MAGELLAN MIDSTREAM PARTNERS LP
Form 424B2
July 10, 2008
Table of Contents

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

A filing fee of $9,825, 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)**

$250,000,000

6.400% Senior Notes due 2018

This is an offering by Magellan Midstream Partners, L.P. of $250,000,000 of 6.400% Senior Notes due 2018. Interest on the notes is payable on January 15 and July 15 of each year beginning January 15, 2009. Interest on the notes will accrue from July 14, 2008. The notes will mature on July 15, 2018.

We may redeem some or all of the notes at any 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 unsecured debt and senior to any future subordinated unsecured debt that we may incur.

Investing in the notes involves risk. Please read Risk Factors beginning on page S-8 of this prospectus supplement and on page 1 of the accompanying prospectus as well as the risk factors discussed in our 2007 Annual Report on Form 10-K.

	Per Note	Total
Public Offering Price(1)	99.992%	$ 249,980,000
Underwriting Discount	0.650%	$ 1,625,000
Proceeds to Us (before expenses)(1)	99.342%	$ 248,355,000

(1) Plus accrued interest from July 14, 2008, 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 July 14, 2008.

Joint Book-Running Managers

Wachovia Securities **Banc of America Securities LLC**

Lead Manager

SunTrust Robinson Humphrey

Co-Managers

Credit Suisse

Deutsche Bank Securities

JPMorgan

Raymond James

UBS Investment Bank

The date of this prospectus supplement is July 10, 2008.

TABLE OF CONTENTS

Prospectus Supplement

Prospectus Dated September 7, 2006

Table of Contents

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 have not authorized anyone to provide you with 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 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.

Table of Contents

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-8 of this prospectus supplement and page 1 of the accompanying prospectus as well as the risk factors discussed in our 2007 Annual Report on Form 10-K for more information about important factors that you should consider before buying notes in this offering. 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.

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, 2008, our asset portfolio consisted of:

- an 8,500-mile petroleum products pipeline system, including 47 petroleum products terminals, serving the mid-continent region of the United States;
- seven petroleum products terminal facilities located along the United States Gulf and East Coasts;
- 27 petroleum products terminals located principally in the southeastern United States; and
- an 1,100-mile ammonia pipeline system serving the mid-continent region of the United States.

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 general partner has sole responsibility for conducting our business and managing our operations. Our general partner does not receive any 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.

Table of Contents

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

Ownership of Magellan Midstream Partners, L.P.	**Approximate Percentage Interest**
Public common units	98.0%
Magellan GP, LLC general partner interest	2.0%
Total	100.0%

S-2

Table of Contents

The Notes Offering

Issuer	Magellan Midstream Partners, L.P.
Securities	$250,000,000 aggregate principal amount of 6.400% Senior Notes due 2018.
Maturity Date	July 15, 2018.
Interest Payment Dates	January 15 and July 15 of each year, beginning January 15, 2009.
Use of Proceeds	We intend to use 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.
Optional Redemption	We may redeem some or all of the notes at any time at a redemption price, which includes a make-whole premium, plus accrued and unpaid interest, if any, to the redemption date, as described in Description of Notes beginning on page S-12 of this prospectus supplement.
Ranking	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.

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 subsidiaries. As of March 31, 2008, our subsidiaries had no debt for borrowed money owing to any unaffiliated third parties.

Subsidiary Guarantees	We will cause any of our existing and future subsidiaries that guarantees or becomes a co-obligor in respect of any of our funded debt to equally and ratably guarantee the notes.
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 will contain 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.

The indenture will provide for certain events of default, including default on certain other debt.

Table of Contents

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-8 and on page 1 of the accompanying prospectus for a discussion of factors you should carefully consider before investing in the notes, as well as the risk factors discussed in our 2007 Annual Report on Form 10-K.
Governing Law	The notes and the indenture relating to the notes will be governed by New York law.

Table of Contents

Summary Selected Financial and Operating Data

The following table sets forth summary selected financial data as of and for the years ended December 31, 2005, 2006 and 2007 and as of and for the three months ended March 31, 2007 and 2008. 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, 2007 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. The financial data set forth below should be read in conjunction with those consolidated financial statements and notes thereto, which are incorporated by reference into this prospectus supplement and the accompanying prospectus and have been filed with the Securities and Exchange Commission, or SEC. All other amounts have been prepared from our financial records.

