

MPLX LP  
Form S-1/A  
September 07, 2012  
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AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON SEPTEMBER 7, 2012

Registration No. 333-182500

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## **Amendment No. 2**

**to**

## **Form S-1**

REGISTRATION STATEMENT UNDER THE

SECURITIES ACT OF 1933

# **MPLX LP**

*(Exact name of Registrant as Specified in Its Charter)*

**Delaware**  
*(State or Other Jurisdiction of*

**4610**  
*(Primary Standard Industrial*

**45-5010536**  
*(I.R.S. Employer Identification*

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*Incorporation or Organization)*

*Classification Code Number)*

*Number)*

**200 E. Hardin Street**

**Findlay, Ohio 45840**

**(419) 672-6500**

*(Address, Including Zip Code, and Telephone Number, including*

*Area Code, of Registrant's Principal Executive Offices)*

**J. Michael Wilder**

**Vice President, General Counsel and Secretary**

**200 E. Hardin Street**

**Findlay, Ohio 45840**

**(419) 672-6500**

*(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)*

***Copies to:***

**William N. Finnegan IV**

**Brett E. Braden**

Latham & Watkins LLP

811 Main Street, Suite 3700

Houston, Texas 77002

(713) 546-5400

**G. Michael O'Leary**

**William J. Cooper**

Andrews Kurth LLP

600 Travis, Suite 4200

Houston, Texas 77002

(713) 220-4200

**Approximate date of commencement of proposed sale to the public:** As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. "

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If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

(Do not check if a smaller reporting company)

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

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**The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.**

PRELIMINARY PROSPECTUS

Subject to Completion

September 7, 2012

## **Common Units**

## **Representing Limited Partner Interests**

## **MPLX LP**

This is an initial public offering of common units representing limited partner interests of MPLX LP. We were recently formed by Marathon Petroleum Corporation, and no public market currently exists for our common units. We are offering common units in this offering. We expect that the initial public offering price will be between \$ and \$ per common unit. We have applied to list our common units on the New York Stock Exchange under the symbol MPLX. We are an emerging growth company as that term is used in the Jumpstart Our Business Startups Act (the JOBS Act).

As a result of certain laws and regulations to which we are or may in the future become subject, we may require owners of our common units to certify that they are both U.S. citizens and subject to U.S. federal income taxation on our income. If you are not both a citizenship eligible holder and a rate eligible holder, your common units may be subject to redemption.

**Investing in our common units involves a high degree of risk. Before buying any common units, you should carefully read the discussion of material risks of investing in our common units in Risk Factors beginning on page 23. These risks include the following:**

- Ø Marathon Petroleum Corporation and its subsidiaries ( MPC ) account for the substantial majority of our revenues. If MPC changes its business strategy, is unable to satisfy its obligations under our transportation and storage services agreements or significantly reduces the volumes transported through our pipelines or stored at our storage assets, our revenues would decline and our financial condition, results of operations, cash flows, and ability to make distributions to our unitholders would be materially adversely affected.
- Ø We may not have sufficient cash from operations following the establishment of cash reserves and payment of fees and expenses, including cost reimbursements to our general partner and its affiliates, to enable us to pay the minimum quarterly distribution to our unitholders.
- Ø On a pro forma basis we would not have generated available cash sufficient to pay the aggregate annualized minimum quarterly distributions on all of our units for the year ended December 31, 2011 or the twelve months ended June 30, 2012.
- Ø MPC may suspend, reduce or terminate its obligations under our transportation and storage services agreements in some circumstances, which would have a material adverse effect on our financial condition, results of operations, cash flows and ability to make distributions to our unitholders.

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- Ø A material decrease in the refining margins at MPC's refineries could materially reduce the volumes of crude oil and products that we transport and store, which could materially adversely affect our financial condition, results of operations, cash flows and ability to make distributions to our unitholders.
- Ø Our general partner and its affiliates, including MPC, have conflicts of interest with us and limited duties to us and our unitholders, and they may favor their own interests to our detriment and that of our unitholders. Additionally, we have no control over MPC's business decisions and operations, and MPC is under no obligation to adopt a business strategy that favors us.
- Ø Unitholders have very limited voting rights and, even if they are dissatisfied, they cannot remove our general partner without its consent.
- Ø Our tax treatment depends on our status as a partnership for federal income tax purposes. If the Internal Revenue Service (IRS) were to treat us as a corporation for federal income tax purposes, which would subject us to entity-level taxation, then our cash available for distribution to our unitholders would be substantially reduced.
- Ø Our unitholders' share of our income will be taxable to them for federal income tax purposes even if they do not receive any cash distributions from us. **Neither the Securities and Exchange Commission nor any other state securities commission 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.**

	Per Common Unit	Total
Public offering price	\$	\$
Underwriting discounts and commissions(1)	\$	\$
Proceeds, before expenses, to us	\$	\$

(1) Excludes an aggregate structuring fee equal to % of the gross proceeds of this offering payable to UBS Securities LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated. Please read Underwriting.

The underwriters may also purchase up to an additional common units at the public offering price, less the underwriting discounts and commissions and structuring fee payable by us, to cover over-allotments, if any, within 30 days from the date of this prospectus. If the underwriters exercise this option in full, the total underwriting discounts and commissions will be \$ and our total proceeds, before expenses, will be \$.

The underwriters are offering the common units as set forth under Underwriting. Delivery of the common units will be made on or about , 2012.

**UBS Investment Bank**  
**Citigroup**

**BofA Merrill Lynch**

**Morgan Stanley**  
**J.P. Morgan**

**Barclays**  
, 2012

**Deutsche Bank Securities**

**Wells Fargo Securities**

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You should rely only on the information contained in this prospectus or in any free writing prospectus we may authorize to be delivered to you. We have not, and the underwriters have not, authorized any other person to provide you with information different from that contained in this prospectus and any free writing prospectus. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where an offer or sale is not permitted.

Through and including \_\_\_\_\_, 2012 (the 25th day after the date of this prospectus), federal securities laws may require all dealers that effect transactions in these securities, whether or not participating in this offering, to deliver a prospectus. This requirement is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.

This prospectus contains forward-looking statements that are subject to a number of risks and uncertainties, many of which are beyond our control. Please read **Risk Factors** and **Forward-Looking Statements**.

## **INDUSTRY AND MARKET DATA**

The market data and certain other statistical information used throughout this prospectus are based on independent industry publications, government publications or other published independent sources. Some data are also based on our good faith estimates.



**Table of Contents****Prospectus summary**

*This summary highlights selected information contained elsewhere in this prospectus. You should carefully read the entire prospectus, including Risk Factors and the historical and unaudited pro forma combined financial statements and related notes included elsewhere in this prospectus before making an investment decision. Unless otherwise indicated, the information in this prospectus assumes (1) an initial public offering price of \$ per common unit (the mid-point of the price range set forth on the cover of this prospectus) and (2) that the underwriters do not exercise their option to purchase additional common units. You should read Risk Factors beginning on page 23 for more information about important factors that you should consider before purchasing our common units.*

*Unless the context otherwise requires, references in this prospectus to MPLX LP, our partnership, we, our, us, or like terms, when used in a historical context, refer to the assets that MPC is contributing to us in connection with this offering. These assets include a 100.0% interest in MPLX Terminal and Storage LLC, which owns our butane cavern, and our 51.0% general partner interest in MPLX Pipe Line Holdings LP, the 100.0% owner of Marathon Pipe Line LLC and Ohio River Pipe Line LLC, which are the subsidiaries of MPC that own our pipeline systems and associated crude oil and product storage assets. When used in the present tense or prospectively, these terms refer to MPLX LP and its subsidiaries, including Pipe Line Holdings. References to our general partner refer to MPLX GP LLC. References to MPC refer collectively to Marathon Petroleum Corporation and its subsidiaries, other than us, our subsidiaries and our general partner. References to Pipe Line Holdings refer to MPLX Pipe Line Holdings LP. References to MPL and ORPL refer to Marathon Pipe Line LLC and Ohio River Pipe Line LLC, respectively. While we will only own a 51.0% indirect interest in MPL and ORPL through Pipe Line Holdings, we refer to the assets owned by MPL and ORPL as our assets. In addition, unless otherwise specifically noted, financial results and operating data are shown on a 100.0% basis and are not adjusted to reflect MPC's 49.0% limited partner interest in Pipe Line Holdings. We have provided definitions for some of the terms we use to describe our business and industry and other terms used in this prospectus in the Glossary of Terms beginning on page B-1 of this prospectus.*

**MPLX LP****OVERVIEW**

We are a fee-based, growth-oriented limited partnership recently formed by Marathon Petroleum Corporation to own, operate, develop and acquire crude oil, refined product and other hydrocarbon-based product pipelines and other midstream assets. Our assets primarily consist of a 51.0% indirect interest in a network of common carrier crude oil and product pipeline systems and associated storage assets in the Midwest and Gulf Coast regions of the United States. We believe our network of petroleum pipelines is one of the largest in the United States, based on total annual volumes delivered. MPC has retained a 49.0% interest in our network of pipeline systems and associated storage assets; however, we control and operate these assets and refer to them throughout this prospectus as our pipeline systems and our assets. We also own a 100.0% interest in a butane cavern in Neal, West Virginia with approximately 1.0 million barrels of storage capacity. Our assets are integral to the success of MPC's operations.

We generate revenue primarily by charging tariffs for transporting crude oil, refined products and other hydrocarbon-based products through our pipelines and at our barge dock and fees for storing crude oil and products at our storage facilities. We are also the operator of additional crude oil and product pipelines owned by MPC and third parties for which we are paid operating fees. We do not take ownership of the crude oil or products that we transport and store for our customers, and we do not engage in the trading of any commodities.

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MPC historically has been the source of the substantial majority of our revenues. At the closing of this offering, we will enter into long-term, fee-based transportation and storage services agreements with MPC with minimum volume commitments, and MPC will continue to be the source of the substantial majority of our revenues for the foreseeable future. We believe these transportation and storage services agreements will promote stable and predictable cash flows.

MPC has stated that it intends for us to be the primary growth vehicle for its midstream business. Following the completion of this offering, MPC will continue to own a substantial portfolio of other midstream assets, including the remaining 49.0% indirect interest in our network of pipeline systems, our barge dock and our storage tanks. MPC will also retain a significant interest in us through its ownership of our general partner, a % limited partner interest in us and all of our incentive distribution rights. Given MPC's significant ownership interest in us following this offering and its stated intent to use us to grow its midstream business, we believe MPC will offer us the opportunity to purchase additional midstream assets that it owns, including additional interests in Pipe Line Holdings. We also may pursue acquisitions jointly with MPC. MPC is under no obligation, however, to offer to sell us additional assets or to pursue acquisitions jointly with us, and we are under no obligation to buy any such additional assets or pursue any such joint acquisitions. We also intend to grow our business by constructing new assets, increasing the utilization of, and revenue generated by, our existing assets and acquiring assets from third parties.

## **OUR ASSETS AND OPERATIONS**

Our primary assets consist of:

Ø a 51.0% general partner interest in Pipe Line Holdings, a newly-formed entity that owns a 100.0% interest in MPL and ORPL, which in turn collectively own:

a network of pipeline systems that includes approximately 962 miles of common carrier crude oil pipelines and approximately 1,819 miles of common carrier product pipelines extending across nine states. This network includes approximately 153 miles of common carrier crude oil and product pipelines that we operate under long-term leases with third parties;

a barge dock located on the Mississippi River near Wood River, Illinois with approximately 80 mbpd of crude oil and product throughput capacity; and

crude oil and product storage facilities, or tank farms, located in Patoka, Wood River and Martinsville, Illinois and Lebanon, Indiana.

Ø a 100.0% interest in a butane cavern located in Neal, West Virginia, which we refer to as our Neal butane cavern, with approximately 1.0 million barrels of storage capacity that serves MPC's Catlettsburg, Kentucky refinery.

As the sole general partner of Pipe Line Holdings, we will control all aspects of the management of Pipe Line Holdings, including its cash distribution policy. The only outstanding partnership interests in Pipe Line Holdings will be our 51.0% general partner interest and the 49.0% limited partner interest retained by MPC.

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The following table sets forth certain information regarding our crude oil pipeline systems, each of which will have an associated transportation services agreement with MPC:

**Crude Oil Pipeline Systems**

System name	Length (miles)	Capacity (mbpd)(1)	Associated MPC refinery
Patoka to Lima crude system(2)	302	290	Detroit, MI; Canton, OH
Catlettsburg and Robinson crude system	484	481	Robinson, IL; Catlettsburg, KY
Detroit crude system(2)	61	320	Detroit, MI
Wood River to Patoka crude system(3)	115	307	All Midwest refineries

(1) Capacity shown is 100.0% of the capacity of these pipeline systems on a light equivalent barrel basis. We own a 51.0% interest in these pipeline systems through Pipe Line Holdings.

(2) Includes approximately 16 miles of pipeline leased from a third party, plus approximately one mile of pipeline that is currently being constructed and is expected to become operational during the fourth quarter of 2012.

(3) Includes approximately 58 miles of pipeline leased from a third party.

The following table sets forth certain information regarding our product pipeline systems, each of which will have an associated transportation services agreement with MPC (other than our Louisville Airport products system, which currently transports only third-party volumes):

**Product Pipeline Systems**

System name	Length (miles)	Capacity (mbpd)(1)	Associated MPC refinery
Garyville products system	72	389	Garyville, LA
Texas City products system	42	215	Texas City, TX
Ohio River Pipe Line (ORPL) products system	518	242	Catlettsburg, KY; Canton, OH
Robinson products system(2)	1,173	545	Robinson, IL
Louisville Airport products system	14	29	Robinson, IL

(1) Capacity shown is 100.0% of the capacity of these pipeline systems. We own a 51.0% interest in these pipeline systems through Pipe Line Holdings.

(2) Includes approximately 79 miles of pipeline leased from a third party.

The following table sets forth certain information regarding our other midstream assets, each of which will have an associated transportation services agreement or storage services agreement with MPC:

**Other Midstream Assets**

System name	Capacity(1)	Associated MPC refineries
Wood River Barge Dock	80 mbpd	Garyville, LA
Neal Butane Cavern	1,000 mbbls	Catlettsburg, KY
Patoka Tank Farm	1,386 mbbls	All Midwest refineries
Wood River Tank Farm	419 mbbls	All Midwest refineries
Martinsville Tank Farm	738 mbbls	Detroit, MI; Canton, OH
Lebanon Tank Farm	750 mbbls	Detroit, MI; Canton, OH

(1) All capacity shown is for 100.0% of the available storage of our butane cavern and tank farms and 100.0% of the barge dock's average capacity. We own a 51.0% interest in our tank farms and our barge dock through Pipe Line Holdings. We own a 100.0% interest in our butane cavern.





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For the year ended December 31, 2011 and the six months ended June 30, 2012, on a pro forma basis, we had revenues and other income of approximately \$346.7 million and \$194.2 million, Adjusted EBITDA of approximately \$118.5 million and \$70.6 million and net income of approximately \$89.0 million and \$55.6 million, respectively. Excluding revenues attributable to volumes shipped by MPC under joint tariffs with third parties that were treated as third party revenues for accounting purposes, MPC accounted for approximately 80% and 81% of our pro forma revenues and other income for those periods, respectively. After excluding the 49.0% interest in Pipe Line Holdings retained by MPC, pro forma Adjusted EBITDA attributable to MPLX LP was approximately \$60.3 million and \$35.9 million and pro forma net income attributable to MPLX LP was approximately \$45.3 million and \$28.2 million for those same periods, respectively. Please read *Selected Historical and Pro Forma Financial and Operating Data* for the definition of the term Adjusted EBITDA and a reconciliation of Adjusted EBITDA to our most directly comparable financial measures, calculated and presented in accordance with GAAP.

## **BUSINESS STRATEGIES**

Our primary business objectives are to generate stable cash flows and increase our quarterly cash distribution per unit over time. We intend to accomplish these objectives by executing the following strategies:

- Ø *Focus on Fee-Based Businesses.* We are focused on generating stable cash flows by providing fee-based midstream services to MPC and third parties. We also intend to mitigate volatility in cash flows by continuing to minimize our direct exposure to commodity price fluctuations.
- Ø *Increase Revenue and Pursue Organic Growth Opportunities.* We intend to increase revenue on our network of pipeline systems by evaluating and capitalizing on organic investment opportunities that may arise from the growth of MPC's operations and from increased third-party activity in our areas of operations. We will evaluate organic growth projects within our geographic footprint, as well as in new areas, that provide attractive returns.
- Ø *Grow Through Acquisitions.* We plan to pursue acquisitions of complementary assets from MPC as well as third parties. We believe MPC will offer us the opportunity to purchase additional midstream assets that it owns, including additional interests in Pipe Line Holdings. We also may pursue acquisitions jointly with MPC. Our third-party acquisition strategy will include midstream assets both within our existing geographic footprint and in new areas.
- Ø *Maintain Safe and Reliable Operations.* We believe that providing safe, reliable and efficient services is a key component in generating stable cash flows, and we are committed to maintaining and improving the safety, reliability and efficiency of our operations.

## **COMPETITIVE STRENGTHS**

We believe we are well positioned to execute our business strategies based on the following competitive strengths:

- Ø *Strategic Relationship with MPC.* We have a strategic relationship with MPC, which we believe to be the fifth-largest petroleum products refiner in the United States and the largest petroleum products refiner in the Midwest region of the United States based on crude oil refining capacity. MPC is well-capitalized, with an investment grade credit rating, and will own our general partner, % of our limited partner interests and all of our incentive distribution rights. MPC will also continue to own other substantial midstream assets, including a 49.0% interest in Pipe Line Holdings. We believe that our relationship with MPC will provide us with significant growth opportunities, as well as a stable base of cash flows.

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- Ø *Stable and Predictable Cash Flows.* Our assets primarily consist of common carrier pipeline systems that generate stable revenue from FERC-based tariffs. We will generate the substantial majority of our revenue under long-term, fee-based transportation and storage services agreements with MPC that include minimum volume commitments. We believe these agreements will enhance cash flow stability and predictability. On a pro forma basis, MPC's minimum volume commitment would have represented approximately 72% and 75% of our total revenues and other income for each of the year ended December 31, 2011 and the six months ended June 30, 2012, respectively, had those agreements been in effect during those periods. We also expect that, based on MPC's historical shipping patterns, MPC will ship volumes on our pipelines in excess of its minimum volume commitments.
- Ø *Strategically Located Assets.* Our assets are primarily located in the Midwest and Gulf Coast regions of the United States, which collectively comprised approximately 72% of total U.S. crude distillation capacity and approximately 48% of total U.S. finished products demand for the year ended December 31, 2011, according to the U.S. Energy Information Administration (EIA). MPC owns and operates six refineries in the Midwest and Gulf Coast regions that have an aggregate crude oil capacity of 1,193 mbpcd. Our assets are integral to the success of MPC's operations. Our assets are located near several emerging shale plays including the Marcellus, Utica, New Albany, Antrim and Illinois Basin in Pennsylvania, Ohio, Indiana, Michigan and Illinois. MPC is currently transporting crude oil and feedstocks from the Utica shale play and is actively evaluating similar growth opportunities in other emerging shale plays.
- Ø *High-Quality, Well-Maintained Asset Base.* We continually invest in the maintenance and integrity of our assets and have developed various programs to help us efficiently monitor and maintain them. For example, we utilize MPC's patented integrity management program that employs state-of-the-art mechanical integrity inspection and repair programs to enhance the safety of our pipelines.
- Ø *Financial Flexibility.* Upon completion of this offering, we expect to have in place a revolving credit facility with \$500.0 million in available capacity. We also expect to retain a significant portion of the net proceeds from this offering to fund certain future capital expenditures related to our assets. We believe that we will have the financial flexibility to execute our growth strategy through our cash reserves, borrowing capacity under our revolving credit facility and access to the debt and equity capital markets.
- Ø *Experienced Management Team.* Our management team has substantial experience in the management and operation of pipelines, barge docks, storage facilities and other midstream assets. Our management team also has expertise in acquiring and integrating assets as well as executing growth strategies in the midstream sector. Our management team includes many of MPC's most senior officers, who average over 26 years of experience in the energy industry and over 25 years of operational experience with our assets.

## **OUR RELATIONSHIP WITH MARATHON PETROLEUM CORPORATION**

One of our principal strengths is our relationship with MPC, which we believe to be the fifth-largest petroleum products refiner in the United States and the largest petroleum products refiner in the Midwest region of the United States based on crude oil refining capacity. MPC owns and operates six refineries and associated midstream transportation and logistics assets in PADD II and PADD III, which consist of states in the Midwest and Gulf Coast regions of the United States, along with an extensive wholesale and retail refined product marketing operation that serves markets primarily in the Midwest and Southeast regions of the United States. MPC markets refined products under the Marathon brand through an extensive network of jobber- and dealer-owned retail locations, and under the Speedway brand through its wholly owned subsidiary, Speedway LLC, which operates what we believe to be the nation's fourth-largest chain of company-owned and operated retail gasoline and convenience stores. For the year ended

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December 31, 2011 and the six months ended June 30, 2012, MPC had consolidated revenues of approximately \$78.6 billion and \$40.5 billion, respectively. Marathon Petroleum Corporation's common stock trades on the New York Stock Exchange ( NYSE ) under the symbol MPC.

MPC's operations necessitate large-scale movements of crude oil and feedstocks to and among its refineries, as well as large-scale movements of refined products from its refineries to various markets. To this end, MPC has an extensive, integrated network of midstream assets. Following the completion of this offering, MPC will continue to own or lease a substantial portfolio of midstream assets, including:

- Ø a 49.0% interest in our network of pipeline systems, barge dock and tank farms through Pipe Line Holdings;
- Ø over 5,000 miles of additional crude oil and product pipelines;
- Ø three liquefied petroleum gas storage facilities in Woodhaven, Michigan; Canton, Ohio; and Neal, West Virginia with an aggregate capacity of over 2.1 million barrels;
- Ø 62 owned and operated light product terminals with 182 transport loading racks;
- Ø 21 owned and operated asphalt terminals with 79 transport loading racks;
- Ø over 120 owned transport trucks;
- Ø over 1,900 owned or leased rail cars; and

Ø one of the largest inland bulk liquid barge fleets in the United States, consisting of 15 towboats and 167 owned and 14 leased barges. MPC will retain a significant interest in us through its ownership of our general partner, a % limited partner interest in us and all of our incentive distribution rights. We believe MPC will promote and support the successful execution of our business strategies given its significant ownership in us following this offering and its stated intention to use us to grow its midstream business. As a result, we believe MPC will offer us the opportunity to purchase additional assets from it, including additional interests in Pipe Line Holdings. We also may pursue acquisitions jointly with MPC. However, MPC is under no obligation to offer to sell us additional assets or to pursue acquisitions jointly with us, and we are under no obligation to buy any such additional assets or pursue any such joint acquisitions.

In connection with this offering, we will enter into long-term, fee-based transportation and storage services agreements with MPC. We refer to those agreements in this prospectus as our transportation and storage services agreements. Under these agreements, we will provide transportation and storage services to MPC, and MPC will commit to provide us with minimum quarterly throughput and storage volumes of crude oil and products and minimum storage volumes of butane.

In addition to our transportation and storage services agreements with MPC, we will also enter into an omnibus agreement, two management services agreements and two employee service agreements with MPC in connection with this offering. The omnibus agreement will address our reimbursement of MPC for the provision of certain general and administrative services and MPC's indemnification of us for certain matters, including environmental, title and tax matters. Under our management services agreements with MPC, MPC will pay us fixed monthly fees for providing certain management services to MPC with respect to certain of MPC's retained pipeline assets. Under our employee services agreements with MPC, we will reimburse MPC for the provision of certain operational and management services to us in support of our assets. While not the result of arm's-length negotiations, we believe the terms of all of our initial agreements with MPC will be, and specifically intend the rates to be, generally no less



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favorable to either party than those that could have been negotiated with unaffiliated parties with respect to similar services. Please read **Certain Relationships and Related Party Transactions** **Agreements Governing the Transactions**.

While our relationship with MPC and its subsidiaries is a significant strength, it is also a source of potential conflicts. Please read **Conflicts of Interest and Duties** and **Risk Factors** **Risks Inherent in an Investment in Us**. Our general partner and its affiliates, including MPC, have conflicts of interest with us and limited duties to us and our unitholders, and they may favor their own interests to our detriment and that of our unitholders. Additionally, we have no control over MPC's business decisions and operations, and MPC is under no obligation to adopt a business strategy that favors us.

## **OUR TRANSPORTATION AND STORAGE SERVICES AGREEMENTS WITH MPC**

Our assets are strategically located within, and integral to, MPC's operations. In connection with this offering, we will enter into long-term, fee-based transportation and storage services agreements with MPC, which will include the following:

- Ø three separate 10-year transportation services agreements and one five-year transportation services agreement under which MPC will pay us fees for transporting crude oil on each of our crude oil pipeline systems;
- Ø four separate 10-year transportation services agreements under which MPC will pay us fees for transporting products on each of our product pipeline systems;
- Ø a five-year transportation services agreement under which MPC will pay us fees for handling crude oil and products at our Wood River barge dock;
- Ø a 10-year storage services agreement under which MPC will pay us fees for providing storage services at our Neal butane cavern; and
- Ø four separate three-year storage services agreements under which MPC will pay us fees for providing storage services at our tank farms. Under the transportation services agreements for our pipeline systems and barge dock, we may annually adjust the tariff rates paid by MPC. Each of the transportation services agreements for our crude oil and product pipeline systems (other than our Wood River to Patoka crude system) will automatically renew for up to two additional five-year terms unless terminated by either party no later than six months prior to the end of the term. The transportation services agreement for our Wood River to Patoka crude system and our Wood River barge dock will automatically renew for up to four additional two-year terms unless terminated by either party no later than six months prior to the end of the term. Our butane cavern storage services agreement will not automatically renew after the end of its 10-year term. Each of the storage services agreements for our tank farms will automatically renew for additional one-year terms unless terminated by either party no later than six months prior to the end of the term.

For the year ended December 31, 2011 and the six months ended June 30, 2012, on a pro forma basis, approximately 72% and 75% of our total revenues and other income, respectively, was attributable to MPC's minimum volume commitments under these agreements.

For additional information about our transportation and storage services agreements with MPC, please read **Management's Discussion and Analysis of Financial Condition and Results of Operations** **How We Generate Revenue** and **Business** **Our Transportation and Storage Services Agreements with MPC**.

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### **OUR EMERGING GROWTH COMPANY STATUS**

As a company with less than \$1.0 billion in revenue during its last fiscal year, we qualify as an emerging growth company as defined in the Jumpstart Our Business Startups Act of 2012 (the JOBS Act), and we are eligible to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002 and reduced disclosure obligations regarding executive compensation in our periodic and annual reports. We intend to take advantage of some of the reduced disclosure obligations regarding executive compensation.

In addition, Section 107 of the JOBS Act also provides that an emerging growth company can take advantage of the extended transition period provided in the Securities Act for complying with new or revised accounting standards. In other words, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We will opt out of such extended transition period and will be required to comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. The JOBS Act provides that any decision to opt out of the extended transition period for complying with new or revised accounting standards is irrevocable.

We could remain an emerging growth company for up to five years, or until the earliest of (i) the last day of the first fiscal year in which our annual gross revenues exceed \$1.0 billion, (ii) the date that we become a large accelerated filer as defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended, or the Exchange Act, which would occur if the market value of our common units that are held by non-affiliates exceeds \$700.0 million as of the last business day of our most recently completed second fiscal quarter, and (iii) the date on which we have issued more than \$1.0 billion in non-convertible debt during the preceding three-year period.

### **RISK FACTORS**

An investment in our common units involves risks associated with our business, our partnership structure and the tax characteristics of our common units. You should carefully consider the risks described in Risk Factors and the other information in this prospectus before investing in our common units.

### **THE TRANSACTIONS**

We were formed in March 2012 by MPC to own, operate, develop and acquire crude oil, refined products and other hydrocarbon-based product pipelines and other midstream assets.

In connection with this offering the following transactions will occur:

- Ø MPC will convey 100.0% of the ownership interests in MPL and ORPL to Pipe Line Holdings, a recently-formed wholly owned subsidiary of MPC;
- Ø MPC will sell a 100.0% interest in MPC's butane cavern in Neal, West Virginia to MPLX Terminal and Storage, a recently-formed wholly owned subsidiary of MPC;
- Ø MPC will contribute a 51.0% general partner interest in Pipe Line Holdings to MPLX Operations LLC, our recently-formed wholly owned subsidiary, and will retain a 49.0% limited partner interest in Pipe Line Holdings;

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- Ø MPC will contribute 100.0% of the member interests in MPLX Terminal and Storage to MPLX Operations LLC;
- Ø MPC will retain most of the proceeds from certain loans receivable from a related party under our Predecessor's cash management agreements with such related party that will be terminated prior to the closing of this offering;
- Ø we will establish an account receivable or account payable with MPC to balance contributed working capital;
- Ø we will issue common units and subordinated units to MPC, representing an aggregate % limited partner interest in us, and general partner units, representing a 2.0% general partner interest in us, and all of our incentive distribution rights to our general partner;
- Ø we will issue common units to the public in this offering, representing a % limited partner interest in us, and will apply the net proceeds as described in Use of Proceeds ;
- Ø we will enter into a new \$500.0 million revolving credit facility;
- Ø we will enter into multiple long-term transportation and storage services agreements and two management services agreements with MPC;
- Ø we will enter into two employee services agreements with MPC and certain of its affiliates; and
- Ø we will enter into an omnibus agreement with MPC and certain of its affiliates, including our general partner.

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**ORGANIZATIONAL STRUCTURE AFTER THE TRANSACTIONS**

After giving effect to the transactions described above, our units will be held as follows:

Public common units	%
MPC common units	%
MPC subordinated units	49.0%
General partner units	2.0%
Total	100.0%

The following simplified diagram depicts our organizational structure after giving effect to the transactions described above.



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### **MANAGEMENT OF MPLX LP**

We are managed and operated by the board of directors and executive officers of MPLX GP LLC, our general partner. MPC is the sole owner of our general partner and has the right to appoint the entire board of directors of our general partner, including the independent directors appointed in accordance with the listing standards of the NYSE. Unlike shareholders in a publicly traded corporation, our unitholders will not be entitled to elect our general partner or the board of directors of our general partner. Many of the executive officers and directors of our general partner also currently serve as executive officers and directors of MPC. For more information about the directors and executive officers of our general partner, please read Management Directors and Executive Officers of MPLX GP LLC.

In order to maintain operational flexibility, our operations will be conducted through, and our operating assets will be owned by, various operating subsidiaries. However, neither we nor our subsidiaries have any employees. Our general partner has the sole responsibility for providing the personnel necessary to conduct our operations, whether through directly hiring employees or by obtaining the services of personnel employed by MPC or others. All of the personnel that will conduct our business immediately following the closing of this offering will be employed or contracted by our general partner and its affiliates, including MPC, but we sometimes refer to these individuals in this prospectus as our employees.

### **PRINCIPAL EXECUTIVE OFFICES AND INTERNET ADDRESS**

Our principal executive offices are located at 200 E. Hardin Street, Findlay, Ohio 45840, and our telephone number is (419) 672-6500. Following the completion of this offering, our website will be located at [www.mplx.com](http://www.mplx.com). We expect to make our periodic reports and other information filed with or furnished to the Securities and Exchange Commission ( SEC ) available, free of charge, through our website, as soon as reasonably practicable after those reports and other information are electronically filed with or furnished to the SEC. Information on our website or any other website is not incorporated by reference into this prospectus and does not constitute a part of this prospectus.

### **SUMMARY OF CONFLICTS OF INTEREST AND DUTIES**

Under our partnership agreement, our general partner has a duty to manage us in a manner it believes is not adverse to the best interests of our partnership. However, because our general partner is a wholly owned subsidiary of MPC, the officers and directors of our general partner have a duty to manage the business of our general partner in a manner that is not adverse to the best interests of MPC. As a result of this relationship, conflicts of interest may arise in the future between us and our unitholders, on the one hand, and our general partner and its affiliates, including MPC, on the other hand. For example, our general partner will be entitled to make determinations that affect the amount of cash distributions we make to the holders of common units, which in turn has an effect on whether our general partner receives incentive cash distributions. In addition, our general partner may determine to manage our business in a way that directly benefits MPC's refining or marketing businesses, whether by causing us not to seek higher tariff rates or not to connect our pipelines with those of other third parties or otherwise, rather than indirectly benefitting MPC solely through its ownership interests in us. For a more detailed description of the conflicts of interest and fiduciary duties of our general partner, please read Conflicts of Interest and Duties.

Delaware law provides that Delaware limited partnerships may, in their partnership agreements, expand, restrict or eliminate the fiduciary duties owed by the general partner to limited partners and the partnership. Our partnership agreement contains various provisions replacing the fiduciary duties that

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would otherwise be owed by our general partner with contractual standards governing the duties of the general partner and contractual methods of resolving conflicts of interest. The effect of these provisions is to restrict the remedies available to unitholders for actions that might otherwise constitute breaches of our general partner's fiduciary duties. Our partnership agreement also provides that affiliates of our general partner, including MPC and its other subsidiaries, are not restricted from competing with us, and neither our general partner nor its affiliates have any obligation to present business opportunities to us. By purchasing a common unit, the purchaser agrees to be bound by the terms of our partnership agreement, and pursuant to the terms of our partnership agreement each holder of common units consents to various actions and potential conflicts of interest contemplated in our partnership agreement that might otherwise be considered a breach of fiduciary or other duties under Delaware law. Please read "Conflicts of Interest and Duties Duties of the General Partner" for a description of the fiduciary duties imposed on our general partner by Delaware law, the replacement of those duties with contractual standards under our partnership agreement and certain legal rights and remedies available to holders of our common units and subordinated units. For a description of our other relationships with our affiliates, please read "Certain Relationships and Related Party Transactions."

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# The offering

Common units offered to the public

common units.

common units if the underwriters exercise in full their option to purchase additional common units from us.

Units outstanding after this offering

common units and subordinated units, each representing a 49.0% limited partner interest in us.

Use of proceeds

We expect to receive net proceeds of approximately \$ million from the sale of common units offered by this prospectus based on the initial public offering price of \$ per common unit (the mid-point of the price range set forth on the cover of this prospectus), after deducting underwriting discounts, structuring fees and estimated offering expenses. We intend to use the net proceeds as follows:

- Ø approximately \$219.4 million will be contributed to Pipe Line Holdings, which Pipe Line Holdings will retain on behalf of us and MPC to fund our respective pro rata portions of certain estimated expansion capital expenditures;
- Ø \$ million will be distributed to MPC in partial consideration of its contribution of assets to us and to reimburse MPC for certain capital expenditures it incurred with respect to these assets;
- Ø \$10.0 million will be retained for general partnership purposes, including to fund our working capital needs; and
- Ø \$ million will be used to pay revolving credit facility origination fees.

In connection with this offering, we will enter into a \$500.0 million revolving credit facility.

The net proceeds from any exercise by the underwriters of their option to purchase additional common units from us will be used to redeem from MPC a number of common units equal to the number of common units issued upon exercise of the option at a price per common unit equal to the net proceeds per common unit in this offering before expenses but after deducting underwriting discounts and the structuring fee.



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### Cash distributions

We intend to make a minimum quarterly distribution of \$       per unit to the extent we have sufficient cash from operations after establishment of cash reserves and payment of fees and expenses, including payments to our general partner.

For the quarter in which this offering closes, we will pay a prorated distribution on our units covering the period from the completion of this offering through December 31, 2012, based on the actual length of that period.

In general, we will pay any cash distributions we make each quarter in the following manner:

- Ø first, 98.0% to the holders of common units and 2.0% to our general partner, until each common unit has received a minimum quarterly distribution of \$       plus any arrearages from prior quarters;
- Ø second, 98.0% to the holders of subordinated units and 2.0% to our general partner, until each subordinated unit has received a minimum quarterly distribution of \$       ; and
- Ø third, 98.0% to all unitholders, pro rata, and 2.0% to our general partner, until each unit has received a distribution of \$       .

If cash distributions to our unitholders exceed \$       per unit in any quarter, our general partner will receive, in addition to distributions on its 2.0% general partner interest, increasing percentages, up to 48.0%, of the cash we distribute in excess of that amount. We refer to these distributions as incentive distributions. In certain circumstances, our general partner, as the initial holder of our incentive distribution rights, has the right to reset the target distribution levels described above to higher levels based on our cash distributions at the time of the exercise of this reset election. Please read Provisions of our Partnership Agreement Relating to Cash Distributions.

If we do not generate sufficient available cash from operations, we may, but are under no obligation to, borrow funds to pay the minimum quarterly distribution to our unitholders.

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Pro forma cash available for distribution attributable to us that was generated during the year ended December 31, 2011 and the twelve months ended June 30, 2012 was approximately \$50.3 million and \$55.5 million, respectively. The amount of available cash we need to pay the minimum quarterly distribution for four quarters on our common units and subordinated units to be outstanding immediately after this offering and the corresponding distributions on our general partner's 2.0% interest is approximately \$ million (or an average of approximately \$ million per quarter). As a result, for the year ended December 31, 2011 and the twelve months ended June 30, 2012, on a pro forma basis, we would not have generated available cash sufficient to pay the aggregate annualized minimum quarterly distribution on all of our common units and subordinated units and the corresponding distributions on our general partner's 2.0% interest during those periods. Specifically, on a pro forma basis, we would have experienced an average shortfall of approximately \$ million in each of the four quarters in the twelve months ended June 30, 2012 relative to the aggregate minimum quarterly distribution for each of those quarters. Please read Cash Distribution Policy and Restrictions on Distributions Unaudited Pro Forma Cash Available for Distribution for the Year Ended December 31, 2011 and the Twelve Months Ended June 30, 2012.

We believe, based on our financial forecast and related assumptions included in Cash Distribution Policy and Restrictions on Distributions Estimated Cash Available for Distribution for the Twelve Months Ending December 31, 2013 that we will have sufficient available cash to pay the aggregate minimum quarterly distribution of \$ million on all of our common units and subordinated units and the corresponding distributions on our general partner's 2.0% interest for the twelve months ending December 31, 2013. However, we do not have a legal obligation to pay distributions at our minimum quarterly distribution rate or at any other rate except as provided in our partnership agreement, and there is no guarantee that we will make quarterly cash distributions to our unitholders. Please read Cash Distribution Policy and Restrictions on Distributions.

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### Subordinated units

MPC will initially own all of our subordinated units. The principal difference between our common units and subordinated units is that for any quarter during the subordination period, the subordinated units will not be entitled to receive any distribution until the common units have received the minimum quarterly distribution for such quarter plus any arrearages in the payment of the minimum quarterly distribution from prior quarters during the subordination period. Subordinated units will not accrue arrearages.

