable or will become due and payable at their stated maturity within one year or are to be called for redemption within one year, and in the case of this bullet point we have deposited with the trustee in trust an amount of cash or certain U.S. government obligations sufficient to pay the entire indebtedness of such notes, including interest to the stated maturity or applicable redemption date.

## **Amendment and waiver**

We may amend the indenture or the holders of the notes may waive our compliance with certain covenants or past defaults under the indenture, as further described under the caption **Description of Debt Securities Amendments and Waivers** of the accompanying prospectus.

## **Book-entry system; depository procedures**

Initially, the notes will be represented by one or more notes in registered, global form without interest coupons (collectively, the **Global Note** ). The Global Note will be deposited upon issuance with the trustee as custodian for DTC, and registered in the name of a nominee of DTC, as further described under the caption **Description of Debt Securities Book Entry, Delivery and Form** of the accompanying prospectus.

## **Regarding the trustee**

The indenture limits the right of the trustee, if it becomes our creditor, to obtain payment of claims in certain cases, or to realize for its own account on certain property received in respect of any such claim as security or otherwise. The trustee is permitted to engage in certain other transactions. However, if it acquires any conflicting interest after a Default has occurred under the indenture and is continuing, it must eliminate the conflict within 90 days, apply to the SEC for permission to continue or resign as trustee.

If an Event of Default occurs and is not cured or waived, the trustee is required to exercise such of the rights and powers vested in it by the indenture, and use the same degree of care and skill in its exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs. Subject to such provisions, the trustee will be under no obligation to exercise any of its rights or powers under the indenture at the request of any of the holders of notes unless they have offered to the trustee reasonable security or indemnity against the costs and liabilities that it may incur.

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U.S. Bank National Association serves as trustee under indentures for our 6.40% senior notes due 2018 and our 6.40% senior notes due 2037.

U.S. Bank National Association, as the trustee under the indenture, may be a depository for funds of, may make loans to and may perform other routine banking services for us and our affiliates in the normal course of business.

## **Governing law**

The indenture, any Subsidiary Guarantees and the notes are governed by New York law.

## **Certain definitions**

**Consolidated Net Tangible Assets** means, at any date of determination, the total amount of assets after deducting therefrom:

all current liabilities (excluding (A) any current liabilities that by their terms are extendible or renewable at the option of the obligor thereon to a time more than 12 months after the time as of which the amount thereof is being computed, and (B) current maturities of long-term debt); and

the amount (net of any applicable reserves) of all goodwill, trade names, trademarks, patents and other like intangible assets, all as set forth on the consolidated balance sheet of us and our consolidated subsidiaries for our most recently completed fiscal quarter, prepared in accordance with generally accepted accounting principles in the United States, as in effect from time to time.

**Debt** means any obligation created or assumed by any Person for the repayment of money borrowed, any purchase money obligation created or assumed by such Person and any guarantee of the foregoing.

**Default** means any event, act or condition that is, or after notice or the passage of time or both would be, an Event of Default.

**Exchange Act** means the Securities Exchange Act of 1934, as amended, and any successor statute.

**Funded Debt** means all Debt maturing one year or more from the date of the creation thereof, all Debt directly or indirectly renewable or extendible, at the option of the debtor, by its terms or by the terms of any instrument or agreement relating thereto, to a date one year or more from the date of the creation thereof, and all Debt under a revolving credit or similar agreement obligating the lender or lenders to extend credit over a period of one year or more.

**Issue Date** means the date on which notes are initially issued under the indenture.

**Lien** means, as to any Person, any mortgage, lien, pledge, security interest or other encumbrance in or on, or adverse interest or title of any vendor, lessor, lender or other secured party to or of the Person under conditional sale or other title retention agreement or capital lease with respect to, any property or asset of the Person.

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Permitted Liens means:

Liens upon rights-of-way for pipeline purposes;

any statutory or governmental Lien, mechanics , materialmen s, carriers or similar Lien incurred in the ordinary course of business which is not yet due or which is being contested in good faith by appropriate proceedings and any undetermined Lien which is incidental to construction;

the right reserved to, or vested in, any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or by any provision of law, to purchase or recapture or to designate a purchaser of, any property or assets;

Liens for taxes and assessments which are (A) for the then current year, (B) not at the time delinquent, or (C) delinquent but the validity of which is being contested at the time by us or any Restricted Subsidiary in good faith;

