MAGELLAN MIDSTREAM PARTNERS LP
Form 424B2
February 26, 2015
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Filed Pursuant to Rule 424(b)(2)
Registration No. 333-183013

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price	Registration Fee(1)
3.20% Senior Notes Due 2025	$250,000,000	$29,050
4.20% Senior Notes Due 2045	$250,000,000	$29,050

(1) The filing fee, calculated in accordance with Rule 457(r), has been transmitted to the SEC in connection with the securities offered from Registration Statement File No. 333-183013 by means of this prospectus supplement.

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Prospectus supplement

To prospectus dated August 2, 2012

$500,000,000

$250,000,000 3.20% Senior Notes due 2025

$250,000,000 4.20% Senior Notes due 2045

This is an offering by Magellan Midstream Partners, L.P. of $250 million aggregate principal amount of 3.20% Senior Notes due 2025 and $250 million aggregate principal amount of 4.20% Senior Notes due 2045. Interest will be payable on the notes due 2025 on March 15 and September 15 of each year and on the notes due 2045 on March 15 and September 15 of each year. The notes due 2025 will mature on March 15, 2025, and the notes due 2045 will mature on March 15, 2045. Interest on each series of notes will accrue from March 4, 2015, and the first interest payment on the notes due 2025 will be due on September 15, 2015, and the first interest payment on the notes due 2045 will be due on September 15, 2015. We refer to the notes due 2025 and the notes due 2045 collectively as the notes.

We may redeem some or all of the notes at any time or from time to time at the applicable redemption prices described in this prospectus supplement 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 unsecured senior debt, including borrowings under our revolving credit facility and commercial paper program, and senior to any future subordinated debt that we may incur.

Investing in the notes involves risks that are described in the Risk factors section beginning on page S-8 of this prospectus supplement and on page 3 of the accompanying base prospectus, as well as the risk factors discussed in our Annual Report on Form 10-K for the year ended December 31, 2014.

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

	Public offering price(1)	**Underwriting discount**	**Proceeds, before expenses, to Magellan(1)**
Per note due 2025	99.871%	0.650%	99.221%
Total	$249,677,500	$1,625,000	$248,052,500
Per note due 2045	99.965%	0.875%	99.090%
Total	$249,912,500	$2,187,500	$247,725,000

(1) Plus accrued interest from March 4, 2015, if settlement occurs after that date.

Each series of notes is a new issue of securities with no established trading market. We do not currently intend to apply for listing of the notes on any securities exchange or to be quoted on any automated quotation system.

The notes will be ready for delivery in book-entry form only through the facilities of The Depository Trust Company for the accounts of its participants on or about March 4, 2015.

Joint book-running managers

J.P. Morgan **Citigroup**
RBC Capital Markets **SunTrust Robinson Humphrey**
Co-managers

Barclays **MUFG** **Morgan Stanley** **PNC Capital Markets LLC**
SMBC Nikko **US Bancorp** **Wells Fargo Securities**

The date of this prospectus supplement is February 25, 2015.

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Prospectus Supplement

Prospectus

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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 base prospectus, which gives more general information about the securities we may offer from time to time. Generally when we refer only to the prospectus, we are referring to both parts combined.

If the information about the offering varies between this prospectus supplement and the accompanying base 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, the accompanying base prospectus and any free writing prospectus filed by us with the Securities and Exchange Commission (the SEC). Neither we nor the underwriters have authorized anyone to provide you with different or additional information. We and the underwriters are not making an offer of these securities in any jurisdiction where the offer is not permitted. You should not assume that the information contained in this prospectus supplement, the accompanying base prospectus and any free writing prospectus is accurate as of any date other than the dates shown in those 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 base prospectus, unless we indicate otherwise, the terms our, we, us and similar terms refer to Magellan Midstream Partners, L.P., together with its subsidiaries.

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Summary

This summary highlights information contained elsewhere in this prospectus supplement and the accompanying base prospectus. It does not contain all of the information that you should consider before making an investment decision. You should read the entire prospectus supplement, the accompanying base 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-8 of this prospectus supplement and on page 3 of the accompanying base prospectus, as well as the risk factors discussed in our Annual Report on Form 10-K for the year ended December 31, 2014 for more information about important factors that you should consider before purchasing 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 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 and crude oil. As of December 31, 2014, our three operating segments included:

- our refined products segment, including our 9,500-mile refined products pipeline system with 53 terminals as well as 27 independent terminals not connected to our pipeline system and our 1,100-mile ammonia pipeline system;

- our crude oil segment, comprised of approximately 1,600 miles of crude oil pipelines and storage facilities with an aggregate storage capacity of approximately 21 million barrels, of which 12 million barrels are used for leased storage; and

- our marine storage segment, consisting of five marine terminals located along coastal waterways with an aggregate storage capacity of approximately 26 million barrels.