### Conversion of subordinated units

The subordination period will end on the first business day after we have earned and paid at least (1) \$ (the minimum quarterly distribution on an annualized basis) on each outstanding common unit and subordinated unit and the corresponding distributions on our general partner's 2.0% interest for each of three consecutive, non-overlapping four quarter periods ending on or after , 2015 or (2) \$ (150.0% of the annualized minimum quarterly distribution) on each outstanding common unit and subordinated unit and the corresponding distributions on our general partner's 2.0% interest and the incentive distribution rights for the four-quarter period immediately preceding that date, in each case provided there are no arrearages on our common units at that time.

The subordination period also will end upon the removal of our general partner other than for cause if no subordinated units or common units held by the holders of subordinated units or their affiliates are voted in favor of that removal.

When the subordination period ends, all subordinated units will convert into common units on a one-for-one basis, and all common units will no longer be entitled to arrearages. Please read Provisions of our Partnership Agreement Relating to Cash Distributions Subordinated Units and Subordination Period.

### Issuance of additional units

Our partnership agreement authorizes us to issue an unlimited number of additional units without the approval of our unitholders. Our unitholders will not have preemptive or participation rights to purchase their pro rata share of any additional units issued. Please read Units Eligible for Future Sale and Our Partnership Agreement Issuance of Additional Securities.

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### Limited voting rights

Our general partner will manage and operate us. Unlike the holders of common stock in a corporation, our unitholders will have only limited voting rights on matters affecting our business. Our unitholders will have no right to elect our general partner or its directors on an annual or other continuing basis. Our general partner may not be removed except by a vote of the holders of at least  $66\frac{2}{3}\%$  of the outstanding units, including any units owned by our general partner and its affiliates, voting together as a single class. Upon consummation of this offering, MPC will own an aggregate of  $\quad\%$  of our common and subordinated units (or  $\quad\%$  of our common and subordinated units, if the underwriters exercise their option to purchase additional common units in full). This will give MPC the ability to prevent the removal of our general partner. Please read Our Partnership Agreement Voting Rights.

### Limited call right

If at any time our general partner and its affiliates own more than 80.0% of the outstanding common units, our general partner has the right, but not the obligation, to purchase all of the remaining common units at a price equal to the greater of (1) the average of the daily closing price of our common units over the 20 trading days preceding the date that is three days before notice of exercise of the call right is first mailed and (2) the highest per-unit price paid by our general partner or any of its affiliates for common units during the 90-day period preceding the date such notice is first mailed. Please read Our Partnership Agreement Limited Call Right.

### Redemption of ineligible holders

Units held by persons who our general partner determines are not citizenship eligible holders or rate eligible holders will be subject to redemption. Citizenship eligible holders are individuals or entities whose nationality, citizenship or other related status does not create a substantial risk of cancellation or forfeiture of any property, including any governmental permit, endorsement or other authorization, in which we have an interest, and will generally include individuals and entities who are U.S. citizens. Rate eligible holders are:

- Ø individuals or entities subject to U.S. federal income taxation on the income generated by us; or



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Ø entities not subject to U.S. federal income taxation on the income generated by us, so long as all of the entity's owners are domestic individuals or entities subject to such taxation.

We will have the right, which we may assign to any of our affiliates, but not the obligation, to redeem all of the common units of any holder that is not a citizenship eligible holder or a rate eligible holder or that has failed to certify or has falsely certified that such holder is a citizenship eligible holder or a rate eligible holder. The redemption price will be equal to the market price of the common units as of the date three days before the date the notice of redemption is mailed. The redemption price will be paid in cash or by delivery of a promissory note, as determined by our general partner. The units held by any person the general partner determines is not a citizenship eligible holder will not be entitled to voting rights.

Please read Our Partnership Agreement Redemption of Ineligible Holders.

Estimated ratio of taxable income to distributions

We estimate that if you own the common units you purchase in this offering through the record date for distributions for the period ending December 31, 2015, you will be allocated, on a cumulative basis, an amount of federal taxable income for that period that will be % or less of the cash distributed to you with respect to that period. For example, if you receive an annual distribution of \$ per unit, we estimate that your average allocable federal taxable income per year will be no more than approximately \$ per unit. Thereafter, the ratio of allocable taxable income to cash distributions to you could substantially increase. Please read Material Federal Income Tax Consequences Tax Consequences of Unit Ownership Ratio of Taxable Income to Distributions for the basis of this estimate.

Material federal income tax consequences

For a discussion of the material federal income tax consequences that may be relevant to prospective unitholders who are individual citizens or residents of the United States, please read Material Federal Income Tax Consequences.

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Directed Unit Program

At our request, the underwriters have reserved for sale up to 5.0% of the common units being offered by this prospectus for sale at the initial public offering price to the directors and executive officers of our general partner and MPC and certain other employees and consultants of MPC and its affiliates. We do not know if these persons will choose to purchase all or any portion of these reserved common units, but any purchases they do make will reduce the number of common units available to the general public. Please read Underwriting Directed Unit Program.

Exchange listing

We have applied to list our common units on the New York Stock Exchange under the symbol MPLX.

**Table of Contents****Summary historical and pro forma financial and operating data**

The following table shows summary historical combined financial and operating data of MPLX LP Predecessor, our Predecessor for accounting purposes (our "Predecessor"), as of the date and for the periods indicated and summary pro forma combined financial and operating data of MPLX LP as of the date and for the periods indicated. Our Predecessor consists of a 100.0% interest in all of the assets and operations of MPL and ORPL that MPC will contribute to us at the closing of this offering, as well as minority undivided interests in two crude oil pipeline systems, which we refer to as the joint interest assets, that will not be contributed to us. In connection with the closing of this offering, MPC will transfer the joint interest assets from our Predecessor to other MPC subsidiaries and then contribute to us a 51.0% indirect ownership interest in Pipe Line Holdings, which owns our Predecessor's assets and operations (other than the joint interest assets), and a 100.0% indirect ownership interest in our butane cavern. However, as required by United States generally accepted accounting principles ("GAAP"), we will continue to consolidate 100.0% of the assets and operations of Pipe Line Holdings in our financial statements. In addition we will record the contribution at historical cost, as it will be considered a reorganization of entities under common control.

The summary historical combined financial and operating data of our Predecessor as of and for the years ended December 31, 2009, 2010 and 2011 are derived from the audited combined financial data of our Predecessor appearing elsewhere in this prospectus. The summary historical interim combined financial data of our Predecessor as of and for the six months ended June 30, 2011 and 2012 are derived from the unaudited interim combined financial statements of our Predecessor appearing elsewhere in this prospectus. The following table should be read together with, and is qualified in its entirety by reference to, the historical audited and unaudited interim combined financial statements and the accompanying notes included elsewhere in this prospectus. The following table should also be read together with Management's Discussion and Analysis of Financial Condition and Results of Operations.

The summary pro forma combined financial data presented in the following table for the year ended December 31, 2011 and as of and for the six months ended June 30, 2012 are derived from the unaudited pro forma combined financial data included elsewhere in this prospectus. The pro forma balance sheet assumes that the offering and the related transactions occurred as of June 30, 2012, and the pro forma statements of income for the year ended December 31, 2011 and the six months ended June 30, 2012 assume that the offering and the related transactions occurred as of January 1, 2011. These transactions primarily include, and the pro forma financial data give effect to, the following:

- Ø MPC's transfer of the joint interest assets from our Predecessor to other MPC subsidiaries;
- Ø our Predecessor's collection of loans receivable from MPC Investment Fund, Inc. ("MPCIF"), a wholly owned subsidiary of MPC, under our Predecessor's cash management agreements with MPCIF, the distribution to MPC of most of those proceeds and the termination of the cash management agreements prior to the closing of this offering;
- Ø our establishment of an account payable to MPC to balance contributed working capital;
- Ø MPC's contribution to us of a 51.0% indirect ownership interest in Pipe Line Holdings, which owns our Predecessor's assets and operations (other than the joint interest assets), and a 100.0% interest in the Neal butane cavern. As our butane cavern was not in service during any period presented, the pro forma periods reflect only minimal expenses and no revenues associated with our butane cavern;
- Ø our entry into a new \$500.0 million revolving credit facility, which we have assumed was not drawn during the pro forma periods presented, and the amortization of the origination fees associated with the facility;

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- Ø our execution of multiple long-term transportation, storage and management services agreements with MPC and recognition of revenues and other income under those agreements that were not recognized by our Predecessor;
- Ø our entry into an omnibus agreement and employee services agreements with MPC;
- Ø the consummation of this offering and our issuance of common units to the public, general partner units and the incentive distribution rights to our general partner and common units and subordinated units to MPC; and
- Ø the application of the net proceeds of this offering as described in Use of Proceeds.
- The pro forma financial data does not give effect to an estimated \$3.4 million in incremental general and administrative expenses that we expect to incur annually as a result of being a separate publicly-traded partnership.

	MPLX LP Predecessor Historical					MPLX LP Pro Forma	
	Year ended December 31,			Six months ended June 30,		Six months ended June 30,	Year ended December 31,
(In millions)	2011	2010	2009	2012 (unaudited)	2011 (unaudited)	2012 (unaudited)	2011 (unaudited)
<b>Combined statements of income data:</b>							
Sales and other operating revenues	\$ 62.1	\$ 49.7	\$ 43.3	\$ 33.9	\$ 28.6	\$ 33.9	\$ 62.1
Sales to related parties	334.8	346.2	331.4	169.2	164.3	150.7	270.5
Gain (loss) on sale of assets			0.2	(0.3)		(0.3)	
Other income	4.3	0.4	1.3	3.3	0.4	3.2	4.0
Other income related parties	9.4	8.0	7.3	6.4	3.9	6.7	10.1
Total revenues and other income	410.6	404.3	383.5	212.5	197.2	194.2	346.7
Total costs and expenses	278.6	300.9	260.9	148.1	128.9	138.6	257.5
Income from operations	\$ 132.0	\$ 103.4	\$ 122.6	\$ 64.4	\$ 68.3	\$ 55.6	\$ 89.2
Net income	\$ 134.0	\$ 103.3	\$ 122.3	\$ 65.0	\$ 70.0	\$ 55.6	\$ 89.0
Net income attributable to MPLX LP						\$ 28.2	\$ 45.3
<b>Combined balance sheets data (at period end):</b>							
Property, plant and equipment, net	\$ 866.8	\$ 847.8	\$ 890.8	\$ 914.3	\$ 841.3	\$ 844.0	
Total assets	1,303.1	1,118.0	1,068.8	1,501.6	1,296.5	1,244.4	
Long-term debt(1)	11.9	12.5	13.1	11.6	12.3	11.6	
<b>Combined statements of cash flows data:</b>							
Net cash provided by (used in):							
Operating activities	\$ 181.9	\$ 117.3	\$ 145.1	\$ 94.9	\$ 87.7		
Investing activities	(218.7)	(64.6)	(57.5)	(225.2)	(199.5)		
Financing activities	36.7	(53.0)	(88.3)	130.8	112.0		
Additions to property, plant and equipment(2)	(49.8)	(13.7)	(57.7)	(54.8)	(11.3)		
<b>Other financial data:</b>							
Adjusted EBITDA(3)	\$ 168.3	\$ 156.0	\$ 155.4	\$ 82.8	\$ 86.0	\$ 70.6	\$ 118.5
Adjusted EBITDA attributable to MPLX LP(4)						\$ 35.9	\$ 60.3



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- (1) Consists of capital lease obligations, including amounts due within one year.
- (2) Represents cash capital expenditures as reflected on combined statements of cash flows for the periods indicated, which are included in cash used in investing activities.
- (3) For a discussion of the non-GAAP financial measure of Adjusted EBITDA and a reconciliation of Adjusted EBITDA to our most directly comparable measures calculated and presented in accordance with GAAP, please read *Selected Historical and Pro Forma Financial and Operating Data Non-GAAP Financial Measure*.
- (4) Represents Adjusted EBITDA attributable to our 51.0% indirect ownership interest in Pipe Line Holdings, less 100.0% of certain overhead expenses attributable to our butane cavern. As our butane cavern was not in service during any period presented, the pro forma periods reflect only minimal expenses and no revenues associated with our butane cavern.

	MPLX LP Predecessor Historical					MPLX LP Pro Forma	
	Year ended		Six months			Six months	Year ended
	December 31,		ended			ended	December 31,
	2011	2010	2009	2012	2011	2012	2011
<b>Operating information(1):</b>							
Pipeline throughput (mbpd)							
Crude oil pipelines(2)	1,184	1,204	1,113	1,157	1,197	1,026	993
Product pipelines	1,031	968	953	935	994	935	1,031
Total	2,215	2,172	2,066	2,092	2,191	1,961	2,024
Crude oil pipelines (light equivalent barrels)(2)(3)	1,232	1,276	1,157	1,194	1,261	1,062	1,041
Average tariff rates (\$ per barrel)(4)							
Crude oil pipelines(2)	\$ 0.48	\$ 0.49	\$ 0.48	\$ 0.53	\$ 0.48	\$ 0.48	\$ 0.40
Product pipelines	0.46	0.46	0.45	0.48	0.45	0.50	0.44
Total pipelines	0.47	0.48	0.46	0.51	0.46	0.49	0.42

- (1) Operating information relating to the joint interest assets is included in the MPLX LP Predecessor historical periods and excluded in the MPLX LP pro forma periods presented.
- (2) For all periods presented, excludes volumes transported on the St. James, LA to Garyville, LA crude oil pipeline system that was transferred from common carrier to private service on October 1, 2009.
- (3) For description of the differences between physical barrels of crude oil and light equivalent barrels of crude oil, please read footnote 2 to the table *Crude Oil Volumes Transported* in *Business Our Assets and Operations*.
- (4) Average tariffs calculated using actual revenues divided by physical barrels.

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## Risk factors

*Investing in our common units involves a high degree of risk. You should carefully consider the risks described below with all of the other information included in this prospectus before deciding to invest in our common units. Limited partner interests are inherently different from the capital stock of a corporation, although many of the business risks to which we are subject are similar to those that would be faced by a corporation engaged in a similar business. If any of the following risks actually occur, they may materially harm our business and our financial condition and results of operations. In this event, we might not be able to pay distributions on our common units, the trading price of our common units could decline, and you could lose part or all of your investment.*

### **RISKS RELATED TO OUR BUSINESS**

**MPC accounts for the substantial majority of our revenues. If MPC changes its business strategy, is unable to satisfy its obligations under our transportation and storage services agreements or significantly reduces the volumes transported through our pipelines or stored at our storage assets, our revenues would decline and our financial condition, results of operations, cash flows, and ability to make distributions to our unitholders would be materially adversely affected.**

For the year ended December 31, 2011, excluding revenues attributable to volumes shipped by MPC under joint tariffs with third parties that were treated as third party revenues for accounting purposes, MPC accounted for approximately 80% of our pro forma revenues and other income. As we expect to continue to derive the substantial majority of our revenues from MPC for the foreseeable future, any event, whether in our areas of operation or elsewhere, that materially and adversely affects MPC's financial condition, results of operations or cash flows may adversely affect our ability to sustain or increase cash distributions to our unitholders. Accordingly, we are indirectly subject to the operational and business risks of MPC, the most significant of which include the following:

- Ø the timing and extent of changes in commodity prices and demand for MPC's products, and the availability and costs of crude oil and other refinery feedstocks;
- Ø the effects of the global economic downturn on MPC's business and the business of its suppliers, customers, business partners and lenders;
- Ø the risk of contract cancellation, non-renewal or failure to perform by MPC's customers, and MPC's inability to replace such contracts and/or customers;
- Ø disruptions due to equipment interruption or failure at MPC's facilities or at third-party facilities on which MPC's business is dependent, including electrical shortages and power grid failures;
- Ø any decision by MPC to temporarily or permanently curtail or shut down operations at one or more of its refineries or other facilities and reduce or terminate its obligations under our transportation and storage services agreements;
- Ø MPC's ability to remain in compliance with the terms of its outstanding indebtedness;

Ø changes in the cost or availability of third-party pipelines, terminals and other means of delivering and transporting crude oil, feedstocks, refined products and other hydrocarbon-based products, including the construction or modification of new pipelines that would allow MPC to reduce or terminate its obligation under certain of our transportation services agreements;



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### **Risk factors**

- Ø state and federal environmental, economic, health and safety, energy and other policies and regulations, and any changes in those policies and regulations;
- Ø environmental incidents and violations and related remediation costs, fines and other liabilities;
- Ø operational hazards and other incidents at MPC's refineries and other facilities, such as explosions and fires, that result in temporary or permanent shut downs of those refineries and facilities;
- Ø changes in crude oil and product inventory levels and carrying costs; and
- Ø disruptions due to hurricanes, tornadoes or other forces of nature.

Additionally, MPC continually considers opportunities presented by third parties with respect to its assets. These opportunities may include offers to purchase and joint venture propositions. MPC may also change its operations by constructing new facilities, suspending or reducing certain operations, modifying or closing facilities or terminating operations. Changes may be considered to meet market demands, to satisfy regulatory requirements or environmental and safety objectives, to improve operational efficiency or for other reasons. MPC actively manages its assets and operations, and, therefore, changes of some nature, possibly material to its business relationship with us, are likely to occur at some point in the future.

We have no control over MPC, our largest source of revenue and our primary customer, and MPC may elect to pursue a business strategy that does not favor us and our business. Please read **Risks Inherent in an Investment in Us**. Our general partner and its affiliates, including MPC, have conflicts of interest with us and limited duties to us and our unitholders, and they may favor their own interests to our detriment and that of our unitholders. Additionally, we have no control over MPC's business decisions and operations, and MPC is under no obligation to adopt a business strategy that favors us.

### **We may not have sufficient cash from operations following the establishment of cash reserves and payment of fees and expenses, including cost reimbursements to our general partner and its affiliates, to enable us to pay the minimum quarterly distribution to our unitholders.**

In order to pay the minimum quarterly distribution of \$        per unit per quarter, or \$        per unit on an annualized basis, we will require available cash of approximately \$        per quarter, or approximately \$        per year, based on the number of common units and subordinated units and the general partner interest to be outstanding immediately after completion of this offering. We may not have sufficient available cash from operating surplus each quarter to enable us to pay the minimum quarterly distribution. The amount of cash we can distribute on our units principally depends upon the amount of cash we generate from our operations, which will fluctuate from quarter to quarter based on, among other things:

- Ø the volume of crude oil, refined products and other hydrocarbon-based products we transport;
- Ø the tariff rates with respect to volumes that we transport; and

Ø prevailing economic conditions.

In addition, the actual amount of cash we will have available for distribution will also depend on other factors, some of which are beyond our control, including:

Ø the amount of our operating expenses and general and administrative expenses, including reimbursements to MPC in respect of those expenses;

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### **Risk factors**

- Ø the application by MPC of any remaining credit amounts to any volumes shipped on our pipeline systems after the expiration or termination of our transportation services agreements;
- Ø the level of capital expenditures we make;
- Ø the cost of acquisitions, if any;
- Ø our debt service requirements and other liabilities;
- Ø fluctuations in our working capital needs;
- Ø our ability to borrow funds and access capital markets;
- Ø restrictions contained in our revolving credit facility and other debt service requirements;
- Ø the amount of cash reserves established by our general partner; and
- Ø other business risks affecting our cash levels.

**On a pro forma basis we would not have generated available cash sufficient to pay the aggregate annualized minimum quarterly distributions on all of our units for the year ended December 31, 2011 or the twelve months ended June 30, 2012.**

The amount of pro forma available cash generated during the year ended December 31, 2011 and the twelve months ended June 30, 2012 would have been insufficient to allow us to pay the aggregate annualized minimum quarterly distributions on all of our common units and subordinated units and the corresponding distributions on our general partner's 2.0% interest during those periods. Specifically, on a pro forma basis, we would have experienced an average shortfall of approximately \$ million in each of the four quarters in the twelve months ended June 30, 2012 relative to the aggregate minimum quarterly distribution for each of those quarters. For a calculation of our ability to make cash distributions based on our pro forma results for the year ended December 31, 2011 and the twelve months ended June 30, 2012, please read Cash Distribution Policy and Restrictions on Distributions.

**The assumptions underlying the forecast of cash available for distribution that we include in Cash Distribution Policy and Restrictions on Distributions are inherently uncertain and subject to significant business, economic, financial, regulatory and competitive risks that could cause our actual cash available for distribution to differ materially from our forecast.**

The forecast of cash available for distribution set forth in Cash Distribution Policy and Restrictions on Distributions includes our forecast of our results of operations, Adjusted EBITDA and cash available for distribution for the twelve months ending December 31, 2013. Our ability to pay the full minimum quarterly distribution in the forecast period is based on a number of assumptions that may not prove to be correct and that are discussed in Cash Distribution Policy and Restrictions on Distributions. Our financial forecast has been prepared by management, and we have

neither received nor requested an opinion or report on it from our or any other independent auditor. The assumptions underlying the forecast are inherently uncertain and are subject to significant business, economic, regulatory and competitive risks, including those discussed in this prospectus, which could cause our Adjusted EBITDA to be materially less than the amount forecasted. If we do not generate the forecasted Adjusted EBITDA, we may not be able to make the minimum quarterly distribution or pay any amount on our common units or subordinated units, and the market price of our common units may decline materially.

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**Risk factors**

**MPC may suspend, reduce or terminate its obligations under our transportation and storage services agreements in some circumstances, which would have a material adverse effect on our financial condition, results of operations, cash flows and ability to make distributions to our unitholders.**

Our transportation and storage services agreements with MPC include provisions that permit MPC to suspend, reduce or terminate its obligations under the applicable agreement if certain events occur. These events include MPC being prevented from transporting its full minimum volume commitment because of capacity constraints on our pipelines, our being subject to certain force majeure events that would prevent us from performing some or all of the required services under the applicable agreement and, subject to the provision of twelve months' advance notice to MPLX LP and certain other conditions, MPC's determination to suspend refining operations at one of its refineries, either permanently or indefinitely for a period that will continue for at least twelve months. MPC has the discretion to make such decisions notwithstanding the fact that they may significantly and adversely affect us. These actions could result in a reduction or suspension of MPC's obligations under one or more transportation and storage services agreements.

Under our transportation services agreements, if the minimum capacity of our pipelines falls below the level of MPC's minimum commitment, or if capacity on our pipelines is required to be allocated among shippers because volume nominations exceed available capacity, MPC's minimum commitment may be reduced accordingly. MPC's and our obligations will also be proportionately reduced or suspended to the extent that either party is unable to perform under the agreements upon a declaration of a force majeure event. Accordingly, under our transportation and storage services agreements, these events could result in MPC no longer being required to transport or store its minimum volume commitments on our pipelines and at our storage assets or being required to pay the full amount of fees that would have been associated with its minimum volume commitments. Any such reduction, suspension or termination of MPC's obligations would have a material adverse effect on our financial condition, results of operations, cash flows and ability to make distributions to our unitholders. Please read *Business* Our Transportation and Storage Services Agreements with MPC.

**If MPC satisfies only its minimum obligations under, or if we are unable to renew or extend, the transportation and storage services agreements we have with MPC, or if MPC elects to use credits upon the expiration or termination of a transportation services agreement, our ability to make distributions to our unitholders will be materially adversely affected.**

MPC is not obligated to use our services with respect to volumes of crude oil or products in excess of the minimum volume commitments under the transportation services agreements with us. Our ability to make the minimum quarterly distribution on all outstanding units will be materially adversely affected to the extent that we do not transport volumes in excess of the minimum volume commitments under our transportation services agreements or if MPC's obligations under our transportation and storage services agreements are suspended, reduced or terminated due to a refinery shutdown or any other reason. In addition, the initial terms of MPC's obligations under those agreements range from three to 10 years. If MPC fails to use our assets and services after expiration of those agreements, or should our transportation and storage services agreements be invalidated for any reason, and we are unable to generate additional revenues from third parties, our ability to make cash distributions to unitholders may be materially adversely affected.

In addition, under our transportation services agreements, MPC must pay us a deficiency payment if it fails to transport its minimum throughput commitment. MPC may then apply the amount of any such deficiency payments as a credit for volumes transported on the applicable pipeline system in excess of its

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### **Risk factors**

minimum volume commitment during the following four quarters or eight quarters under the terms of the applicable transportation services agreement. However, upon the expiration or termination of a transportation services agreement, MPC may use any remaining credits against any volumes shipped by MPC on the applicable pipeline system for the succeeding four or eight quarters, as applicable, without regard to any minimum volume commitment that may have been in place during the term of the agreement. If that were to occur, we would not receive any revenues for volumes shipped on the applicable pipeline system until any such remaining credits were fully used or until the expiration of the applicable four or eight quarter-period. Please read **Business** Our Transportation and Storage Services Agreements with MPC.

**Although we believe our transportation services agreements with MPC should provide us with stable throughput volumes on our pipeline systems, the rates charged for transporting such volumes vary by origin and destination. Accordingly, the routing of such throughput volumes could impact the stability of our revenues.**

Our transportation services agreements obligate MPC to transport certain minimum volumes on our crude oil and product pipeline systems. Under our transportation services agreements, we will charge MPC for transporting crude oil from various origination points in the Midwest region of the United States to MPC's refineries, and for transporting products from those refineries to end user markets in the Midwest, Gulf Coast and Southeast regions of the United States pursuant to applicable tariff rates.

The rates and fees charged on our pipeline systems for such transportation services will vary depending on the origin and destination points on the respective pipeline systems. Accordingly, while we believe the agreements should provide us with a stable base of throughput volumes, the revenues we generate on our pipeline systems could be reduced materially by changes to the routing of volumes shipped by MPC. Variances in the mix of rates applied under our transportation services agreements could impact the stability of our revenues and thus the stability of our distributions to our unitholders.

**If our tariffs are successfully challenged, we could be required to reduce our tariff rates, which would reduce our revenues and our ability to make distributions to our unitholders.**

MPC has agreed not to challenge, or to cause others to challenge or assist others in challenging, our tariff rates in effect during the term of our transportation services agreements with MPC. This agreement does not prevent other shippers or interested persons from challenging our tariff rates or proration rules; nor does it prevent regulators from reviewing our rates and tariffs on their own initiative. At the end of the term of each of our transportation services agreements, if the agreement is not renewed, MPC will be free to challenge, or to cause other parties to challenge or assist others in challenging, our tariffs in effect at that time. If our tariffs are successfully challenged, we could be required to reduce our tariff rates, which would reduce our revenues and our ability to make distributions to our unitholders.

**Our operations and MPC's refining operations are subject to many risks and operational hazards, some of which may result in business interruptions and shutdowns of our or MPC's facilities and damages for which we may not be fully covered by insurance. If a significant accident or event occurs that results in business interruption or shutdown for which we are not adequately insured, our operations and financial results could be materially adversely affected.**

Our operations are subject to all of the risks and operational hazards inherent in transporting and storing crude oil and products, including:

- Ø damages to pipelines and facilities, related equipment and surrounding properties caused by earthquakes, tornados, hurricanes, floods, fires, severe weather, explosions and other natural disasters and acts of terrorism;



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### **Risk factors**

- Ø maintenance, repairs, mechanical or structural failures at our facilities or at third-party facilities on which our operations are dependent, including MPC's facilities;
- Ø disruption or failure of information technology systems and network infrastructure due to various causes, including unauthorized access or attack;
- Ø curtailments of operations due to severe seasonal weather;
- Ø inadvertent damage to pipelines from construction, farm and utility equipment; and
- Ø other hazards.

These risks could result in substantial losses due to personal injury and/or loss of life, severe damage to and destruction of property and equipment and pollution or other environmental damage, as well as business interruptions or shutdowns of our facilities. Any such event or unplanned shutdown could have a material adverse effect on our business, financial condition and results of operations. In addition, MPC's refining operations, on which our operations are substantially dependent, are subject to similar operational hazards and risks inherent in refining crude oil. A serious accident at our facilities or at MPC's facilities could result in serious injury or death to our employees or contractors or those of MPC or its affiliates and could expose us to significant liability for personal injury claims and reputational risk. We have no control over the operations at MPC's refineries and their associated facilities.

We do not maintain insurance coverage against all potential losses and could suffer losses for uninsurable or uninsured risks or in amounts in excess of existing insurance coverage. We carry separate policies for certain property, business interruption and pollution liabilities and are also insured under certain of MPC's liability policies and are subject to MPC's policy limits under these policies. The occurrence of an event that is not fully covered by insurance or failure by one or more insurers to honor its coverage commitments for an insured event could have a material adverse effect on our business, financial condition and results of operations.

**A material decrease in the refining margins at MPC's refineries could materially reduce the volumes of crude oil and products that we transport and store, which could materially adversely affect our financial condition, results of operations, cash flows and ability to make distributions to our unitholders.**

The volumes of crude oil and products that we transport and store depend substantially on MPC's refining margins. Refining margins are dependent both upon the price of crude oil or other refinery feedstocks and the price of refined products. These prices are affected by numerous factors beyond our or MPC's control, including the global supply and demand for crude oil, gasoline and other refined products, competition from alternative energy sources and the impact of new and more stringent regulations and standards affecting the refining industry. In order to maintain or increase product production levels at MPC's refineries, MPC must continually contract for new crude oil supplies or consider connecting to alternative sources of crude oil. Adverse developments in major oil producing regions around the world could have a significantly greater impact on our financial condition, results of operations and cash flows because of our lack of industry and geographic diversity and substantial reliance on MPC as a customer.

The current global economic weakness and high unemployment in the United States are expected to continue to depress demand for refined products. The impact of low demand has been further compounded by excess global refining capacity and historically high inventory levels. Several refineries in North America and Europe have been temporarily or permanently shut down, at least in part, in response to falling demand and excess refining capacity. If the demand for refined products, particularly in MPC's primary market areas, decreases significantly, or if there were a material increase in the price of crude oil supplied to MPC's refineries without an increase in the value of the products produced by those





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**Risk factors**

refineries, either temporary or permanent, which caused MPC to reduce production of products at its refineries, there would likely be a reduction in the volumes of crude oil and refined products that we transport and store for MPC. Any such reduction could materially adversely affect our financial condition, results of operations, cash flows and ability to make distributions to our unitholders. For more information about how changes in supply and demand for crude oil and products and crude oil sourcing dynamics may affect us, please read Management's Discussion and Analysis of Financial Condition and Results of Operations Factors that Impact Our Business.

**Our expansion of existing assets and construction of new assets may not result in revenue increases and will be subject to regulatory, environmental, political, legal and economic risks, which could adversely affect our operations and financial condition.**

A portion of our strategy to grow and increase distributions to unitholders is dependent on our ability to expand existing assets and to construct additional assets. The construction of a new pipeline or the extension or expansion of an existing pipeline, such as by adding horsepower or pump stations, involves numerous regulatory, environmental, political and legal uncertainties, most of which are beyond our control. If we undertake these projects, they may not be completed on schedule or at all or at the budgeted cost. Moreover, we may not receive sufficient long-term contractual commitments from customers to provide the revenue needed to support such projects and we may be unable to negotiate acceptable interconnection agreements with third-party pipelines to provide destinations for increased throughput. Even if we receive such commitments or make such interconnections, we may not realize an increase in revenue for an extended period of time. For instance, if we build a new pipeline, the construction will occur over an extended period of time and we will not receive any material increases in revenues until after completion of the project. As a result, new facilities may not be able to attract enough throughput to achieve our expected investment return, which could materially adversely affect our results of operations and financial condition and our ability in the future to make distributions to our unitholders.

**If we are unable to make acquisitions on economically acceptable terms from MPC or third parties, our future growth would be limited, and any acquisitions we may make may reduce, rather than increase, our cash flows and ability to make distributions to unitholders.**

A portion of our strategy to grow our business and increase distributions to unitholders is dependent on our ability to make acquisitions that result in an increase in distributable cash flow per unit. The acquisition component of our growth strategy is based, in large part, on our expectation of ongoing divestitures of transportation and storage assets by industry participants, including MPC. A material decrease in such divestitures would limit our opportunities for future acquisitions and could adversely affect our ability to grow our operations and increase cash distributions to our unitholders. If we are unable to make acquisitions from MPC or third parties, because we are unable to identify attractive acquisition candidates or negotiate acceptable purchase contracts, we are unable to obtain financing for these acquisitions on economically acceptable terms or we are outbid by competitors, our future growth and ability to increase distributions will be limited. Furthermore, even if we do consummate acquisitions that we believe will be accretive, they may in fact result in a decrease in distributable cash flow per unit as a result of incorrect assumptions in our evaluation of such acquisitions or unforeseen consequences or other external events beyond our control.

If we consummate any future acquisitions, our capitalization and results of operations may change significantly, and unitholders will not have the opportunity to evaluate the economic, financial and other relevant information that we will consider in determining the application of these funds and other resources.

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### **Risk factors**

**Any reduction in the capacity of, or the allocations to, our shippers in interconnecting, third-party pipelines could cause a reduction of volumes transported on our pipelines.**

At times, MPC is dependent upon connections to third-party pipelines to transport crude oil and products on our pipelines. Any reduction of capacities of these interconnecting pipelines due to testing, line repair, reduced operating pressures or other causes could result in reduced volumes of crude oil and products transported on our pipelines. In addition, it is possible that due to prorationing on third-party interconnecting pipelines, the allocations to MPC and other existing shippers on these pipelines could be reduced, which could also reduce volumes transported on our pipelines. Any significant reduction in volumes available for transportation on our pipelines would materially adversely affect our revenues and cash flow and our ability to make distributions to our unitholders.

**We do not own all of the land on which our pipelines are located, which could result in disruptions to our operations.**

We do not own all of the land on which our pipelines are located, and we are, therefore, subject to the possibility of more onerous terms and increased costs to retain necessary land use if we do not have valid leases or rights-of-way or if such rights-of-way lapse or terminate. We obtain the rights to construct and operate our pipelines on land owned by third parties and governmental agencies, and some of our agreements may grant us those rights for only a specific period of time. Our loss of these rights, through our inability to renew right-of-way contracts or otherwise, could have a material adverse effect on our business, results of operations, financial condition and ability to make cash distributions to our unitholders.

**Restrictions in our revolving credit facility could adversely affect our business, financial condition, results of operations, ability to make cash distributions to our unitholders and the value of our units.**

We will be dependent upon the earnings and cash flow generated by our operations in order to meet our debt service obligations and to allow us to make cash distributions to our unitholders. We expect to enter into a revolving credit facility in connection with this offering. The operating and financial restrictions and covenants in our revolving credit facility and any future financing agreements could restrict our ability to finance our future operations or capital needs or to expand or pursue our business activities, which may, in turn, limit our ability to make cash distributions to our unitholders. Please read Management's Discussion and Analysis of Financial Condition and Results of Operations Capital Resources and Liquidity Revolving Credit Facility for additional information about our revolving credit facility.

The provisions of our revolving credit facility may affect our ability to obtain future financing and pursue attractive business opportunities and our flexibility in planning for, and reacting to, changes in business conditions. In addition, a failure to comply with the provisions of our revolving credit facility could result in an event of default which could enable our lenders, subject to the terms and conditions of our revolving credit facility, to declare the outstanding principal of that debt, together with accrued interest, to be immediately due and payable. If the payment of our debt is accelerated, defaults under our other debt instruments, if any, may be triggered, and our assets may be insufficient to repay such debt in full, and the holders of our units could experience a partial or total loss of their investment. Please read Management's Discussion and Analysis of Financial Condition and Results of Operations Capital Resources and Liquidity.

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### **Risk factors**

#### **Debt we incur in the future may limit our flexibility to obtain financing and to pursue other business opportunities.**

Our future level of debt could have important consequences to us, including the following:

- Ø our ability to obtain additional financing, if necessary, for working capital, capital expenditures, acquisitions or other purposes may be impaired, or such financing may not be available on favorable terms;
- Ø our funds available for operations, future business opportunities and distributions to unitholders will be reduced by that portion of our cash flow required to make interest payments on our debt;
- Ø we may be more vulnerable to competitive pressures or a downturn in our business or the economy generally; and

Ø our flexibility in responding to changing business and economic conditions may be limited.

Our ability to service our debt will depend upon, among other things, our future financial and operating performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors, some of which are beyond our control. If our operating results are not sufficient to service any future indebtedness, we will be forced to take actions such as reducing distributions, reducing or delaying our business activities, investments or capital expenditures, selling assets or issuing equity, which could materially adversely affect our financial condition, results of operations, cash flows and ability to make distributions to unitholders, as well as the trading price of our common units. We may not be able to effect any of these actions on satisfactory terms or at all.

#### **The amount of cash we have available for distribution to holders of our common and subordinated units depends primarily on our cash flow rather than on our profitability, which may prevent us from making distributions, even during periods in which we record net income.**

The amount of cash we have available for distribution depends primarily upon our cash flow and not solely on profitability, which will be affected by non-cash items. As a result, we may make cash distributions during periods when we record net losses for financial accounting purposes, and we may not make cash distributions during periods when we record net income for financial accounting purposes.

#### **Increases in interest rates could adversely impact our unit price, our ability to issue equity or incur debt for acquisitions or other purposes, and our ability to make cash distributions at our intended levels.**

Interest rates may increase in the future. As a result, interest rates on our debt could be higher than current levels, causing our financing costs to increase accordingly. In addition, we may in the future refinance outstanding borrowings under our revolving credit facility with fixed-term indebtedness. Interest rates payable on fixed-term indebtedness typically are higher than the short-term variable interest rates that we will pay on borrowings under our revolving credit facility. Furthermore, as with other yield-oriented securities, our unit price will be impacted by our cash distributions and the implied distribution yield. The distribution yield is often used by investors to compare and rank yield-oriented securities for investment decision-making purposes. Therefore, changes in interest rates, either positive or negative, may affect the yield requirements of investors who invest in our units, and a rising interest rate environment could have an adverse impact on our unit price and our ability to issue equity or incur debt for acquisitions or other purposes and to make cash distributions at our intended levels.



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### **Risk factors**

#### **Our assets and operations are subject to federal, state, and local laws and regulations relating to environmental protection and safety that could require us to make substantial expenditures.**

Our assets and operations involve the transportation of crude oil and products, which is subject to increasingly stringent federal, state, and local laws and regulations related to protection of the environment and that require us to comply with various safety requirements regarding the design, installation, testing, construction, and operational management of our pipeline systems and storage facilities. These regulations have raised operating costs for the crude oil and products industry and compliance with such laws and regulations may cause us and MPC to incur potentially material capital expenditures associated with the construction, maintenance, and upgrading of equipment and facilities. Environmental laws and regulations, in particular, are subject to frequent change, and many of them have become and will continue to become more stringent.

We could incur potentially significant additional expenses should we determine that any of our assets are not in compliance. Our failure to comply with these or any other environmental or safety-related regulations could result in the assessment of administrative, civil, or criminal penalties, the imposition of investigatory and remedial liabilities, and the issuance of injunctions that may subject us to additional operational constraints. Any such penalties or liability could have a material adverse effect on our business, financial condition, or results of operations. Please read *Business Environmental Regulation* and *Business Rate and Other Regulation Pipeline Safety*.