Liens arising under, or to secure performance of, leases, other than capital leases;

any Lien upon, or deposits of, any assets in favor of any surety company or clerk of court for the purpose of obtaining indemnity or stay of judicial proceedings;

any Lien upon property or assets acquired or sold by us or any Restricted Subsidiary resulting from the exercise of any rights arising out of defaults on receivables;

any Lien incurred in the ordinary course of business in connection with workmen s compensation, unemployment insurance, temporary disability, social security, retiree health or similar laws or regulations or to secure obligations imposed by statute or governmental regulations;

any Lien in favor of the United States of America or any state thereof, or any other country, or any political subdivision of any of the foregoing, to secure partial, progress, advance or other payments pursuant to any contract or statute, or any Lien securing industrial development, pollution control or similar revenue bonds; or

any easements, exceptions or reservations in any property or assets of us or any Restricted Subsidiary granted or reserved for the purpose of pipelines, roads, the removal of oil, gas, coal or other minerals, and other like purposes, or for the joint or common use of real property, facilities and equipment, which are incidental to, and do not materially interfere with, the ordinary conduct of our or its business or the business of ourself and our Subsidiaries, taken as a whole.

Person means any individual, corporation, partnership, joint venture, limited liability company, association, joint stock company, trust, other entity, unincorporated organization or government, or any agency or political subdivision thereof.

Principal Property means any pipeline, terminal or terminal facility property or asset owned or leased by us or any Subsidiary, including any related property or asset employed in the transportation (including vehicles that generate transportation revenues), distribution,



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terminalling, gathering, treating, processing, marketing or storage of crude oil or refined petroleum products, natural gas, natural gas liquids, fuel additives, petrochemicals or ammonia, except, in the case of:

any property or asset consisting of inventories, furniture, office fixtures and equipment (including data processing equipment), vehicles and equipment used on, or useful with, vehicles (but excluding vehicles that generate transportation revenues as provided above), and

any such property or asset, plant or terminal which, in the opinion of the board of directors of our general partner, is not material in relation to the activities of us and our Subsidiaries, taken as a whole.

**Restricted Subsidiary** means any of our Subsidiaries that owns or leases, directly or indirectly through the ownership of or an ownership interest in another Subsidiary, any Principal Property.

**Sale-Leaseback Transaction** means the sale or transfer by us or any Restricted Subsidiary of any Principal Property to a Person (other than us or a Restricted Subsidiary) and the taking back by us or any Restricted Subsidiary, as the case may be, of a lease of such Principal Property.

**Securities Act** means the Securities Act of 1933, as amended, and any successor statute.

**Subsidiary** means, with respect to any Person,

any other Person of which more than 50% of the total voting power of capital interests (without regard to any contingency to vote in the election of directors, managers, trustees, or equivalent persons), at the time of such determination, is owned or controlled, directly or indirectly, by such Person or one or more of the Subsidiaries of such Person;

in the case of a partnership, any Person of which more than 50% of the partners' capital interests (considering all partners' capital interests as a single class), at the time of such determination, is owned or controlled, directly or indirectly, by such Person or one or more of the Subsidiaries of such Person; or

any other Person in which such Person or one or more of the Subsidiaries of such Person have the power to control, by contract or otherwise, the board of directors, managers, trustees or equivalent governing body of, or otherwise control, such other Person.

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## Certain United States federal income tax considerations

The following discussion summarizes certain U.S. federal income tax considerations, and in the case of a non-U.S. holder (as defined below), certain U.S. federal estate tax considerations, that may be relevant to the acquisition, ownership and disposition of the notes. This discussion is based upon the provisions of the Internal Revenue Code of 1986, as amended (the Code), applicable Treasury Regulations promulgated thereunder, judicial authority and administrative interpretations, as of the date of this document, all of which are subject to change, possibly with retroactive effect, or are subject to different interpretations. We cannot assure you that the Internal Revenue Service, or IRS, will not challenge one or more of the tax consequences described in this discussion, and we have not obtained, nor do we intend to obtain, a ruling from the IRS or an opinion of counsel with respect to the U.S. federal tax consequences of acquiring, holding or disposing of the notes.

In this discussion, we do not purport to address all tax considerations that may be important to a particular holder in light of the holder's circumstances, or to certain categories of investors that may be subject to special rules, such as financial institutions, insurance companies, regulated investment companies, tax-exempt organizations, dealers in securities or currencies, U.S. holders whose functional currency is not the U.S. dollar, U.S. expatriates, or persons who hold the notes as part of a hedge, conversion transaction, straddle or other risk reduction transaction. This discussion is limited to holders who purchase the notes in this offering for a price equal to the issue price of the notes (i.e., the first price at which a substantial amount of the notes is sold other than to bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) and who hold the notes as capital assets (generally, property held for investment). This discussion also does not address the tax considerations arising under the laws of any foreign, state, local, or other jurisdiction.