The financial measures of 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 EBITDA, which is a non-GAAP measure, in the following schedules as net income plus provision for income taxes, debt prepayment premiums, debt placement fee amortization, interest expense (net of interest income and capitalized interest) and depreciation and amortization. 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 EBITDA excludes some items that affect net income and these items may vary among other companies, the EBITDA data presented may not be comparable to similarly titled measures of other companies. Our management uses 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 EBITDA to net income, the nearest comparable GAAP measure, is included in the following schedules.

In addition to 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 operating margin to operating profit, which is its nearest comparable GAAP financial measure, is included in the following tables. We believe that investors benefit from having access to the same financial measures utilized by our management. 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.

Table of Contents

	Year Ended December 31, 2005	2006	2007	Three Months Ended March 31, 2007	2008
				(unaudited)	
	(in thousands, except per unit amounts and operating statistics)				
Income Statement Data:					
Transportation and terminals revenues	$ 500,196	$ 558,301	$ 607,845	$ 143,151	$ 144,592
Product sales revenues	636,209	664,569	709,564	148,663	201,718
Affiliate management fee revenues	667	690	712	173	183
Total revenues	1,137,072	1,223,560	1,318,121	291,987	346,493
Operating expenses	229,795	244,526	251,601	60,975	55,592
Product purchases	582,631	605,341	633,909	133,980	177,568
Gain on assignment of supply agreement					(26,492)
Equity earnings	(3,104)	(3,324)	(4,027)	(763)	(405)
Operating margin	327,750	377,017	436,638	97,795	140,230
Depreciation and amortization expense	56,307	60,852	63,792	15,440	17,176
Affiliate G&A expense	61,131	67,112	72,587	17,685	17,780
Operating profit	210,312	249,053	300,259	64,670	105,274
Interest expense, net	48,258	53,010	51,045	13,599	11,341
Debt prepayment premium			1,984		
Debt placement fee amortization	2,871	2,681	2,144	645	168
Other (income) expense, net	(300)	634	728		
Income before provision for income taxes	159,483	192,728	244,358	50,426	93,765
Provision for income taxes(a)			1,568	724	443
Net income	$ 159,483	$ 192,728	$ 242,790	$ 49,702	$ 93,322
Basic net income per limited partner unit	$ 2.04	$ 2.24	$ 2.60	$ 0.55	$ 0.89
Diluted net income per limited partner unit	$ 2.03	$ 2.24	$ 2.60	$ 0.55	$ 0.89
Balance Sheet Data:					
Working capital (deficit)(b)	$ (206)	$ (341,371)	$ (15,563)	$ (23,492)	$ (30,608)
Total assets	1,876,518	1,952,649	2,101,194	1,974,653	2,125,239
Long-term debt(b)	782,639	518,609	914,536	856,831	952,171
Partners capital	807,990	806,482	871,164	811,918	905,635
Cash Distribution Data:					
Cash distributions declared per unit(c)	$ 2.06	$ 2.34	$ 2.55	$ 0.61625	$ 0.6725
Cash distributions paid per unit(c)	$ 1.97	$ 2.29	$ 2.49	$ 0.60250	$ 0.6575
Other Data:					
Operating margin (loss):					
Petroleum products pipeline system	$ 249,435	$ 284,190	$ 351,246	$ 78,144	$ 109,419
Petroleum products terminals	67,224	86,703	85,368	19,504	26,816
Ammonia pipeline system	7,685	2,541	(3,008)	(624)	3,166
Allocated partnership depreciation costs(d)	3,406	3,583	3,032	771	829
Operating margin	$ 327,750	$ 377,017	$ 436,638	$ 97,795	$ 140,230
EBITDA:					
Net income	$ 159,483	$ 192,728	$ 242,790	$ 49,702	$ 93,332
Provision for income taxes(a)			1,568	724	443
Debt prepayment premium			1,984		
Debt placement fee amortization	2,871	2,681	2,144	645	168
Interest expense, net	48,258	53,010	51,045		