#### **Our pipeline systems are subject to stringent environmental regulations governing spills, releases and pipeline integrity that could require us to make substantial expenditures.**

Transportation of crude oil and products involves inherent risks of spills and releases from our facilities, and can subject us to various federal and state laws governing spills and releases, including reporting and remediation obligations. The costs associated with such obligations can be substantial, as can costs associated with related enforcement matters, including possible fines and penalties. Transportation of such products over water or proximate to navigable water bodies involves inherent risks (including risks of spills) and could subject us to the provisions of the Oil Pollution Act of 1990 (the *Oil Pollution Act*) and similar state environmental laws should a spill occur from our pipelines. Among other things, the *Oil Pollution Act* requires us to prepare a facility response plan identifying the personnel and equipment necessary to remove to the maximum extent practicable a worst case discharge. A few of our facilities are required to maintain such facility response plans. To meet this requirement, we and MPC have contracted with various spill response service companies in the areas in which we transport or store crude oil and products; however, these companies may not be able to adequately contain a worst case discharge in all instances, and we cannot ensure that all of their services would be available for our or MPC's use at any given time. Many factors that could inhibit the availability of these service providers, include, but are not limited to, weather conditions, governmental regulations or other global events. In these and other cases, we may be subject to liability in connection with the discharge of crude oil or products into navigable waters.

If any of these events occur or are discovered in the future, whether in connection with any of our pipelines or storage facilities, or any other facility to which we send or have sent wastes or by-products for treatment or disposal, we could be liable for all costs and penalties associated with the remediation of such facilities under federal, state and local environmental laws or common law. We may also be liable for personal injury or property damage claims from third parties alleging contamination from spills or releases from our facilities or operations. In addition, we will be subject to an aggregate deductible of \$500,000 before we are entitled to indemnification from MPC for certain environmental liabilities under our omnibus agreement.

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### **Risk factors**

Even if we are insured or indemnified against such risks, we may be responsible for costs or penalties to the extent our insurers or indemnitors do not fulfill their obligations to us. Please read **Business Environmental Regulation Waste Management and Related Liabilities**.

#### **Evolving environmental laws and regulations on climate change could adversely affect our financial performance.**

Potential additional regulations regarding climate change could affect our operations. Currently, various legislative and regulatory measures to address greenhouse gas emissions (including carbon dioxide, methane and other gases) are in various phases of review, discussion or implementation in the United States. These measures include EPA programs to control greenhouse gas emissions and state actions to develop statewide or regional programs, each of which could impose reductions in greenhouse gas emissions. These actions could result in increased (1) costs to operate and maintain our facilities, (2) capital expenditures to install new emission controls on our facilities and (3) costs to administer and manage any potential greenhouse gas emissions regulations or carbon trading or tax programs. In addition, in 2010, the EPA promulgated a rule establishing greenhouse gas emission standards for new-model passenger cars, light-duty trucks, and medium-duty passenger vehicles. Also in 2010, the EPA promulgated a rule establishing greenhouse gas emission thresholds for the permitting of certain stationary sources, which could require greenhouse gas emission controls for those sources. The EPA has also issued its plan for establishing specific greenhouse gas emission requirements under the Clean Air Act. Under this plan, the EPA is expected to propose broad standards for refineries by the end of 2012, and is expected to issue final standards in 2013. These developments could have an indirect adverse effect on our business if MPC's refinery operations are adversely affected due to increased regulation of MPC's facilities or reduced demand for crude oil and refined products, and a direct adverse effect on our business from increased regulation of our facilities. Please read **Business Environmental Regulation Air Emissions and Climate Change**.

#### **Evolving environmental laws and regulations on hydraulic fracturing could have an indirect effect on our financial performance.**

Hydraulic fracturing is an important and increasingly common practice that is used to stimulate production of crude oil and/or natural gas from dense subsurface rock formations. Typically regulated by state agencies, the EPA has asserted federal regulatory authority pursuant to the Safe Drinking Water Act, as amended (SDWA), over certain hydraulic fracturing activities involving the use of diesel fuel. In addition, legislation has been introduced from time to time in Congress to provide for federal regulation of hydraulic fracturing under the SDWA and to require disclosure of the chemicals used in the hydraulic fracturing process. At the state level, several states have already adopted laws and/or regulations that require disclosure of the chemicals used in hydraulic fracturing, and many states are considering legal requirements that could impose more stringent permitting, disclosure and well construction requirements on oil and/or natural gas drilling activities. The EPA is also moving forward with various related regulatory actions, including approving, on April 17, 2012, new regulations requiring, among other matters, green completions of hydraulically-fractured wells by 2015 and certain emission requirements for some midstream equipment beginning later in 2012. We do not believe these new regulations will have a direct effect on our operations, but because oil and/or natural gas production using hydraulic fracturing is growing rapidly in the United States, in the event that new or more stringent federal, state or local legal restrictions relating to such drilling activities or to the hydraulic fracturing process are adopted in areas where our shippers' producer customers operate, those producers could incur potentially significant added costs to comply with such requirements and experience delays or curtailment in the pursuit of production or development activities, which could reduce demand for our transportation and logistics services.

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#### **New and proposed regulations governing fuel efficiency and renewable fuels could have an indirect but material adverse effect on our business.**

Increases in fuel mileage standards and the increased use of renewable fuels could also decrease demand for refined products, which could have an indirect, but material, adverse effect on our business, financial condition and results of operations. For example, in 2007, Congress passed the Energy Independence and Security Act ( EISA ), which, among other things, sets a target of 35 miles per gallon for the combined fleet of cars and light trucks in the United States by model year 2020, and contains a second Renewable Fuel Standard commonly referred to as RFS2. In December 2011, the EPA and the National Highway Traffic Safety Administration jointly proposed regulations that would establish average industry fleet fuel economy standards as high as 49.6 miles per gallon by model year 2025. The RFS2 presents production and logistics challenges for both the renewable fuels and petroleum refining industries. The RFS2 has required, and may in the future continue to require, additional capital expenditures or expenses by MPC to accommodate increased renewable fuels use. MPC may experience a decrease in demand for refined petroleum products due to an increase in combined fleet mileage or due to refined petroleum products being replaced by renewable fuels.

#### **Many of our assets have been in service for many years and require significant expenditures to maintain them. As a result, our maintenance or repair costs may increase in the future.**

Our pipelines, barge dock and storage assets are generally long-lived assets, and many of them have been in service for many years. The age and condition of our assets could result in increased maintenance or repair expenditures in the future. Any significant increase in these expenditures could adversely affect our results of operations, financial position or cash flows, as well as our ability to make cash distributions to our unitholders.

#### **The tariff rates of our regulated assets are subject to review and possible adjustment by federal and state regulators, which could adversely affect our revenues.**

A number of our pipelines provide interstate service that is subject to regulation by the FERC. The FERC prescribes rate methodologies for developing regulated tariff rates for interstate oil and products pipelines. The FERC's regulated tariff may not allow us to recover all of our costs of providing services. Changes in the FERC's approved rate methodologies, or challenges to our application of an approved methodology, could also adversely affect our rates.

Shippers may protest (and the FERC may investigate) the lawfulness of current, new or changed tariff rates. The FERC can require refunds of amounts collected pursuant to rates that are ultimately found to be unlawful and prescribe new rates prospectively. Due to the complexity of rate making, the lawfulness of any rate is never assured. Portions of our pipeline systems that are not regulated by the FERC may become subject to FERC regulation, which would increase our costs, reduce our rates, or both. In sum, FERC regulation of our rates may adversely affect our revenues, results of operations and financial condition.

Our pipelines are common carriers and, as a consequence, we may be required to provide service to customers with credit and other performance characteristics with whom we would choose not to do business if permitted to do so.

Certain of our pipelines provide intrastate service that is subject to regulation by the Illinois Commerce Commission and the Michigan Public Service Commission. The Illinois Commerce Commission and the Michigan Public Service Commission could limit our ability to increase our rates or to set rates based on





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### **Risk factors**

our costs or could order us to reduce our rates and could require the payment of refunds to shippers. Such regulation or a successful challenge to our intrastate pipeline rates could adversely affect our financial position, cash flows or results of operations.

Please read Business Rate and Other Regulation.

**MPC's level of indebtedness, the terms of its borrowings and its credit ratings could adversely affect our ability to grow our business and our ability to make cash distributions to our unitholders. Our ability to obtain credit in the future may also be adversely affected by MPC's credit rating.**

MPC must devote a portion of its cash flows from operating activities to service its indebtedness, and therefore cash flows may not be available for use in pursuing its growth strategy. Furthermore, a higher level of indebtedness at MPC in the future increases the risk that it may default on its obligations to us under our transportation and storage services agreements. As of June 30, 2012, MPC had long-term indebtedness of approximately \$3.3 billion. The covenants contained in the agreements governing MPC's outstanding and future indebtedness may limit its ability to borrow additional funds for development and make certain investments and may directly or indirectly impact our operations in a similar manner. Furthermore, if MPC were to default under certain of its debt obligations, there is a risk that MPC's creditors would attempt to assert claims against our assets during the litigation of their claims against MPC. The defense of any such claims could be costly and could materially impact our financial condition, even absent any adverse determination. If these claims were successful, our ability to meet our obligations to our creditors, make distributions and finance our operations could be materially adversely affected.

MPC's long-term credit ratings are currently investment grade. If these ratings are lowered in the future, the interest rate and fees MPC pays on its credit facilities may increase. In addition, although we will not have any indebtedness rated by any credit rating agency at the closing of this offering, we may have rated debt in the future. Credit rating agencies will likely consider MPC's debt ratings when assigning ours because of MPC's ownership interest in us, the significant commercial relationships between MPC and us, and our reliance on MPC for the substantial majority of our revenues. If one or more credit rating agencies were to downgrade the outstanding indebtedness of MPC, we could experience an increase in our borrowing costs or difficulty accessing the capital markets. Such a development could adversely affect our ability to grow our business and to make cash distributions to our unitholders.

**If we fail to develop or maintain an effective system of internal controls, we may not be able to report our financial results accurately or prevent fraud, which would likely have a negative impact on the market price of our common units.**

Prior to this offering, we have not been required to file reports with the SEC. Upon the completion of this offering, we will become subject to the public reporting requirements of the Exchange Act. We prepare our financial statements in accordance with GAAP, but our internal accounting controls may not currently meet all standards applicable to companies with publicly traded securities. Effective internal controls are necessary for us to provide reliable financial reports, prevent fraud and to operate successfully as a publicly traded partnership. Our efforts to develop and maintain our internal controls may not be successful, and we may be unable to maintain effective controls over our financial processes and reporting in the future or to comply with our obligations under Section 404 of the Sarbanes-Oxley Act of 2002, which we refer to as Section 404. For example, Section 404 will require us, among other things, to annually review and report on, and our independent registered public accounting firm to attest to, the effectiveness of our internal controls over financial reporting.

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### **Risk factors**

Although we will be required to disclose changes made in our internal control and procedures on a quarterly basis, we will not be required to make our first annual assessment of our internal control over financial reporting pursuant to Section 404 until our annual report for the fiscal year ending December 31, 2013.

Any failure to develop, implement or maintain effective internal controls or to improve our internal controls could harm our operating results or cause us to fail to meet our reporting obligations. Given the difficulties inherent in the design and operation of internal controls over financial reporting, we can provide no assurance as to our, or our independent registered public accounting firm's, conclusions about the effectiveness of our internal controls, and we may incur significant costs in our efforts to comply with Section 404. Ineffective internal controls will subject us to regulatory scrutiny and a loss of confidence in our reported financial information, which could have an adverse effect on our business and would likely have a material adverse effect on the trading price of our common units.

### **RISKS INHERENT IN AN INVESTMENT IN US**

**Our general partner and its affiliates, including MPC, have conflicts of interest with us and limited duties to us and our unitholders, and they may favor their own interests to our detriment and that of our unitholders. Additionally, we have no control over MPC's business decisions and operations, and MPC is under no obligation to adopt a business strategy that favors us.**

Following the offering, MPC will own a 2.0% general partner interest and a % limited partner interest in us and will own and control our general partner. Although our general partner has a duty to manage us in a manner that is not adverse to the best interests of our partnership and our unitholders, the directors and officers of our general partner also have a duty to manage our general partner in a manner that is not adverse to the best interests of its owner, MPC. Conflicts of interest may arise between MPC and its affiliates, including our general partner, on the one hand, and us and our unitholders, on the other hand. In resolving these conflicts, the general partner may favor its own interests and the interests of its affiliates, including MPC, over the interests of our common unitholders. These conflicts include, among others, the following situations:

- Ø neither our partnership agreement nor any other agreement requires MPC to pursue a business strategy that favors us or utilizes our assets, which could involve decisions by MPC to increase or decrease refinery production, shut down or reconfigure a refinery, or pursue and grow particular markets. MPC's directors and officers have a fiduciary duty to make these decisions in the best interests of the stockholders of MPC;
- Ø MPC, as our primary customer, has an economic incentive to cause us to not seek higher tariff rates, even if such higher rates or fees would reflect rates and fees that could be obtained in arm's-length, third-party transactions;
- Ø MPC may be constrained by the terms of its debt instruments from taking actions, or refraining from taking actions, that may be in our best interests;
- Ø Our partnership agreement replaces the fiduciary duties that would otherwise be owed by our general partner with contractual standards governing its duties, limiting our general partner's liabilities and restricting the remedies available to our unitholders for actions that, without the limitations, might constitute breaches of fiduciary duty;
- Ø except in limited circumstances, our general partner has the power and authority to conduct our business without unitholder approval;



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### **Risk factors**

- Ø our general partner will determine the amount and timing of asset purchases and sales, borrowings, issuance of additional partnership securities and the creation, reduction or increase of cash reserves, each of which can affect the amount of cash that is distributed to our unitholders;
- Ø our general partner will determine the amount and timing of many of our cash expenditures and whether a cash expenditure is classified as an expansion capital expenditure, which would not reduce operating surplus, or a maintenance capital expenditure, which would reduce our operating surplus. This determination can affect the amount of cash that is distributed to our unitholders and to our general partner, the amount of adjusted operating surplus generated in any given period and the ability of the subordinated units to convert into common units;
- Ø our general partner will determine which costs incurred by it are reimbursable by us;
- Ø our general partner may cause us to borrow funds in order to permit the payment of cash distributions, even if the purpose or effect of the borrowing is to make a distribution on the subordinated units, to make incentive distributions or to accelerate expiration of the subordination period;
- Ø our partnership agreement permits us to classify up to \$        million as operating surplus, even if it is generated from asset sales, non-working capital borrowings or other sources that would otherwise constitute capital surplus. This cash may be used to fund distributions on our subordinated units or to our general partner in respect of the general partner interest or the incentive distribution rights;
- Ø our partnership agreement does not restrict our general partner from causing us to pay it or its affiliates for any services rendered to us or entering into additional contractual arrangements with any of these entities on our behalf;
- Ø our general partner intends to limit its liability regarding our contractual and other obligations;
- Ø our general partner may exercise its right to call and purchase all of the common units not owned by it and its affiliates if it and its affiliates own more than 80.0% of the common units;
- Ø our general partner controls the enforcement of obligations owed to us by our general partner and its affiliates, including our transportation and storage services agreements with MPC;
- Ø our general partner decides whether to retain separate counsel, accountants or others to perform services for us; and
- Ø our general partner may elect to cause us to issue common units to it in connection with a resetting of the target distribution levels related to our general partner's incentive distribution rights without the approval of the conflicts committee of the board of directors of our general partner, which we refer to as our conflicts committee, or our unitholders. This election may result in lower distributions to our common

unitholders in certain situations.

Under the terms of our partnership agreement, the doctrine of corporate opportunity, or any analogous doctrine, does not apply to our general partner or any of its affiliates, including its executive officers, directors and owners. Other than as provided in our omnibus agreement, any such person or entity that becomes aware of a potential transaction, agreement, arrangement or other matter that may be an opportunity for us will not have any duty to communicate or offer such opportunity to us. Any such person or entity will not be liable to us or to any limited partner for breach of any fiduciary duty or other duty by reason of the fact that such person or entity pursues or acquires such opportunity for itself, directs such opportunity to another person or entity or does not communicate such opportunity or information to us. This may create actual and potential conflicts of interest between us and affiliates of our general partner and result in less than favorable treatment of us and our unitholders. Please read [Certain Relationships and Related Party Transactions](#) [Agreements Governing the Transactions](#) [Omnibus Agreement](#) and [Conflicts of Interest and Duties](#).

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**Risk factors**

**Our partnership agreement requires that we distribute all of our available cash, which could limit our ability to grow and make acquisitions.**

Our partnership agreement requires that we distribute all of our available cash to our unitholders. As a result, we expect to rely primarily upon external financing sources, including commercial bank borrowings and the issuance of debt and equity securities, to fund our acquisitions and expansion capital expenditures. Therefore, to the extent we are unable to finance our growth externally, our cash distribution policy will significantly impair our ability to grow. In addition, because we will distribute all of our available cash, our growth may not be as fast as that of businesses that reinvest their available cash to expand ongoing operations. To the extent we issue additional units in connection with any acquisitions or expansion capital expenditures, the payment of distributions on those additional units may increase the risk that we will be unable to maintain or increase our per unit distribution level. There are no limitations in our partnership agreement or our revolving credit facility on our ability to issue additional units, including units ranking senior to the common units as to distribution or liquidation, and our unitholders will have no preemptive or other rights (solely as a result of their status as unitholders) to purchase any such additional units. The incurrence of additional commercial borrowings or other debt to finance our growth strategy would result in increased interest expense, which, in turn, may reduce the amount of cash available to distribute to our unitholders.

**Our partnership agreement replaces our general partner's fiduciary duties to holders of our common units with contractual standards governing its duties.**

Our partnership agreement contains provisions that eliminate the fiduciary standards to which our general partner would otherwise be held by state fiduciary duty law and replaces those duties with several different contractual standards. For example, our partnership agreement permits our general partner to make a number of decisions in its individual capacity, as opposed to in its capacity as our general partner, free of any duties to us and our unitholders other than the implied contractual covenant of good faith and fair dealing, which means that a court will enforce the reasonable expectations of the parties where the language in our partnership agreement does not provide for a clear course of action. This provision entitles our general partner to consider only the interests and factors that it desires and relieves it of any duty or obligation to give any consideration to any interest of, or factors affecting, us, our affiliates or our limited partners. By purchasing a common unit, a unitholder is treated as having consented to the provisions in our partnership agreement, including the provisions discussed above. Please read "Conflicts of Interest and Duties" Duties of the General Partner.

**Our partnership agreement restricts the remedies available to holders of our common and subordinated units for actions taken by our general partner that might otherwise constitute breaches of fiduciary duty.**

Our partnership agreement contains provisions that restrict the remedies available to unitholders for actions taken by our general partner that might otherwise constitute breaches of fiduciary duty under state fiduciary duty law. For example, our partnership agreement:

- Ø provides that whenever our general partner makes a determination or takes, or declines to take, any other action in its capacity as our general partner, our general partner is required to make such determination, or take or decline to take such other action, in good faith and will not be subject to any other or different standard imposed by our partnership agreement, Delaware law, or any other law, rule or regulation, or at equity;
- Ø provides that our general partner will not have any liability to us or our unitholders for decisions made in its capacity as a general partner so long as it acted in good faith;





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### **Risk factors**

Ø provides that our general partner and its officers and directors will not be liable for monetary damages to us or our limited partners resulting from any act or omission unless there has been a final and non-appealable judgment entered by a court of competent jurisdiction determining that our general partner or its officers and directors, as the case may be, acted in bad faith or engaged in fraud or willful misconduct or, in the case of a criminal matter, acted with knowledge that the conduct was criminal; and

Ø provides that our general partner will not be in breach of its obligations under our partnership agreement or its fiduciary duties to us or our limited partners if a transaction with an affiliate or the resolution of a conflict of interest is approved in accordance with, or otherwise meets the standards set forth in, our partnership agreement.

In connection with a situation involving a transaction with an affiliate or a conflict of interest, our partnership agreement provides that any determination by our general partner must be made in good faith, and that our conflicts committee and the board of directors of our general partner are entitled to a presumption that they acted in good faith. In any proceeding brought by or on behalf of any limited partner or the partnership, the person bringing or prosecuting such proceeding will have the burden of overcoming such presumption. Please read **Conflicts of Interest and Duties**.

### **If you are not both a citizenship eligible holder and a rate eligible holder, your common units may be subject to redemption.**

In order to avoid (1) any material adverse effect on the maximum applicable rates that can be charged to customers by our subsidiaries on assets that are subject to rate regulation by the FERC or analogous regulatory body, and (2) any substantial risk of cancellation or forfeiture of any property, including any governmental permit, endorsement or other authorization, in which we have an interest, we have adopted certain requirements regarding those investors who may own our common units. Citizenship eligible holders are individuals or entities whose nationality, citizenship or other related status does not create a substantial risk of cancellation or forfeiture of any property, including any governmental permit, endorsement or authorization, in which we have an interest, and will generally include individuals and entities who are U.S. citizens. Rate eligible holders are individuals or entities subject to U.S. federal income taxation on the income generated by us or entities not subject to U.S. federal income taxation on the income generated by us, so long as all of the entity's owners are subject to such taxation. Please read **Description of the Common Units** **Transfer of Common Units**. If you are not a person who meets the requirements to be a citizenship eligible holder and a rate eligible holder, you run the risk of having your units redeemed by us at the market price as of the date three days before the date the notice of redemption is mailed. The redemption price will be paid in cash or by delivery of a promissory note, as determined by our general partner. In addition, if you are not a person who meets the requirements to be a citizenship eligible holder, you will not be entitled to voting rights. Please read **Our Partnership Agreement** **Redemption of Ineligible Holders**.

### **Cost reimbursements, which will be determined in our general partner's sole discretion, and fees due our general partner and its affiliates for services provided will be substantial and will reduce our cash available for distribution to you.**

Under our partnership agreement, we are required to reimburse our general partner and its affiliates for all costs and expenses that they incur on our behalf for managing and controlling our business and operations. Except to the extent specified under our omnibus agreement or our employee services agreements, our general partner determines the amount of these expenses. Under the terms of the omnibus agreement we will be required to reimburse MPC for the provision of certain general and administrative services to us. Under the terms of our employee services agreements, we will reimburse

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### **Risk factors**

MPC for the provision of certain operational and management services to us in support of our pipelines, barge dock, storage cavern and tank farms. Our general partner and its affiliates also may provide us other services for which we will be charged fees as determined by our general partner. Payments to our general partner and its affiliates will be substantial and will reduce the amount of cash available for distribution to unitholders.

### **Unitholders have very limited voting rights and, even if they are dissatisfied, they cannot remove our general partner without its consent.**

Unlike the holders of common stock in a corporation, unitholders have only limited voting rights on matters affecting our business and, therefore, limited ability to influence management's decisions regarding our business. Unitholders did not elect our general partner or the board of directors of our general partner and will have no right to elect our general partner or the board of directors of our general partner on an annual or other continuing basis. The board of directors of our general partner is chosen by the members of our general partner, which are wholly owned subsidiaries of MPC. Furthermore, if the unitholders are dissatisfied with the performance of our general partner, they will have little ability to remove our general partner. As a result of these limitations, the price at which our common units will trade could be diminished because of the absence or reduction of a takeover premium in the trading price.

The unitholders will be unable initially to remove our general partner without its consent because our general partner and its affiliates will own sufficient units upon completion of the offering to be able to prevent its removal. The vote of the holders of at least 66 <sup>2</sup>/<sub>3</sub> % of all outstanding common units and subordinated units voting together as a single class is required to remove our general partner. At closing, our general partner and its affiliates will own % of the common units and subordinated units (excluding common units purchased by officers and directors of our general partner and MPC under our directed unit program). Also, if our general partner is removed without cause during the subordination period and common units and subordinated units held by our general partner and its affiliates are not voted in favor of that removal, all remaining subordinated units will automatically be converted into common units, and any existing arrearages on the common units will be extinguished. A removal of our general partner under these circumstances would adversely affect the common units by prematurely eliminating their distribution and liquidation preference over the subordinated units, which would otherwise have continued until we had met certain distribution and performance tests.

Cause is narrowly defined under our partnership agreement to mean that a court of competent jurisdiction has entered a final, non-appealable judgment finding the general partner liable for actual fraud or willful or wanton misconduct in its capacity as our general partner. Cause does not include most cases of charges of poor management of the business, so the removal of our general partner because of the unitholders' dissatisfaction with our general partner's performance in managing our partnership will most likely result in the termination of the subordination period.

Furthermore, unitholders' voting rights are further restricted by the partnership agreement provision providing that any units held by a person that owns 20.0% or more of any class of units then outstanding, other than our general partner, its affiliates, their transferees, and persons who acquired such units with the prior approval of the board of directors of our general partner, cannot vote on any matter.

Our partnership agreement also contains provisions limiting the ability of unitholders to call meetings or to acquire information about our operations, as well as other provisions limiting the unitholders' ability to influence the manner or direction of management.

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### **Risk factors**

#### **Our general partner interest or the control of our general partner may be transferred to a third party without unitholder consent.**

Our general partner may transfer its general partner interest to a third party in a merger or in a sale of all or substantially all of its assets without the consent of the unitholders. Furthermore, there is no restriction in our partnership agreement on the ability of MPC to transfer its membership interest in our general partner to a third party. The new partners of our general partner would then be in a position to replace the board of directors and officers of our general partner with their own choices and to control the decisions taken by the board of directors and officers.

#### **The incentive distribution rights of our general partner may be transferred to a third party without unitholder consent.**

Our general partner may transfer its incentive distribution rights to a third party at any time without the consent of our unitholders. If our general partner transfers its incentive distribution rights to a third party but retains its general partner interest, our general partner may not have the same incentive to grow our partnership and increase quarterly distributions to unitholders over time as it would if it had retained ownership of its incentive distribution rights. For example, a transfer of incentive distribution rights by our general partner could reduce the likelihood of MPC selling or contributing additional midstream assets to us, as MPC would have less of an economic incentive to grow our business, which in turn would impact our ability to grow our asset base.

#### **You will experience immediate and substantial dilution in pro forma net tangible book value of \$        per common unit.**

The assumed initial public offering price of \$        per common unit (the mid-point of the price range set forth on the cover of this prospectus) exceeds our pro forma net tangible book value of \$        per unit. Based on an assumed initial public offering price of \$        per common unit, you will incur immediate and substantial dilution of \$        per common unit. This dilution results primarily because the assets contributed by MPC are recorded in accordance with GAAP at their historical cost, and not their fair value. Please read    Dilution.

#### **We may issue additional units without unitholder approval, which would dilute unitholder interests.**

At any time, we may issue an unlimited number of limited partner interests of any type without the approval of our unitholders and our unitholders will have no preemptive or other rights (solely as a result of their status as unitholders) to purchase any such limited partner interests. Further, neither our partnership agreement nor our revolving credit facility prohibits the issuance of equity securities that may effectively rank senior to our common units as to distributions or liquidations. The issuance by us of additional common units or other equity securities of equal or senior rank will have the following effects:

- Ø our unitholders' proportionate ownership interest in us will decrease;
- Ø the amount of cash available for distribution on each unit may decrease;
- Ø because a lower percentage of total outstanding units will be subordinated units, the risk that a shortfall in the payment of the minimum quarterly distribution will be borne by our common unitholders will increase;
- Ø the ratio of taxable income to distributions may increase;
- Ø the relative voting strength of each previously outstanding unit may be diminished; and

Ø the market price of our common units may decline.

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### **Risk factors**

**MPC may sell units in the public or private markets, and such sales could have an adverse impact on the trading price of the common units.**

After the sale of the common units offered by this prospectus, MPC will hold common units and subordinated units. All of the subordinated units will convert into common units at the end of the subordination period and may convert earlier under certain circumstances. Additionally, we have agreed to provide MPC with certain registration rights. Please read Units Eligible for Future Sale. The sale of these units in the public or private markets could have an adverse impact on the price of the common units or on any trading market that may develop.

**Our general partner's discretion in establishing cash reserves may reduce the amount of cash available for distribution to unitholders.**

Our partnership agreement requires our general partner to deduct from operating surplus cash reserves that it determines are necessary to fund our future operating expenditures. In addition, the partnership agreement permits the general partner to reduce available cash by establishing cash reserves for the proper conduct of our business, to comply with applicable law or agreements to which we are a party, or to provide funds for future distributions to partners. These cash reserves will affect the amount of cash available for distribution to unitholders.

**Affiliates of our general partner, including MPC, may compete with us, and neither our general partner nor its affiliates have any obligation to present business opportunities to us.**

Neither our partnership agreement nor our omnibus agreement will prohibit MPC or any other affiliates of our general partner from owning assets or engaging in businesses that compete directly or indirectly with us. In addition, MPC and other affiliates of our general partner may acquire, construct or dispose of additional midstream assets in the future without any obligation to offer us the opportunity to purchase any of those assets. As a result, competition from MPC and other affiliates of our general partner could materially adversely impact our results of operations and cash available for distribution to unitholders.

**Our general partner may cause us to borrow funds in order to make cash distributions, even where the purpose or effect of the borrowing benefits the general partner or its affiliates.**

In some instances, our general partner may cause us to borrow funds under our revolving credit facility from MPC or otherwise from third parties in order to permit the payment of cash distributions. These borrowings are permitted even if the purpose and effect of the borrowing is to enable us to make a distribution on the subordinated units, to make incentive distributions or to hasten the expiration of the subordination period.

**Our general partner has a limited call right that may require you to sell your common units at an undesirable time or price.**

If at any time our general partner and its affiliates own more than 80.0% of our common units, our general partner will have the right, but not the obligation, which it may assign to any of its affiliates or to us, to acquire all, but not less than all, of the common units held by unaffiliated persons at a price not less than their then-current market price. As a result, you may be required to sell your common units at an undesirable time or price and may not receive any return on your investment. You may also incur a tax liability upon a sale of your units. At the completion of this offering and assuming no exercise of the underwriters' option to purchase additional common units, our general partner and its affiliates will own approximately % of our common units. At the end of the subordination period (which could occur as

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### **Risk factors**

early as \_\_\_\_\_), assuming no additional issuances of common units (other than upon the conversion of the subordinated units) and no exercise of the underwriters' option to purchase additional common units, our general partner and its affiliates will own approximately \_\_\_\_\_ % of our common units (excluding any common units purchased by officers and directors of our general partner and MPC under our directed unit program). For additional information about the call right, please read Our Partnership Agreement Limited Call Right.

#### **Your liability may not be limited if a court finds that unitholder action constitutes control of our business.**

A general partner of a partnership generally has unlimited liability for the obligations of the partnership, except for those contractual obligations of the partnership that are expressly made non-recourse to the general partner. Our partnership is organized under Delaware law, and we conduct business in a number of other states. The limitations on the liability of holders of limited partner interests for the obligations of a limited partnership have not been clearly established in some jurisdictions. You could be liable for our obligations as if you were a general partner if a court or government agency were to determine that:

Ø we were conducting business in a state but had not complied with that particular state's partnership statute; or

Ø your right to act with other unitholders to remove or replace the general partner, to approve some amendments to our partnership agreement or to take other actions under our partnership agreement constitute control of our business.

Please read Our Partnership Agreement Limited Liability for a discussion of the implications of the limitations of liability on a unitholder.

#### **Unitholders may have to repay distributions that were wrongfully distributed to them.**

Under certain circumstances, unitholders may have to repay amounts wrongfully distributed to them. Under Section 17-607 of the Delaware Revised Uniform Limited Partnership Act, we may not make a distribution to you if the distribution would cause our liabilities to exceed the fair value of our assets. Delaware law provides that for a period of three years from the date of the impermissible distribution, limited partners who received the distribution and who knew at the time of the distribution that it violated Delaware law will be liable to the limited partnership for the distribution amount. Transferees of common units are liable for the obligations of the transferor to make contributions to the partnership that are known to the transferee at the time of the transfer and for unknown obligations if the liabilities could be determined from our partnership agreement. Liabilities to partners on account of their partnership interest and liabilities that are non-recourse to the partnership are not counted for purposes of determining whether a distribution is permitted.

#### **There is no existing market for our common units, and a trading market that will provide you with adequate liquidity may not develop. The price of our common units may fluctuate significantly, and you could lose all or part of your investment.**

Prior to this offering, there has been no public market for our common units. After this offering, there will be only \_\_\_\_\_ publicly traded common units. In addition, MPC will own \_\_\_\_\_ common units and \_\_\_\_\_ subordinated units, representing an aggregate \_\_\_\_\_ % limited partner interest in us. We do not know the extent to which investor interest will lead to the development of a trading market or how liquid that market might be. You may not be able to resell your common units at or above the initial public offering price. Additionally, the lack of liquidity may result in wide bid-ask spreads, contribute to significant fluctuations in the market price of the common units and limit the number of investors who are able to buy the common units.



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### **Risk factors**

The initial public offering price for the common units offered hereby will be determined by negotiations between us and the representatives of the underwriters and may not be indicative of the market price of the common units that will prevail in the trading market. The market price of our common units may decline below the initial public offering price. The market price of our common units may also be influenced by many factors, some of which are beyond our control, including:

- Ø our quarterly distributions;
- Ø our quarterly or annual earnings or those of other companies in our industry;
- Ø announcements by us or our competitors of significant contracts or acquisitions;
- Ø changes in accounting standards, policies, guidance, interpretations or principles;
- Ø general economic conditions;
- Ø the failure of securities analysts to cover our common units after this offering or changes in financial estimates by analysts;
- Ø future sales of our common units; and
- Ø other factors described in these Risk Factors.

**Our general partner, or any transferee holding incentive distribution rights, may elect to cause us to issue common units and general partner units to it in connection with a resetting of the target distribution levels related to its incentive distribution rights, without the approval of our conflicts committee or the holders of our common units. This could result in lower distributions to holders of our common units.**

Our general partner has the right, at any time when there are no subordinated units outstanding and it has received distributions on its incentive distribution rights at the highest level to which it is entitled (48.0%, in addition to distributions paid on its 2.0% general partner interest) for each of the prior four consecutive fiscal quarters, to reset the initial target distribution levels at higher levels based on our distributions at the time of the exercise of the reset election. Following a reset election, the minimum quarterly distribution will be adjusted to equal the reset minimum quarterly distribution, and the target distribution levels will be reset to correspondingly higher levels based on percentage increases above the reset minimum quarterly distribution.

If our general partner elects to reset the target distribution levels, it will be entitled to receive a number of common units and general partner units. The number of common units to be issued to our general partner will be equal to that number of common units that would have entitled their holder to an average aggregate quarterly cash distribution in the prior two quarters equal to the average of the distributions to our general partner on the incentive distribution rights in the prior two quarters. Our general partner will also be issued the number of general partner units necessary to maintain our general partner's interest in us at the level that existed immediately prior to the reset election. We anticipate that our general partner would exercise this reset right in order to facilitate acquisitions or internal growth projects that would not be sufficiently



accretive to cash distributions per common unit without such conversion. It is possible, however, that our general partner could exercise this reset election at a time when it is experiencing, or expects to experience, declines in the cash distributions it receives related to its incentive distribution rights and may, therefore, desire to be issued common units rather than retain the right to receive distributions based on the initial target distribution levels. This risk could be elevated if our incentive distribution rights have been transferred to a third party. As a result, a reset election may cause our common unitholders to experience a reduction in the amount of cash distributions that they would

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### **Risk factors**

have otherwise received had we not issued new common units and general partner units in connection with resetting the target distribution levels. Additionally, our general partner has the right to transfer all or any portion of our incentive distribution rights at any time, and such transferee shall have the same rights as the general partner relative to resetting target distributions if our general partner concurs that the tests for resetting target distributions have been fulfilled. Please read [Provisions of our Partnership Agreement Relating to Cash Distributions](#) [General Partner's Right to Reset Incentive Distribution Levels](#).

### **The NYSE does not require a publicly traded limited partnership like us to comply with certain of its corporate governance requirements.**

We have applied to list our common units on the NYSE. Because we will be a publicly traded limited partnership, the NYSE does not require us to have a majority of independent directors on our general partner's board of directors or to establish a compensation committee or a nominating and corporate governance committee. Accordingly, unitholders will not have the same protections afforded to certain corporations that are subject to all of the NYSE corporate governance requirements. Please read [Management](#) [Management of MPLX LP](#).

### **TAX RISKS**

In addition to reading the following risk factors, please read [Material Federal Income Tax Consequences](#) for a more complete discussion of the expected material federal income tax consequences of owning and disposing of common units.

### **Our tax treatment depends on our status as a partnership for federal income tax purposes. If the Internal Revenue Service were to treat us as a corporation for federal income tax purposes, which would subject us to entity-level taxation, then our cash available for distribution to our unitholders would be substantially reduced.**

The anticipated after-tax economic benefit of an investment in the common units depends largely on our being treated as a partnership for federal income tax purposes. We have not requested a ruling from the IRS on this or any other tax matter affecting us.

Despite the fact that we are a limited partnership under Delaware law, it is possible in certain circumstances for a partnership such as ours to be treated as a corporation for federal income tax purposes. A change in our business or a change in current law could cause us to be treated as a corporation for federal income tax purposes or otherwise subject us to taxation as an entity.

If we were treated as a corporation for federal income tax purposes, we would pay federal income tax on our taxable income at the corporate tax rate, which is currently a maximum of 35.0%, and would likely pay state and local income tax at varying rates. Distributions would generally be taxed again as corporate dividends (to the extent of our current and accumulated earnings and profits), and no income, gains, losses, deductions, or credits would flow through to you. Because a tax would be imposed upon us as a corporation, our cash available for distribution to you would be substantially reduced. Therefore, if we were treated as a corporation for federal income tax purposes, there would be material reduction in the anticipated cash flow and after-tax return to our unitholders, likely causing a substantial reduction in the value of our common units.

Our partnership agreement provides that, if a law is enacted or existing law is modified or interpreted in a manner that subjects us to taxation as a corporation or otherwise subjects us to entity-level taxation for federal, state or local income tax purposes, the minimum quarterly distribution amount and the target distribution amounts may be adjusted to reflect the impact of that law on us.

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### **Risk factors**

**If we were subjected to a material amount of additional entity-level taxation by individual states, it would reduce our cash available for distribution to our unitholders.**

Changes in current state law may subject us to additional entity-level taxation by individual states. Because of widespread state budget deficits and 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. Imposition of any such taxes may substantially reduce the cash available for distribution to you. Our partnership agreement provides that, if a law is enacted or existing law is modified or interpreted in a manner that subjects us to entity-level taxation, the minimum quarterly distribution amount and the target distribution amounts may be adjusted to reflect the impact of that law on us.