**Investors considering the purchase of notes are urged to consult their own tax advisors regarding the application of the U.S. federal income tax laws to their particular situations and the applicability and effect of state, local or foreign tax laws and tax treaties.**

### Tax consequences to U.S. holders

You are a U.S. holder for purposes of this discussion if you are a beneficial owner of a note and you are for U.S. federal income tax purposes:

an individual who is a U.S. citizen or U.S. resident alien;

a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, that was created or organized in or under the laws of the United States, any state thereof or the District of Columbia;

an estate whose income is subject to U.S. federal income taxation regardless of its source; or

a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust, or that has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a United States person.

If a partnership (including an entity treated as a partnership for U.S. federal income tax purposes) holds notes, the tax treatment of a partner of the partnership generally will depend upon the

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status of the partner and the activities of the partnership. If you are a partner of a partnership acquiring the notes, you are urged to consult your own tax advisor about the U.S. federal income tax consequences of acquiring, holding and disposing of the notes.

### *Interest on the notes*

You will generally be required to recognize as ordinary income any interest paid or accrued on the notes, in accordance with your regular method of accounting for U.S. federal income tax purposes.

### *Certain additional payments*

We do not intend to treat the possibility of payment of additional amounts described in Description of notes Optional redemption as (i) affecting the determination of the yield to maturity of the notes or giving rise to any accrual of original issue discount or recognition of ordinary income upon redemption, sale, or exchange of the notes, or (ii) resulting in the notes being treated as contingent payment debt instruments under the applicable Treasury Regulations. However, additional income will be recognized if any such additional payment is made. It is possible that the IRS may take a different position, in which case the timing, character and amount of income attributable to the notes may be different.

### *Disposition of the notes*

You will generally recognize capital gain or loss on the sale, redemption, exchange, retirement or other taxable disposition of a note. This gain or loss will equal the difference between your adjusted tax basis in the note and the proceeds you receive, excluding any proceeds attributable to accrued interest which will be recognized as ordinary interest income to the extent you have not previously included the accrued interest in income. The proceeds you receive will include the amount of any cash and the fair market value of any other property received for the note. Your adjusted tax basis in the note will generally equal the amount you paid for the note. The gain or loss will be long-term capital gain or loss if you held the note for more than one year at the time of the sale, redemption, exchange, retirement or other taxable disposition. Long-term capital gains of individuals, estates and trusts currently are taxed at a maximum rate of 15% (this rate is scheduled to increase to 20% beginning January 1, 2011). The deductibility of capital losses may be subject to limitation.

### *Information reporting and backup withholding*

Information reporting will apply to payments of interest on, and the proceeds of the sale or other disposition of, notes held by you, and backup withholding (currently at a rate of 28%, but this rate is scheduled to increase to 31% beginning January 1, 2011) may apply to payments of interest and sales proceeds unless you provide the appropriate intermediary with a taxpayer identification number, certified under penalties of perjury, as well as certain other information or otherwise establish an exemption from backup withholding. Any amount withheld under the backup withholding rules is allowable as a credit against your U.S. federal income tax liability, if any, and a refund may be obtained if the amounts withheld exceed your actual U.S. federal income tax liability and you timely provide the required information or appropriate claim form to the IRS.



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### **Tax consequences to non-U.S. holders**

You are a non-U.S. holder for purposes of this discussion if you are a beneficial owner of notes and for U.S. federal income tax purposes you are not a U.S. holder or a partnership (including an entity treated as a partnership for such purposes).

#### *Interest on the notes*

Payments to you of interest on the notes generally will be exempt from withholding of U.S. federal income tax under the portfolio interest exemption if the interest is not effectively connected with your conduct of a U.S. trade or business, you properly certify as to your foreign status as described below, and:

you do not own, actually or constructively, 10% or more of our capital or profits interests;

you are not a controlled foreign corporation that is related to us (actually or constructively); and

you are not a bank whose receipt of interest on the notes is in connection with an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business.

The portfolio interest exemption and several of the special rules for non-U.S. holders described below generally apply only if you appropriately certify as to your foreign status. You can generally meet this certification requirement by providing a properly executed IRS Form W-8BEN or appropriate substitute form to us, or our paying agent. If you hold the notes through a financial institution or other agent acting on your behalf, you may be required to provide appropriate certifications to the agent. Your agent will then generally be required to provide appropriate certifications to us or our paying agent, either directly or through other intermediaries. Special rules apply to foreign partnerships, estates and trusts, and in certain circumstances certifications as to foreign status of partners, trust owners or beneficiaries may have to be provided to us or our paying agent. In addition, special rules apply to qualified intermediaries that enter into withholding agreements with the IRS.