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

Partnership structure and management

Our operations are conducted through, and our operating assets are owned by, our subsidiaries. Our general partner, which is also a wholly owned subsidiary, has sole responsibility for conducting our business and managing our operations. Our general partner has a non-economic general partner interest in us and does not receive a management fee or other compensation in connection with its management of our business.

The following table describes our current ownership structure. The percentages reflected in the table, other than the general partner interest, represent approximate ownership interests in us.

Ownership of Magellan Midstream Partners, L.P.	**Percentage interest**
Public common units	99.8%
Officer and director common units	0.2%
General partner interest	0.0%
Total	100.0%

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The offering

Issuer	Magellan Midstream Partners, L.P.
Securities	$500 million aggregate principal amount of Senior Notes consisting of: $250 million aggregate principal amount of 3.20% Senior Notes due 2025; and $250 million aggregate principal amount of 4.20% Senior Notes due 2045.
Maturity date	The notes due 2025 will mature on March 15, 2025. The notes due 2045 will mature on March 15, 2045.
Interest payment dates	Interest will be payable on the notes due 2025 on March 15 and September 15 of each year, beginning September 15, 2015. Interest will be payable on the notes due 2045 on March 15 and September 15 of each year, beginning September 15, 2015. Interest on the notes will accrue from March 4, 2015.
Use of proceeds	We intend to use the net proceeds from this offering for general partnership purposes and to repay borrowings outstanding under our revolving credit facility, if any, and our commercial paper program. Affiliates of the underwriters participating in this offering are lenders under our revolving credit facility, participants in our commercial paper program, or both, and may receive a portion of the proceeds of this offering through our repayment of the indebtedness outstanding under our revolving credit facility, if any, and commercial paper program with such proceeds. Please see Use of proceeds.
Optional redemption	We may redeem some or all of the notes at any time or from time to time prior to maturity. We may, at our option, redeem all or part of each series of notes by paying an amount equal to the greater of 100% of the principal amount of the notes to be redeemed or the sum of the present values of the remaining scheduled payments of principal and interest on the notes that would be due if the notes due 2025 or the notes due 2045 matured on December 15, 2024 or September 15, 2044, respectively, but for the redemption, plus a make-whole premium at any time prior to: December 15, 2024, in the case of the notes due 2025; and September 15, 2044, in the case of the notes due 2045.

On or after such dates, we will pay an amount equal to 100% of the principal amount of the notes to be redeemed. We will pay accrued and unpaid interest, if any, on the notes redeemed to the redemption date. See Description of notes Optional redemption.

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Subsidiary guarantees	Our subsidiaries will not initially guarantee the notes. In the future, however, we will cause any of our subsidiaries that subsequently guarantee or become a co-obligor in respect of any of our funded debt to equally and ratably guarantee the notes offered hereby.
Ranking	The notes will be our senior unsecured obligations and will rank equally with all of our other existing and future unsecured senior debt, including borrowings under our revolving credit facility and commercial paper program, and senior to any future subordinated debt that we may incur.
	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 December 31, 2014, our subsidiaries had no debt for borrowed money owing to any unaffiliated third parties.
Certain covenants	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 contains limitations on, among other things, our ability to:
	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.
Additional issuances	We may, at any time, without the consent of the holders of the notes due 2025 or the notes due 2045, as applicable, issue additional notes due 2025 or additional notes due 2045 having the same interest rate, maturity and other terms as the notes due 2025 or the notes due 2045, as applicable, offered hereby (except for the issue date, the public offering price and, if applicable, the first interest payment date). Any additional notes having such similar terms, together with the notes offered hereby, will constitute a single series under the indenture.
Risk factors	Please read Risk factors beginning on page S-8 of this prospectus supplement and on page 3 of the accompanying base prospectus, as well as the risk factors discussed in our Annual Report on Form 10-K for the year ended December 31, 2014, for a discussion of factors you should carefully consider before investing in the notes.
Governing law	The notes and the indenture governing the notes will be governed by New York law.

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Summary financial and operating data

The following table sets forth our summary financial and operating data as of and for the years ended December 31, 2012, 2013 and 2014. This financial data was derived from our audited consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2014. 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 base prospectus and have been filed with the SEC. All other data have been derived from our financial records.

The financial measures of distributable cash flow, adjusted EBITDA and operating margin, which are not prepared in accordance with generally accepted accounting principles (GAAP), are presented in the summary 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.