**The tax treatment of publicly traded partnerships or an investment in our common units could be subject to potential legislative, judicial or administrative changes and differing interpretations, possibly on a retroactive basis.**

The present federal income tax treatment of publicly traded partnerships, including us, or an investment in our common units may be modified by administrative, legislative or judicial interpretation at any time. For example, from time to time, members of Congress propose and consider substantive changes to the existing federal income tax laws that affect publicly traded partnerships. Currently, one such legislative proposal would eliminate the qualifying income exception upon which we rely for our treatment as a partnership for U.S. federal income tax purposes. Please read "Material Federal Income Tax Consequences Partnership Status." We are unable to predict whether any such changes will ultimately be enacted. However, it is possible that a change in law could affect us and may be applied retroactively. Any such changes could negatively impact the value of an investment in our units.

**Our unitholders' share of our income will be taxable to them for federal income tax purposes even if they do not receive any cash distributions from us.**

Because a unitholder will be treated as a partner to whom we will allocate taxable income which could be different in amount than the cash we distribute, a unitholder's allocable share of our taxable income will be taxable to it, which may require the payment of federal income taxes and, in some cases, state and local income taxes, on its share of our taxable income even if it receives no cash distributions from us. Our unitholders may not receive cash distributions from us equal to their share of our taxable income or even equal to the actual tax liability that results from that income.

**If the IRS contests the federal income tax positions we take, the market for our common units may be adversely impacted and the cost of any IRS contest will reduce our cash available for distribution to our unitholders.**

We have not requested a ruling from the IRS with respect to our treatment as a partnership for federal income tax purposes or any other matter affecting us. The IRS may adopt positions that differ from the conclusions of our counsel expressed in this prospectus or from the positions we take, and the IRS's positions may ultimately be sustained. It may be necessary to resort to administrative or court proceedings to sustain some or all of our counsel's conclusions or the positions we take and such positions may not ultimately be sustained. A court may not agree with some or all of our counsel's conclusions or the positions we take. Any contest with the IRS, and the outcome of any IRS contest, may have a materially adverse impact on the market for our common units and the price at which they trade. In addition, our costs of any contest with the IRS will be borne indirectly by our unitholders and our general partner because the costs will reduce our cash available for distribution.

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### **Risk factors**

#### **Tax gain or loss on the disposition of our common units could be more or less than expected.**

If our unitholders sell common units, they will recognize a gain or loss for federal income tax purposes equal to the difference between the amount realized and their tax basis in those common units. Because distributions in excess of their allocable share of our net taxable income decrease their tax basis in their common units, the amount, if any, of such prior excess distributions with respect to the common units a unitholder sells will, in effect, become taxable income to the unitholder if it sells such common units at a price greater than its tax basis in those common units, even if the price received is less than its original cost. Furthermore, a substantial portion of the amount realized on any sale of your common units, whether or not representing gain, may be taxed as ordinary income due to potential recapture items, including depreciation recapture. In addition, because the amount realized includes a unitholder's share of our nonrecourse liabilities, a unitholder that sells common units, may incur a tax liability in excess of the amount of cash received from the sale. Please read "Material Federal Income Tax Consequences" "Disposition of Common Units" "Recognition of Gain or Loss" for a further discussion of the foregoing.

#### **Tax-exempt entities and non-U.S. persons face unique tax issues from owning our common units that may result in adverse tax consequences to them.**

Investment in common units by tax-exempt entities, such as employee benefit plans and individual retirement accounts (known as IRAs), and non-U.S. persons raises issues unique to them. For example, virtually all of our income allocated to organizations that are exempt from federal income tax, including IRAs and other retirement plans, will be unrelated business taxable income and will be taxable to them. Distributions to non-U.S. persons will be reduced by withholding taxes at the highest applicable effective tax rate, and non-U.S. persons will be required to file federal income tax returns and pay tax on their share of our taxable income. If you are a tax-exempt entity or a non-U.S. person, you should consult a tax advisor before investing in our common units.

#### **We will treat each purchaser of common units as having the same tax benefits without regard to the actual common units purchased. The IRS may challenge this treatment, which could adversely affect the value of the common units.**

Because we cannot match transferors and transferees of common units and because of other reasons, we will adopt depreciation and amortization positions that may not conform to all aspects of existing Treasury Regulations. A successful IRS challenge to those positions could adversely affect the amount of tax benefits available to you. Our counsel is unable to opine as to the validity of such filing positions. It also could affect the timing of these tax benefits or the amount of gain from your sale of common units and could have a negative impact on the value of our common units or result in audit adjustments to your tax returns. Please read "Material Federal Income Tax Consequences" "Tax Consequences of Unit Ownership" "Section 754 Election" for a further discussion of the effect of the depreciation and amortization positions we will adopt.

#### **We prorate our items of income, gain, loss and deduction for federal income tax purposes between transferors and transferees of our units each month based upon the ownership of our units on the first day of each month, instead of on the basis of the date a particular unit is transferred. The IRS may challenge this treatment, which could change the allocation of items of income, gain, loss and deduction among our unitholders.**

We will prorate our items of income, gain, loss and deduction for federal income tax purposes between transferors and transferees of our units each month based upon the ownership of our units on the first

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### **Risk factors**

day of each month, instead of on the basis of the date a particular unit is transferred. The use of this proration method may not be permitted under existing Treasury Regulations, and, accordingly, our counsel is unable to opine as to the validity of this method. Recently, however, the U.S. Treasury Department issued proposed regulations that provide a safe harbor pursuant to which publicly traded partnerships may use a similar monthly simplifying convention to allocate tax items among transferor and transferee unitholders. Nonetheless, the proposed regulations do not specifically authorize the use of the proration method we will adopt. If the IRS were to challenge this method or new Treasury regulations were issued, we may be required to change the allocation of items of income, gain, loss and deduction among our unitholders. Latham & Watkins LLP has not rendered an opinion with respect to whether our monthly convention for allocating taxable income and losses is permitted by existing Treasury Regulations. Please read **Material Federal Income Tax Consequences** **Disposition of Common Units** **Allocations Between Transferors and Transferees**.

**A unitholder whose common units are loaned to a short seller to effect a short sale of common units may be considered as having disposed of those common units. If so, he would no longer be treated for federal income tax purposes as a partner with respect to those common units during the period of the loan and may recognize gain or loss from the disposition.**

Because a unitholder whose common units are loaned to a short seller to effect a short sale of common units may be considered as having disposed of the loaned common units, he may no longer be treated for federal income tax purposes as a partner with respect to those common units during the period of the loan to the short seller and the unitholder may recognize gain or loss from such disposition. Moreover, during the period of the loan to the short seller, any of our income, gain, loss or deduction with respect to those common units may not be reportable by the unitholder and any cash distributions received by the unitholder as to those common units could be fully taxable as ordinary income. Our counsel has not rendered an opinion regarding the treatment of a unitholder where common units are loaned to a short seller to effect a short sale of common units; therefore, our unitholders desiring to assure their status as partners and avoid the risk of gain recognition from a loan to a short seller are urged to consult a tax advisor to discuss whether it is advisable to modify any applicable brokerage account agreements to prohibit their brokers from loaning their common units.

**We will adopt certain valuation methodologies and monthly conventions for federal income tax purposes that may result in a shift of income, gain, loss and deduction between our general partner and our unitholders. The IRS may challenge this treatment, which could adversely affect the value of the common units.**

When we issue additional units or engage in certain other transactions, we will determine the fair market value of our assets and allocate any unrealized gain or loss attributable to our assets to the capital accounts of our unitholders and our general partner. Our methodology may be viewed as understating the value of our assets. In that case, there may be a shift of income, gain, loss and deduction between certain unitholders and our general partner, which may be unfavorable to such unitholders. Moreover, under our valuation methods, subsequent purchasers of common units may have a greater portion of their Internal Revenue Code Section 743(b) adjustment allocated to our tangible assets and a lesser portion allocated to our intangible assets. The IRS may challenge our valuation methods, or our allocation of the Section 743(b) adjustment attributable to our tangible and intangible assets, and allocations of taxable income, gain, loss and deduction between our general partner and certain of our unitholders.

A successful IRS challenge to these methods or allocations could adversely affect the amount of taxable income or loss being allocated to our unitholders. It also could affect the amount of taxable gain from

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### **Risk factors**

our unitholders' sale of common units and could have a negative impact on the value of the common units or result in audit adjustments to our unitholders' tax returns without the benefit of additional deductions.

### **The sale or exchange of 50.0% or more of our capital and profits interests during any twelve-month period will result in the termination of our partnership for federal income tax purposes.**

We will be considered to have technically terminated our partnership for federal income tax purposes if there is a sale or exchange of 50.0% or more of the total interests in our capital and profits within a twelve-month period. For purposes of determining whether the 50.0% threshold has been met, multiple sales of the same interest will be counted only once. Our technical termination would, among other things, result in the closing of our taxable year for all unitholders, which would result in us filing two tax returns (and our unitholders could receive two Schedules K-1 if relief was not available, as described below) for one fiscal year and could result in a deferral of depreciation deductions allowable in computing our taxable income. In the case of a unitholder reporting on a taxable year other than a fiscal year ending December 31, the closing of our taxable year may also result in more than twelve months of our taxable income or loss being includable in his taxable income for the year of termination. Our termination currently would not affect our classification as a partnership for federal income tax purposes, but instead we would be treated as a new partnership for tax purposes. If treated as a new partnership, we must make new tax elections and could be subject to penalties if we are unable to determine that a termination occurred. The IRS has recently announced a publicly traded partnership technical termination relief program whereby, if a publicly traded partnership that technically terminated requests publicly traded partnership technical termination relief and such relief is granted by the IRS, among other things, the partnership will only have to provide one Schedule K-1 to unitholders for the year notwithstanding two partnership tax years. Please read "Material Federal Income Tax Consequences: Disposition of Common Units: Constructive Termination" for a discussion of the consequences of our termination for federal income tax purposes.

### **As a result of investing in our common units, you may become subject to state and local taxes and return filing requirements in jurisdictions where we operate or own or acquire properties.**

In addition to federal income taxes, our unitholders will likely be subject to other taxes, including state and local taxes, unincorporated business taxes and estate, inheritance or intangible taxes that are imposed by the various jurisdictions in which we conduct business or control property now or in the future, even if they do not live in any of those jurisdictions. Our unitholders will likely be required to file state and local income tax returns and pay state and local income taxes in some or all of these various jurisdictions. Further, our unitholders may be subject to penalties for failure to comply with those requirements. We initially expect to conduct business in Illinois, Indiana, Kentucky, Louisiana, Michigan, Ohio, Pennsylvania, Texas and West Virginia. Many of these states currently impose a personal income tax on individuals. As we make acquisitions or expand our business, we may control assets or conduct business in additional states that impose a personal income tax. It is your responsibility to file all federal, state and local tax returns. Our counsel has not rendered an opinion on the state or local tax consequences of an investment in our common units. Please consult your tax advisor.

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## Use of proceeds

We expect to receive net proceeds of approximately \$       million from the sale of       common units offered by this prospectus, based on an assumed initial public offering price of \$       per common unit (the mid-point of the price range set forth on the cover of this prospectus), after deducting underwriting discounts, structuring fees and estimated offering expenses. We intend to use these proceeds as follows:

- Ø approximately \$219.4 million will be contributed to Pipe Line Holdings, which Pipe Line Holdings will retain on behalf of us and MPC to fund our respective pro rata portions of certain estimated expansion capital expenditures;
  - Ø \$       million will be distributed to MPC, in partial consideration of its contribution of assets to us and to reimburse MPC for certain capital expenditures it incurred with respect to these assets;
  - Ø \$10.0 million will be retained for general partnership purposes, including to fund our working capital needs; and
  - Ø \$       million will be used to pay revolving credit facility origination fees.
- In connection with this offering, we will enter into a \$500.0 million revolving credit facility.

The net proceeds from any exercise by the underwriters of their option to purchase additional common units will be used to redeem from MPC a number of common units equal to the number of common units issued upon exercise of the option at a price per common unit equal to the net proceeds per common unit in this offering before expenses but after deducting underwriting discounts and the structuring fee. Accordingly, any exercise of the underwriters' option will not affect the total number of units outstanding or the amount of cash needed to pay the minimum quarterly distribution on all units. Please read Underwriting.

An increase or decrease in the initial public offering price of \$1.00 per common unit would cause the net proceeds from the offering, after deducting underwriting discounts, to increase or decrease by \$       million, based on an assumed initial public offering price of \$       per common unit (the mid-point of the price range set forth on the cover of this prospectus). If the proceeds increase due to a higher initial public offering price or decrease due to a lower initial public offering price, then the cash distribution to MPC from the proceeds of this offering will increase or decrease, as applicable, by a corresponding amount.

**Table of Contents****Capitalization**

The following table shows:

Ø the historical cash and cash equivalents and capitalization of our Predecessor as of June 30, 2012; and

Ø our pro forma capitalization as of June 30, 2012, giving effect to the pro forma adjustments described in our unaudited pro forma combined financial data included elsewhere in this prospectus, including this offering and the application of the net proceeds of this offering in the manner described under Use of Proceeds and the other transactions described under Prospectus Summary The Transactions.

This table is derived from, should be read together with and is qualified in its entirety by reference to the historical interim combined financial statements and the accompanying notes and the pro forma combined financial data and accompanying notes included elsewhere in this prospectus.

	As of June 30, 2012	
	MPLX LP	
	Predecessor Historical	MPLX LP Pro Forma (1)
	(in millions, except per unit data)	
Cash and cash equivalents	\$ 0.6	\$ 235.0(2)
Debt:		
Long-term debt(3)	\$ 11.6	\$ 11.6
Revolving credit facility		
Net investment/equity:		
Net investment	\$ 1,435.3	\$
Held by public:		
Common units		
Held by MPC:		
Common units		
Subordinated units		
General partner units		
Total MPLX LP partners' capital		
Non-controlling interest in Pipe Line Holdings		
Total net investment/equity	1,435.3	
Total capitalization	\$ 1,446.9	\$



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- (1) Assumes the mid-point of the price range set forth on the cover of this prospectus.*
- (2) Includes \$219.4 million that will be contributed to Pipe Line Holdings, which Pipe Line Holdings will retain on behalf of us and MPC to fund our respective pro rata portions of certain estimated capital expenditures.*
- (3) Consists of capital lease obligations, including amounts due within one year.*

**Table of Contents****Dilution**

Dilution is the amount by which the offering price per common unit in this offering will exceed the pro forma net tangible book value per unit after the offering. On a pro forma basis as of June 30, 2012, after giving effect to the offering of common units and the related transactions, our net tangible book value was approximately \$       million, or \$       per unit. Purchasers of common units in this offering will experience substantial and immediate dilution in pro forma net tangible book value per common unit for financial accounting purposes, as illustrated in the following table.

Assumed initial public offering price per common unit(1)	\$
Pro forma net tangible book value per unit before the offering(2)	\$
Decrease in net tangible book value per unit attributable to purchasers in the offering	
Less: Pro forma net tangible book value per unit after the offering(3)	
Immediate dilution in net tangible book value per common unit to purchasers in the offering(4)(5)	\$

(1) The mid-point of the price range set forth on the cover of this prospectus.

(2) Determined by dividing the number of units (       common units,       subordinated units and       general partner units) to be issued to the general partner and its affiliates for their contribution of assets and liabilities to us into the pro forma net tangible book value of the contributed assets and liabilities.

(3) Determined by dividing the number of units to be outstanding after this offering (       total common units,       subordinated units and       general partner units) and the application of the related net proceeds into our pro forma net tangible book value, after giving effect to the application of the net proceeds of this offering.

(4) If the initial public offering price were to increase or decrease by \$1.00 per common unit, then dilution in net tangible book value per common unit would equal \$       and \$       , respectively.

(5) Because the total number of units outstanding following this offering will not be impacted by any exercise of the underwriters' option to purchase additional common units and any net proceeds from such exercise will not be retained by us, there will be no change to the dilution in net tangible book value per common unit to purchasers in this offering due to any such exercise of the option.

The following table sets forth the number of units that we will issue and the total consideration contributed to us by the general partner and its affiliates in respect of their units and by the purchasers of common units in this offering upon consummation of the transactions contemplated by this prospectus.

	Units acquired		Total consideration	
	Number (in millions)	%	Amount (in thousands)	%
General partner and its affiliates(1)(2)(3)		%	\$	%
Purchasers in this offering		%	\$	%
Total		100.0%	\$	100.0%

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(1) Upon the consummation of the transactions contemplated by this prospectus, our general partner and its affiliates will own common units, subordinated units and general partner units.

*footnotes continued on following page*

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### **Dilution**

- (2) Assumes the underwriters' option to purchase additional common units is not exercised.
- (3) The assets contributed by the general partner and its affiliates were recorded at historical cost in accordance with accounting principles generally accepted in the United States. Book value of the consideration provided by the general partner and its affiliates, as of June 30, 2012, after giving effect to the application of the net proceeds of the offering, is as follows:

	(in millions)
Book value of net assets contributed	\$
Less: Distribution to MPC from net proceeds of this offering	
Total consideration	\$

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## Cash distribution policy and restrictions on distributions

The following discussion of our cash distribution policy should be read in conjunction with the specific assumptions included in this section. In addition, Forward-Looking Statements and Risk Factors should be read for information regarding statements that do not relate strictly to historical or current facts and regarding certain risks inherent in our business.

For additional information regarding our historical and pro forma results of operations, please refer to our historical combined financial statements and accompanying notes and the pro forma combined financial data and accompanying notes included elsewhere in this prospectus.

### **GENERAL**

#### **Rationale for Our Cash Distribution Policy**

Our partnership agreement requires that we distribute all of our available cash quarterly. This requirement forms the basis of our cash distribution policy and reflects a basic judgment that our unitholders will be better served by distributing our available cash rather than retaining it, because, among other reasons, we believe we will generally finance any expansion capital expenditures from external financing sources. Under our current cash distribution policy, we intend to make a minimum quarterly distribution to the holders of our common units and subordinated units of \$        per unit, or \$        per unit on an annualized basis, to the extent we have sufficient cash from our operations after the establishment of cash reserves and the payment of costs and expenses, including the payment of expenses to our general partner. However, we have no legal obligation to make quarterly cash distributions in this or any other amount, and our general partner has considerable discretion to determine the amount of our available cash each quarter. In addition, our general partner may change our cash distribution policy at any time, subject to the requirement in our partnership agreement to distribute all of our available cash quarterly. Generally, our available cash is our (i) cash on hand at the end of a quarter after the payment of our expenses and the establishment of cash reserves and (ii) cash on hand resulting from working capital borrowings made after the end of the quarter. Because we are not subject to an entity-level federal income tax, we expect to have more cash to distribute than would be the case if we were subject to federal income tax. If we do not generate sufficient available cash from operations, we may, but are under no obligation to, borrow funds to pay the minimum quarterly distribution to our unitholders.

#### **Limitations on Cash Distributions and Our Ability to Change Our Cash Distribution Policy**

Although our partnership agreement requires that we distribute all of our available cash quarterly, there is no guarantee that we will make quarterly cash distributions to our unitholders at our minimum quarterly distribution rate or at any other rate, and we have no legal obligation to do so. Our current cash distribution policy is subject to certain restrictions, as well as the considerable discretion of our general partner in determining the amount of our available cash each quarter. The following factors will affect our ability to make cash distributions, as well as the amount of any cash distributions we make:

- Ø Our cash distribution policy will be subject to restrictions on cash distributions under our revolving credit facility. Should we be unable to satisfy these restrictions included in our revolving credit facility, we would be prohibited from making cash distributions notwithstanding our cash distribution policy. Please read Management's Discussion and Analysis of Financial Condition and Results of Operations Capital Resources and Liquidity Revolving Credit Facility.

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### **Cash distribution policy and restrictions on distributions**

- Ø The amount of cash that we distribute and the decision to make any distribution is determined by our general partner, taking into consideration the terms of our partnership agreement. Specifically, our general partner will have the authority to establish cash reserves for the prudent conduct of our business and for future cash distributions to our unitholders, and the establishment of or increase in those reserves could result in a reduction in cash distributions from levels we currently anticipate pursuant to our stated cash distribution policy. Any decision to establish cash reserves made by our general partner in good faith will be binding on our unitholders.
- Ø While our partnership agreement requires us to distribute all of our available cash, our partnership agreement, including the provisions requiring us to make cash distributions, may be amended. During the subordination period our partnership agreement may not be amended without the approval of our public common unitholders, except in a limited number of circumstances when our general partner can amend our partnership agreement without any unitholder approval. For a description of these limited circumstances, please read [Our Partnership Agreement Amendment of Our Partnership Agreement No Unitholder Approval](#). However, after the subordination period has ended our partnership agreement may be amended with the consent of our general partner and the approval of a majority of the outstanding common units, including common units owned by our general partner and its affiliates. At the closing of this offering, MPC will own our general partner and will indirectly own an aggregate of approximately % of our outstanding common units and subordinated units (excluding common units purchased by officers and directors of our general partner and MPC under our directed unit program). Please read [Our Partnership Agreement Amendment of Our Partnership Agreement](#).
- Ø Under Section 17-607 of the Delaware Revised Uniform Limited Partnership Act, or the Delaware Act, we may not make a distribution if the distribution would cause our liabilities to exceed the fair value of our assets.
- Ø We may lack sufficient cash to pay distributions to our unitholders due to cash flow shortfalls attributable to a number of operational, commercial or other factors as well as increases in our operating or general and administrative expenses, principal and interest payments on our debt, tax expenses, working capital requirements and anticipated cash needs. Our cash available for distribution to unitholders is directly impacted by our cash expenses necessary to run our business and will be reduced dollar-for-dollar to the extent such uses of cash increase. Please read [Provisions of Our Partnership Agreement Relating to Cash Distributions Distributions of Available Cash](#).
- Ø Our ability to make cash distributions to our unitholders depends on the performance of our subsidiaries and their ability to distribute cash to us. The ability of our subsidiaries to make cash distributions to us may be restricted by, among other things, the provisions of future indebtedness, applicable state partnership and limited liability company laws and other laws and regulations.
- Ø If and to the extent our available cash materially declines from quarter to quarter, we may elect to change our current cash distribution policy and reduce the amount of our quarterly distributions in order to service or repay our debt or fund expansion capital expenditures.

### **Our Ability to Grow is Dependent on Our Ability to Access External Expansion Capital**

Our partnership agreement requires us to distribute all of our available cash to our unitholders on a quarterly basis. As a result, we expect that we will rely primarily upon external financing sources, including borrowings under our revolving credit facility and the issuance of debt and equity securities, to fund future acquisitions and other expansion capital expenditures. To the extent we are unable to finance growth with external sources of capital, the requirement in our partnership agreement to distribute all of our available cash and our current cash distribution policy will significantly impair our ability to grow.



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### **Cash distribution policy and restrictions on distributions**

In addition, because we will distribute all of our available cash, our growth may not be as fast as businesses that reinvest all of their available cash to expand ongoing operations. Our revolving credit facility will restrict our ability to incur additional debt, including through the issuance of debt securities. Please read **Risk Factors** **Risks Related to Our Business** **Restrictions** in our revolving credit facility could adversely affect our business, financial condition, results of operations, ability to make cash distributions to our unitholders and the value of our units. To the extent we issue additional units, the payment of distributions on those additional units may increase the risk that we will be unable to maintain or increase our cash distributions per unit. There are no limitations in our partnership agreement on our ability to issue additional units, including units ranking senior to our common units, and our unitholders will have no preemptive or other rights (solely as a result of their status as unitholders) to purchase any such additional units. If we incur additional debt (under our revolving credit facility or otherwise) to finance our growth strategy, we will have increased interest expense, which in turn will reduce the available cash that we have to distribute to our unitholders. Please read **Risk Factors** **Risks Related to Our Business** **Debt** we incur in the future may limit our flexibility to obtain financing and to pursue other business opportunities.

### **OUR MINIMUM QUARTERLY DISTRIBUTION**

Upon the consummation of this offering, our partnership agreement will provide for a minimum quarterly distribution of \$ \_\_\_\_\_ per unit for each whole quarter, or \$ \_\_\_\_\_ per unit on an annualized basis. Our ability to make cash distributions at the minimum quarterly distribution rate will be subject to the factors described above under **General** **Limitations on Cash Distributions and Our Ability to Change Our Cash Distribution Policy**. Quarterly distributions, if any, will be made within 45 days after the end of each calendar quarter to holders of record on or about the first day of each such month. If the distribution date does not fall on a business day, we will make the distribution on the first business day immediately preceding the indicated distribution date. We do not expect to make distributions for the period that begins on October 1, 2012 and ends on the day prior to the closing of this offering other than the distribution to be made to MPC in connection with the closing of this offering as described in **Prospectus Summary** **The Transactions** and **Use of Proceeds**. We will adjust the amount of our first distribution for the period from the closing of this offering through December 31, 2012 based on the actual length of the period. The amount of available cash needed to pay the minimum quarterly distribution on all of our common units, subordinated units and general partner units to be outstanding immediately after this offering for one quarter and on an annualized basis is summarized in the table below:

	Number of units	Minimum quarterly distributions	
		One quarter	Annualized (four quarters)
Publicly held common units		\$	\$
Common units held by MPC <sup>(1)</sup>			
Subordinated units held by MPC			
General partner units			
Total		\$	\$

*(1) Assumes no exercise of the underwriters' option to purchase additional common units.*

As of the date of this offering, our general partner will be entitled to 2.0% of all distributions that we make prior to our liquidation. Our general partner's initial 2.0% interest in these distributions may be





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### **Cash distribution policy and restrictions on distributions**

reduced if we issue additional units in the future and our general partner does not contribute a proportionate amount of capital to us in order to maintain its initial 2.0% general partner interest. Our general partner will also hold the incentive distribution rights, which entitle the holder to increasing percentages, up to a maximum of 48.0%, of the cash we distribute in excess of \$        per unit per quarter.

During the subordination period, before we make any quarterly distributions to our subordinated unitholders, our common unitholders are entitled to receive payment of the full minimum quarterly distribution for such quarter plus any arrearages in distributions of the minimum quarterly distribution from prior quarters. Please read *Provisions of Our Partnership Agreement Relating to Cash Distributions Subordinated Units and Subordination Period*. We cannot guarantee, however, that we will pay the minimum quarterly distribution on our common units in any quarter.

Although holders of our common units may pursue judicial action to enforce provisions of our partnership agreement, including those related to requirements to make cash distributions as described above, our partnership agreement provides that any determination made by our general partner in its capacity as our general partner must be made in good faith and that any such determination will not be subject to any other standard imposed by the Delaware Act or any other law, rule or regulation or at equity. Our partnership agreement provides that, in order for a determination by our general partner to be made in good faith, our general partner must believe that the determination is not adverse to the best interests of our partnership. Please read *Conflicts of Interest and Duties*.

The provision in our partnership agreement requiring us to distribute all of our available cash quarterly may not be modified without amending our partnership agreement; however, as described above, the actual amount of our cash distributions for any quarter is subject to fluctuations based on the amount of cash we generate from our business, the amount of reserves our general partner establishes in accordance with our partnership agreement and the amount of available cash from working capital borrowings.

In the sections that follow, we present in detail the basis for our belief that we will be able to fully fund our annualized minimum quarterly distribution of \$        per unit for the twelve months ending December 31, 2013. In those sections, we present two tables, consisting of:

- Ø *Unaudited Pro Forma Cash Available for Distribution*, in which we present the amount of cash we would have had available for distribution on a pro forma basis for the year ended December 31, 2011 and the twelve months ended June 30, 2012, derived from our unaudited pro forma financial data that are included in this prospectus, as adjusted to give pro forma effect to this offering and the related formation transactions; and
- Ø *Estimated Cash Available for Distribution for the Twelve Months Ending December 31, 2013*, in which we provide our estimated forecast of our ability to generate sufficient cash available for distribution for us to pay the minimum quarterly distribution on all units for the twelve months ending December 31, 2013.

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**Cash distribution policy and restrictions on distributions**

**UNAUDITED PRO FORMA CASH AVAILABLE FOR DISTRIBUTION FOR THE YEAR ENDED DECEMBER 31, 2011 AND THE TWELVE MONTHS ENDED JUNE 30, 2012**

If we had completed the transactions contemplated in this prospectus on January 1, 2011, our unaudited pro forma cash available for distribution for the year ended December 31, 2011 would have been approximately \$50.3 million. If we had completed the transactions contemplated in this prospectus on January 1, 2011, our unaudited pro forma cash available for distribution for the twelve months ended June 30, 2012 would have been approximately \$55.5 million. These amounts would have been insufficient to pay the full minimum quarterly distribution on all of our common units and subordinated units during such periods. Specifically, on a pro forma basis, we would have experienced an average shortfall of approximately \$        million in each of the four quarters in the twelve months ended June 30, 2012 relative to the aggregate minimum quarterly distribution for each of those quarters.

We based the pro forma adjustments upon currently available information and specific estimates and assumptions. The pro forma amounts below do not purport to present our results of operations had the transactions contemplated in this prospectus actually been completed as of the dates indicated. In addition, cash available to pay distributions is primarily a cash accounting concept, while our pro forma combined financial data have been prepared on an accrual basis. As a result, you should view the amount of pro forma available cash only as a general indication of the amount of cash available to pay distributions that we might have generated had we been formed in earlier periods.

**Table of Contents****Cash distribution policy and restrictions on distributions**

The following tables illustrate, on a pro forma basis, for the year ended December 31, 2011 and the twelve months ended June 30, 2012, the amount of cash that would have been available for distribution to our unitholders and our general partner, assuming in each case that this offering and the other transactions contemplated in this prospectus had been consummated on January 1, 2011 with respect to each period presented.

**MPLX LP****Unaudited Pro Forma Cash Available for Distribution**

(In millions)	Year Ended		Pro Forma Three Months Ended		
	December 31, 2011	March 31, 2011	June 30, 2011	September 30, 2011	December 31, 2011
<b>Net income attributable to MPLX LP(1)</b>	\$ 45.3	\$ 12.9	\$ 8.7	\$ 13.5	\$ 10.2
Add:					
Net income attributable to non-controlling interest in Pipe Line Holdings	43.7	12.4	8.4	13.1	9.8
<b>Net income</b>	89.0	25.3	17.1	26.6	20.0
Add:					
Depreciation	29.3	7.1	7.1	7.9	7.2
Provision for income taxes	0.1				0.1
Interest and other financial costs	0.1	0.1			
<b>Adjusted EBITDA(2)</b>	118.5	32.5	24.2	34.5	27.3
Less:					
Adjusted EBITDA attributable to non-controlling interest in Pipe Line Holdings	58.2	15.9	11.9	17.0	13.4
<b>Adjusted EBITDA attributable to MPLX LP(3)</b>	60.3	16.6	12.3	17.5	13.9
Less:					
Cash interest paid, net(4)	0.1	0.1			
Income taxes paid					
Maintenance capital expenditures(5)	6.5	1.0	0.7	1.3	3.5
Expansion capital expenditures(5)	72.4	7.8	16.5	20.9	27.2
Incremental general and administrative expense of being a separate publicly traded partnership(6)	3.4	0.8	0.9	0.8	0.9
Add:					
Offering proceeds retained to fund expansion capital expenditures(5)	72.4	7.8	16.5	20.9	27.2
<b>Cash available for distribution attributable to MPLX LP</b>	\$ 50.3	\$ 14.7	\$ 10.7	\$ 15.4	\$ 9.5
<b>Cash distributions:</b>	\$	\$	\$	\$	\$

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Distribution per unit (based on a minimum quarterly distribution rate of \$        per unit)					
Distributions to public common unitholders	\$	\$	\$	\$	\$
Distributions to MPC:					
Common units					
Subordinated units					
General partner units					
Aggregate minimum quarterly distributions	\$	\$	\$	\$	\$
Excess (shortfall)	\$	\$	\$	\$	\$
Percent of minimum quarterly cash distributions payable to common unitholders					
	%	%	%	%	%
Percent of minimum quarterly cash distributions payable to subordinated unitholders					
	%	%	%	%	%

**Table of Contents****Cash distribution policy and restrictions on distributions**

(In millions)	Twelve Months Ended June 30, 2012	Pro Forma Three Months Ended			
		September 30, 2011	December 31, 2011	March 31, 2012	June 30, 2012
<b>Net income attributable to MPLX LP(1)</b>	\$ 51.9	\$ 13.5	\$ 10.2	\$ 16.4	\$ 11.8
Add:					
Net income attributable to non-controlling interest in Pipe Line Holdings	50.3	13.1	9.8	15.9	11.5
<b>Net income</b>	102.2	26.6	20.0	32.3	23.3
Add:					
Depreciation	30.1	7.9	7.2	7.5	7.5
Provision for income taxes	0.1		0.1		
Interest and other financial costs					
<b>Adjusted EBITDA(2)</b>	132.4	34.5	27.3	39.8	30.8
Less:					
Adjusted EBITDA attributable to non-controlling interest in Pipe Line Holdings	65.1	17.0	13.4	19.5	15.2
<b>Adjusted EBITDA attributable to MPLX LP(3)</b>	67.3	17.5	13.9	20.3	15.6
Less:					
Cash interest paid, net(4)					
Income taxes paid					
Maintenance capital expenditures(5)	8.4	1.3	3.5	0.9	2.7
Expansion capital expenditures(5)	98.1	20.9	27.2	19.5	30.5
Incremental general and administrative expense of being a separate publicly traded partnership(6)	3.4	0.8	0.9	0.8	0.9
Add:					
Offering proceeds retained to fund expansion capital expenditures(5)	98.1	20.9	27.2	19.5	30.5
<b>Cash available for distribution attributable to MPLX LP</b>	\$ 55.5	\$ 15.4	\$ 9.5	\$ 18.6	\$ 12.0
<b>Cash distributions:</b>					
Distribution per unit (based on a minimum quarterly distribution rate of \$ per unit)	\$	\$	\$	\$	\$
Distributions to public common unitholders	\$	\$	\$	\$	\$
Distributions to MPC:					
Common units					
Subordinated units					
General partner units					
<b>Aggregate minimum quarterly distributions</b>	\$	\$	\$	\$	\$

Excess (shortfall)	\$	\$	\$	\$	\$
Percent of minimum quarterly cash distributions payable to common unitholders	%	%	%	%	%
Percent of minimum quarterly cash distributions payable to subordinated unitholders	%	%	%	%	%

*footnotes on following page*

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### **Cash distribution policy and restrictions on distributions**

- (1) *Reflects pro forma net income attributable to our 51.0% indirect ownership interest in Pipe Line Holdings and our 100.0% ownership interest in our butane cavern for the periods indicated. For additional information, please read our unaudited pro forma financial data and accompanying notes included elsewhere in this prospectus.*
- (2) *Adjusted EBITDA is defined in Selected Historical and Pro Forma Financial and Operating Data Non-GAAP Financial Measure.*
- (3) *Represents Adjusted EBITDA attributable to our 51.0% indirect ownership interest in Pipe Line Holdings less 100.0% of certain overhead expenses attributable to our butane cavern.*
- (4) *Includes interest expense on our capital lease on a 51.0% basis and commitment fees on our revolving credit facility on a 100.0% basis that would have been paid had our revolving credit facility been in place during the periods presented, less capitalized interest related to the construction of our butane cavern.*
- (5) *Represents capital expenditures attributable to our 51.0% indirect ownership interest in Pipe Line Holdings and our 100.0% ownership interest in our butane cavern. For purposes of determining our pro forma cash available for distribution for the year ended December 31, 2011 and the twelve months ended June 30, 2012, we have assumed that we contributed \$72.4 million and \$98.1 million, respectively to Pipe Line Holdings from the net proceeds of this offering to fund our portion of the total cost of the expansion capital expenditures for such periods. Historically, we have not made a distinction between maintenance capital expenditures and expansion capital expenditures. For a discussion of maintenance and expansion capital expenditures, please read Provisions of our Partnership Agreement Relating to Cash Distributions Capital Expenditures.*
- (6) *Reflects approximately \$3.4 million in estimated annual incremental general and administrative expenses we expect to incur as a result of being a separate publicly-traded partnership.*

### **ESTIMATED CASH AVAILABLE FOR DISTRIBUTION FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2013**

We forecast that our estimated cash available for distribution for the twelve months ending December 31, 2013 will be approximately \$87.1 million. This amount would exceed by \$        million the amount needed to pay the aggregate annualized minimum quarterly distributions of \$        million on all of our units for the twelve months ending December 31, 2013. We own a 51.0% general partner interest in Pipe Line Holdings, which owns a 100.0% interest in MPL and ORPL. As the sole general partner of Pipe Line Holdings, we will control the management of Pipe Line Holdings, including its cash distribution policy. MPC has retained a 49.0% limited partner interest in Pipe Line Holdings. The number of outstanding units on which we have based our belief does not include any common units that may be issued under the incentive compensation plan that our general partner will adopt prior to the closing of this offering.

We do not, as a matter of course, make public projections as to future operations, earnings or other results of our business. However, our management has prepared the forecast of estimated cash available for distribution and related assumptions set forth below to supplement our historical combined financial statements in support of our belief that we will generate sufficient cash available for distribution to pay the aggregate annualized minimum quarterly distributions on all of our units for the twelve months ending December 31, 2013. This forecast is a forward-looking statement and should be read together with the historical combined financial statements and the accompanying notes included elsewhere in this prospectus and Management's Discussion and Analysis of Financial Condition and Results of Operations. The accompanying prospective financial information was not prepared with a view toward complying with the published guidelines of the SEC or guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but, in the view of our management, was prepared on a reasonable basis, reflects the best currently available estimates and judgments, and presents, to the best of management's knowledge and belief, the assumptions on which we base our belief that we will generate sufficient cash available for distribution to pay the aggregate annualized minimum quarterly distributions on all of our units for the twelve months ending December 31, 2013.



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**Cash distribution policy and restrictions on distributions**

**The prospective financial information included in this registration statement has been prepared by, and is the responsibility of, our management. Neither PricewaterhouseCoopers LLP, nor any other independent accountants, have examined, compiled or performed any procedures with respect to the accompanying prospective financial information and, accordingly, PricewaterhouseCoopers LLP does not express an opinion or any other form of assurance with respect thereto. The PricewaterhouseCoopers LLP reports included in this prospectus relate to our historical financial information. Those reports do not extend to the prospective financial information and should not be read to do so.**

When considering our financial forecast, you should keep in mind the risk factors and other cautionary statements under Risk Factors. Any of the risks discussed in this prospectus, to the extent they occur, could cause our actual results of operations to vary significantly from those that would enable us to generate sufficient cash available for distribution to pay the aggregate annualized minimum quarterly distribution on all of our units for the twelve months ending December 31, 2013.

We are providing the forecast of estimated cash available for distribution and related assumptions set forth below to supplement our historical combined financial statements included elsewhere in this prospectus in support of our belief that we will have sufficient cash available for distribution to allow us to pay the aggregate annualized minimum quarterly distributions on all of our units for the twelve months ending December 31, 2013. Please read below under Assumptions and Considerations for further information as to the assumptions we have made for the financial forecast.