If you cannot satisfy the requirements described above, payments of interest made to you will be subject to U.S. federal withholding tax at a 30% rate, unless you provide us with a properly executed IRS Form W-8BEN (or successor form) claiming an exemption from (or a reduction of) withholding under the benefit of an income tax treaty, or the payments of interest are effectively connected with your conduct of a trade or business in the United States and you meet the certification requirements described below. Please read *Income or gain effectively connected with a U.S. trade or business*.

#### *Disposition of notes*

You generally will not be subject to U.S. federal income tax on any gain realized on the sale, redemption, exchange, retirement or other taxable disposition of a note unless:

the gain is effectively connected with the conduct by you of a U.S. trade or business (and, if required by an income tax treaty, is treated as attributable to a permanent establishment in the United States); or

you are an individual who has been present in the United States for 183 days or more in the taxable year of disposition and certain other requirements are met.

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### *Income or gain effectively connected with a U.S. trade or business*

The preceding discussion of the tax consequences of the purchase, ownership and disposition of notes by you generally assumes that you are not engaged in a U.S. trade or business. If any interest on the notes or gain from the sale, exchange or other taxable disposition of the notes is effectively connected with a U.S. trade or business conducted by you (and, if required by an income tax treaty, is treated as attributable to a permanent establishment in the United States), then the income or gain will be subject to U.S. federal income tax at regular graduated income tax rates, but will not be subject to withholding tax if certain certification requirements are satisfied. You can generally meet the certification requirements by providing a properly executed IRS Form W-8ECI or appropriate substitute form to us, or our paying agent. If you are a corporation, that portion of your earnings and profits that is effectively connected with your U.S. trade or business also may be subject to a branch profits tax at a 30% rate, although an applicable income tax treaty may provide for a lower rate.

### *U.S. federal estate tax*

If you are an individual and are not a resident of the United States (as specially defined for U.S. federal estate tax purposes) at the time of your death, the notes will not be included in your estate for U.S. federal estate tax purposes provided that, at the time of your death, interest on the notes qualifies for the portfolio interest exemption under the rules described above (without regard to the certification requirement).

### *Information reporting and backup withholding*

Payments to you of interest on a note, and amounts withheld from such payments, if any, generally will be required to be reported to the IRS and to you.

United States backup withholding tax generally will not apply to payments of interest and principal on a note to a non-U.S. holder if the statement described in *Tax consequences to non-U.S. holders Interest on the notes* is duly provided by the holder or the holder otherwise establishes an exemption, provided that we do not have actual knowledge or reason to know that the holder is a United States person.

Payment of the proceeds of a disposition of a note effected by the U.S. office of a U.S. or foreign broker will be subject to information reporting requirements and backup withholding unless you properly certify under penalties of perjury as to your foreign status and certain other conditions are met or you otherwise establish an exemption. Information reporting requirements and backup withholding generally will not apply to any payment of the proceeds of the disposition of a note effected outside the United States by a foreign office of a broker. However, unless such a broker has documentary evidence in its records that you are a non-U.S. holder and certain other conditions are met, or you otherwise establish an exemption, information reporting will apply to a payment of the proceeds of the disposition of a note effected outside the United States by such a broker if it:

is a United States person;

is a foreign person that derives 50% or more of its gross income for certain periods from the conduct of a trade or business in the United States;

is a controlled foreign corporation for U.S. federal income tax purposes; or

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is a foreign partnership that, at any time during its taxable year, has more than 50% of its income or capital interests owned by United States persons or is engaged in the conduct of a U.S. trade or business. Any amount withheld under the backup withholding rules may be credited against your U.S. federal income tax liability and any excess may be refundable if the proper information is timely provided to the IRS.

**The preceding discussion of material U.S. federal income and estate tax considerations is for general information only and is not tax advice. We urge each prospective investor to consult its own tax advisor regarding the particular federal, state, local and foreign tax consequences of purchasing, holding, and disposing of our notes, including the consequences of any proposed change in applicable laws.**

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## Underwriting

J.P. Morgan Securities Inc., Banc of America Securities LLC and SunTrust Robinson Humphrey, Inc. are acting as the representatives of the underwriters named below. Subject to the terms and conditions of the underwriting agreement, we have agreed to sell to each of the underwriters named below, and each of the underwriters has severally and not jointly agreed to purchase from us, the following amount of notes:

<b>Underwriters</b>	<b>Principal amount of notes</b>
J.P. Morgan Securities Inc.	\$ 75,000,000
Banc of America Securities LLC	75,000,000
SunTrust Robinson Humphrey, Inc.	75,000,000
Citigroup Global Markets Inc.	15,000,000
Credit Suisse Securities (USA) LLC	15,000,000
Mitsubishi UFJ Securities (USA), Inc.	15,000,000
Morgan Stanley & Co. Incorporated	15,000,000
Wachovia Capital Markets, LLC	15,000,000
<b>Total</b>	<b>\$ 300,000,000</b>

The underwriting agreement provides that, subject to certain conditions precedent, the underwriters are obligated to purchase all of the notes if any are purchased.