In the following tables, we present the financial measure of distributable cash flow, which is a non-GAAP measure. Our partnership agreement requires that all of our available cash, less amounts reserved by our general partner s board of directors, be distributed to our limited partners on a quarterly basis. Management uses distributable cash flow to determine the amount of cash our operations generated that is available for distribution to our limited partners (before any reserves established by our general partner s board of directors) and for recommending to our general partner s board of directors the amount of cash distributions to be paid each period. We also use distributable cash flow as the basis for calculating our equity-based incentive pay. A reconciliation of distributable cash flow to net income, the nearest comparable GAAP measure, is included in the following tables.

In addition to distributable cash flow, the non-GAAP measures of operating margin (in the aggregate and by segment) and adjusted EBITDA are presented in the following tables. We compute the components of operating margin and adjusted EBITDA using amounts that are determined in accordance with GAAP. Reconciliations of operating margin to operating profit and adjusted EBITDA to net income, which are the nearest comparable GAAP financial measures, are included in the following tables. Reconciliations of segment operating margin to segment operating profit are included in our Annual Report on Form 10-K for the year ended December 31, 2014. Operating margin is an important measure of the economic performance of our core operations. Operating profit, alternatively, includes depreciation and amortization expense and general and administrative expense that management does not consider when evaluating the core profitability of an operation. Adjusted EBITDA is an important measure utilized by management and the investment community to assess the financial results of an entity.

Since the non-GAAP measures presented here include adjustments specific to us, they may not be comparable to similarly-titled measures of other companies.

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(dollars in thousands, except per unit amounts)	Year ended December 31, 2012	2013	2014
Income statement data:			
Transportation and terminals revenue	$ 970,744	$ 1,138,328	$ 1,402,638
Product sales revenue	799,382	744,669	878,974
Affiliate management fee revenue(a)	1,948	14,609	22,111
Total revenue	1,772,074	1,897,606	2,303,723
Operating expenses	328,454	346,070	444,272
Cost of product sales	657,108	578,029	594,585
Earnings of non-controlled entities	(2,961)	(6,275)	(19,394)
Operating margin	789,473	979,782	1,284,260
Depreciation and amortization expense	128,012	142,230	161,741
General and administrative expense	109,403	132,496	148,288
Operating profit	552,058	705,056	974,231
Interest expense, net	111,679	115,782	119,186
Debt placement fee amortization expense	2,087	2,424	2,333
Other expense(b)			8,573
Income before provision for income taxes	438,292	586,850	844,139
Provision for income taxes(c)	2,622	4,613	4,620
Net income	$ 435,670	$ 582,237	$ 839,519
Basic net income per limited partner unit	$ 1.92	$ 2.57	$ 3.69
Diluted net income per limited partner unit	$ 1.92	$ 2.56	$ 3.69
Balance sheet data:			
Working capital (deficit)(d)	$ 307,658	$ (241,543)	$ (133,488)
Total assets	$ 4,420,067	$ 4,820,812	$ 5,517,285
Long-term debt	$ 2,393,408	$ 2,435,316	$ 2,982,895
Partners capital	$ 1,515,702	$ 1,647,442	$ 1,868,233
Cash distribution data:			
Cash distributions declared per unit(e)	$ 1.88	$ 2.18	$ 2.62
Cash distributions paid per unit(e)	$ 1.78	$ 2.10	$ 2.51

(Footnotes appear on following page)

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(dollars in thousands)	Year ended December 31, 2012	2013	2014
Other data:			
Operating margin:			
Refined products	$ 592,828	$ 693,985	$ 870,205
Crude oil	91,367	176,420	295,830
Marine storage	102,323	106,198	114,712
Allocated partnership depreciation costs(f)	2,955	3,179	3,513
Operating margin	$ 789,473	$ 979,782	$ 1,284,260
Adjusted EBITDA and Distributable cash flow:			
Net income	$ 435,670	$ 582,237	$ 839,519
Interest expense, net, and provision for income taxes	114,301	120,395	123,806
Depreciation and amortization expense(g)	130,099	144,654	164,074
Equity-based incentive compensation expense(h)	8,038	11,823	12,471
Asset retirements and impairments	12,622	7,835	7,223
Commodity-related adjustments(i)	12,894	(339)	(56,288)
Other(j)	4,850	(409)	(8,724)
Adjusted EBITDA	718,474	866,196	1,082,081
Interest expense, net, and provision for income taxes	(114,301)	(120,395)	(123,806)
Maintenance capital (net of reimbursements)	(64,396)	(76,081)	(77,806)
Distributable cash flow	$ 539,777	$ 669,720	$ 880,469

	Year ended December 31, 2012	2013	2014
Operating statistics:			
Refined products:			