We do not intend to release publicly the results of any future revisions we may make to the forecast or to update this forecast to reflect events or circumstances after the date of this prospectus. In light of this, the statement that we believe that we will have sufficient cash available for distribution to allow us to pay the aggregate annualized minimum quarterly distributions on all of our units for the twelve months ending December 31, 2013, should not be regarded as a representation by us, the underwriters or any other person that we will make such distributions. Therefore, you are cautioned not to place undue reliance on this information.

**Table of Contents****Cash distribution policy and restrictions on distributions****MPLX LP****Estimated Cash Available for Distribution**

	Twelve months ending		Three Months Ended		
(in millions)	December 31, 2013	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013
<b>Revenues and other income:</b>					
Sales and other operating revenues(1)	\$ 81.5	\$ 18.9	\$ 19.5	\$ 21.1	\$ 22.0
Sales to related parties	400.1	99.1	98.1	100.7	102.2
Other income	4.5	1.1	1.1	1.2	1.1
Other income related parties	14.6	3.7	3.7	3.6	3.6
Total revenues and other income	500.7	122.8	122.4	126.6	128.9
<b>Costs and expenses:</b>					
Cost of revenues (excludes items below)	147.0	33.9	33.8	39.5	39.8
Purchases from related parties(2)	105.2	26.0	26.1	26.6	26.5
Depreciation	42.4	10.6	10.6	10.6	10.6
General and administrative expenses(3)	44.2	11.0	11.0	11.1	11.1
Other taxes	7.3	1.8	1.8	1.8	1.9
Total costs and expenses	346.1	83.3	83.3	89.6	89.9
<b>Income from operations</b>	154.6	39.5	39.1	37.0	39.0
Net interest and other financial costs(4)	2.0	0.5	0.5	0.5	0.5
<b>Income before income taxes</b>	152.6	39.0	38.6	36.5	38.5
Provision for income taxes	0.2	0.1		0.1	
<b>Net income</b>	152.4	38.9	38.6	36.4	38.5
Less:					
Net income attributable to non-controlling interest in Pipe Line Holdings	74.9	19.1	19.0	17.9	18.9
<b>Net income attributable to MPLX LP(5)</b>	77.5	19.8	19.6	18.5	19.6
Add:					
Net income attributable to non-controlling interest in Pipe Line Holdings	74.9	19.1	19.0	17.9	18.9
Depreciation	42.4	10.6	10.6	10.6	10.6
Provision for income taxes	0.2	0.1		0.1	
Net interest and other financial costs(4)	2.0	0.5	0.5	0.5	0.5
<b>Estimated Adjusted EBITDA(6)</b>	197.0	50.1	49.7	47.6	49.6
Less:					
Estimated Adjusted EBITDA attributable to non-controlling interest in Pipe Line Holdings	92.2	23.5	23.2	22.2	23.3
	104.8	26.6	26.5	25.4	26.3

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## Estimated Adjusted EBITDA attributable to MPLX LP(7)

Less:					
Cash interest paid, net(8)	1.2	0.3	0.3	0.3	0.3
Income taxes paid	0.1	0.1			
Maintenance capital expenditures(9)	16.4	1.2	3.4	4.4	7.4
Expansion capital expenditures(10)	69.3	10.4	17.4	24.2	17.3
Add:					
Offering proceeds retained to fund expansion capital expenditures(10)	69.3	10.4	17.4	24.2	17.3

## Estimated cash available for distribution attributable to MPLX LP

	\$	87.1	\$ 25.0	\$ 22.8	\$ 20.7	\$ 18.6
Distributions to public common unitholders	\$		\$	\$	\$	\$
Distributions to MPC:						
Common units						
Subordinated units						
General partner units						

Aggregate minimum quarterly distributions

	\$		\$	\$	\$	\$
Excess of cash available for distribution over aggregate minimum quarterly distributions	\$		\$	\$	\$	\$

*footnotes on following page*

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### **Cash distribution policy and restrictions on distributions**

- (1) *Includes revenue from volumes shipped by MPC on various pipelines under joint tariffs with third parties. For accounting purposes, this revenue is classified as third party revenue because we receive payment from those third parties with respect to volumes shipped under the joint tariffs; however, the volumes associated with this revenue are applied towards MPC's minimum volume commitments on the applicable pipelines because MPC is the shipper of record.*
- (2) *Consists primarily of employee compensation and benefits expense with respect to the MPC employees that will provide employee services to us under the employee services agreements that we will enter into with MPC in connection with this offering, as well as reimbursements to MPC for various shared services costs, such as engineering and information technology services.*
- (3) *Includes approximately \$3.4 million of estimated annual general and administrative expenses that we expect to incur as a result of being a separate publicly-traded partnership.*
- (4) *Includes, on a 100.0% basis: amortization of debt issuance costs relating to our revolving credit facility; commitment fees on our revolving credit facility; interest expense attributable to our capital lease; interest income on approximately \$219.4 million of the net proceeds of this offering that Pipe Line Holdings will retain on behalf of MPC and us to fund certain expansion capital expenditures; and interest income on approximately \$10.0 million of the net proceeds of this offering that we will retain for general partnership purposes.*
- (5) *Represents net income attributable to our 51.0% indirect ownership interest in Pipe Line Holdings, plus net income attributable to 100.0% of our butane cavern, less estimated annual general and administrative expenses that we expect to incur as a result of being a separate publicly-traded partnership.*
- (6) *Adjusted EBITDA is defined in Selected Historical and Pro Forma Financial and Operating Data Non-GAAP Financial Measure.*
- (7) *Represents estimated Adjusted EBITDA attributable to our 51.0% indirect ownership interest in Pipe Line Holdings, plus estimated Adjusted EBITDA attributable to 100.0% of our butane cavern, less 100.0% of estimated annual general and administrative expenses we expect to incur as a result of being a separate publicly-traded partnership.*
- (8) *Includes interest expense on our capital lease on a 51.0% basis and commitment fees on our revolving credit facility on a 100.0% basis. We do not expect to make any borrowings under our revolving credit facility during the forecast period.*
- (9) *Represents estimated maintenance capital expenditures attributable to our 51.0% indirect ownership interest in Pipe Line Holdings.*
- (10) *Includes estimated expansion capital expenditures attributable to our 51.0% indirect ownership interest in Pipe Line Holdings and amounts associated with certain non-recurring expenditures classified as asset retirement expenditures relating to the upgrade project on our Patoka to Catlettsburg crude oil pipeline. We intend to fund these expenditures with a portion of the net proceeds retained from this offering. Please read Assumptions and Considerations Capital Expenditures.*

### **ASSUMPTIONS AND CONSIDERATIONS**

The forecast has been prepared by and is the responsibility of management. The forecast reflects our judgment as of the date of this prospectus of conditions we expect to exist and the course of action we expect to take during the twelve months ending December 31, 2013. While the assumptions disclosed in this prospectus are not all-inclusive, the assumptions listed below are those that we believe are material to our forecasted results of operations and any assumptions not discussed below were not deemed to be material. We believe we have a reasonable objective basis for these assumptions. We believe our actual results of operations will approximate those reflected in our forecast, but we can give no assurance that our forecasted results will be achieved. There will likely be differences between our forecast and the actual results and those differences could be material. If the forecast is not achieved, we may not be able to make cash distributions on our common units at the minimum quarterly distribution rate or at all.

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**Cash distribution policy and restrictions on distributions**

**General Considerations**

As discussed in this prospectus, a substantial majority of our revenues and certain of our expenses will be determined by contractual arrangements that we will enter into with MPC at the closing of this offering. Accordingly, our forecasted results are not directly comparable with historical periods. Please read Management's Discussion and Analysis of Financial Condition and Results of Operations Factors Affecting the Comparability of Our Financial Results. Most of our revenues will be fee-based under long-term transportation and storage services agreements with MPC that include minimum volume commitments. We have, however, assumed for purposes of this forecast that we will transport volumes for MPC in excess of the minimum volume commitments under our transportation services agreements. We are not directly exposed to material commodity price risk. As we do not take ownership of the crude oil or products that we transport and store for our customers, do not engage in the trading of any commodities and have not forecasted any gains or losses from commodity imbalances, we have not made any assumptions regarding future commodity price levels in developing our forecast of estimated cash available for distribution for the twelve months ending December 31, 2013.

**Revenues and Volumes**

*Overview*

We estimate that we will generate total revenues and other income of \$500.7 million for the twelve months ending December 31, 2013, as compared to pro forma total revenues and other income of \$346.7 million and \$379.4 million for the year ended December 31, 2011 and the twelve months ended June 30, 2012, respectively. This amount represents the forecasted revenues attributable to 100.0% of the assets that will be owned by MPL and ORPL following the closing of this offering, as well as our butane cavern, which was placed into service on August 1, 2012. We own a 51.0% indirect ownership interest in MPL and ORPL through our ownership interest in Pipe Line Holdings, and we own 100.0% of our butane cavern.

We expect approximately \$364.1 million, or 72.7%, of our total forecasted revenues and other income to be supported by MPC's minimum volume commitments under our transportation and storage services agreements with MPC. We expect that approximately \$66.8 million, or 13.3%, of our total forecasted revenues and other income to be generated by pipeline transportation volumes from MPC in excess of its minimum volume commitments. We also expect approximately \$50.7 million, or 10.1%, of our total forecasted revenues and other income to be generated by providing transportation services to third parties, which excludes revenues attributable to volumes shipped by MPC under joint tariffs with third parties that are treated as third party revenues for accounting purposes. We expect that approximately \$19.1 million, or 3.9%, of our total forecasted revenues and other income will be categorized as other income and reflect fees for providing operating and management services to MPC and third parties.

Based on our assumptions for the twelve months ending December 31, 2013, we expect approximately \$445.5 million, or 89.0%, of our total forecasted revenues and other income to be generated by MPC and related parties, including revenues attributable to volumes shipped by MPC under joint tariffs with third parties that are treated as third party revenue for accounting purposes.

Our forecasted revenues have been determined by reference to historical volumes handled by us for MPC and third parties for the year ended December 31, 2011 and the twelve months ended June 30, 2012. The forecasted revenues also take into account the minimum volume commitments under the transportation and storage services agreements that we will enter into with MPC at the closing of this offering, forecasted volumes from MPC above the minimum throughput commitments, an increase in third party crude oil volumes and increases in various tariff rates.



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### **Cash distribution policy and restrictions on distributions**

We expect that any variances between actual revenues during the forecast period and forecasted revenues will be driven by differences between actual volumes during the forecast period and forecasted volumes (subject to the minimum volume commitments of MPC), changes in uncommitted volumes from MPC and third parties, changes in the weighted average tariff paid for volumes of crude oil and products that we handle and variations between the weighted average tariff per barrel and actual tariffs applied to such volumes.

We estimate that our revenues and other income for the forecast period will increase by approximately \$154.0 million as compared to pro forma revenues and other income for the year ended December 31, 2011, due primarily to the following reasons:

Ø an approximate \$98.4 million increase related to tariff adjustments, including:

approximately \$60.9 million related to general tariff increases on July 1, 2012 and July 1, 2013 on a majority of our pipeline systems in accordance with FERC's indexing methodology;

approximately \$32.2 million related to tariff increases in January 2012 and October 2012 on our Patoka to Catlettsburg crude oil pipeline related to historical and planned upgrades on that pipeline; and

approximately \$5.3 million related to a tariff increase in October 2012 on our Robinson to Mt. Vernon product pipeline to more accurately reflect our costs of operating the pipeline;

Ø an approximate \$35.5 million increase related to volume adjustments, including:

approximately \$14.7 million related to volume adjustments on our crude systems, primarily attributable to increased light equivalent MPC volumes on our Detroit crude system and increased light equivalent third party volumes on our Patoka to Lima crude system; and

approximately \$20.8 million related to volume adjustments on our products systems, primarily attributable to increased MPC volumes on our ORPL products system and Garyville to Zachary products system and partially offset by decreases in third party volumes on our Texas City and Wood River to Clermont products systems; and

Ø approximately \$20.1 million of other revenue and income, primarily related to \$15.0 million of storage services revenue associated with our Neal butane cavern, which was placed into service on August 1, 2012, that was not included in the pro forma periods presented.

### *Volumes*

The following table compares forecasted volumes to historical volumes shipped on our pipeline systems and barge dock and the aggregate storage capacities of our tank farms and butane cavern, contrasted with MPC's minimum volume commitments on our pipeline systems and barge dock and reserved storage capacity at our tank farms and butane cavern.

While the tariff revenues we generate from shipments on our pipeline systems and barge dock are calculated using physical barrels, our crude oil transportation services agreements with MPC are based on light equivalent barrels in order to account for viscosity surcharges based on the type

of crude oil we transport. For this reason, all crude oil volumes discussed or included in tables in this subsection Volumes are presented in light equivalent barrels. For a description of the differences between physical barrels of crude oil and light equivalent barrels of crude oil, please read footnote 2 to the table Crude Oil Volumes Transported in Business Our Assets and Operations.



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	Year ended December 31, 2011	Pro Forma Twelve months ended June 30, 2012	Forecasted Twelve months ending December 31, 2013	Minimum	MPC Contracted Minimum as a percentage of forecast
Crude oil throughput (mbpd)(1)(2):					
Third parties	203	203	252		
Related parties	838	853	938	745	79%
Total:	1,041	1,056	1,190	745	63%
Products throughput (mbpd)(1):					
Third parties	60	70	55		
Related parties(3)	971	932	1,093	859	79%
Total:	1,031	1,002	1,148	859	75%
Available storage capacity (mbbl):					
Tank farms (mbbl)(4)	3,293	3,293	3,293	3,293	100%
Butane cavern (mbbl)			1,000	1,000	100%

(1) Reflects 100.0% of the volumes shipped on the crude oil and product pipeline systems and barge dock owned by MPL and ORPL during the time periods presented. We own a 51.0% indirect ownership interest in MPL and ORPL.

(2) Crude oil throughput is presented on a light equivalent barrel basis.

(3) Includes volumes shipped by MPC on various pipelines under joint tariffs with third parties. For accounting purposes, revenue attributable to these volumes is classified as third party revenue because we receive payment from those third parties with respect to volumes shipped under the joint tariffs; however, these volumes are applied towards MPC's minimum volume commitments on the applicable pipelines because MPC is the shipper of record.

(4) Reflects 100.0% of the capacity at the tank farms owned by MPL that is available to MPC on a firm basis under our storage services agreements. We own a 51.0% indirect ownership interest in MPL through Pipe Line Holdings.

**Table of Contents****Cash distribution policy and restrictions on distributions**

The following tables includes additional information about our transportation and storage services agreements, including MPC's minimum volume commitments under the agreements.

	Initial term (years)	MPC minimum commitment (mbpd)	2011 MPC throughput (mbpd)	MPC forecasted throughput (mbpd)(1)	Weighted average tariff (\$ per bbl)(2)	MPC annual minimum revenue (in millions)(2)
<b>Crude Systems</b>						
Patoka to Lima	10	40	132	127	\$ 0.52	\$ 7.6
Catlettsburg and Robinson	10	380	428	439	\$ 0.74	\$ 101.4
Detroit	10	155	107	186	\$ 0.23	\$ 12.8
Wood River to Patoka	5	130	133	146	\$ 0.20	\$ 10.5
Wood River Barge Dock(3)	5	40	38	40	\$ 1.32	\$ 19.2
<b>Total</b>		<b>745</b>	<b>838</b>	<b>938</b>		<b>\$ 151.5</b>
<b>Products Systems</b>						
Garyville to Zachary(4)	10	300	258	300	\$ 0.55	\$ 59.8
Zachary to Connecting Pipelines	10	80	132	170	\$ 0.04	\$ 1.3
Texas City to Pasadena(4)	10	81	85	92	\$ 0.27	\$ 7.9
Pasadena to Connecting Pipelines	10	61	50	72	\$ 0.07	\$ 1.5
Ohio River Pipe Line (ORPL)(5)	10	128	126	146	\$ 1.25	\$ 58.2
Robinson(4)	10	209	320	313	\$ 0.65	\$ 49.9
<b>Total</b>		<b>859</b>	<b>971</b>	<b>1,093</b>		<b>\$ 178.6</b>

(1) For the twelve months ending December 31, 2013.

(2) Based on estimated tariff rates for the twelve months ending December 31, 2013. Annual minimum revenue is based on MPC's minimum volume commitments under our transportation services agreements.

(3) We have forecasted only crude oil volumes for our barge dock; however our barge dock can handle products as well as crude oil.

(4) Includes volumes shipped by MPC on various pipelines under joint tariffs with third parties. For accounting purposes, revenue attributable to these volumes is classified as third party revenue because we receive payment from those third parties with respect to volumes shipped under the joint tariffs; however, the volumes associated with this revenue are applied towards MPC's minimum volume commitments on the applicable pipelines because MPC is the shipper of record.

(5) The estimated weighted average tariff for the ORPL products system assumes that MPC ships only its minimum throughput commitment. Once MPC has satisfied its minimum throughput commitment on any of our ORPL pipelines for any quarter, all excess volumes shipped by MPC on those pipelines will be at a reduced incentive tariff rate.

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	Initial term (years)	MPC minimum commitment (mbbls)	2011 capacity contracted to MPC (mbbls)	MPC forecasted storage volumes (mbbls)(1)	Weighted average fee (\$ per barrel per month)(2)	MPC annual minimum revenue (in millions)(2)
Neal Butane Cavern(3)	10	1,000		1,000	\$ 1.25	\$ 15.0
Patoka Tank Farm	3	1,386	1,386	1,386	\$ 0.48	\$ 8.0
Wood River Tank Farm	3	419	419	419	\$ 0.48	\$ 2.4
Martinsville Tank Farm	3	738	738	738	\$ 0.48	\$ 4.3
Lebanon Tank Farm	3	750	750	750	\$ 0.48	\$ 4.3
Total		4,293	3,293	4,293		\$ 34.0

(1) Tank farm volumes represent the total available capacity (in mbbls) contracted to MPC on a firm basis.

(2) Based on estimated fees for the twelve months ending December 31, 2013.

(3) Our Neal butane cavern was placed into service on August 1, 2012.

We estimate that MPC will ship approximately 938 mbpd on our crude systems for the twelve months ending December 31, 2013 as compared to approximately 838 mbpd for the year ended December 31, 2011. We expect that this increase will be primarily due to additional light equivalent crude barrels being shipped on our Detroit crude system. This increase is directly related to the completion of the heavy oil upgrading and expansion project at MPC's Detroit refinery. We also expect that MPC will increase its shipments on our recently-activated Roxanna to Patoka crude oil pipeline. We forecast that volumes during the forecast period on the remainder of our crude systems will be consistent with volumes for the year ended December 31, 2011.

We estimate that third parties will ship approximately 252 mbpd on our crude systems for the twelve months ending December 31, 2013 as compared to approximately 203 mbpd for the year ended December 31, 2011. We expect this increase to be due to increased shipments on our Patoka to Lima crude system and our Wood River to Patoka crude system. Capacity on our Patoka to Lima crude system recently increased from 268 mbpd to approximately 290 mbpd in connection with the removal of a self-imposed restriction on the operating capacity of the pipeline related to certain maintenance activities. Based on current demand trends, we expect third parties to utilize this increased capacity.

We estimate that MPC will ship approximately 1,093 mbpd on our products systems for the twelve months ending December 31, 2013 as compared to approximately 971 mbpd for the year ended December 31, 2011. We expect this increase to be primarily due to increased shipments on our ORPL products system due to the recent reactivation of the Columbus to Dayton portion of our Heath to Dayton product pipeline. We also expect to see increased MPC shipments on our Texas City products system and Garyville to Zachary products system for the twelve months ending December 31, 2013. We forecast that volumes for the twelve months ending December 31, 2013 on the remainder of our products systems will be consistent with volumes for the year ended December 31, 2011.

We estimate that third parties will ship approximately 55 mbpd on our products systems for the twelve months ending December 31, 2013 as compared to approximately 60 mbpd for the year ended December 31, 2011. Based on current throughput trends, we expect this decrease will be primarily on our Texas City to Pasadena products system and our Wood River to Clermont product pipeline.

We are forecasting storage services revenue based on the aggregate available capacity contracted to MPC at our tank farms and butane cavern under our storage services agreements.



**Table of Contents****Cash distribution policy and restrictions on distributions***Revenues*

The following table shows our total revenues attributable to the services we provide on our pipeline systems and at our storage assets and our revenue per barrel for each of the periods indicated.

	Year ended	Pro Forma Twelve months ended June 30, 2012 (in millions, except per barrel amounts)	Forecasted Twelve months ending December 31, 2013
	December 31, 2011		
<b>Revenues and other income:</b>			
Sales and other operating revenues(1)(2)(3)	\$ 62.1	\$ 67.4	\$ 81.5
Sales to related parties:			
Pipeline transportation services to MPC(2)	251.4	273.7	366.1
Storage services to MPC tank farms(2)	19.1	19.1	19.0
Storage services to MPC butane cavern			15.0
Loss on sale of assets		(0.3)	
Other income(4)	4.0	7.0	4.5
Other income related parties(5)	10.1	12.5	14.6
Total revenues and other income	\$ 346.7	\$ 379.4	\$ 500.7
<b>Revenues:</b>			
Pipeline transportation services(2)	\$ 313.5	\$ 341.1	\$ 447.6
Per barrel(6)(7)	0.42	0.45	0.53
Storage services tank farms(2)	19.1	19.1	19.0
Per barrel (per month)(6)	0.48	0.48	0.48
Storage services butane cavern			15.0
Per barrel (per month)			1.25

(1) Represents pipeline transportation services revenues from third party shippers.

(2) Amounts shown reflect 100.0% of the revenues attributable to MPL and ORPL. We own a 51.0% indirect ownership interest in MPL and ORPL through Pipe Line Holdings. Our pipeline transportation services revenue includes MPC's minimum volume commitment on our Wood River barge dock.

(3) Includes revenues from volumes shipped by MPC on various pipelines under joint tariffs with third parties. For accounting purposes, this revenue is classified as third party revenue because we receive payment from those third parties with respect to volumes shipped under the joint tariffs; however, the volumes associated with this revenue are applied towards MPC's minimum volume commitments on the applicable pipelines because MPC is the shipper of record.

(4) Primarily represents operating fees from third parties for the operation of pipelines by MPL. We own a 51.0% indirect ownership interest in MPL through Pipe Line Holdings.

(5) MPL is party to various operating agreements and management services agreements with MPC and other related parties under which MPL receives fees for operating and managing certain pipelines. We own a 51.0% indirect ownership interest in MPL through Pipe Line Holdings.

(6) Amounts shown reflect 100.0% of the per barrel revenues attributable to MPL and ORPL. We own a 51.0% indirect ownership interest in MPL and ORPL through Pipe Line Holdings.

(7) Amounts shown were calculated based on the weighted average tariff applied to actual volumes throughput on our pipeline systems with respect to the year ended December 31, 2011 and the twelve months ended June 30, 2012, and to forecasted volumes we expect will be throughput on our pipeline systems for the twelve months ending December 31, 2013.



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### **Cash distribution policy and restrictions on distributions**

*Pipeline Transportation Services Revenues.* We estimate that total pipeline transportation revenues will be approximately \$447.6 million, or 89.4% of our total revenues and other income, for the twelve months ending December 31, 2013, as compared to \$313.5 million for the year ended December 31, 2011. Of our forecasted total pipeline transportation revenues, \$330.1 million relates to MPC's minimum throughput commitments to ship an average of at least 1,604 mbpd of crude oil and products on our pipeline systems and at our barge dock under the pipeline transportation services agreements that we will enter into with MPC at the closing of this offering. Approximately \$66.8 million of forecasted pipeline transportation revenues relates to MPC throughput volumes in excess of MPC's minimum throughput commitments. Approximately \$50.7 million of forecasted pipeline transportation revenues relates to third party volumes, which excludes revenue attributable to volumes shipped by MPC under joint tariffs with third parties. This revenue is reflected as third party sales and other operating revenue in the table above because we receive payment from third parties with respect to volumes shipped under the joint tariffs; however, the volumes associated with this revenue are applied towards MPC's minimum volume commitments on the applicable pipelines. Our forecast includes:

- Ø an approximate \$60.9 million increase in revenues attributable to index-related tariff increases on July 1, 2012 and July 1, 2013 along a majority of our pipeline systems;
- Ø an approximate \$32.2 million increase in revenues attributable to tariff increases in January 2012 and October 2012 in connection with a major upgrade project on our Patoka to Catlettsburg crude oil pipeline that we expect to complete in September 2014;
- Ø an approximate \$35.7 million increase in revenues attributable to increased volumes on our pipeline systems as described above; and
- Ø an approximate \$5.3 million increase in revenues attributable to a tariff increase on our Robinson to Mt. Vernon product pipeline that will take effect in October 2012 and is designed to more accurately reflect our actual costs of operating the pipeline.

*Storage Services Revenues.* We estimate that our storage services revenues will be approximately \$34.0 million, or 6.8% of our total revenues and other income, for the twelve months ending December 31, 2013, as compared to \$19.1 million for the year ended December 31, 2011. Under the storage services agreements for our tank farms that we will enter into with MPC, we will provide approximately 3.3 million barrels of tank shell capacity at our tank farms to MPC at a rate of \$0.48 per barrel of tank shell capacity per month. Under the storage services agreement for our butane cavern, we will provide approximately 1.0 million barrels of storage capacity to MPC at a rate of \$1.25 per barrel of capacity per month. Our butane cavern was placed into service on August 1, 2012 and, as a result, our pro forma revenues and other income for the year ended December 31, 2011 and the twelve months ended June 30, 2012 do not include any revenues attributable to our butane cavern.

*Other Income.* We estimate that our total other income will be approximately \$19.1 million, or 3.8% of our total revenues and other income, for the twelve months ending December 31, 2013, as compared to \$14.1 million for the year ended December 31, 2011. This increase is primarily attributable to our renegotiation of our existing operating agreements in July 2011 with MPC and third parties to reflect inflationary increases in the fees we charge to operate certain MPC and third-party owned pipelines. Approximately \$14.6 million, or 76.4% of our forecasted total other income for the twelve months ending December 31, 2013, will be generated under our management services agreements that we will enter into with MPC in connection with this offering, as well as under our existing operating agreements with MPC and its affiliates. We also expect that approximately \$4.5 million, or 23.6%, of our forecasted total other income for the twelve months ending December 31, 2013 will be generated under our existing operating agreements with third parties.





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### **Cash distribution policy and restrictions on distributions**

### **Cost of Revenues**

Our cost of revenues includes fuel and power costs, repairs and maintenance expenses and lease costs. We estimate that we will incur cost of revenues of approximately \$147.0 million for the twelve months ending December 31, 2013 as compared to pro forma cost of revenues of \$96.8 million for the year ended December 31, 2011. The increase in our forecasted cost of revenues as compared to pro forma cost of revenues for the year ended December 31, 2011 is primarily due to the following reasons:

- Ø an increase of approximately \$34.1 million in pipeline integrity and repair and maintenance expenses, including \$14.4 million associated with mechanical integrity expenses on our pipeline systems, \$5.6 million associated with our corrosion prevention program, and approximately \$14.1 million associated with other operating and maintenance programs.
  - Ø an additional annual lease payment of approximately \$6.0 million on one of our crude oil pipeline systems;
  - Ø an increase of approximately \$4.0 million in fuel and power costs due to new assets being placed into service and increases in throughput volumes;
  - Ø the recognition of an approximately \$3.0 million oil measurement gain for the year ended December 31, 2011, which reduced our cost of revenues for that period (we have not forecasted any crude oil or product measurement gains);
  - Ø an increase of approximately \$1.5 million in connection with operating and maintenance costs associated with our new butane cavern; and
  - Ø an increase of approximately \$1.6 million in connection with miscellaneous pipeline expense projects.
- Our transportation and storage services agreements with MPC contain inflation adjustment provisions that should substantially mitigate inflation-related increases in cost of revenues in rising cost environments.

### **Purchases from Related Parties**

We estimate that our purchases from related parties will be approximately \$105.2 million for the twelve months ending December 31, 2013, as compared to pro forma purchases from related parties of \$91.8 million and approximately \$91.4 million for the year ended December 31, 2011 and the twelve months ended June 30, 2012, respectively. This increase in our forecasted purchases from related parties of approximately \$13.4 million and \$13.8 million compared to pro forma purchases from related parties for the year ended December 31, 2011 and the twelve months ended June 30, 2012, respectively relates primarily to salary increases and additional shared services from MPC. Purchases from related parties consist primarily of the following:

- Ø employee compensation and benefits expenses with respect to the MPC employees that will provide services to us under the employee services agreements that we will enter into with MPC in connection with this offering; and

Ø fixed fees and other reimbursements to MPC in connection with various shared services, such as engineering, information technology, legal and certain executive management services that MPC will provide to us under the omnibus agreement that we will enter into with MPC at the closing of this offering.

**Depreciation**

We estimate that depreciation will be approximately \$42.4 million for the twelve months ending December 31, 2013, as compared to pro forma depreciation of approximately \$29.3 million and \$30.1

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### **Cash distribution policy and restrictions on distributions**

million for the year ended December 31, 2011 and the twelve months ended June 30, 2012, respectively. Depreciation is expected to increase during the forecast period primarily due to approximately \$7.7 million of depreciation relating to our butane cavern, approximately \$5.4 million of increased depreciation related to capital expenditures associated with our upgrade project on our Patoka to Catlettsburg crude oil pipeline, and various capital expenditures related to the activation of our Roxanna to Patoka crude oil pipeline and portions of our Heath to Dayton product pipeline.

### **General and Administrative Expenses**

We estimate that our general and administrative expenses will be approximately \$44.2 million for the twelve months ending December 31, 2013, as compared to pro forma general and administrative expenses of \$33.6 million and \$44.1 million for the year ended December 31, 2011 and the twelve months ended June 30, 2012, respectively. The increase in our forecasted general and administrative expenses of approximately \$10.6 million compared to pro forma general and administrative expenses for the year ended December 31, 2011, relate primarily to additional insurance premiums and an estimated \$3.4 million of annual incremental expenses that we expect to incur as a result of being a separate publicly traded partnership, with the remainder being attributable to increases in personnel needed to operate and manage our assets and businesses and inflationary increases in costs of labor.

Our forecasted general and administrative expenses consist of:

- Ø approximately \$19.9 million of general and administrative expenses that will be allocated to us by MPC under our omnibus agreement that we will enter into with MPC at the closing of this offering. These expenses primarily relate to information technology, human resources and other financial and administrative services that will be provided to us by MPC, as well as our allocated share of insurance costs associated with covering our operations under MPC's corporate property, casualty, pollution and general liability policies. We will pay MPC for our allocated share of these expenses on the basis of costs actually incurred by MPC in providing these services to us. We will also reimburse MPC for any direct charges incurred on our behalf;
- Ø approximately \$10.8 million of direct costs for estimated employee-related expenses relating to the management and operation of our assets under our employee services agreements with MPC that are not included in purchases from related parties. The direct employee-related expenses incurred by the president, vice president of operations, accounting and human resources organizational components are classified as general administrative expenses;
- Ø approximately \$6.6 million of expenses relating to insurance premiums for our stand-alone property, casualty, pollution and general liabilities policies that will supplement the coverage that we are allocated under MPC's corporate policies;
- Ø approximately \$3.4 million of incremental annual expenses as a result of being a separate publicly traded partnership, such as costs associated with annual and quarterly reports to unitholders, financial statement audit, tax return and Schedule K-1 preparation and distribution, investor relations activities, registrar and transfer agent fees, incremental director and officer liability insurance premiums and independent director compensation; and
- Ø fixed annual fees in the amount of approximately \$3.5 million in the aggregate that we will pay to MPC under our omnibus agreement for the provision of executive management services by certain executive officers of our general partner.

For a more complete description of our omnibus agreement and the related services, reimbursements and fees, please read "Certain Relationships and Related Party Transactions" Agreements Governing the



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### **Cash distribution policy and restrictions on distributions**

Transactions Omnibus Agreement. For a more complete description of our employee services and the related services and costs, please read Certain Relationships and Related Party Transactions Agreements Governing the Transactions Employee Services Agreements.

### **Capital Expenditures**

We estimate that total capital expenditures on a 100.0% basis will be approximately \$168.1 million for the twelve months ending December 31, 2013 as compared to pro forma capital expenditures of \$105.0 million and \$159.2 million for the year ended December 31, 2011 and the twelve months ended June 30, 2012, respectively. Based on our 51.0% indirect interest in Pipe Line Holdings and our 100.0% interest in our butane cavern, our estimated total capital expenditures for the twelve months ending December 31, 2013 will be approximately \$85.7 million as compared to pro forma capital expenditures of \$78.9 million and \$106.5 million for the year ended December 31, 2011 and the twelve months ended June 30, 2012, respectively. Our forecast estimate is based on the following assumptions:

Ø *Maintenance Capital Expenditures.* We estimate that our maintenance capital expenditures will be approximately \$32.2 million on a 100.0% basis (\$16.4 million on a 51.0% basis) for the twelve months ending December 31, 2013. Estimated maintenance capital expenditures were \$12.8 million (\$6.5 million on a 51.0% basis) and \$16.5 million (\$8.4 million on a 51.0% basis) for the year ended December 31, 2011 and the twelve months ended June 30, 2012 on a pro forma basis, respectively. The estimated maintenance capital expenditures relate primarily to increased safety and security expenditures and increased costs related to valve replacement and electrical system maintenance.

Ø *Expansion Capital Expenditures.* We estimate that our expansion capital expenditures will be approximately \$135.9 million on a 100.0% basis (\$69.3 million on a 51.0% basis) for the twelve months ending December 31, 2013. We estimate that the total cost of these projects on a 100.0% basis will be approximately \$219.4 million through December 31, 2014. Of this total cost, we estimate that our portion, based on our 51.0% indirect ownership interest in Pipe Line Holdings, will be approximately \$111.9 million, while MPC's portion, based on its 49.0% ownership interest in Pipe Line Holdings, will be approximately \$107.5 million. Our estimated expansion capital expenditures include the following:

approximately \$79.0 million on a 100.0% basis (\$40.3 million on a 51.0% basis) relating to a major upgrade project on our Patoka to Catlettsburg crude oil pipeline;

approximately \$30.8 million on a 100.0% basis (\$15.7 million on a 51.0% basis) relating to the installation of crude oil blending equipment at our Patoka tank farm;

approximately \$19.2 million on a 100.0% basis (\$9.8 million on a 51.0% basis) relating to various projects to add connections and increase operating capacity; and

approximately \$6.9 million on a 100.0% basis (\$3.5 million on a 51.0% basis) relating to our SCADA system upgrade.

In order to fund the total cost of these projects, we will contribute approximately \$219.4 million from the net proceeds of this offering to Pipe Line Holdings, which Pipe Line Holdings will retain on behalf of us and MPC in order to fund our respective pro rata portions of the estimated total cost of certain expansion capital expenditures over the next two years. Pro forma expansion capital expenditures on a 100.0% basis were \$92.2 million and \$142.7 million for the year ended December 31, 2011 and the twelve months ended June 30, 2012, respectively. Based on our 51.0% interest in Pipe Line Holdings and our 100.0% interest in our butane cavern, pro forma expansion capital expenditures were \$72.4 million

and \$98.1 million for those periods, respectively.

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### **Cash distribution policy and restrictions on distributions**

These pro forma capital expenditures primarily related to the construction of our butane cavern and the first phase of our Patoka to Catlettsburg upgrade project.

Since our butane cavern was placed into service on August 1, 2012, we have not forecasted any maintenance or expansion capital expenditures associated with our butane cavern for the twelve months ending December 31, 2013.

### **Financing**

We estimate that net interest and other financial costs will be approximately \$2.0 million on a 100.0% basis for the twelve months ending December 31, 2013, as compared to \$0.1 million pro forma interest and other financial costs for the year ended December 31, 2011. Our forecasted net interest and other financial costs for the twelve months ending December 31, 2013 is based on the following assumptions:

- Ø we do not anticipate having any borrowings under our revolving credit facility through December 31, 2013;
- Ø our interest expense will include commitment fees for the unused portion of our revolving credit facility;
- Ø our interest expense will also include the amortization of debt issuance costs incurred in connection with our revolving credit facility;
- Ø we will have interest income based on the net proceeds of this offering that we will contribute to Pipe Line Holdings to fund certain estimated expansion capital expenditures; and
- Ø we will remain in compliance with the financial and other covenants in our revolving credit facility.

### **Regulatory, Industry and Economic Factors**

Our forecast of estimated Adjusted EBITDA for the twelve months ending December 31, 2013 is based on the following significant assumptions related to regulatory, industry and economic factors:

- Ø MPC will not default under any of our transportation and storage services agreements or reduce, suspend or terminate its obligations, nor will any events occur that would be deemed a force majeure event, under such agreements;
- Ø all forecasted increases in our tariff rates will occur on schedule, and there will be no challenges to our tariff rates;
- Ø there will not be any new federal, state or local regulation, or any interpretation of existing regulation, of the portions of the industries in which we operate that will be materially adverse to our business;

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- Ø there will not be any material accidents, weather-related incidents, unscheduled downtime or similar unanticipated events with respect to our assets or MPC's refineries;
- Ø there will not be a shortage of skilled labor; and
- Ø there will not be any material adverse changes in the refining industry, the midstream energy industry, or overall economic conditions.

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## Provisions of our partnership agreement relating to cash distributions

Set forth below is a summary of the significant provisions of our partnership agreement that relate to cash distributions.

### **DISTRIBUTIONS OF AVAILABLE CASH**

#### **General**

Our partnership agreement requires that, within 45 days after the end of each quarter, beginning with the quarter ending December 31, 2012, we distribute all of our available cash to unitholders of record on the applicable record date. We will adjust the amount of our distribution for the period from the completion of this offering through December 31, 2012 based on the actual length of the period.

#### **Definition of Available Cash**

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

Ø *less*, the amount of cash reserves established by our general partner to:

provide for the proper conduct of our business (including reserves for our future capital expenditures, anticipated future debt service requirements and refunds of collected rates reasonably likely to be refunded as a result of a settlement or hearing related to FERC rate proceedings or rate proceedings under applicable law subsequent to that quarter);

comply with applicable law, any of our debt instruments or other agreements; or

provide funds for distributions to our unitholders and to our general partner for any one or more of the next four quarters (provided that our general partner may not establish cash reserves for distributions if the effect of the establishment of such reserves will prevent us from distributing the minimum quarterly distribution on all common units and any cumulative arrearages on such common units for the current quarter);

Ø *plus*, if our general partner so determines, all or any portion of the cash on hand on the date of determination of available cash for the quarter resulting from working capital borrowings made subsequent to the end of such quarter.