The underwriters propose to offer the notes initially at the price to investors on the cover page of this prospectus supplement and may offer the notes to certain dealers, who may include the underwriters, at that price less a concession not in excess of 0.400% of the principal amount per note. The underwriters may allow, and those dealers may reallow, a concession to certain other broker/dealers not in excess of 0.250% of the principal amount per note. After the initial offering of the notes to the public, the underwriters may change the public offering price and the concession.

The following table shows the underwriting discount to be paid by us to the underwriters in connection with this offering.

	<b>Paid by us</b>
Per note	0.65%
Total	\$1,950,000

We estimate that our total expenses for this offering, excluding the underwriting discount, will be approximately \$0.5 million.

We, our general partner and certain of our affiliates have agreed to indemnify the underwriters against certain liabilities relating to the offering, including liabilities under the Securities Act of 1933, as amended, and liabilities arising from breaches of the representations and warranties contained in the underwriting agreement, or to contribute to payments that may be required to be made in respect to any of these liabilities.

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In connection with this offering and in compliance with applicable law, the underwriters may engage in over-allotment, stabilizing and syndicate covering transactions and penalty bids in accordance with Regulation M under the Securities Exchange Act of 1934, as amended.

Over-allotment involves syndicate sales in excess of the offering size, which creates a syndicate short position.

The underwriters may also effect transactions which stabilize, maintain or otherwise affect the market price of the notes at levels above those which might otherwise prevail in the open market.

Such transactions may include placing bids for the notes or effecting purchases of the notes for the purpose of pegging, fixing or maintaining the price of the notes.

Syndicate covering transactions involve purchases of the notes in the open market after the distribution has been completed in order to cover syndicate short positions.

Penalty bids permit the representatives of the underwriters to reclaim a selling concession from a syndicate member when the notes sold by that syndicate member are purchased in a syndicate covering transaction to cover syndicate short positions. These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of preventing or retarding a decline in the market price of the notes. They may also cause the price of the notes to be higher than it would otherwise be in the absence of these transactions. These transactions may be effected in the over-the-counter market or otherwise. The underwriters are not required to engage in any of these activities and such activities, if commenced, may be discontinued at any time.

Neither we nor any of the underwriters makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the notes. In addition, neither we nor any of the underwriters makes any representation that the underwriters will engage in such transactions or that such transactions, once commenced, will not be discontinued without notice.

The notes are offered for sale only in those jurisdictions where it is legal to offer them.

There is no public market for the notes. The notes will not be listed on any securities exchange or included in any automated quotation system. The underwriters have advised us that, following completion of the offering of the notes, they intend to make a market in the notes, as permitted by applicable law. They are not obligated, however, to make a market in the notes, and may discontinue any market-making activities at any time without notice, in their sole discretion. If any of the underwriters ceases to act as a market-maker for the notes for any reason, there can be no assurance that another firm or person will make a market in the notes. Accordingly, we cannot assure you as to the development or liquidity of any market for these notes.

Some of the underwriters and their affiliates have from time to time performed investment banking, commercial banking and other advisory services for us and our affiliates in the ordinary course of business for which they have received customary fees and expenses. The underwriters and their affiliates may, from time to time in the future, engage in transactions with and perform such services for us and our affiliates in the ordinary course of their business for which they will receive customary fees and expenses.

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Affiliates of J.P. Morgan Securities Inc., Banc of America Securities LLC, SunTrust Robinson Humphrey, Inc., Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC, Mitsubishi UFJ Securities (USA), Inc., Morgan Stanley & Co. Incorporated and Wachovia Capital Markets, LLC are lenders under our revolving credit facility and will receive a portion of the proceeds of this offering through the repayment by us of the indebtedness outstanding under this facility with such proceeds. Because more than 10% of the net proceeds of this offering will be paid to affiliates of participating underwriters through the repayment of the indebtedness outstanding under our credit facility, this offering is being conducted in accordance with Rule 5110(h) of the Conduct Rules of the Financial Industry Regulatory Authority.

We expect delivery of the notes will be made against payment therefor on or about June 26, 2009, which is the fifth business day following the date of pricing of the notes (such settlement being referred to as T+5 ). Under Rule 15(c)6-1 of the Securities Exchange Act of 1934, trades in the secondary market generally are required to settle in three business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the notes on the date of pricing of the notes or during the next succeeding business day will be required, by virtue of the fact that the notes initially will settle in T+5, to specify an alternate settlement cycle at the time of any such trade to prevent failed settlement and should consult their own advisers.