The purpose and effect of the last bullet point above is to allow our general partner, if it so decides, to use cash from working capital borrowings made after the end of the quarter but on or before the date of determination of available cash for that quarter to pay distributions to unitholders. Under our partnership agreement, working capital borrowings are generally borrowings that are made under a credit facility, commercial paper facility or similar financing arrangement, and in all cases are used solely for working capital purposes or to pay distributions to partners and with the intent of the borrower to repay such borrowings within twelve months with funds other than from additional working capital borrowings.



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### **Provisions of our partnership agreement relating to cash distributions**

#### **Intent to Distribute the Minimum Quarterly Distribution**

Under our current cash distribution policy, we intend to make a minimum quarterly distribution to the holders of our common units and subordinated units of \$        per unit, or \$        per unit on an annualized basis, to the extent we have sufficient cash from our operations after the establishment of cash reserves and the payment of costs and expenses, including reimbursements of expenses to our general partner. However, there is no guarantee that we will pay the minimum quarterly distribution on our units in any quarter. The amount of distributions paid under our policy and the decision to make any distribution is determined by our general partner, taking into consideration the terms of our partnership agreement. Please read Management's Discussion and Analysis of Financial Condition and Results of Operations Capital Resources and Liquidity Revolving Credit Facility for a discussion of the restrictions to be included in our revolving credit facility that may restrict our ability to make distributions.

#### **General Partner Interest and Incentive Distribution Rights**

Initially, our general partner will be entitled to 2.0% of all quarterly distributions from inception that we make prior to our liquidation. This general partner interest will be represented by        general partner units. Our general partner has the right, but not the obligation, to contribute a proportionate amount of capital to us to maintain its current general partner interest. The general partner's initial 2.0% interest in these distributions will be reduced if we issue additional units in the future and our general partner does not contribute a proportionate amount of capital to us to maintain its 2.0% general partner interest.

Our general partner also currently holds incentive distribution rights that entitle it to receive increasing percentages, up to a maximum of 48.0%, of the cash we distribute from operating surplus (as defined below) in excess of \$        per unit per quarter. The maximum distribution of 48.0% does not include any distributions that our general partner or its affiliates may receive on common, subordinated or general partner units that they own. Please read General Partner Interest and Incentive Distribution Rights for additional information.

### **OPERATING SURPLUS AND CAPITAL SURPLUS**

#### **General**

All cash distributed to unitholders will be characterized as either being paid from operating surplus or capital surplus. We treat distributions of available cash from operating surplus differently than distributions of available cash from capital surplus.

#### *Operating Surplus*

We define operating surplus as:

Ø \$        million (as described below); *plus*

Ø all of our cash receipts after the closing of this offering, excluding cash from interim capital transactions (as defined below), provided that cash receipts from the termination of a commodity hedge or interest rate hedge prior to its specified termination date shall be included in operating surplus in equal quarterly installments over the remaining scheduled life of such commodity hedge or interest rate hedge; *plus*

Ø working capital borrowings made after the end of a quarter but on or before the date of determination of operating surplus for that quarter; *plus*

Ø cash distributions (including incremental distributions on incentive distribution rights) paid in respect of equity issued, other than equity issued in this offering, to finance all or a portion of expansion

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### **Provisions of our partnership agreement relating to cash distributions**

capital expenditures in respect of the period from the date that we enter into a binding obligation to commence the construction, development, replacement, improvement or expansion of a capital asset and ending on the earlier to occur of the date the capital asset commences commercial service and the date that it is abandoned or disposed of; *less*

Ø all of our operating expenditures (as defined below) after the closing of this offering; *less*

Ø the amount of cash reserves established by our general partner to provide funds for future operating expenditures; *less*

Ø all working capital borrowings not repaid within twelve months after having been incurred, or repaid within such 12-month period with the proceeds of additional working capital borrowings.

As described above, operating surplus does not reflect actual cash on hand that is available for distribution to our unitholders and is not limited to cash generated by operations. For example, it includes a provision that will enable us, if we choose, to distribute as operating surplus up to \$ million of cash we receive in the future from non-operating sources such as asset sales, issuances of securities and long-term borrowings that would otherwise be distributed as capital surplus. In addition, the effect of including, as described above, certain cash distributions on equity interests in operating surplus will be to increase operating surplus by the amount of any such cash distributions. As a result, we may also distribute as operating surplus up to the amount of any such cash that we receive from non-operating sources.

The proceeds of working capital borrowings increase operating surplus and repayments of working capital borrowings are generally operating expenditures (as described below) and thus reduce operating surplus when repayments are made. However, if working capital borrowings, which increase operating surplus, are not repaid during the twelve-month period following the borrowing, they will be deemed repaid at the end of such period, thus decreasing operating surplus at such time. When such working capital borrowings are in fact repaid, they will not be treated as a further reduction in operating surplus because operating surplus will have been previously reduced by the deemed repayment.

We define interim capital transactions as (i) borrowings, refinancings or refundings of indebtedness (other than working capital borrowings and items purchased on open account or for a deferred purchase price in the ordinary course of business) and sales of debt securities, (ii) sales of equity securities, and (iii) sales or other dispositions of assets, other than sales or other dispositions of inventory, accounts receivable and other assets in the ordinary course of business and sales or other dispositions of assets as part of normal asset retirements or replacements.

We define operating expenditures as all of our cash expenditures, including, but not limited to, taxes, reimbursements of expenses of our general partner and its affiliates, officer, director and employee compensation, debt service payments, payments made in the ordinary course of business under interest rate hedge contracts and commodity hedge contracts (provided that payments made in connection with the termination of any interest rate hedge contract or commodity hedge contract prior to the expiration of its settlement or termination date specified therein will be included in operating expenditures in equal quarterly installments over the remaining scheduled life of such interest rate hedge contract or commodity hedge contract and amounts paid in connection with the initial purchase of a rate hedge contract or a commodity hedge contract will be amortized at the life of such rate hedge contract or commodity hedge contract), maintenance capital expenditures (as discussed in further detail below), and repayment of working capital borrowings; provided, however, that operating expenditures will not include:

Ø repayments of working capital borrowings where such borrowings have previously been deemed to have been repaid (as described above);



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### **Provisions of our partnership agreement relating to cash distributions**

- Ø payments (including prepayments and prepayment penalties) of principal of and premium on indebtedness other than working capital borrowings;
  - Ø expansion capital expenditures;
  - Ø payment of transaction expenses (including taxes) relating to interim capital transactions;
  - Ø distributions to our partners;
  - Ø repurchases of partnership interests (excluding repurchases we make to satisfy obligations under employee benefit plans); or
  - Ø any other expenditures or payments using the proceeds of this offering that are described in Use of Proceeds.
- Capital Surplus*

Capital surplus is defined in our partnership agreement as any distribution of available cash in excess of our cumulative operating surplus. Accordingly, except as described above, capital surplus would generally be generated by:

- Ø borrowings other than working capital borrowings;
  - Ø sales of our equity and debt securities;
  - Ø sales or other dispositions of assets, other than inventory, accounts receivable and other assets sold in the ordinary course of business or as part of ordinary course retirement or replacement of assets; and
  - Ø capital contributions received.
- Characterization of Cash Distributions*

All available cash distributed by us on any date from any source will be treated as distributed from operating surplus until the sum of all available cash distributed by us since the closing of this offering equals the operating surplus from the closing of this offering through the end of the quarter immediately preceding that distribution. We anticipate that distributions from operating surplus will generally not represent a return of capital. However, operating surplus, as defined in our partnership agreement, includes certain components, including a \$ million cash basket, that represent non-operating sources of cash. Consequently, it is possible that all or a portion of specific distributions from operating surplus may represent a return of capital. Any available cash distributed by us in excess of our cumulative operating surplus will be deemed to be capital surplus under our partnership agreement. Our partnership agreement treats a distribution of capital surplus as the repayment of the initial unit price from this initial public offering and as a return of capital. We do not anticipate that we will make any distributions from capital

surplus.

#### **CAPITAL EXPENDITURES**

Maintenance capital expenditures are cash expenditures (including expenditures for the construction or development of new capital assets or the replacement, improvement or expansion of existing capital assets) made to maintain, over the long term, our operating capacity or operating income. Examples of maintenance capital expenditures are expenditures to repair, refurbish and replace pipelines and storage facilities, to maintain equipment reliability, integrity and safety and to address environmental laws and regulations.



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### **Provisions of our partnership agreement relating to cash distributions**

Expansion capital expenditures are cash expenditures incurred for acquisitions or capital improvements that we expect will increase our operating capacity or operating income over the long term. Examples of expansion capital expenditures include the acquisition of equipment, or the construction, development or acquisition of additional pipeline or storage capacity, to the extent such capital expenditures are expected to expand our long-term operating capacity or operating income. Expansion capital expenditures include interest payments (and related fees) on debt incurred to finance all or a portion of expansion capital expenditures in respect of the period from the date that we enter into a binding obligation to commence the construction, development, replacement, improvement or expansion of a capital asset and ending on the earlier to occur of the date that such capital improvement commences commercial service and the date that such capital improvement is abandoned or disposed of.

Capital expenditures that are made in part for maintenance capital purposes and in part for expansion capital purposes will be allocated as maintenance capital expenditures or expansion capital expenditures by our general partner.

### **SUBORDINATED UNITS AND SUBORDINATION PERIOD**

#### **General**

Our partnership agreement provides that, during the subordination period (which we define below), the common units will have the right to receive distributions of available cash from operating surplus each quarter in an amount equal to \$        per common unit, which amount is defined in our partnership agreement as the minimum quarterly distribution, plus any arrearages in the payment of the minimum quarterly distribution on the common units from prior quarters, before any distributions of available cash from operating surplus may be made on the subordinated units. These units are deemed subordinated because for a period of time, referred to as the subordination period, the subordinated units will not be entitled to receive any distributions until the common units have received the minimum quarterly distribution plus any arrearages from prior quarters. Furthermore, no arrearages will be paid on the subordinated units. The practical effect of the subordinated units is to increase the likelihood that, during the subordination period, there will be available cash to be distributed on the common units.

#### **Subordination Period**

Except as described below, the subordination period will begin on the closing date of this offering and will extend until the first business day following the distribution of available cash in respect of any quarter beginning after       , 2015, that each of the following tests are met:

- Ø distributions of available cash from operating surplus on each of the outstanding common units subordinated units and general partner units equaled or exceeded \$        (the annualized minimum quarterly distribution), for each of the three consecutive, non-overlapping four-quarter periods immediately preceding that date;
- Ø the adjusted operating surplus (as defined below) generated during each of the three consecutive, non-overlapping four-quarter periods immediately preceding that date equaled or exceeded the sum of \$        (the annualized minimum quarterly distribution) on all of the outstanding common units subordinated units and general partner units during those periods on a fully diluted basis; and
- Ø there are no arrearages in payment of the minimum quarterly distribution on the common units.



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### **Provisions of our partnership agreement relating to cash distributions**

#### **Early Termination of the Subordination Period**

Notwithstanding the foregoing, the subordination period will automatically terminate on the first business day following the distribution of available cash in respect of any quarter, beginning with the quarter ending \_\_\_\_\_, that each of the following tests are met:

- Ø distributions of available cash from operating surplus on each of the outstanding common units, subordinated units and general partner units equaled or exceeded \$ \_\_\_\_\_ (150.0% of the annualized minimum quarterly distribution) for the four-quarter period immediately preceding that date;
- Ø the adjusted operating surplus (as defined below) generated during the four-quarter period immediately preceding that date equaled or exceeded the sum of (i) \$ \_\_\_\_\_ (150.0% of the annualized minimum quarterly distribution) on all of the outstanding common units, subordinated units and general partner units during that period on a fully diluted basis and (ii) the corresponding distributions on the incentive distribution rights; and
- Ø there are no arrearages in payment of the minimum quarterly distributions on the common units.

#### **Expiration Upon Removal of the General Partner**

In addition, if the unitholders remove our general partner other than for cause:

- Ø the subordinated units held by any person will immediately and automatically convert into common units on a one-for-one basis, provided (i) neither such person nor any of its affiliates voted any of its units in favor of the removal and (ii) such person is not an affiliate of the successor general partner;
- Ø if all of the subordinated units convert pursuant to the foregoing, all cumulative common unit arrearages on the common units will be extinguished and the subordination period will end; and
- Ø our general partner will have the right to convert its general partner interest and its incentive distribution rights into common units or to receive cash in exchange for those interests.

#### **Expiration of the Subordination Period**

When the subordination period ends, each outstanding subordinated unit will convert into one common unit and will thereafter participate pro rata with the other common units in distributions of available cash.

#### **Adjusted Operating Surplus**

Adjusted operating surplus is intended to reflect the cash generated from operations during a particular period and therefore excludes net drawdowns of reserves of cash established in prior periods. Adjusted operating surplus for a period consists of:

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- Ø operating surplus generated with respect to that period (excluding any amount attributable to the item described in the first bullet of the definition of operating surplus); *less*
- Ø any net increase in working capital borrowings with respect to that period; *less*
- Ø any net decrease in cash reserves for operating expenditures with respect to that period not relating to an operating expenditure made with respect to that period; *plus*
- Ø any net decrease in working capital borrowings with respect to that period; *plus*
- Ø any net decrease made in subsequent periods to cash reserves for operating expenditures initially established with respect to that period to the extent such decrease results in a reduction in adjusted operating surplus in subsequent periods; *plus*
- Ø any net increase in cash reserves for operating expenditures with respect to that period required by any debt instrument for the repayment of principal, interest or premium.

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### **Provisions of our partnership agreement relating to cash distributions**

#### **DISTRIBUTIONS OF AVAILABLE CASH FROM OPERATING SURPLUS DURING THE SUBORDINATION PERIOD**

We will make distributions of available cash from operating surplus for any quarter during the subordination period in the following manner:

- Ø *first*, 98.0% to the common unitholders, pro rata, and 2.0% to our general partner, until we distribute for each outstanding common unit an amount equal to the minimum quarterly distribution for that quarter;
  - Ø *second*, 98.0% to the common unitholders, pro rata, and 2.0% to our general partner, until we distribute for each outstanding common unit an amount equal to any arrearages in payment of the minimum quarterly distribution on the common units for any prior quarters during the subordination period;
  - Ø *third*, 98.0% to the subordinated unitholders, pro rata, and 2.0% to our general partner, until we distribute for each outstanding subordinated unit an amount equal to the minimum quarterly distribution for that quarter; and
  - Ø *thereafter*, in the manner described in General Partner Interest and Incentive Distribution Rights below.
- The preceding discussion is based on the assumptions that our general partner maintains its 2.0% general partner interest and that we do not issue additional classes of equity securities.

#### **Distributions of Available Cash from Operating Surplus after the Subordination Period**

We will make distributions of available cash from operating surplus for any quarter after the subordination period in the following manner:

- Ø *first*, 98.0% to all unitholders, pro rata, and 2.0% to our general partner, until we distribute for each outstanding unit an amount equal to the minimum quarterly distribution for that quarter; and
  - Ø *thereafter*, in the manner described in General Partner Interest and Incentive Distribution Rights below.
- The preceding discussion is based on the assumptions that our general partner maintains its 2.0% general partner interest and that we do not issue additional classes of equity securities.

#### **GENERAL PARTNER INTEREST AND INCENTIVE DISTRIBUTION RIGHTS**

Our partnership agreement provides that our general partner initially will be entitled to 2.0% of all distributions that we make prior to our liquidation. Our general partner has the right, but not the obligation, to contribute a proportionate amount of capital to us in order to maintain its 2.0% general partner interest if we issue additional units. Our general partner's 2.0% interest, and the percentage of our cash distributions to which it is entitled from such 2.0% interest, will be proportionately reduced if we issue additional units in the future (other than the issuance of common units upon exercise by the underwriters of their option to purchase additional common units in this offering, the issuance of common units upon conversion of outstanding subordinated units or the issuance of common units upon a reset of the incentive distribution rights) and our general partner does not contribute a proportionate amount of capital to us in order to maintain its 2.0% general partner interest. Our partnership agreement does not require that our general partner fund its capital contribution with cash. Our general partner may instead fund its

capital contribution by the contribution to us of common units or other property.

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### **Provisions of our partnership agreement relating to cash distributions**

Incentive distribution rights represent the right to receive an increasing percentage (13.0%, 23.0% and 48.0%) of quarterly distributions of available cash from operating surplus after the minimum quarterly distribution and the target distribution levels have been achieved. Our general partner currently holds the incentive distribution rights, but may transfer these rights separately from its general partner interest, subject to restrictions in our partnership agreement.

The following discussion assumes that our general partner maintains its 2.0% general partner interest, and that our general partner continues to own the incentive distribution rights.

If for any quarter:

Ø we have distributed available cash from operating surplus to the common unitholders and subordinated unitholders in an amount equal to the minimum quarterly distribution; and

Ø we have distributed available cash from operating surplus on outstanding common units in an amount necessary to eliminate any cumulative arrearages in payment of the minimum quarterly distribution;  
then, we will distribute any additional available cash from operating surplus for that quarter among the unitholders and our general partner in the following manner:

Ø *first*, 98.0% to all unitholders, pro rata, and 2.0% to our general partner, until each unitholder receives a total of \$            per unit for that quarter (the *first* target distribution );

Ø *second*, 85.0% to all unitholders, pro rata, and 15.0% to our general partner, until each unitholder receives a total of \$            per unit for that quarter (the *second* target distribution );

Ø *third*, 75.0% to all unitholders, pro rata, and 25.0% to our general partner, until each unitholder receives a total of \$            per unit for that quarter (the *third* target distribution ); and

Ø *thereafter*, 50.0% to all unitholders, pro rata, and 50.0% to our general partner.

### **PERCENTAGE ALLOCATIONS OF AVAILABLE CASH FROM OPERATING SURPLUS**

The following table illustrates the percentage allocations of available cash from operating surplus between the unitholders and our general partner based on the specified target distribution levels. The amounts set forth under *Marginal percentage interest in distributions* are the percentage interests of our general partner and the unitholders in any available cash from operating surplus we distribute up to and including the corresponding amount in the column *Total quarterly distribution per unit target amount*. The percentage interests shown for our unitholders and our general partner for the minimum quarterly distribution are also applicable to quarterly distribution amounts that are less than the minimum quarterly distribution. The percentage interests set forth below for our general partner include its 2.0% general partner interest and assume that our general partner has contributed any additional capital necessary to maintain its 2.0% general partner interest, our general partner has not transferred its incentive distribution rights and that there are no arrearages on common units.

	Total quarterly distribution per unit target amount		Marginal percentage interest in distributions	
			Unitholders	General Partner
Minimum Quarterly Distribution	\$		98.0%	2.0%
First Target Distribution	above \$	up to \$	98.0%	2.0%
Second Target Distribution	above \$	up to \$	85.0%	15.0%
Third Target Distribution	above \$	up to \$	75.0%	25.0%
Thereafter	above \$		50.0%	50.0%



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### **Provisions of our partnership agreement relating to cash distributions**

#### **GENERAL PARTNER'S RIGHT TO RESET INCENTIVE DISTRIBUTION LEVELS**

Our general partner, as the initial holder of our incentive distribution rights, has the right under our partnership agreement, subject to certain conditions, to elect to relinquish the right to receive incentive distribution payments based on the initial target distribution levels and to reset, at higher levels, the minimum quarterly distribution amount and target distribution levels upon which the incentive distribution payments to our general partner would be set. If our general partner transfers all or a portion of the incentive distribution rights in the future, then the holder or holders of a majority of our incentive distribution rights will be entitled to exercise this right. The following discussion assumes that our general partner holds all of the incentive distribution rights at the time that a reset election is made. Our general partner's right to reset the minimum quarterly distribution amount and the target distribution levels upon which the incentive distributions payable to our general partner are based may be exercised, without approval of our unitholders or the conflicts committee, at any time when there are no subordinated units outstanding, we have made cash distributions to the holders of the incentive distribution rights at the highest level of incentive distribution for each of the four consecutive fiscal quarters immediately preceding such time and the amount of each such distribution did not exceed adjusted operating surplus for such quarter, respectively. If our general partner and its affiliates are not the holders of a majority of the incentive distribution rights at the time an election is made to reset the minimum quarterly distribution amount and the target distribution levels, then the proposed reset will be subject to the prior written concurrence of the general partner that the conditions described above have been satisfied. The reset minimum quarterly distribution amount and target distribution levels will be higher than the minimum quarterly distribution amount and the target distribution levels prior to the reset such that our general partner will not receive any incentive distributions under the reset target distribution levels until cash distributions per unit following this event increase as described below. We anticipate that our general partner would exercise this reset right in order to facilitate acquisitions or internal growth projects that would otherwise not be sufficiently accretive to cash distributions per common unit, taking into account the existing levels of incentive distribution payments being made to our general partner.

In connection with the resetting of the minimum quarterly distribution amount and the target distribution levels and the corresponding relinquishment by our general partner of incentive distribution payments based on the target distributions prior to the reset, our general partner will be entitled to receive a number of newly issued common units based on a predetermined formula described below that takes into account the cash parity value of the average cash distributions related to the incentive distribution rights received by our general partner for the two quarters immediately preceding the reset event as compared to the average cash distributions per common unit during that two-quarter period. In addition, our general partner will be issued the number of general partner units necessary to maintain our general partner's interest in us immediately prior to the reset election.

The number of common units that our general partner would be entitled to receive from us in connection with a resetting of the minimum quarterly distribution amount and the target distribution levels then in effect would be equal to the quotient determined by dividing (x) the average aggregate amount of cash distributions received by our general partner in respect of its incentive distribution rights during the two consecutive fiscal quarters ended immediately prior to the date of such reset election by (y) the average of the aggregate amount of cash distributed per common unit during each of these two quarters.

Following a reset election, the minimum quarterly distribution amount will be reset to an amount equal to the average cash distribution amount per common unit for the two fiscal quarters immediately preceding the reset election (which amount we refer to as the reset minimum quarterly distribution )

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and the target distribution levels will be reset to be correspondingly higher such that we would distribute all of our available cash from operating surplus for each quarter thereafter as follows:

Ø *first*, 98.0% to all unitholders, pro rata, and 2.0% to our general partner, until each unitholder receives an amount equal to 115.0% of the reset minimum quarterly distribution for that quarter;

Ø *second*, 85.0% to all unitholders, pro rata, and 15.0% to our general partner, until each unitholder receives an amount per unit equal to 125.0% of the reset minimum quarterly distribution for the quarter;

Ø *third*, 75.0% to all unitholders, pro rata, and 25.0% to our general partner, until each unitholder receives an amount per unit equal to 150.0% of the reset minimum quarterly distribution for the quarter; and

Ø *thereafter*, 50.0% to all unitholders, pro rata, and 50.0% to our general partner.

The following table illustrates the percentage allocations of available cash from operating surplus between the unitholders and our general partner at various cash distribution levels (i) pursuant to the cash distribution provisions of our partnership agreement in effect at the completion of this offering, as well as (ii) following a hypothetical reset of the minimum quarterly distribution and target distribution levels based on the assumption that the average quarterly cash distribution amount per common unit during the two fiscal quarters immediately preceding the reset election was \$ .

	Quarterly distribution per unit prior to reset		Marginal percentage interest in distributions			Quarterly distribution per unit following hypothetical reset		
			Common unitholders	General partner interest	Incentive distribution rights			
Minimum Quarterly Distribution	\$		98.0%	2.0%				
First Target Distribution	above \$	up to \$	98.0%	2.0%			up to \$	(1)
Second Target Distribution	above \$	up to \$	85.0%	2.0%	13.0%	above \$	(1)	up to \$ (2)
Third Target Distribution	above \$	up to \$	75.0%	2.0%	23.0%	above \$	(2)	up to \$ (3)
Thereafter		above \$	50.0%	2.0%	48.0%		above \$	(3)

(1) This amount is 115.0% of the hypothetical reset minimum quarterly distribution.

(2) This amount is 125.0% of the hypothetical reset minimum quarterly distribution.

(3) This amount is 150.0% of the hypothetical reset minimum quarterly distribution.

The following table illustrates the total amount of available cash from operating surplus that would be distributed to the unitholders and our general partner, including in respect of incentive distribution rights, based on an average of the amounts distributed for the two quarters immediately prior to the reset. The table assumes that immediately prior to the reset there would be common units outstanding, our general partner's 2.0% interest has been maintained, and the average distribution to each common unit would be \$ per quarter for the two consecutive non-overlapping quarters prior to the reset.



**Table of Contents****Provisions of our partnership agreement relating to cash distributions**

	Quarterly distribution per unit prior to reset		Cash distributions to common unitholders prior to reset	Common units	Cash distribution to general partner prior to reset		Total	Total distributions
					2.0% General partner interest	Incentive distribution rights		
Minimum Quarterly Distribution	\$		\$	\$	\$	\$	\$	\$
First Target Distribution	above \$	up to \$						
Second Target Distribution	above \$	up to \$						
Third Target Distribution	above \$	up to \$						
Thereafter		above \$						
			\$	\$	\$	\$	\$	\$

The following table illustrates the total amount of available cash from operating surplus that would be distributed to the unitholders and the general partner, including in respect of incentive distribution rights, with respect to the quarter after the reset occurs. The table reflects that, as a result of the reset, there would be common units outstanding, our general partner has maintained its 2.0% general partner interest, and that the average distribution to each common unit would be \$. The number of common units issued as a result of the reset was calculated by dividing (x) as the average of the amounts received by the general partner in respect of its incentive distribution rights for the two consecutive non-overlapping quarters prior to the reset as shown in the table above, by (y) the average of the cash distributions made on each common unit per quarter for the two consecutive non-overlapping quarters prior to the reset as shown in the table above, or \$.

	Quarterly distribution per unit after reset		Cash distributions to common unitholders after reset	Common units	Cash distribution to general partner after reset		Total	Total distributions
					2.0% General partner interest	Incentive distribution rights		
Minimum Quarterly Distribution	\$		\$	\$	\$	\$	\$	\$
First Target Distribution	above \$	up to \$						
Second Target Distribution	above \$	up to \$						
Third Target Distribution	above \$	up to \$						
Thereafter		above \$						
			\$	\$	\$	\$	\$	\$

Our general partner will be entitled to cause the minimum quarterly distribution amount and the target distribution levels to be reset on more than one occasion, provided that it may not make a reset election except at a time when it has received incentive distributions for the immediately preceding four consecutive fiscal quarters based on the highest level of incentive distributions that it is entitled to receive under our partnership agreement.



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### **Provisions of our partnership agreement relating to cash distributions**

#### **DISTRIBUTIONS FROM CAPITAL SURPLUS**

##### **How Distributions from Capital Surplus Will Be Made**

We will make distributions of available cash from capital surplus, if any, in the following manner:

- Ø *first*, 98.0% to all unitholders, pro rata, and 2.0% to our general partner, until we distribute for each common unit that was issued in this offering, an amount of available cash from capital surplus equal to the initial public offering price in this offering;
  - Ø *second*, 98.0% to all unitholders, pro rata, and 2.0% to our general partner, until we distribute for each common unit, an amount of available cash from capital surplus equal to any unpaid arrearages in payment of the minimum quarterly distribution on the outstanding common units; and
  - Ø *thereafter*, as if they were from operating surplus.
- The preceding discussion is based on the assumptions that our general partner maintains its 2.0% general partner interest and that we do not issue additional classes of equity securities.

##### **Effect of a Distribution from Capital Surplus**

Our partnership agreement treats a distribution of capital surplus as the repayment of the initial unit price from this initial public offering, which is a return of capital. The initial public offering price less any distributions of capital surplus per unit is referred to as the unrecovered initial unit price. Each time a distribution of capital surplus is made, the minimum quarterly distribution and the target distribution levels will be reduced in the same proportion as the corresponding reduction in the unrecovered initial unit price. Because distributions of capital surplus will reduce the minimum quarterly distribution after any of these distributions are made, it may be easier for our general partner to receive incentive distributions and for the subordinated units to convert into common units. However, any distribution of capital surplus before the unrecovered initial unit price is reduced to zero cannot be applied to the payment of the minimum quarterly distribution or any arrearages.

Once we distribute capital surplus on a unit issued in this offering in an amount equal to the initial unit price, we will reduce the minimum quarterly distribution and the target distribution levels to zero. We will then make all future distributions from operating surplus, with 50.0% being paid to the unitholders, pro rata, and 2.0% to our general partner and 48.0% to the holder of our incentive distribution rights.

#### **ADJUSTMENT TO THE MINIMUM QUARTERLY DISTRIBUTION AND TARGET DISTRIBUTION LEVELS**

In addition to adjusting the minimum quarterly distribution and target distribution levels to reflect a distribution of capital surplus, if we combine our units into fewer units or subdivide our units into a greater number of units, we will proportionately adjust:

- Ø the minimum quarterly distribution;

- Ø target distribution levels;

- Ø the unrecovered initial unit price;
- Ø the number of general partner units comprising the general partner interest; and
- Ø the arrearages in payment of the minimum quarterly distribution on the common units.

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### **Provisions of our partnership agreement relating to cash distributions**

For example, if a two-for-one split of the common units should occur, the minimum quarterly distribution, the target distribution levels and the unrecovered initial unit price would each be reduced to 50.0% of its initial level, and each subordinated unit would be split into two subordinated units. We will not make any adjustment by reason of the issuance of additional units for cash or property.

In addition, if legislation is enacted or if the official interpretation of existing law is modified by a governmental authority, so that we become taxable as a corporation or otherwise subject to taxation as an entity for federal, state or local income tax purposes, our partnership agreement specifies that the minimum quarterly distribution and the target distribution levels for each quarter may be reduced by multiplying each distribution level by a fraction, the numerator of which is available cash for that quarter (reduced by the amount of the estimated tax liability for such quarter payable by reason of such legislation or interpretation) and the denominator of which is the sum of available cash for that quarter (reduced by the amount of the estimated tax liability for such quarter payable by reason of such legislation or interpretation) plus our general partner's estimate of our aggregate liability for the quarter for such income taxes payable by reason of such legislation or interpretation. To the extent that the actual tax liability differs from the estimated tax liability for any quarter, the difference may be accounted for in subsequent quarters.

### **DISTRIBUTIONS OF CASH UPON LIQUIDATION**

#### **General**

If we dissolve in accordance with our partnership agreement, we will sell or otherwise dispose of our assets in a process called liquidation. We will first apply the proceeds of liquidation to the payment of our creditors. We will distribute any remaining proceeds to the unitholders and our general partner, in accordance with their capital account balances, as adjusted to reflect any gain or loss upon the sale or other disposition of our assets in liquidation.

The allocations of gain and loss upon liquidation are intended, to the extent possible, to entitle the holders of outstanding common units to a preference over the holders of outstanding subordinated units upon our liquidation, to the extent required to permit common unitholders to receive their unrecovered initial unit price plus the minimum quarterly distribution for the quarter during which liquidation occurs plus any unpaid arrearages in payment of the minimum quarterly distribution on the common units. However, there may not be sufficient gain upon our liquidation to enable the holders of common units to fully recover all of these amounts, even though there may be cash available for distribution to the holders of subordinated units. Any further net gain recognized upon liquidation will be allocated in a manner that takes into account the incentive distribution rights of our general partner.

#### **Manner of Adjustments for Gain**

The manner of the adjustment for gain is set forth in our partnership agreement. If our liquidation occurs before the end of the subordination period, we will allocate any gain to our partners in the following manner:

Ø *first*, to our general partner to the extent of any negative balance in its capital account;

Ø *second*, 98.0% to the common unitholders, pro rata, and 2.0% to our general partner, until the capital account for each common unit is equal to the sum of:

(1) the unrecovered initial unit price;





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**Provisions of our partnership agreement relating to cash distributions**

- (2) the amount of the minimum quarterly distribution for the quarter during which our liquidation occurs; and
- (3) any unpaid arrearages in payment of the minimum quarterly distribution;

Ø *third*, 98.0% to the subordinated unitholders, pro rata, and 2.0% to our general partner, until the capital account for each subordinated unit is equal to the sum of:

- (1) the unrecovered initial unit price; and
- (2) the amount of the minimum quarterly distribution for the quarter during which our liquidation occurs;

Ø *fourth*, 98.0% to all unitholders, pro rata, and 2.0% to our general partner, until we allocate under this paragraph an amount per unit equal to:

- (1) the sum of the excess of the first target distribution per unit over the minimum quarterly distribution per unit for each quarter of our existence; *less*
- (2) the cumulative amount per unit of any distributions of available cash from operating surplus in excess of the minimum quarterly distribution per unit that we distributed 98.0% to the unitholders, pro rata, and 2.0% to our general partner, for each quarter of our existence;

Ø *fifth*, 85.0% to all unitholders, pro rata, and 15.0% to our general partner, until we allocate under this paragraph an amount per unit equal to:

- (1) the sum of the excess of the second target distribution per unit over the first target distribution per unit for each quarter of our existence; *less*
- (2) the cumulative amount per unit of any distributions of available cash from operating surplus in excess of the first target distribution per unit that we distributed 85.0% to the unitholders, pro rata, and 15.0% to our general partner for each quarter of our existence;

Ø *sixth*, 75.0% to all unitholders, pro rata, and 25.0% to our general partner, until we allocate under this paragraph an amount per unit equal to:

- (1) the sum of the excess of the third target distribution per unit over the second target distribution per unit for each quarter of our existence; *less*

- (2) the cumulative amount per unit of any distributions of available cash from operating surplus in excess of the second target distribution per unit that we distributed 75.0% to the unitholders, pro rata, and 25.0% to our general partner for each quarter of our existence;

Ø thereafter, 50.0% to all unitholders, pro rata, and 50.0% to our general partner.

The percentages set forth above are based on the assumption that our general partner has not transferred its incentive distribution rights and that we do not issue additional classes of equity securities.

If the liquidation occurs after the end of the subordination period, the distinction between common units and subordinated units will disappear, so that clause (3) of the second bullet point above and all of the fourth bullet point above will no longer be applicable.

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### **Provisions of our partnership agreement relating to cash distributions**

#### **Manner of Adjustments for Losses**

If our liquidation occurs before the end of the subordination period, after making allocations of loss to the general partner and the unitholders in a manner intended to offset in reverse order the allocations of gains that have previously been allocated, we will generally allocate any loss to our general partner and unitholders in the following manner:

- Ø *first*, 98.0% to the holders of subordinated units in proportion to the positive balances in their capital accounts and 2.0% to our general partner, until the capital accounts of the subordinated unitholders have been reduced to zero;
- Ø *second*, 98.0% to the holders of common units in proportion to the positive balances in their capital accounts and 2.0% to our general partner, until the capital accounts of the common unitholders have been reduced to zero; and

Ø *thereafter*, 100.0% to our general partner.

If the liquidation occurs after the end of the subordination period, the distinction between common units and subordinated units will disappear, so that all of the first bullet point above will no longer be applicable.

#### **Adjustments to Capital Accounts**

Our partnership agreement requires that we make adjustments to capital accounts upon the issuance of additional units. In this regard, our partnership agreement specifies that we allocate any unrealized and, for tax purposes, unrecognized gain resulting from the adjustments to the unitholders and the general partner in the same manner as we allocate gain upon liquidation. In the event that we make positive adjustments to the capital accounts upon the issuance of additional units, our partnership agreement requires that we generally allocate any later negative adjustments to the capital accounts resulting from the issuance of additional units or upon our liquidation in a manner that results, to the extent possible, in the partners' capital account balances equaling the amount that they would have been if no earlier positive adjustments to the capital accounts had been made. In contrast to the allocations of gain, and except as provided above, we generally will allocate any unrealized and unrecognized loss resulting from the adjustments to capital accounts upon the issuance of additional units to the unitholders and our general partner based on their respective percentage ownership of us. In this manner, prior to the end of the subordination period, we generally will allocate any such loss equally with respect to our common and subordinated units. If we make negative adjustments to the capital accounts as a result of such loss, future positive adjustments resulting from the issuance of additional units will be allocated in a manner designed to reverse the prior negative adjustments, and special allocations will be made upon liquidation in a manner that results, to the extent possible, in our unitholders' capital account balances equaling the amounts they would have been if no earlier adjustments for loss had been made.

**Table of Contents****Selected historical and pro forma financial and operating data**

The following table shows selected historical combined financial and operating data of our Predecessor as of the dates and for the periods indicated and selected pro forma combined financial and operating data of MPLX LP as of the date and for the periods indicated. Our Predecessor consists of a 100.0% interest in all of the assets and operations of MPL and ORPL that MPC will contribute to us at the closing of this offering, as well as the joint interest assets that will not be contributed to us. In connection with the closing of this offering, MPC will transfer the joint interest assets from our Predecessor to other MPC subsidiaries and then contribute to us a 51.0% indirect ownership interest in Pipe Line Holdings, which owns our Predecessor's assets and operations (other than the joint interest assets), and a 100.0% indirect ownership interest in our butane cavern. However, as required by GAAP, we will continue to consolidate 100.0% of the assets and operations of Pipe Line Holdings in our financial statements. In addition, we will record the contribution at historical cost, as it will be considered a reorganization of entities under common control.

The selected historical combined financial and operating data of our Predecessor as of and for the years ended December 31, 2009, 2010 and 2011 are derived from audited combined financial statements of our Predecessor appearing elsewhere in this prospectus. The selected historical interim combined financial data of our Predecessor as of and for the six months ended June 30, 2011 and 2012 are derived from the unaudited interim combined financial statements of our Predecessor appearing elsewhere in this prospectus. The selected historical combined financial data of our Predecessor for the years ended December 31, 2007 and 2008 are derived from unaudited historical combined financial statements of our Predecessor that are not included in this prospectus. The following table should be read together with, and is qualified in its entirety by reference to, the historical audited and unaudited interim combined financial statements and the accompanying notes included elsewhere in this prospectus. The following table should also be read together with Management's Discussion and Analysis of Financial Condition and Results of Operations.

The selected pro forma combined financial data presented in the following table for the year ended December 31, 2011 and as of and for the six months ended June 30, 2012 are derived from the unaudited pro forma combined financial data included elsewhere in this prospectus. The pro forma balance sheet assumes that the offering and the related transactions occurred as of June 30, 2012, and the pro forma statements of income for the year ended December 31, 2011 and the six months ended June 30, 2012 assume that the offering and the related transactions occurred as of January 1, 2011. These transactions primarily include, and the pro forma financial data give effect to, the following:

- Ø MPC's transfer of the joint interest assets from our Predecessor to other MPC subsidiaries;
- Ø our Predecessor's collection of loans receivable from MPCIF under our Predecessor's cash management agreements with MPCIF, the distribution to MPC of most of those proceeds and the termination of the cash management agreements prior to the closing of this offering;
- Ø our establishment of an account payable to MPC to balance contributed working capital;
- Ø MPC's contribution to us of a 51.0% indirect ownership interest in Pipe Line Holdings, which owns our Predecessor's assets and operations (other than the joint interest assets), and a 100.0% interest in the Neal butane cavern. As our butane cavern was not in service during any period presented, the pro forma periods reflect only minimal expenses and no revenues associated with our butane cavern;
- Ø our entry into a new \$500.0 million revolving credit facility, which we have assumed was not drawn during the pro forma periods presented, and the amortization of the origination fees associated with the facility;

Ø our execution of multiple long-term transportation, storage and management services agreements with MPC and recognition of revenues and other income under those agreements that were not recognized by our Predecessor;

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**Table of Contents****Selected historical and pro forma financial and operating data**

Ø our entry into an omnibus agreement and employee services agreements with MPC;

Ø the consummation of this offering and our issuance of common units to the public, general partner units and the incentive distribution rights to our general partner and common units and subordinated units to MPC; and

Ø the application of the net proceeds of this offering as described in Use of Proceeds.

The pro forma financial data does not give effect to an estimated \$3.4 million in incremental general and administrative expenses that we expect to incur annually as a result of being a separate publicly-traded partnership.

The following table presents the non-GAAP financial measure of Adjusted EBITDA, which we use in our business. For a definition of Adjusted EBITDA and a reconciliation to our most directly comparable financial measures calculated and presented in accordance with GAAP, please read Non-GAAP Financial Measure.

	MPLX LP Predecessor Historical					Six months ended		MPLX LP Pro Forma	
	Year ended December 31,					June 30,		Six months ended June 30, December 31,	
(In millions)	2011	2010	2009	2008 (unaudited)	2007 (unaudited)	2012 (unaudited)	2011 (unaudited)	2012 (unaudited)	2011 (unaudited)
<b>Combined statements of income data:</b>									
Sales and other operating revenues	\$ 62.1	\$ 49.7	\$ 43.3	\$ 41.6	\$ 34.1	\$ 33.9	\$ 28.6	\$ 33.9	\$ 62.1
Sales to related parties	334.8	346.2	331.4	325.0	326.0	169.2	164.3	150.7	270.5
Gain (loss) on sale of assets			0.2			(0.3)		(0.3)	
Other income	4.3	0.4	1.3	2.0	1.7	3.3	0.4	3.2	4.0
Other income related parties	9.4	8.0	7.3	5.2	5.2	6.4	3.9	6.7	10.1
Total revenues and other income	410.6	404.3	383.5	373.8	367.0	212.5	197.2	194.2	346.7
Total costs and expenses	278.6	300.9	260.9	249.7	230.0	148.1	128.9	138.6	257.5
Income from operations	\$ 132.0	\$ 103.4	\$ 122.6	\$ 124.1	\$ 137.0	\$ 64.4	\$ 68.3	\$ 55.6	\$ 89.2
Net income	\$ 134.0	\$ 103.3	\$ 122.3	\$ 123.8	\$ 136.5	\$ 65.0	\$ 70.0	\$ 55.6	\$ 89.0
Net income attributable to MPLX LP								\$ 28.2	\$ 45.3
<b>Combined balance sheets data (at period end):</b>									
Property, plant and equipment, net	\$ 866.8	\$ 847.8	\$ 890.8	\$ 917.2	\$ 850.1	\$ 914.3	\$ 841.3	\$ 844.0	
Total assets	1,303.1	1,118.0	1,068.8	1,098.8	1,025.2	1,501.6	1,296.5	1,244.4	
Long-term debt(1)	11.9	12.5	13.1	13.0	13.0	11.6	12.3	11.6	
<b>Combined statements of cash flows data:</b>									

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Net cash provided by (used in):

Operating activities	\$ 181.9	\$ 117.3	\$ 145.1	\$ 148.3	\$ 156.3	\$ 94.9	\$ 87.7		
Investing activities	(218.7)	(64.6)	(57.5)	(98.3)	(50.6)	(225.2)	(199.5)		
Financing activities	36.7	(53.0)	(88.3)	(49.0)	(107.3)	130.8	112.0		
Additions to property, plant and equipment(2)	(49.8)	(13.7)	(57.7)	(98.4)	(50.6)	(54.8)	(11.3)		
<b>Other financial data:</b>									
Adjusted EBITDA(3)	\$ 168.3	\$ 156.0	\$ 155.4	\$ 155.5	\$ 167.2	\$ 82.8	\$ 86.0	\$ 70.6	\$ 118.5
Adjusted EBITDA attributable to MPLX LP(4)								\$ 35.9	\$ 60.3

*footnotes on following page*



**Table of Contents****Selected historical and pro forma financial and operating data**

- (1) Consists of capital lease obligations, including amounts due within one year.
- (2) Represents cash capital expenditures as reflected on combined statements of cash flows for the periods indicated, which are included in cash used in investing activities.
- (3) For a discussion of the non-GAAP financial measure of Adjusted EBITDA and a reconciliation of Adjusted EBITDA to our most directly comparable measures calculated and presented in accordance with GAAP, please read *Non-GAAP Financial Measure* below.
- (4) Represents Adjusted EBITDA attributable to our 51.0% indirect ownership interest in Pipe Line Holdings, less 100.0% of certain overhead expenses attributable to our butane cavern. As our butane cavern was not in service during any period presented, the pro forma periods reflect only minimal expenses and no revenues associated with our butane cavern.

	MPLX LP Predecessor Historical					Six months ended		MPLX LP Pro Forma	
	Year ended December 31,					June 30,		Six months ended June 30	Year ended December 31,
	2011	2010	2009	2008	2007	2012	2011	2012	2011
<b>Operating information(1):</b>									
Pipeline throughput (mbpd)									
Crude oil pipelines(2)	1,184	1,204	1,113	1,215	1,214	1,157	1,197	1,026	993
Product pipelines	1,031	968	953	960	1,049	935	994	935	1,031
Total	2,215	2,172	2,066	2,175	2,263	2,092	2,191	1,961	2,024
Crude oil pipelines									
(light equivalent barrels)(2)(3)	1,232	1,276	1,157	1,263	1,258	1,194	1,261	1,062	1,041
Average tariff rates (\$ per barrel)(4)									
Crude oil pipelines(2)	\$ 0.48	\$ 0.49	\$ 0.48	\$ 0.46	\$ 0.45	\$ 0.53	\$ 0.48	\$ 0.48	\$ 0.40
Product pipelines	0.46	0.46	0.45	0.40	0.37	0.48	0.45	0.50	0.44
Total pipelines	0.47	0.48	0.46	0.43	0.41	0.51	0.46	0.49	0.42

- (1) Operating information relating to the joint interest assets is included in the MPLX LP Predecessor historical periods and excluded in the MPLX LP pro forma periods presented.
- (2) For all periods presented, excludes volumes transported on the St. James, LA to Garyville, LA crude oil pipeline system that was transferred from common carrier to private service on October 1, 2009.
- (3) For a description of the differences between physical barrels of crude oil and light equivalent barrels of crude oil, please read footnote 2 to the table *Crude Oil Volumes Transported in Business Our Assets and Operations*.
- (4) Average tariffs calculated using actual revenues divided by physical barrels.

**NON-GAAP FINANCIAL MEASURE**

We define Adjusted EBITDA as net income before depreciation, provision for income taxes, and net interest and other financial income (costs). Adjusted EBITDA is used as a supplemental financial measure by management and by external users of our financial statements, such as investors and commercial banks, to assess:

- Ø our operating performance as compared to those of other companies in the logistics business, without regard to financing methods, historical cost basis or capital structure;

- Ø the ability of our assets to generate sufficient cash flow to make distributions to our partners;
- Ø our ability to incur and service debt and fund capital expenditures; and
- Ø the viability of acquisitions and other capital expenditure projects and the returns on investment of various investment opportunities.

**Table of Contents****Selected historical and pro forma financial and operating data**

We believe that the presentation of Adjusted EBITDA in this prospectus provides information useful to investors in assessing our financial condition and results of operations. The GAAP measures most directly comparable to Adjusted EBITDA are net income and net cash provided by operating activities. Adjusted EBITDA should not be considered an alternative to net income, net cash provided by operating activities or any other measure of financial performance or liquidity presented in accordance with GAAP. Adjusted EBITDA excludes some, but not all, items that affect net income, and these measures may vary among other companies. As a result, Adjusted EBITDA as presented below may not be comparable to similarly titled measures of other companies.

The following table presents a reconciliation of Adjusted EBITDA to net income and net cash provided by (used in) operating activities, the most directly comparable GAAP financial measures, on a historical basis and pro forma basis, as applicable, for each of the periods indicated.

(In millions)	MPLX LP Predecessor Historical					MPLX LP Pro Forma			
	Year ended December 31,					Six months ended	Six months ended	Year ended	
	2011	2010	2009	2008	2007	June 30,	June 30,	December 31,	
				(unaudited)		(unaudited)	(unaudited)	(unaudited)	
<b>Reconciliation of Adjusted EBITDA to net income:</b>									
Net Income	\$ 134.0	\$ 103.3	\$ 122.3	\$ 123.8	\$ 136.5	\$ 65.0	\$ 70.0	\$ 55.6	\$ 89.0
Plus:									
Depreciation	36.3	52.6	32.8	31.4	30.2	18.4	17.7	15.0	29.3
Provision for income taxes	0.1	0.3	0.3	0.3	0.5	0.2			0.1
Less:									
Net interest and other financial income	2.1	0.2				0.8	1.7		(0.1)
Adjusted EBITDA	\$ 168.3	\$ 156.0	\$ 155.4	\$ 155.5	\$ 167.2	\$ 82.8	\$ 86.0	\$ 70.6	\$ 118.5
Less: Adjusted EBITDA attributable to non-controlling interest in Pipe Line Holdings								34.7	58.2
Adjusted EBITDA attributable to MPLX LP								\$ 35.9	\$ 60.3

**Reconciliation of Adjusted EBITDA to net cash provided by operating activities:**

Net cash provided by operating activities	\$ 181.9	\$ 117.3	\$ 145.1	\$ 148.3	\$ 156.3	\$ 94.9	\$ 87.7		
Less:									
Increase (decrease) in working capital	12.6	(40.6)	(6.1)	(2.6)	0.1	14.2	(2.6)		
Net interest and other financial income	2.1	0.2				0.8	1.7		
All other, net	(0.8)	2.0	(3.6)	(4.2)	(11.9)	(3.0)	2.7		
Plus:									
Net gain on disposal of assets			0.2			(0.3)			
Income taxes paid (received)	0.3	0.3	0.4	0.4	(0.9)	0.2	0.1		

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Adjusted EBITDA	\$ 168.3	\$ 156.0	\$ 155.4	\$ 155.5	\$ 167.2	\$ 82.8	\$ 86.0
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# Management's discussion and analysis of financial condition and results of operations

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the historical combined financial statements and notes of MPLX LP Predecessor and our pro forma combined financial data included elsewhere in this prospectus. Among other things, those historical combined financial statements and pro forma combined data include more detailed information regarding the basis of presentation for the following information.*

*This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those discussed below. Factors that could cause or contribute to such differences include, but are not limited to, those identified below and those discussed in the section entitled "Risk Factors" included elsewhere in this prospectus.*

## **OVERVIEW**

We are a fee-based, growth-oriented limited partnership formed in March 2012 by MPC to own, operate, develop and acquire crude oil, refined product and other hydrocarbon-based product pipelines and other midstream assets. Our primary assets consist of:

Ø a 51.0% general partner interest in Pipe Line Holdings, a newly-formed entity that owns a 100.0% interest in MPL and ORPL, which in turn collectively own:

a network of pipeline systems that includes approximately 962 miles of common carrier crude oil pipelines and approximately 1,819 miles of common carrier product pipelines extending across nine states. This network includes approximately 153 miles of common carrier crude oil and product pipelines that we operate under long-term leases with third parties;

a barge dock located on the Mississippi River near Wood River, Illinois with approximately 80 mbpd of crude oil and product throughput capacity; and

crude oil and product tank farms located in Patoka, Wood River and Martinsville, Illinois and Lebanon, Indiana.

Ø a 100.0% interest in a butane cavern located in Neal, West Virginia with approximately 1.0 million barrels of storage capacity that serves MPC's Catlettsburg, Kentucky refinery.

As the sole general partner of Pipe Line Holdings, we will control all aspects of management of Pipe Line Holdings, including its cash distribution policy. The only outstanding partnership interests in Pipe Line Holdings will be our 51.0% general partner interest and the 49.0% limited partner interest retained by MPC. We believe our network of petroleum pipelines is one of the largest in the United States, based on total annual volumes delivered. Our assets are integral to the success of MPC's operations.

## **HOW WE GENERATE REVENUE**

We generate revenue primarily by charging tariffs for transporting crude oil, refined products and other hydrocarbon-based products through our pipelines and at our barge dock and fees for storing crude oil and products at our storage facilities. We are also the operator of additional crude

oil and product pipelines owned by MPC and its affiliates and third parties for which we are paid operating fees. We do not take ownership of the crude oil or products that we transport and store for our customers, and we do not engage in the trading of any commodities.

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MPC historically has been the source of the substantial majority of our revenues. At the closing of this offering, we will enter into new long-term, fee-based transportation and storage services agreements with MPC with minimum volume commitments, and MPC will continue to be the source of the substantial majority of our revenues for the foreseeable future. We believe these transportation and storage services agreements will promote stable and predictable cash flows.

MPC historically has shipped volumes in excess of its minimum throughput commitment for most of our crude oil and product pipeline systems and we expect those excess shipments to continue. All of our transportation services agreements for our crude oil and product pipeline systems, except our Wood River to Patoka crude system, will include a 10-year term and will automatically renew for up to two additional five-year terms unless terminated by either party no later than six months prior to the end of the term. The transportation services agreements for our Wood River to Patoka crude system and our barge dock will each include a five-year term and will automatically renew for up to four additional two-year terms unless terminated by either party no later than six months prior to the end of the term. Our storage services agreement for our butane cavern will include a 10-year term but will not automatically renew. Our storage services agreements for our tank farms will include a three-year term and automatically renew for additional one-year terms unless terminated by either party no later than six months prior to the end of the term.

For more information about our transportation and storage services agreements with MPC, including MPC's minimum volume commitments under the agreements, please read "Cash Distribution Policy and Restrictions on Distributions," "Assumptions and Considerations," "Revenues and Volumes," and "Business," Our Transportation and Storage Services Agreements with MPC.

### **HOW WE EVALUATE OUR OPERATIONS**

Our management intends to use a variety of financial and operating metrics to analyze our performance. These metrics are significant factors in assessing our operating results and profitability and include: (i) throughput volumes; (ii) income from operations; (iii) Adjusted EBITDA; and (iv) distributable cash flow.

**Throughput Volumes.** The amount of revenue we generate primarily depends on the volumes of crude oil, refined products and other hydrocarbon-based products that we transport for our customers. The volumes transported on our pipelines are primarily affected by the supply of and demand for crude oil and products in the markets served directly or indirectly by our assets. Although MPC will commit to minimum throughput volumes under the transportation services agreements described above, our results of operations will be impacted by our ability to:

- Ø utilize the remaining uncommitted capacity on, or add additional capacity to, our pipeline systems;
- Ø increase throughput volumes on our pipeline systems by making outlet connections to existing or new third party pipelines or other facilities, primarily driven by the anticipated supply of and demand for crude oil and products; and
- Ø identify and execute organic expansion projects, and capture incremental MPC and third-party volumes.

**Income from Operations.** Income from operations represents our total revenue and other income less our total costs and expenses. Our management seeks to maximize our income from operations by maximizing revenue and managing our expenses. We generate revenue primarily by charging tariffs for transporting crude oil, refined products and other hydrocarbon-based products through our pipelines





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and at our barge dock and fees for storing crude oil and products at our storage facilities. The FERC regulates the tariffs we can charge on our common carrier pipelines; however, as volumes of crude oil, refined products and other hydrocarbon-based products handled through our pipelines fluctuate, so does our revenue.

Total costs and expenses include cost of revenues, purchases from related parties, depreciation, general and administrative expenses and other taxes. These expenses are primarily comprised of labor expenses, repairs and maintenance expenses, fuel and power costs, lease costs, property and payroll taxes and administrative expenses. These expenses generally remain relatively stable across broad ranges of throughput volumes but can fluctuate from period to period depending on the mix of activities performed during that period and the timing of these expenses. We will seek to manage our maintenance expenditures on our pipelines and storage assets by scheduling maintenance over time to avoid significant variability in our maintenance expenditures and minimize their impact on our cash flow.

***Adjusted EBITDA and Distributable Cash Flow.*** We define Adjusted EBITDA as net income before depreciation, provision for income taxes and net interest and other financial income (costs). Although we have not quantified distributable cash flow on a historical basis, after the closing of this offering we intend to use distributable cash flow, which we define as Adjusted EBITDA less net cash interest paid, income taxes paid and maintenance capital expenditures, to analyze our performance. Distributable cash flow will not reflect changes in working capital balances. Distributable cash flow and Adjusted EBITDA are not presentations made in accordance with GAAP.

Adjusted EBITDA and distributable cash flow are non-GAAP supplemental financial measures that management and external users of our combined financial statements, such as industry analysts, investors, lenders and rating agencies, may use to assess:

Ø our operating performance compared to other publicly traded partnerships in our industry, without regard to historical cost basis or, in the case of Adjusted EBITDA, financing methods;

Ø the ability of our assets to generate sufficient cash flow to make distributions to our unitholders;

Ø our ability to incur and service debt and fund capital expenditures; and

Ø the viability of acquisitions and other capital expenditure projects and the returns on investment of various investment opportunities. We believe that the presentation of Adjusted EBITDA in this prospectus provides useful information to investors in assessing our financial condition and results of operations. The GAAP measures most directly comparable to Adjusted EBITDA are net income and net cash provided by operating activities. Adjusted EBITDA should not be considered as an alternative to GAAP net income or net cash provided by operating activities. Adjusted EBITDA has important limitations as an analytical tool because it excludes some but not all items that affect net income and net cash provided by operating activities or any other measure of financial performance or liquidity presented in accordance with GAAP. You should not consider Adjusted EBITDA in isolation or as a substitute for analysis of our results as reported under GAAP. Additionally, because Adjusted EBITDA may be defined differently by other companies in our industry, our definition of Adjusted EBITDA may not be comparable to similarly titled measures of other companies, thereby diminishing its utility.

For a discussion of the non-GAAP financial measure of Adjusted EBITDA and a reconciliation of Adjusted EBITDA to its most comparable measures calculated and presented in accordance with GAAP, please read "Selected Historical and Pro Forma Financial and Operating Data - Non-GAAP Financial Measure."



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### **FACTORS AFFECTING THE COMPARABILITY OF OUR FINANCIAL RESULTS**

Our future results of operations may not be comparable to our Predecessor's historical results of operations for the reasons described below:

**Joint Interest Assets.** Our Predecessor's results of operations historically included revenues and expenses relating to our Predecessor's minority undivided joint interests in the Capline and Maumee crude oil pipeline systems. We refer to our Predecessor's minority undivided joint interests in these pipeline systems as the joint interest assets. While third parties operate the joint interest assets, our Predecessor published tariffs and collected revenues from shippers that utilized capacity attributable to our Predecessor's undivided interest portion of the joint interest assets, and paid the operator of the joint interest assets for our Predecessor's proportionate share of all costs and expenses related to the operation and maintenance of the joint interest assets. MPC will not contribute the joint interest assets to us in connection with this offering.

**Contribution of 51.0% General Partner Interest in Pipe Line Holdings.** Our Predecessor's results of operations historically included 100.0% of the revenues and expenses relating to the assets that will be contributed to us, as well as the joint interest assets that will not be contributed to us. At the closing of this offering, MPC will contribute to us a 51.0% general partner interest in Pipe Line Holdings. Following the closing of this offering, we will consolidate the results of operations of Pipe Line Holdings and then record a 49.0% non-controlling interest deduction for the limited partner interest in Pipe Line Holdings retained by MPC.

**Neal Butane Cavern.** Our Predecessor's results of operations historically have included minimal expenses and no revenues associated with our Neal butane cavern, which was placed into service on August 1, 2012.

**Revenues.** Following the closing of this offering, most of our revenues will be generated from the transportation and storage services agreements that we will enter into with MPC at the closing of this offering and under which MPC will pay us fees for transporting crude oil and products on our pipeline systems, for handling crude oil and products at our barge dock and for providing storage services at our tank farms and butane cavern. These contracts contain minimum volume commitments. Historically, our Predecessor did not have long-term transportation and storage arrangements with MPC. In addition, we expect to generate revenue generally not previously recognized by our Predecessor related to the following:

- Ø general tariff increases that will go into effect on a majority of our pipeline systems on July 1, 2013 in accordance with the FERC's indexing methodology;
- Ø a tariff increase that went into effect in January 2012, and an additional tariff increase that will go into effect in October 2012, on our Patoka to Catlettsburg crude oil pipeline related to historical and planned upgrades on that pipeline; and
- Ø a tariff increase that will go into effect in October 2012 on our Robinson to Mt. Vernon product pipeline to more accurately reflect our costs of operating the pipeline.

**General and Administrative Expenses.** Our Predecessor's general and administrative expenses included direct charges for the management and operation of our assets and certain overhead and shared services expenses allocated by MPC, as well as certain overhead expenses allocated by Marathon Oil Corporation (Marathon Oil) through June 30, 2011, for general and administrative services, such as information technology, engineering, legal, human resources and other financial and administrative services. These expenses were charged or allocated to our Predecessor based on the nature of the expenses and our Predecessor's proportionate share of utilization, capital employed, wages or headcount. Following the



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closing of this offering, MPC will continue to charge us a combination of direct and allocated charges for administrative and operational services, which are projected to be higher than those charged to our Predecessor for the year ended December 31, 2011 due to MPC's provision of additional services, and a fixed annual fee for the provision of executive management services by certain executive officers of our general partner. For more information about the fixed annual fee and the services covered by it, please read "Certain Relationships and Related Party Transactions" Agreements Governing the Transactions Omnibus Agreement. We also expect to incur an additional \$3.4 million of incremental annual general and administrative expenses as a result of being a separate publicly traded partnership, 100.0% of which will be attributable to us.

**Financing.** There are differences in the way we will finance our operations as compared to the way our Predecessor financed its operations. Historically, our Predecessor's operations were financed as part of MPC's integrated operations and our Predecessor did not record any separate costs associated with financing its operations. Additionally, our Predecessor largely relied on internally generated cash flows and capital contributions from MPC to satisfy its capital expenditure requirements. Following the closing of this offering, we intend to make cash distributions to our unitholders at an initial distribution rate of \$ per unit per quarter (\$ per unit on an annualized basis). Based on the terms of our cash distribution policy, we expect that we will distribute to our unitholders and our general partner most of the excess cash generated by our operations. We also expect that we will retain approximately \$10.0 million from the net proceeds of this offering for general partnership purposes and will contribute approximately \$219.4 million from the net proceeds of this offering to Pipe Line Holdings, which Pipe Line Holdings will retain on behalf of us and MPC in order to fund our respective pro rata share of the estimated total cost of certain expansion capital expenditures over the next two years, based on our and MPC's ownership interest in Pipe Line Holdings. We expect to fund any other future expansion capital expenditures primarily from external sources, including borrowings under our anticipated \$500.0 million revolving credit facility and future issuances of equity and debt securities.

**Spinoff from Marathon Oil.** Effective June 30, 2011, Marathon Oil engaged in a spinoff of its refining, marketing and transportation business (the "RM&T Business") into an independent, publicly traded company, MPC, through the distribution of MPC common stock to the stockholders of Marathon Oil common stock. MPC's consolidated financial statements do not include all of the actual expenses that would have been incurred had MPC been a stand-alone company during periods prior to the spinoff and may not reflect MPC's consolidated results of operations, financial position and cash flows had MPC been a stand-alone company during those periods. Actual costs that would have been incurred if MPC had been a stand-alone company depend upon multiple factors, including organizational structure and strategic decisions made in various areas, including information technology and infrastructure. Subsequent to the spinoff, MPC began performing these functions using internal resources or services provided by third parties, certain of which were provided by Marathon Oil during a transition period pursuant to a transition services agreement. As a result, our Predecessor's historical financial statements for periods prior to the spinoff do not include all of the actual expenses that would have been allocated to our Predecessor had MPC been a stand-alone company during periods prior to the spinoff.

**FACTORS THAT IMPACT OUR BUSINESS**

**Supply and Demand for Crude Oil and Products.** We will generate the substantial majority of our revenues under fee-based contracts with MPC. These contracts are intended to promote cash flow stability and minimize our direct exposure to commodity price fluctuations. Since we do not take ownership of the crude oil or products that we transport and store for our customers, and we do not engage in the trading of any commodities, our direct exposure to commodity price fluctuations is limited to our treatment of volume imbalances on our pipeline systems. However, we also have indirect exposure

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to commodity price fluctuations to the extent such fluctuations affect the shipping patterns of MPC or our other customers. Our throughput volumes depend primarily on the volume of refined products produced at MPC's refineries, which in turn is ultimately dependent on MPC's refining margins. Refining margins depend on the cost of crude oil or other feedstocks and the price of refined products. These prices are affected by numerous factors beyond our or MPC's control, including the domestic and global supply of and demand for crude oil and refined products. While we believe we have substantially mitigated our indirect exposure to commodity price fluctuations through the minimum volume commitments in our transportation and storage services agreements with MPC during the respective terms of those agreements, our ability to execute our growth strategy in our areas of operation will depend on the availability of attractively priced crude oil in the areas served by our pipelines, which is also affected by the overall supply of and demand for crude oil. Certain measures of commercial activity that are correlated with crude oil and products demand continue to show moderate improvement. Crude oil prices have recently declined due to an increase in world supplies leading to higher than normal feedstock inventories. However, we expect the current global economic weakness and high unemployment in the United States to continue to constrain domestic demand for refined products.

***Changes in Crude Oil Sourcing and Refined Product Demand Dynamics.*** One of the strategic advantages of our crude oil pipeline systems is their ability to transport attractively priced crude oil from multiple supply markets. Our crude oil shippers, including MPC, periodically change the relative mix of crude oil grades used at the refineries served by our pipelines depending on the availability and pricing of different grades of crude oil, as well as changes in the pricing and demand dynamics in the various refined product markets that are served by those refineries. Changes in the crude oil sourcing patterns of our crude oil shippers are reflected in changes in the relative volumes of crude oil handled by our various pipeline systems from period to period. While these changes in relative volumes can affect the revenue attributable to specific crude oil pipeline systems due to differences in tariffs and viscosity surcharges, generally our total crude oil transportation revenues are significantly affected only by changes in overall crude oil supply and demand dynamics.

Similarly, our product pipeline systems have the ability to serve multiple end user markets. Our refined products shippers, including MPC, periodically change the relative mix of refined products shipped on our refined products pipelines, as well as the destination points, based on changes in the pricing and demand dynamics in the various refined product markets that our refined products pipelines serve. Changes in the refined products shipping patterns of our shippers are reflected in relative volumes of refined products handled by our various pipeline systems from period to period. While these changes in relative volumes can affect the revenue attributable to specific refined products pipeline systems due to differences in tariffs, generally our total product transportation revenues are significantly affected only by changes in overall refined products supply and demand dynamics.

***Acquisition Opportunities.*** We plan to pursue acquisitions of complementary assets from MPC as well as third parties. We believe MPC will offer us the opportunity to purchase additional midstream assets that it owns, including additional interests in Pipe Line Holdings. We also may pursue acquisitions jointly with MPC. Our third-party acquisition strategy will include midstream assets both within our existing geographic footprint and in new areas. We believe MPC will promote and support the successful execution of our business strategies given its significant ownership in us following this offering and its stated intention to use us to grow its midstream business. We believe MPC will offer us the opportunity to purchase additional assets from it, including additional interests in our network of pipeline systems, barge dock and tank farms that it has retained through its interest in Pipe Line Holdings. However, MPC is under no obligation to offer to sell us additional assets or to pursue acquisitions jointly with us, and we are under no obligation to buy any such additional assets or pursue any such joint acquisitions. We believe that we will be well positioned to acquire midstream assets from MPC and third parties should

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such opportunities arise, and identifying and executing acquisitions will be a key part of our strategy. However, if we do not make acquisitions on economically acceptable terms, our future growth will be limited, and the acquisitions we do make may reduce, rather than increase, our cash available for distribution.

**Third-Party Business.** In the future, we plan to seek increased third-party volumes on our crude oil and product pipelines. We believe that the strategic location of our assets and their ability to access attractively priced crude oil and to supply products to attractive markets may create opportunities to capture incremental third-party business and facilitate our growth. Immediately following the closing of this offering, the substantial majority of our revenue will be generated under our transportation and storage services agreements with, and tariffs and fees paid by, MPC. Unless we are successful in attracting third-party customers, our ability to increase volumes will be dependent on MPC and its future growth.

**RESULTS OF OPERATIONS****Three Months Ended June 30, 2012 compared to Three Months Ended June 30, 2011 and Six Months Ended June 30, 2012 compared to Six Months Ended June 30, 2011**

(Dollars in millions)	Three Months Ended June 30,			Six Months Ended June 30,		
	2012	2011	Variance	2012	2011	Variance
<b>Revenues and other income:</b>						
Sales and other operating revenues	\$ 18.1	\$ 13.8	\$ 4.3	\$ 33.9	\$ 28.6	\$ 5.3
Sales to related parties	87.5	86.9	0.6	169.2	164.3	4.9
Loss on sale of assets	(0.3)		(0.3)	(0.3)		(0.3)
Other income	1.7	0.1	1.6	3.3	0.4	2.9
Other income related parties	3.4	2.0	1.4	6.4	3.9	2.5
<b>Total revenues and other income</b>	<b>110.4</b>	<b>102.8</b>	<b>7.6</b>	<b>212.5</b>	<b>197.2</b>	<b>15.3</b>
<b>Costs and expenses:</b>						
Cost of revenues (excludes items below)	45.4	44.6	0.8	83.1	75.8	7.3
Purchases from related parties	8.1	8.0	0.1	15.1	15.2	(0.1)
Depreciation	9.2	8.8	0.4	18.4	17.7	0.7
General and administrative expenses	15.2	6.9	8.3	24.8	14.1	10.7
Other taxes	3.0	2.8	0.2	6.7	6.1	0.6
<b>Total costs and expenses</b>	<b>80.9</b>	<b>71.1</b>	<b>9.8</b>	<b>148.1</b>	<b>128.9</b>	<b>19.2</b>
<b>Income from operations</b>	<b>29.5</b>	<b>31.7</b>	<b>(2.2)</b>	<b>64.4</b>	<b>68.3</b>	<b>(3.9)</b>
Related party interest and other financial income	0.4	1.2	(0.8)	0.8	1.9	(1.1)
Interest and other financial income (costs)		(0.1)	0.1		(0.2)	0.2
<b>Income before income taxes</b>	<b>29.9</b>	<b>32.8</b>	<b>(2.9)</b>	<b>65.2</b>	<b>70.0</b>	<b>(4.8)</b>
Provision for income taxes	0.1		0.1	0.2		0.2
<b>Net income</b>	<b>\$ 29.8</b>	<b>\$ 32.8</b>	<b>\$ (3.0)</b>	<b>\$ 65.0</b>	<b>\$ 70.0</b>	<b>\$ (5.0)</b>
<b>Pipeline throughput (mbpd):</b>						
Crude oil pipelines	1,193	1,221	(28)	1,157	1,197	(40)

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Product pipelines	954	1,014	(60)	935	994	(59)
Total	2,147	2,235	(88)	2,092	2,191	(99)
Crude oil pipelines (light equivalent barrels)	1,229	1,281	(52)	1,194	1,261	(67)

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Total sales and other operating revenues, including sales to related parties, increased \$4.9 million in the second quarter of 2012 compared to the second quarter of 2011, primarily due to a \$4.3 million increase in sales and other operating revenues. The increase in sales and other operating revenues reflects a \$3.0 million increase due to higher average tariffs received on the volumes of crude oil and products shipped and a \$1.7 million increase related to a 68 mbpd increase in third party volumes shipped. Sales to related parties was essentially flat since the 156 mbpd decrease in related party volumes shipped was offset by higher average tariffs received on the volumes shipped.

Total sales and other operating revenues, including sales to related parties, increased \$10.2 million in the first six months of 2012 compared to the first six months of 2011 due to a \$5.3 million increase in sales and other operating revenues and a \$4.9 million increase in sales to related parties. The increase in sales and other operating revenues was primarily related to a \$4.2 million increase due to higher average tariffs received on the volumes of crude oil and products shipped, and a \$1.2 million increase related to a 38 mbpd increase in third party crude oil and products volumes shipped. The increase in sales to related parties was primarily related to a \$21.0 million increase due to higher average tariffs received on the volumes of crude oil and products shipped, partially offset by a \$16.0 million decrease related to a 137 mbpd decrease in related party crude oil and products volumes shipped. The decrease in volumes shipped was primarily due to the Capline crude system and the Garyville to Zachary products system. In response to changes in crude oil supply sourcing, we converted our Roxanna to Patoka pipeline to crude oil service, which partially offset a decrease in volumes shipped on the Capline crude system.

Other income and other income related parties increased \$3.0 million in the second quarter and \$5.4 million in the first six months of 2012 compared to the corresponding periods of 2011, primarily due to higher operating fees received from MPC and Marathon Oil, which were increased to reflect arm's-length rates.

Cost of revenues increased \$0.8 million in the second quarter and \$7.3 million in the first six months of 2012 compared to the corresponding periods of 2011. The increases were primarily due to unfavorable changes in measurement differences of \$1.3 million and \$4.1 million, respectively. The first six months of 2012 also had higher outside services costs of \$1.9 million, primarily related to mechanical integrity work on our crude oil pipelines.

General and administrative expenses increased \$8.3 million in the second quarter and \$10.7 million in the first six months of 2012 compared to the corresponding periods of 2011. The increases were primarily due to \$6.7 million of pension settlement expenses recorded in the second quarter of 2012 and higher expense allocations from MPC resulting from MPC's increased costs associated with being a separate stand-alone company following its spinoff from Marathon Oil on June 30, 2011.

Related party interest and other financial income decreased \$1.1 million in the first six months of 2012 compared to the first six months of 2011. We had \$0.8 million interest income in the first six months of 2012 from loans receivable from MPCIF compared to \$1.9 million dividend income in the first six months of 2011 from our investment in preferred stock of MOC Portfolio Delaware, Inc. (PFD), a subsidiary of Marathon Oil. Please read Capital Resources and Liquidity and note 3 to the interim combined financial statements contained elsewhere in this prospectus for further discussion of our loan receivable from MPCIF and our investment in PFD preferred stock.

**Table of Contents****Management's discussion and analysis of financial condition and results of operations****Year Ended December 31, 2011 compared to Year Ended December 31, 2010**

(Dollars in millions)	Year ended December 31, 2011	Year ended December 31, 2010	Variance
<b>Revenues and other income:</b>			
Sales and other operating revenues	\$ 62.1	\$ 49.7	\$ 12.4
Sales to related parties	334.8	346.2	(11.4)
Other income	4.3	0.4	3.9
Other income related parties	9.4	8.0	1.4
Total revenues and other income	410.6	404.3	6.3
<b>Costs and expenses:</b>			
Cost of revenues (excludes items below)	164.2	176.1	(11.9)
Purchases from related parties	31.9	32.2	(0.3)
Depreciation	36.3	52.6	(16.3)
General and administrative expenses	34.3	29.1	5.2
Other taxes	11.9	10.9	1.0
Total costs and expenses	278.6	300.9	(22.3)
<b>Income from operations</b>	132.0	103.4	28.6
Related party interest and other financial income	2.3	0.2	2.1
Interest and other financial (costs)	(0.2)		(0.2)
<b>Income before income taxes</b>	134.1	103.6	30.5
Provision for income taxes	0.1	0.3	(0.2)
<b>Net income</b>	\$ 134.0	\$ 103.3	\$ 30.7
<b>Pipeline throughput (mbpd):</b>			
Crude oil pipelines	1,184	1,204	(20)
Product pipelines	1,031	968	63
Total	2,215	2,172	43
Crude oil pipelines (light equivalent barrels)	1,232	1,276	(44)

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Total sales and other operating revenues, including sales to related parties, increased \$1.0 million in 2011 compared to 2010, due to a \$12.4 million increase in sales and other operating revenues, partially offset by a \$11.4 million decrease in sales to related parties. The increase in sales and other operating revenues was primarily due to a \$9.9 million increase related to a 39 mbpd increase in third party volumes shipped, and a \$2.6 million increase due to higher average tariffs received on the volumes of crude oil and products shipped. The decrease in sales to related parties was primarily due to a \$19.9 million decrease related to a 50 mbpd decrease in related party crude oil volumes shipped, partially offset by a \$6.1 million increase due to higher average tariffs received on the volumes of crude oil and products shipped.

Other income and other income related parties increased \$5.3 million in 2011 compared to 2010, primarily due to higher operating fees received from MPC and Marathon Oil, which were increased to reflect arm's-length rates following MPC's spinoff from Marathon Oil effective June 30, 2011.

Cost of revenues decreased \$11.9 million in 2011 compared to 2010. The decrease was primarily due to lower mechanical integrity costs on our Patoka to Catlettsburg crude oil pipeline in 2011 compared to 2010.

Depreciation decreased \$16.3 million in 2011 compared to 2010, primarily due to depreciation recorded in 2010 for the cancellation of a crude oil pipeline project associated with MPC's heavy oil upgrading and expansion project at its Detroit refinery.

General and administrative expenses increased \$5.2 million in 2011 compared to 2010. The increase was primarily due to higher expense allocations from MPC resulting from MPC's increased costs associated with being a separate stand-alone company and an increase in our overall allocation percentage.

Other taxes increased \$1.0 million in 2011 compared to 2010, primarily due to higher property taxes and payroll taxes in 2011 compared to 2010.

Related party interest and other financial income increased \$2.1 million in 2011 compared to 2010, primarily due to higher dividend income in 2011 compared to 2010 from our investment in PFD preferred stock. Please read "Capital Resources and Liquidity" and note 4 to the audited combined financial statements contained elsewhere in this prospectus for further discussion of our investment in PFD preferred stock.