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## **Legal**

The validity of the notes will be passed upon for us by Vinson & Elkins L.L.P., Houston, Texas. Certain legal matters in connection with the notes offered hereby will be passed upon for the underwriters by Andrews Kurth LLP. Andrews Kurth LLP also performs legal services for us from time to time unrelated to this offering.

## **Experts**

The consolidated financial statements of Magellan Midstream Partners, L.P. included in Magellan Midstream Partners, L.P.'s Form 8-K dated May 21, 2009, and the effectiveness of Magellan Midstream Partners, L.P.'s internal control over financial reporting as of December 31, 2008 included in its Annual Report (Form 10-K) for the year ended December 31, 2008, have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their reports thereon, included therein, and incorporated herein by reference. Such consolidated financial statements are incorporated herein by reference in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

The consolidated balance sheet of Magellan GP, LLC at December 31, 2008 included in Magellan Midstream Partners, L.P.'s Form 8-K dated May 21, 2009 has been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their report thereon, included therein, and incorporated herein by reference. Such consolidated balance sheet is incorporated herein by reference in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

## **Information regarding forward-looking statements**

This prospectus supplement and the documents incorporated by reference in this prospectus supplement include forward-looking statements. These forward-looking statements are identified as any statement that does not relate strictly to historical or current facts.

Forward-looking statements can be identified by words such as anticipates, believes, expects, estimates, forecasts, projects, other similar expressions. Although we believe our forward-looking statements are based on reasonable assumptions, statements made regarding future results are not guarantees of future performance and subject to numerous assumptions, uncertainties and risks that are difficult to predict. Therefore, actual outcomes and results may be materially different from the results stated or implied in such forward-looking statements included in this report.

The following are among the important factors that could cause future results to differ materially from any projected, forecasted, estimated or budgeted amounts that we have discussed in this report:

overall demand for refined petroleum products, natural gas liquids, crude oil and ammonia in the United States;

price fluctuations for refined petroleum products and natural gas liquids and expectations about future prices for these products;

changes in general economic conditions, interest rates and price levels in the United States;

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changes in the financial condition of our customers;

our ability to secure financing in the credit and capital markets in amounts and on terms that will allow us to execute our growth strategy and maintain adequate liquidity;

development of alternative energy sources, increased use of biofuels such as ethanol and biodiesel, increased conservation or fuel efficiency, regulatory developments or other trends that could affect demand for our services;

changes in the throughput or interruption in service on petroleum products pipelines owned and operated by third parties and connected to our assets;

changes in demand for storage in our petroleum products terminals;

changes in supply patterns for our marine terminals due to geopolitical events;

our ability to manage interest rate and commodity price exposures;

changes in our tariff rates implemented by the Federal Energy Regulatory Commission, the United States Surface Transportation Board and state regulatory agencies;

shut-downs or cutbacks at major refineries, petrochemical plants, ammonia production facilities or other businesses that use or supply our services;

weather patterns materially different than historical trends;

an increase in the competition our operations encounter;

the occurrence of natural disasters, terrorism, operational hazards or unforeseen interruptions for which we are not adequately insured;

the treatment of us as a corporation for federal or state income tax purposes or if we become subject to significant forms of other taxation;

our ability to identify growth projects or to complete identified growth projects on time and at projected costs;

our ability to make and integrate acquisitions and successfully complete our business strategy;



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changes in laws and regulations to which we are subject, including tax withholding issues, safety, environmental and employment laws and regulations;

the cost and effects of legal and administrative claims and proceedings against us or our subsidiaries;

the amount of our indebtedness, which could make us vulnerable to general adverse economic and industry conditions, limit our ability to borrow additional funds, place us at competitive disadvantages compared to our competitors that have less debt or could have other adverse consequences;

the effect of changes in accounting policies;

the potential that our internal controls may not be adequate, weaknesses may be discovered or remediation of any identified weaknesses may not be successful and the impact these could have on our unit price;

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the ability of third parties to perform on their contractual obligations to us;

conflicts of interests between us, our general partner and MGG;

supply disruption; and

global and domestic economic repercussions from terrorist activities and the government's response thereto. This list of important factors is not exclusive. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, changes in assumptions or otherwise.

You should not put undue reliance on any forward-looking statements. When considering forward-looking statements, please review the risk factors described under "Risk factors" in this prospectus supplement and on page 1 of the accompanying prospectus as well as the risk factors discussed in our 2008 Annual Report on Form 10-K and our Quarterly Report on Form 10-Q for the period ended March 31, 2009.

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## Where you can find more information

The SEC allows us to incorporate by reference information we file with it. This procedure means that we can disclose important information to you by referring you to documents we filed with the SEC. The information we incorporate by reference is part of this prospectus supplement and later information that we file with the SEC (excluding any information furnished pursuant to Item 2.02 or Item 7.01 on any Current Report on Form 8-K) will automatically update and supersede this information. We incorporate by reference the documents listed below:

Annual Report on Form 10-K for the year ended December 31, 2008;

Quarterly Report on Form 10-Q for the three months ended March 31, 2009;

Definitive Proxy Statement on Schedule 14A filed on February 26, 2009; and

Current Reports on Form 8-K filed on January 2, 2009, March 4, 2009, May 21, 2009 and May 28, 2009.  
You may request a copy of these filings at no cost by making written or telephone requests for copies to:

Magellan Midstream Partners, L.P.

P.O. Box 22186

Tulsa, Oklahoma 74121-2186

Attention: Investor Relations Department

Telephone: (918) 574-7000

We also make available free of charge on our internet website at <http://www.magellanlp.com> our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and any amendments to those reports, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Information contained on our website is not part of this prospectus supplement or the accompanying prospectus.

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**MAGELLAN MIDSTREAM PARTNERS, L.P.**

**Common Units**

**Debt Securities**

We may from time to time offer and sell common units and debt securities. Our debt securities that we issue under this prospectus may be guaranteed by one or more of our subsidiaries, which we refer to as Subsidiary Guarantors. We may offer and sell these securities to or through one or more underwriters, dealers and agents, or directly to purchasers, on a continuous or delayed basis. This prospectus describes the general terms of these securities. The specific terms of any securities and the specific manner in which we will offer them will be included in a supplement to this prospectus relating to that offering.

You should carefully read this prospectus and any prospectus supplement before you invest. You also should read the documents we have referred you to in the Where You Can Find More Information section of this prospectus for information on us and our financial statements. This prospectus may not be used to consummate sales of securities unless accompanied by a prospectus supplement.

Our common units are listed on the New York Stock Exchange under the symbol MMP.

**Investing in our securities involves risks. Limited partnerships are inherently different from corporations. You should carefully consider the risk factors beginning on page 1 of this prospectus and in the applicable prospectus supplement before you make an investment in our securities.**

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

The date of this prospectus is September 7, 2006.

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You should rely only on the information contained in this prospectus, any prospectus supplement and the documents we have incorporated by reference. We have not authorized anyone else to provide you different information. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information in this prospectus or any prospectus supplement is accurate as of any date other than the date on the front of these documents.

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**ABOUT THIS PROSPECTUS**

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission, or SEC, using a shelf registration process. Under this shelf process, we may sell the securities described in this prospectus in one or more offerings. This prospectus provides you with a general description of the securities we may offer. Each time we sell securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. You should read both the prospectus and the prospectus supplement relating to the securities offered to you together with the additional information described under the heading **Where You Can Find More Information**.

As used in this prospectus, **we**, **us**, **our** and **Magellan Midstream Partners** mean Magellan Midstream Partners, L.P. and, where the context requires, include our operating subsidiaries. As used in this prospectus, **MGG** means Magellan Midstream Holdings, L.P., the owner of our general partner.

**MAGELLAN MIDSTREAM PARTNERS, L.P.**

We are a publicly traded limited partnership that was formed in August 2000 to own, operate and acquire a diversified portfolio of complementary energy assets. We are principally engaged in the transportation, storage and distribution of refined petroleum products.

Our principal executive offices are located in One Williams Center, Tulsa, Oklahoma 74172 and our phone number is (918) 574-7000.

**RISK FACTORS**

An investment in our securities involves risks. You should carefully consider all of the information contained in or incorporated by reference in this prospectus and other information which may be incorporated by reference in this prospectus or any prospectus supplement as provided under **Incorporation of Certain Information by Reference**, including our Annual Reports on Form 10-K and our Quarterly Reports on Form 10-Q. This prospectus also contains forward-looking statements that involve risks and uncertainties. Please read **Information Regarding Forward-Looking Statements**. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of certain factors, including the risks described elsewhere in this prospectus or any prospectus supplement and in the documents incorporated by reference into this prospectus or any prospectus supplement. If any of these risks occur, our business, financial condition or results of operation could be adversely affected.

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**INFORMATION REGARDING FORWARD-LOOKING STATEMENTS**

This prospectus and the documents incorporated by reference in this prospectus include forward-looking statements. These forward-looking statements are identified as any statement that does not relate strictly to historical or current facts.

Forward-looking statements can be identified by words such as anticipate, believe, continue, estimate, expect, forecast, intend, may, position, projection, strategy, could, should or will or the negative of those terms or other variations of them or by comparable terminology. Although we believe our forward-looking statements are based on reasonable assumptions, statements made regarding future results are subject to numerous assumptions, uncertainties and risks that may cause future results to be materially different from the results stated or implied in this document.

The following are among the important factors that could cause actual results to differ materially from any results projected, forecasted, estimated or budgeted:

price fluctuations for natural gas liquids and refined petroleum products;

overall demand for natural gas liquids, refined petroleum products, natural gas, oil and ammonia in the United States;

weather patterns materially different than historical trends;

development of alternative energy sources;

changes in demand for storage in our petroleum products terminals;

changes in supply patterns for our marine terminals due to geopolitical events;

our ability to manage interest rate and commodity price exposures;

our ability to satisfy our product purchase obligations at historical purchase terms;

changes in our tariff rates implemented by the Federal Energy Regulatory Commission, the United States Surface Transportation Board and state regulatory agencies;

shut-downs or cutbacks at major refineries, petrochemical plants, ammonia production facilities or other businesses that use or supply our services;

changes in the throughput or interruption in service on petroleum products pipelines owned and operated by third parties and connected to our petroleum products terminals or petroleum products pipeline system;

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loss of one or more of our three customers on our ammonia pipeline system;

an increase in the competition our operations encounter;

the occurrence of an operational hazard or unforeseen interruption for which we are not adequately insured;

interruption of services at our pipeline or terminal facilities resulting from condemnation of property by governmental or private entities;

the treatment of us as a corporation for federal income tax purposes or if we become subject to entity-level taxation for state tax purposes;

our ability to make and integrate acquisitions and successfully complete our business strategy;

changes in general economic conditions in the United States;

changes in laws or regulations to which we are subject, including tax withholding issues, safety, environmental and employment laws and regulations;



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the cost and effects of legal and administrative claims and proceedings against us or our subsidiaries;

the amount of our indebtedness, which could make us vulnerable to general adverse economic and industry conditions, limit our ability to borrow additional funds, place us at competitive disadvantages compared to our competitors that have less debt or result in other adverse consequences;

a change of control of our general partner could, under certain circumstances, result in our debt or the debt of our subsidiaries becoming due and payable;

the condition of the capital markets in the United States;

the effect of changes in accounting policies;

the potential that our internal controls may not be adequate, weaknesses may be discovered or remediation of any identified weaknesses may not be successful and the impact these could have on our unit price;

The ability of third-parties to pay the amounts owed to us under indemnification agreements;

conflicts of interests between us, our general partner, MGG, MGG's general partner and related parties of MGG and its general partner;

the ability of our general partner, its affiliates or related parties to enter into certain agreements which could negatively impact our financial position, results of operations and cash flows;

supply disruptions; and

global and domestic economic repercussions from terrorist activities and the government's response thereto.

You should not put undue reliance on any forward-looking statements. When considering forward-looking statements, please review the risk factors described under "Risk Factors" in our latest Annual Report on Form 10-K, and any updates to those risk factors included in our Quarterly Reports on Form 10-Q.

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**RATIO OF EARNINGS TO FIXED CHARGES**

	Year Ended December 31,					Six Months
	2001	2002	2003	2004	2005	Ended June 30, 2006
Ratio of earnings to fixed charges	7.2	4.2	3.2	3.6	3.8	4.5

**USE OF PROCEEDS**

We intend to use the net proceeds from the sales of the securities as set forth in the applicable prospectus supplement.

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**DESCRIPTION OF OUR COMMON UNITS**

**General**

The common units represent limited partner interests that entitle the holders to participate in our cash distributions and to exercise the rights and privileges available to limited partners under our partnership agreement. For a description of the relative rights and preferences of holders of our common units and our general partner in and to cash distributions, see "Cash Distributions" in this prospectus.

Our outstanding common units are listed on the New York Stock Exchange, or NYSE, under the symbol "MMP".

The transfer agent and registrar for our common units is UMB Bank, n.a.

**Status as Limited Partner or Assignee**

Except as described below under "Limited Liability," the common units will be fully paid, and unitholders will not be required to make additional capital contributions to us.

**Transfer of Common Units**

Each purchaser of common units offered by this prospectus must execute a transfer application whereby the purchaser requests admission as a substituted limited partner and makes representations and agrees to provisions stated in the transfer application. If this action is not taken, a purchaser will not be registered as a record holder of common units on the books of our transfer agent or issued a common unit certificate. Purchasers may hold common units in nominee accounts.

An assignee, pending its admission as a substituted limited partner, is entitled to an interest in us equivalent to that of a limited partner with respect to the right to share in allocations and distributions, including liquidating distributions. Our general partner will vote and exercise other powers attributable to common units owned by an assignee who has not become a substituted limited partner at the written direction of the assignee. Transferees who do not execute and deliver transfer applications will be treated neither as assignees nor as re