**Table of Contents****Management's discussion and analysis of financial condition and results of operations****Year Ended December 31, 2010 compared to Year Ended December 31, 2009**

(Dollars in millions)	Year ended December 31,		Variance
	2010	2009	
<b>Revenues and other income:</b>			
Sales and other operating revenues	\$ 49.7	\$ 43.3	\$ 6.4
Sales to related parties	346.2	331.4	14.8
Net gain on disposal of assets		0.2	(0.2)
Other income	0.4	1.3	(0.9)
Other income related parties	8.0	7.3	0.7
<b>Total revenues and other income</b>	<b>404.3</b>	<b>383.5</b>	<b>20.8</b>
<b>Costs and expenses:</b>			
Cost of revenues (excludes items below)	176.1	160.6	15.5
Purchases from related parties	32.2	29.8	2.4
Depreciation	52.6	32.8	19.8
General and administrative expenses	29.1	26.6	2.5
Other taxes	10.9	11.1	(0.2)
<b>Total costs and expenses</b>	<b>300.9</b>	<b>260.9</b>	<b>40.0</b>
<b>Income from operations</b>	<b>103.4</b>	<b>122.6</b>	<b>(19.2)</b>
Related party interest and other financial income	0.2		0.2
<b>Income before income taxes</b>	<b>103.6</b>	<b>122.6</b>	<b>(19.0)</b>
Provision for income taxes	0.3	0.3	
<b>Net income</b>	<b>\$ 103.3</b>	<b>\$ 122.3</b>	<b>\$ (19.0)</b>
<b>Pipeline throughput (mbpd):</b>			
Crude oil pipelines(1)	1,204	1,113	91
Product pipelines	968	953	15
<b>Total</b>	<b>2,172</b>	<b>2,066</b>	<b>106</b>
Crude oil pipelines (light equivalent barrels)(1)	1,276	1,157	119

(1) Excludes volumes transported on the St. James, LA to Garyville, LA crude oil pipeline system that was transferred from common carrier to private service on October 1, 2009.

Total sales and other operating revenues, including sales to related parties, increased \$21.2 million in 2010 compared to 2009, due to a \$14.8 million increase in sales to related parties and a \$6.4 million increase in sales and other operating revenue. The increase in sales to related parties was primarily due to a \$10.2 million increase resulting from an increase in related party volumes shipped on higher tariff pipelines, partially offset by a decrease in related party volumes shipped on lower tariff pipelines, primarily associated with the transfer of the St. James to Garyville crude oil pipeline to MPC. We also received higher average tariffs on the volumes of crude oil and products shipped, which contributed \$4.3 million to the increase in sales to related parties. The increase in sales and other operating revenues was primarily due to a \$5.2

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million increase related to a 19 mbpd increase in third party crude oil volumes shipped and a \$2.4 million increase resulting from higher average tariffs received on the volumes of crude oil and products shipped.

Cost of revenues increased \$15.5 million in 2010 compared to 2009, primarily due to higher mechanical integrity costs on our Patoka to Catlettsburg crude system in 2010 compared to 2009.

Depreciation increased \$19.8 million in 2010 compared to 2009, primarily due to depreciation recorded in 2010 for the cancellation of a crude oil pipeline project associated with the heavy oil upgrading and expansion project at MPC's Detroit refinery.

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### **Management's discussion and analysis of financial condition and results of operations**

### **CAPITAL RESOURCES AND LIQUIDITY**

Historically, our sources of liquidity included cash generated from operations and funding from MPC. We participated in MPC's centralized cash management program for periods prior to September 30, 2010, under which the net balance of our cash receipts and cash disbursements was settled with MPC on a daily basis. On October 1, 2010, we ceased participating in MPC's centralized cash management program and entered into agreements with PFD, a subsidiary of Marathon Oil, to invest our excess cash in related party debt securities. The agreement with PFD was terminated effective June 30, 2011. On June 21, 2011, we executed an agreement with MPCIF, which allowed us, on a daily basis, to send our excess cash to MPCIF as an advance or request cash from MPCIF as a draw. Our net cash balance with MPCIF on the last day of each quarter was classified as loans receivable from related party. The agreement with MPCIF will be terminated in connection with the closing of this offering. Please read note 4 to the audited combined financial statements included elsewhere in this prospectus for additional information regarding our agreements with PFD and MPCIF. Following this offering, MPC will invest our excess cash on our behalf directly with third-party institutions as part of the treasury services that it will provide to us under our omnibus agreement.

In addition to our retention of approximately \$10.0 million of the net proceeds from this offering for general partnership purposes, including to fund our working capital needs, and Pipe Line Holdings' retention of approximately \$219.4 million of the net proceeds from this offering to fund certain budgeted expansion capital expenditures over the two-year period following this offering, we expect our ongoing sources of liquidity following this offering to include cash generated from operations, borrowings under our revolving credit facility, and issuances of additional debt and equity securities. We believe that cash generated from these sources will be sufficient to meet our short-term working capital requirements and long-term capital expenditure requirements and to make quarterly cash distributions.

We intend to pay a minimum quarterly distribution of \$\_\_\_\_\_ per unit per quarter, which equates to \$\_\_\_\_\_ million per quarter, or \$\_\_\_\_\_ million per year, based on the number of common, subordinated and general partner units to be outstanding immediately after completion of this offering. Although our partnership agreement requires that we distribute all of our available cash each quarter, we do not have a legal obligation to distribute any particular amount per common unit. Please read Cash Distribution Policy and Restrictions on Distributions.

### **Revolving Credit Facility**

Upon the closing of this offering, we intend to enter into a \$500.0 million revolving credit facility. The revolving credit facility will be available to fund working capital and to finance acquisitions and other capital expenditures. Borrowings under our revolving credit facility are expected to bear interest at LIBOR plus an applicable spread. LIBOR and the applicable spread will be defined in the credit agreement that evidences our new revolving credit facility. We expect the unused portion of the revolving credit facility will be subject to a commitment fee.

We expect our revolving credit facility to contain covenants and conditions that, among other things, limit our ability to make cash distributions, incur indebtedness, create liens, make investments and enter into a merger or sale of substantially all of our assets. We also expect to be subject to certain financial covenants and customary events of default under the revolving credit facility.

**Table of Contents****Management's discussion and analysis of financial condition and results of operations****Cash Flows**

Net cash provided by (used in) operating activities, investing activities and financing activities for the years ended December 31, 2011, 2010 and 2009, and the six months ended June 30, 2012 and 2011 were as follows:

(In millions)	Year ended December 31,			Six months ended June 30,	
	2011	2010	2009	2012	2011
Net cash provided by (used in):					
Operating activities	\$ 181.9	\$ 117.3	\$ 145.1	\$ 94.9	\$ 87.7
Investing activities	(218.7)	(64.6)	(57.5)	(225.2)	(199.5)
Financing activities	36.7	(53.0)	(88.3)	130.8	112.0
Net increase (decrease) in cash	\$ (0.1)	\$ (0.3)	\$ (0.7)	\$ 0.5	\$ 0.2

**Cash Flows Provided by Operating Activities.** Net cash provided by operating activities increased \$7.2 million in the first six months of 2012 compared to the first six months of 2011, primarily due to a \$16.8 million increase in cash provided by changes in working capital, partially offset by a \$5.0 million decrease in net income and a \$5.7 million increase in cash used in other operating activities. Cash provided by changes in working capital of \$14.2 million in the first six months of 2012 was primarily due to a \$21.8 million decrease in receivables from related parties, partially offset by a \$6.9 million use in cash attributable to accounts payable and accrued liabilities. Cash used in changes in working capital of \$2.6 million in the first six months of 2011 was primarily due to a \$2.5 million decrease in accounts payable and accrued liabilities and a \$2.4 million increase in inventories, partially offset by a \$2.0 million decrease in receivables from third parties.

Net cash provided by operating activities increased \$64.6 million in 2011 compared to 2010, primarily due to a \$53.2 million increase in cash provided by changes in working capital and a \$30.7 million increase in net income, partially offset by a \$16.3 million decrease in depreciation. Net cash provided by operating activities decreased \$27.8 million in 2010 compared to 2009, primarily due to a \$34.5 million increase in cash used in changes in working capital and a \$19.0 million decrease in net income, partially offset by a \$19.8 million increase in depreciation.

The \$12.6 million of cash provided by changes in working capital in 2011 was primarily due to an \$11.2 million increase in accounts payable and accrued liabilities primarily related to the timing of project expenditures. The \$40.6 million of cash used for changes in working capital in 2010 was primarily due to a \$34.5 million increase in receivables from related parties due to the initiation of quarterly cash settlements for transactions previously included in net investment after we ceased participating in MPC's centralized cash management program as of October 1, 2010. The \$6.1 million cash used for changes in working capital in 2009 was primarily due to a \$6.9 million decrease in accounts payable and accrued liabilities.

The \$52.6 million of depreciation in 2010 includes a \$16.7 million charge for the cancellation of a crude oil pipeline project associated with the heavy oil upgrading and expansion project at MPC's Detroit refinery.

**Cash Flows Used in Investing Activities.** Net cash used in investing activities increased \$25.7 million in the first six months of 2012 compared to the first six months of 2011, primarily due to a \$51.1 million decrease in cash provided by investments in related party debt securities and a \$43.5 million increase in additions to property, plant and equipment, partially offset by a \$68.9 million decrease in cash used for





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loans to related parties. Investments in related party debt securities consisted of net redemptions of PFD preferred stock of \$51.1 million in the first six months of 2011 compared to no activity in the first six months of 2012 because the agreement with PFD was terminated in June 2011. Additions to property, plant and equipment of \$54.8 million in the first six months of 2012 were primarily due to expansion capital expenditures, including the major upgrade project on our Patoka to Catlettsburg crude oil pipeline. Additions to property, plant and equipment of \$11.3 million in the first six months of 2011 were primarily expansion capital expenditures. Loans to related parties consisted of loans to MPCIF of \$170.4 million in the first six months of 2012 compared to \$239.3 million in the first six months of 2011.

Net cash used in investing activities increased \$154.1 million in 2011 compared to 2010, primarily due to a \$220.0 million increase in loans to related parties and a \$36.1 million increase in additions to property, plant and equipment, partially offset by a \$102.2 million decrease in investments in related party debt securities. Net cash used in investing activities increased \$7.1 million in 2010 compared to 2009, primarily due to \$51.1 million in investments in related party debt securities in 2010, partially offset by a \$44.0 million decrease in additions to property, plant and equipment in 2010 compared to 2009.

Loans to related parties of \$220.0 million in 2011 consisted of loans to MPCIF. There was no activity with MPCIF in 2010 or 2009 since the agreement with MPCIF was executed in June 2011. The agreement with MPCIF will be terminated in connection with the closing of this offering.

Investments in related party debt securities consisted of net redemptions of PFD preferred stock of \$51.1 million in 2011, net purchases of PFD preferred stock of \$51.1 million in 2010 and no activity in 2009. These changes correspond with the execution and termination of our agreements with PFD.

Additions to property, plant and equipment was \$49.8 million in 2011, primarily due to expansion capital expenditures, including projects that increase our capacity to transport West Texas Intermediate crude oil. Additions to property, plant and equipment was \$13.7 million in 2010, primarily due to maintenance capital expenditures. Additions to property, plant and equipment of \$57.7 million in 2009 were primarily due to new pipeline assets associated with the expansion of MPC's Garyville refinery.

***Cash Flows from Financing Activities.*** Net cash provided by financing activities increased \$18.8 million in the first six months of 2012 compared to the first six months of 2011 due to higher contributions from MPC. Financing activities were a net \$36.7 million source of cash in 2011 compared to a net \$53.0 million use of cash in 2010. The change in cash flows was primarily due to \$37.3 million in contributions from MPC in 2011 compared to \$52.5 million in distributions to MPC in 2010. Net cash used by financing activities decreased \$35.3 million in 2010 compared to 2009 due to lower distributions to MPC.

**Capital Expenditures**

Our operations are capital intensive, requiring investments to expand, upgrade or enhance existing operations and to meet environmental and operational regulations. Our capital requirements will consist of maintenance capital expenditures and expansion capital expenditures. While historically we have not made a distinction between maintenance capital expenditures and expansion capital expenditures, we will be required to do so under our partnership agreement. Examples of maintenance capital expenditures are those made to replace partially or fully depreciated assets, to maintain the existing operating capacity of our assets and to extend their useful lives, or other capital expenditures that are incurred in maintaining existing system volumes and related cash flows. In contrast, expansion capital expenditures are those made to acquire additional assets to grow our business, to expand and upgrade our systems and facilities and to construct or acquire new systems or facilities.

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Our capital expenditures for the years ended December 31, 2011, 2010 and 2009 and the six months ended June 30, 2012 and 2011, are shown in the table below:

(In millions)	2011	Year ended December 31, 2010	2009	Six months ended June 30, 2012	2011
Maintenance	\$ 12.8	\$ 8.2	\$ 6.2	\$ 7.2	\$ 3.4
Expansion <sup>(1)</sup>	41.1	3.9	43.8	58.0	7.8
Total capital expenditures	53.9	12.1	50.0	65.2	11.2
Less increase (decrease) in capital accruals	4.1	(1.6)	(7.7)	10.4	(0.1)
Additions to property, plant and equipment	\$ 49.8	\$ 13.7	\$ 57.7	\$ 54.8	\$ 11.3

*(1) Includes our portion of the capital expenditures related to the joint interest assets that will not be contributed to us at the closing of this offering.*

Our capital budget for 2012 is \$157.5 million, relating primarily to upgrades to replace or enhance our existing facilities and projects for new infrastructure. The budget includes \$23.0 million for maintenance capital expenditures, primarily related to valve replacement, safety and security expenditures and electrical system maintenance. Also included in the budget is \$134.5 million for expansion capital expenditures, including \$89.0 million related to a major upgrade project on our Patoka to Catlettsburg crude oil pipeline, \$20.6 million for the expansion of our Detroit crude oil pipeline system associated with the heavy oil upgrading and expansion project at MPC's Detroit refinery, \$8.6 million for the installation of crude oil blending equipment at our Patoka tank farm, and \$5.9 million for a SCADA system upgrade.

**Contractual Cash Obligations**

A summary of our contractual cash obligations as of June 30, 2012, is shown in the table below:

(In millions)	Total	2012	2013-2014	2015-2016	Later Years
Capital lease obligations	\$ 15.5	\$ 0.7	\$ 2.7	\$ 2.7	\$ 9.4
Operating lease obligations	52.1	3.9	16.6	14.3	17.3
Purchase obligations:					
Service contracts	1.3	0.6	0.7		
Contracts to acquire property, plant & equipment	49.2	49.0	0.2		
Total contractual cash obligations <sup>(1)</sup>	\$ 118.1	\$ 54.2	\$ 20.2	\$ 17.0	\$ 26.7

*(1) Excludes our revolving credit facility and agreements with MPC that will be executed in connection with this offering.*

**Transactions with Related Parties**

Excluding revenues attributable to volumes shipped by MPC under joint tariffs with third parties that are treated as third party revenues for accounting purposes, MPC accounted for 87%, 86%, 83% and 82% of our total revenues and other income for the years ended December 31,

2009, 2010 and 2011 and for the six months ended June 30, 2012, respectively. We provide crude oil and refined products pipeline transportation services based on regulated tariff rates and storage services based on contracted rates. MPC accounted for approximately 17%, 17%, 22% and 27% of our total costs and expenses and for the years ended December 31, 2009, 2010 and 2011 and for the six months ended June 30, 2012,

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respectively. MPC and, with respect to periods prior to June 30, 2011, Marathon Oil performed certain services for us related to information technology, engineering, legal, human resources and other financial and administrative services. We believe that transactions with related parties, other than certain transactions with MPC related to the provision of administrative services, have been conducted under terms comparable to those with unrelated parties. Please read note 3 to the interim combined financial statements and notes 4 and 5 to the audited combined financial statements included elsewhere in this prospectus for further discussion of activity with related parties and MPC.

### **OFF BALANCE SHEET ARRANGEMENTS**

We have not entered into any transactions, agreements or other arrangements that would result in off-balance sheet liabilities.

### **REGULATORY MATTERS**

Our pipeline systems are interstate common carriers primarily subject to rate regulation by the FERC under the Interstate Commerce Act (ICA) and the Energy Policy Act of 1992 (EPA 1992). Our pipeline operations are also subject to safety regulations adopted by the U.S. Department of Transportation. For more information on federal and state regulations affecting our business, please read Business Rate and Other Regulation.

### **Environmental Matters and Compliance Costs**

We are subject to extensive federal, state and local environmental laws and regulations. These laws, which change frequently, regulate the discharge of materials into the environment or otherwise relate to protection of the environment. Compliance with these laws and regulations may require us to remediate environmental damage from any discharge of petroleum or chemical substances from our facilities or require us to install additional pollution control equipment on our equipment and facilities. Our failure to comply with these or any other environmental or safety-related regulations could result in the assessment of administrative, civil, or criminal penalties, the imposition of investigatory and remedial liabilities, and the issuance of injunctions that may subject us to additional operational constraints.

Future expenditures may be required to comply with the Clean Air Act and other federal, state and local requirements for our various sites, including our pipelines and storage assets. The impact of these legislative and regulatory developments, if enacted or adopted, could result in increased compliance costs and additional operating restrictions on our business, each of which could have an adverse impact on our financial position, results of operations and liquidity. MPC will indemnify us for certain of these costs under the omnibus agreement. For a further description of this indemnification, please read Certain Relationships and Related Party Transactions Agreements Governing the Transactions Omnibus Agreement.

If these expenditures, as with all costs, are not ultimately reflected in the tariffs and other fees we receive for our services, our operating results will be adversely affected. We believe that substantially all of our competitors must comply with similar environmental laws and regulations. However, the specific impact on each competitor may vary depending on a number of factors, including, but not limited to, the age and location of its operating facilities.

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Our environmental expenditures for each of the years ended December 31, 2011, 2010 and 2009 and the six months ended June 30, 2012 and 2011 were:

(In millions)	2011	Year ended December 31, 2010	2009	Six months ended June 30, 2012	2011
Capital	\$ 19.8	\$ 2.3	\$ 5.8	\$ 23.7	\$ 3.8
Percent of total capital	37%	19%	12%	36%	34%
Compliance:					
Operating and maintenance	\$ 23.2	\$ 35.7	\$ 27.7	\$ 9.3	\$ 8.9
Remediation(1)	0.6	2.3	5.4	(0.2)	0.4
Total	\$ 23.8	\$ 38.0	\$ 33.1	\$ 9.1	\$ 9.3

(1) These amounts include spending charged against remediation reserves, where permissible, but exclude non-cash accruals for environmental remediation. We accrue for environmental remediation activities when the responsibility to remediate is probable and the amount of associated costs can be reasonably estimated. As environmental remediation matters proceed toward ultimate resolution or as additional remediation obligations arise, charges in excess of those previously accrued may be required.

New or expanded environmental requirements, which could increase our environmental costs, may arise in the future. We believe we comply with all legal requirements regarding the environment, but since not all of them are fixed or presently determinable (even under existing legislation) and may be affected by future legislation or regulations, it is not possible to predict all of the ultimate costs of compliance, including remediation costs that may be incurred and penalties that may be imposed.

**CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

The preparation of financial statements in accordance with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the combined financial statements and the reported amounts of revenues and expenses during the respective reporting periods. Accounting estimates are considered to be critical if (1) the nature of the estimates and assumptions is material due to the levels of subjectivity and judgment necessary to account for highly uncertain matters or the susceptibility of such matters to change; and (2) the impact of the estimates and assumptions on financial condition or operating performance is material. Actual results could differ from the estimates and assumptions used.

**Fair Value Estimates**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. There are three approaches for measuring the fair value of assets and liabilities: the market approach, the income approach and the cost approach, each of which includes multiple valuation techniques. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to measure fair value by converting future amounts, such as cash flows or earnings, into a single present value amount using current market expectations about those future amounts. The cost approach is based on the amount that would currently be required to replace the service capacity of an asset. This is often referred to as current



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replacement cost. The cost approach assumes that the fair value would not exceed what it would cost a market participant to acquire or construct a substitute asset of comparable utility, adjusted for obsolescence.

Our significant uses of fair value measurements include:

Ø assessment of impairment of long-lived assets; and

Ø assessment of impairment of goodwill.

Please read note 12 to the audited combined financial statements and note 8 to the unaudited combined financial statements included elsewhere in this prospectus for disclosures regarding our fair value measurements.

### **Impairment Assessments of Long-Lived Assets and Goodwill**

Fair value calculated for the purpose of testing our long-lived assets and goodwill for impairment is estimated using the expected present value of future cash flows method and comparative market prices when appropriate. Significant judgment is involved in performing these fair value estimates since the results are based on forecasted assumptions. Significant assumptions include:

Ø *Future revenues on services provided.* Our estimates of future revenues are based on our analysis of various supply and demand factors, which include, among other things, industry-wide capacity, our estimated utilization rate, end-user demand, capital expenditures and economic conditions. Such estimates are consistent with those used in our planning and capital investment reviews.

Ø *Future volumes.* Our estimates of future pipeline throughput volumes are based on internal forecasts prepared by our operations personnel.

Ø *Discount rate commensurate with the risks involved.* We apply a discount rate to our cash flows based on a variety of factors, including market and economic conditions, operational risk, regulatory risk and political risk. This discount rate is also compared to recent observable market transactions, if possible. A higher discount rate decreases the net present value of cash flows.

Ø *Future capital requirements.* These are based on authorized spending and internal forecasts.

We base our fair value estimates on projected financial information which we believe to be reasonable. However, actual results may differ from these projections.

The need to test for impairment can be based on several indicators, including a significant reduction in demand for products transported, a poor outlook for profitability, a significant reduction in pipeline throughput volumes, a significant reduction in refining margins, other changes to contracts or changes in the regulatory environment in which the asset is located.

Long-lived assets used in operations are assessed for impairment whenever changes in facts and circumstances indicate that the carrying value of the assets may not be recoverable. For purposes of impairment evaluation, long-lived assets must be grouped at the lowest level for which independent cash flows can be identified, which generally is the pipeline system level. If the sum of the undiscounted estimated pretax cash flows is less than the carrying value of an asset group, fair value is calculated, and the carrying value is written down if greater than the

calculated fair value.

Unlike long-lived assets, goodwill must be tested for impairment at least annually, or between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of



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a reporting unit below its carrying amount. Goodwill is tested for impairment at the reporting unit level. The fair value of the reporting unit is determined and compared to the book value of the reporting unit. If the fair value of the reporting unit is less than the book value, including goodwill, the implied fair value of goodwill is calculated. The excess, if any, of the book value over the implied fair value of goodwill is charged to net income. At December 31, 2011 we had a total of \$134.2 million of goodwill recorded on our combined balance sheet. The fair value of our reporting unit exceeded book value appreciably in 2011.

An estimate of the sensitivity to net income resulting from impairment calculations is not practicable, given the numerous assumptions (e.g., tariffs, volumes and discount rates) that can materially affect our estimates. That is, unfavorable adjustments to some of the above listed assumptions may be offset by favorable adjustments in other assumptions.

### **Contingent Liabilities**

We accrue contingent liabilities for legal actions, claims, litigation, environmental remediation and tax deficiencies related to operating taxes. We regularly assess these estimates in consultation with legal counsel to consider resolved and new matters, material developments in court proceedings or settlement discussions, new information obtained as a result of ongoing discovery and past experience in defending and settling similar matters. Actual costs can differ from estimates for many reasons. For instance, settlement costs for claims and litigation can vary from estimates based on differing interpretations of laws, opinions on degree of responsibility and assessments of the amount of damages. Similarly, liabilities for environmental remediation may vary from estimates because of changes in laws, regulations and their interpretation; additional information on the extent and nature of site contamination; and improvements in technology.

We generally record losses related to these types of contingencies as cost of revenues or general and administrative expenses in the combined statements of income, except for tax deficiencies unrelated to income taxes, which are recorded as other taxes.

An estimate of the sensitivity to net income if other assumptions had been used in recording these liabilities is not practical because of the number of contingencies that must be assessed, the number of underlying assumptions and the wide range of reasonably possible outcomes, in terms of both the probability of loss and the estimates of such loss.

### **ACCOUNTING STANDARDS NOT YET ADOPTED**

In December 2011, the Financial Accounting Standards Board ( FASB ) issued an accounting standards update that requires disclosure of additional information related to recognized financial and derivative instruments that are offset or are not offset but are subject to an enforceable netting agreement. The purpose of the requirement is to help users evaluate the effect or potential effect of offsetting and related netting arrangements on an entity's financial position. The update is to be applied retrospectively and is effective for annual periods that begin on or after January 1, 2013 and interim periods within those annual periods. Adoption of this update will not have an impact on our combined results of operations, financial position, or cash flows.

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## **QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK**

Market risk is the risk of loss arising from adverse changes in market rates and prices. As we do not take ownership of the crude oil or products that we transport and store for our customers, and we do not engage in the trading of any commodities, we have minimal direct exposure to risks associated with fluctuating commodity prices. In addition, our transportation and storage agreements with MPC are indexed to inflation to mitigate our exposure to increases in the cost of supplies used in our business.

Debt that we incur under our revolving credit facility will bear interest at a variable rate and will expose us to interest rate risk. Unless interest rates increase significantly in the future, our exposure to interest rate risk should be minimal.

### **Imbalances**

We target zero volume gains and losses, which we sometimes refer to as imbalances, within our pipelines and storage assets due to pressure and temperature changes, evaporation and variances in meter readings and in other measurement methods. Historically, we used quoted market prices of the applicable commodity as of the relevant reporting date to value amounts related to imbalances. For the three-year period ended December 31, 2011, our imbalances resulted in an average gain of \$3.4 million per year. For the six months ended June 30, 2012, we recorded a loss of \$1.2 million related to imbalances. In practice, we settle positive crude oil imbalances each quarter by selling excess volumes at current market prices. While we historically have not had to do so, we could be required to purchase crude oil volumes in the open market to make up negative imbalances. Positive and negative product imbalances are settled monthly by cash payments.

## **SEASONALITY**

The crude oil and products transported on our pipeline systems and at our barge dock and stored at our storage assets is directly affected by the level of supply and demand for crude oil and products in the markets served directly or indirectly by our assets. However, many effects of seasonality on our revenues will be substantially mitigated through the use of our fee-based transportation and storage services agreements with MPC that include minimum volume commitments. We historically have spent approximately two-thirds of both our budgeted maintenance capital expenditures and budgeted pipeline integrity and repair and maintenance expenses during the third and fourth quarter of each calendar year due to our budgeting cycle, weather and safety concerns. In the future, we will seek to manage our maintenance capital expenditures on our pipeline systems and storage assets by scheduling maintenance over time to avoid significant variability in our maintenance expenditures and minimize their impact on our cash flow.

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We are a fee-based, growth-oriented limited partnership recently formed by MPC to own, operate, develop and acquire crude oil, refined product and other hydrocarbon-based product pipelines and other midstream assets. Our assets primarily consist of a 51.0% indirect interest in a network of common carrier crude oil and product pipeline systems and associated storage assets in the Midwest and Gulf Coast regions of the United States. We believe our network of petroleum pipelines is one of the largest in the United States, based on total annual volumes delivered. MPC has retained a 49.0% interest in our network of pipeline systems, barge dock and tank farms. We also own a 100.0% interest in a butane cavern in Neal, West Virginia with approximately 1.0 million barrels of storage capacity. Our assets are integral to the success of MPC's operations.

We generate revenue primarily by charging tariffs for transporting crude oil, refined products and other hydrocarbon-based products through our pipelines and at our barge dock and fees for storing crude oil and products at our storage facilities. We are also the operator of additional crude oil and product pipelines owned by MPC and third parties for which we are paid operating fees. We do not take ownership of the crude oil or products that we transport and store for our customers, and we do not engage in the trading of any commodities.

MPC historically has been the source of the substantial majority of our revenues. At the closing of this offering, we will enter into long-term, fee-based transportation and storage services agreements with MPC with minimum volume commitments, and MPC will continue to be the source of the substantial majority of our revenues for the foreseeable future. We believe these transportation and storage services agreements will promote stable and predictable cash flows.

MPC has stated that it intends for us to be the primary growth vehicle for its midstream business. Following the completion of this offering, MPC will continue to own a substantial portfolio of other midstream assets including a 49.0% interest in Pipe Line Holdings, which owns our network of pipeline systems, our barge dock and our tank farms. MPC will also retain a significant interest in us through its ownership of our general partner, a % limited partner interest in us and all of our incentive distribution rights. Given MPC's significant ownership interest in us following this offering and its stated intent to use us to grow its midstream business, we believe MPC will offer us the opportunity to purchase additional midstream assets that it owns, including additional interests in Pipe Line Holdings. We also may pursue acquisitions jointly with MPC. MPC is under no obligation, however, to offer to sell us additional assets or to pursue acquisitions jointly with us, and we are under no obligation to buy any such additional assets or pursue any such joint acquisitions. We also intend to grow our business by constructing new assets, increasing the utilization of, and revenue generated by, our existing assets and acquiring assets from third parties.

**BUSINESS STRATEGIES**

Our primary business objectives are to generate stable cash flows and increase our quarterly cash distribution per unit over time. We intend to accomplish these objectives by executing the following strategies:

- Ø *Focus on Fee-Based Businesses.* We are focused on generating stable cash flows by providing fee-based midstream services to MPC and third parties. We also intend to mitigate volatility in cash flows by continuing to minimize our direct exposure to commodity price fluctuations.

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### **Business**

- Ø *Increase Revenue and Pursue Organic Growth Opportunities.* We intend to increase revenue on our network of pipeline systems by evaluating and capitalizing on organic investment opportunities that may arise from the growth of MPC's operations and from increased third-party activity in our areas of operations. We will evaluate organic growth projects within our geographic footprint, as well as in new areas, that provide attractive returns.
- Ø *Grow Through Acquisitions.* We plan to pursue acquisitions of complementary assets from MPC as well as third parties. We believe MPC will offer us the opportunity to purchase additional midstream assets that it owns, including its additional interest in Pipe Line Holdings. We also may pursue acquisitions jointly with MPC. Our third-party acquisition strategy will include midstream assets both within our existing geographic footprint and in new areas.
- Ø *Maintain Safe and Reliable Operations.* We believe that providing safe, reliable and efficient services is a key component in generating stable cash flows, and we are committed to maintaining and improving the safety, reliability and efficiency of our operations. As part of MPC's broader corporate programs, we have adopted, and intend to continue to participate in, the Responsible Care® initiative, which promotes a higher standard for safety and environmental stewardship. In December 2009, we received third-party certification from Det Norske Veritas (DNV) of our Responsible Care Management System®. We intend to seek recertification of our Responsible Care Management System® from DNV in December 2012.

### **COMPETITIVE STRENGTHS**

We believe we are well positioned to execute our business strategies based on the following competitive strengths:

- Ø *Strategic Relationship with MPC.* We have a strategic relationship with MPC, which we believe to be the fifth-largest petroleum products refiner in the United States and the largest petroleum products refiner in the Midwest region of the United States based on crude oil refining capacity. MPC is well-capitalized, with an investment grade credit rating, and will own our general partner, % of our limited partner interests and all of our incentive distribution rights. MPC will also continue to own other substantial midstream assets, including a 49.0% interest in Pipe Line Holdings. We believe that our relationship with MPC will provide us with significant growth opportunities, as well as a stable base of cash flows.
- Ø *Stable and Predictable Cash Flows.* Our assets primarily consist of common carrier pipeline systems that generate stable revenue from FERC-based tariffs. We will generate the substantial majority of our revenue under long-term, fee-based transportation and storage services agreements with MPC that include minimum volume commitments. We believe these agreements will enhance cash flow stability and predictability. On a pro forma basis, MPC's minimum volume commitment would have represented approximately 72% and 75% of our total revenues and other income for each of the year ended December 31, 2011 and the six months ended June 30, 2012, respectively, had those agreements been in effect during those periods. We also expect that, based on MPC's historical shipping patterns, MPC will ship volumes on our pipelines in excess of its minimum volume commitments.
- Ø *Strategically Located Assets.* Our assets are primarily located in the Midwest and Gulf Coast regions of the United States, which collectively comprised approximately 72% of total U.S. crude distillation capacity and approximately 48% of total U.S. finished products demand for the year ended December 31, 2011, according to the EIA. MPC owns and operates six refineries in the Midwest and Gulf Coast regions that have an aggregate crude oil capacity of 1,193 mbpcd. Our assets are integral to the success of MPC's operations. Our assets are located near several emerging shale plays including the Marcellus, Utica, New Albany, Antrim and Illinois Basin in Pennsylvania, Ohio, Indiana, Michigan



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and Illinois. MPC is currently transporting crude oil and feedstocks from the Utica shale play and is actively evaluating similar growth opportunities in other emerging shale plays.

- Ø *High-Quality, Well-Maintained Asset Base.* We continually invest in the maintenance and integrity of our assets and have developed various programs to help us efficiently monitor and maintain them. For example, we utilize MPC's patented integrity management program that employs state-of-the-art mechanical integrity inspection and repair programs to enhance the safety of our pipelines.
- Ø *Financial Flexibility.* Upon completion of this offering, we expect to have in place a revolving credit facility with \$500.0 million in available capacity. We also expect to retain a significant portion of the net proceeds from this offering to fund certain future capital expenditures related to our assets. We believe that we will have the financial flexibility to execute our growth strategy through our cash reserves, borrowing capacity under our revolving credit facility and access to the debt and equity capital markets.
- Ø *Experienced Management Team.* Our management team has substantial experience in the management and operation of pipelines, barge docks, storage facilities and other midstream assets. Our management team also has expertise in acquiring and integrating assets as well as executing growth strategies in the midstream sector. Our management team includes many of MPC's most senior officers, who average over 26 years of experience in the energy industry and over 25 years of operational experience with our assets.

### **OUR ASSETS AND OPERATIONS**

Our primary assets consist of:

- Ø a 51.0% general partner interest in Pipe Line Holdings, a newly-formed entity that owns a 100.0% interest in MPL and ORPL, which in turn collectively own:

a network of pipeline systems that includes approximately 962 miles of common carrier crude oil pipelines and approximately 1,819 miles of common carrier product pipelines extending across nine states. This network includes approximately 153 miles of common carrier crude oil and product pipelines that we operate under long-term leases with third parties;

a barge dock located on the Mississippi River near Wood River, Illinois with approximately 80 mbpd of crude oil and product throughput capacity; and

crude oil and product tank farms located in Patoka, Wood River and Martinsville, Illinois and Lebanon, Indiana.

- Ø a 100.0% interest in a butane cavern located in Neal, West Virginia with approximately 1.0 million barrels of storage capacity that serves MPC's Catlettsburg, Kentucky refinery.

As the sole general partner of Pipe Line Holdings, we will control all aspects of the management of Pipe Line Holdings, including its cash distribution policy. The only outstanding partnership interests in Pipe Line Holdings will be our 51.0% general partner interest and the 49.0% limited partner interest retained by MPC.



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The following table sets forth certain information regarding our crude oil pipeline systems, each of which will have an associated transportation services agreement with MPC:

**Crude Oil Pipeline Systems**

System name	Diameter (inches)	Length (miles)	Capacity (mbpd)(1)	Associated MPC refinery
<b>Patoka to Lima crude system</b>				
Patoka, IL to Lima, OH	20 /22	302	290	Detroit, MI; Canton, OH
<b>Catlettsburg and Robinson crude system</b>				
Patoka, IL to Robinson, IL	20	78	225	Robinson, IL
Patoka, IL to Catlettsburg, KY	24 /20	406	256	Catlettsburg, KY
Total		484	481	
<b>Detroit crude system</b>				
Samaria, MI to Detroit, MI	16	44	140	Detroit, MI
Romulus, MI to Detroit, MI(2)	16	17	180	Detroit, MI
Total		61	320	
<b>Wood River to Patoka crude system</b>				
Wood River, IL to Patoka, IL	22	57	223	All Midwest refineries
Roxanna, IL to Patoka, IL(3)	12	58	84	All Midwest refineries
Total		115	307	

(1) Capacity shown is 100.0% of the capacity of these pipeline systems on a light equivalent barrel basis. We own a 51.0% indirect interest in these pipeline systems through Pipe Line Holdings.

(2) Includes approximately 16 miles of pipeline leased from a third party, plus approximately one mile of pipeline that is currently being constructed and is expected to become operational during the fourth quarter of 2012.

(3) This pipeline is leased from a third party.



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The following table sets forth certain information regarding our product pipeline systems, each of which will have an associated transportation services agreement with MPC (other than our Louisville Airport products system, which currently transports only third-party volumes):

**Product Pipeline Systems**

System name	Diameter (inches)	Length (miles)	Capacity (mbpd)(1)	Associated MPC refinery
<b>Garyville products system</b>				
Garyville, LA to Zachary, LA	20	70	389	Garyville, LA
Zachary, LA to connecting pipelines(2)	36	2		Garyville, LA
Total		72	389	
<b>Texas City products system</b>				
Texas City, TX to Pasadena, TX	16	39	215	Texas City, TX
Pasadena, TX to connecting pipelines(2)	36 /30	3		Texas City, TX
Total		42	215	
<b>Ohio River Pipe Line (ORPL) products system</b>				
Kenova, WV to Columbus, OH	14	150	68	Catlettsburg, KY
Canton, OH to East Sparta, OH(3)	6	17	74	Canton, OH
East Sparta, OH to Heath, OH	8	81	31	Canton, OH
East Sparta, OH to Midland, PA	8	62	29	Canton, OH
Heath, OH to Dayton, OH	6	108	20	Catlettsburg, KY; Canton, OH
Heath, OH to Findlay, OH	10 /8	100	20	Catlettsburg, KY; Canton, OH
Total		518	242	
<b>Robinson products system</b>				
Robinson, IL to Lima, OH	10	250	51	Robinson, IL
Robinson, IL to Louisville, KY	16	129	82	Robinson, IL
Robinson, IL to Mt. Vernon, IN(4)	10	79	34	Robinson, IL
Wood River, IL to Clermont, IN	10	319	48	Robinson, IL
Dieterich, IL to Martinsville, IL	10	40	75	Robinson, IL
<b>Wabash Pipeline System</b>				
West leg Wood River, IL to Champaign, IL	12	130	71	Robinson, IL
East leg Robinson, IL to Champaign, IL	12	86	99	Robinson, IL
Champaign, IL to Hammond, IN	16 /12	140	85	Robinson, IL
Total		1,173	545	
<b>Louisville Airport products system</b>				
Louisville, KY to Louisville International Airport	8 /6	14	29	Robinson, IL

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- (1) Capacity shown is 100.0% of the capacity of these pipeline systems. We own a 51.0% indirect interest in these pipeline systems through Pipe Line Holdings.
- (2) Capacity not shown, as the pipeline is designed to meet outgoing capacity for connecting third-party pipelines.
- (3) Consists of two separate approximately 8.5-mile pipelines.
- (4) This pipeline is leased from a third party.

The following table sets forth certain information regarding our other midstream assets, each of which will have an associated transportation services agreement or storage services agreement with MPC:

**Other Midstream Assets**

System name	Capacity(1)	Associated MPC refineries
Wood River Barge Dock	80 mbpd	Garyville, LA
Neal Butane Cavern	1,000 mbbls	Catlettsburg, KY
Patoka Tank Farm	1,386 mbbls	All Midwest refineries
Wood River Tank Farm	419 mbbls	All Midwest refineries
Martinsville Tank Farm	738 mbbls	Detroit, MI; Canton, OH
Lebanon Tank Farm	750 mbbls	Detroit, MI; Canton, OH

- (1) All capacity shown is for 100.0% of the available storage capacity of our butane cavern and tank farms and 100.0% of the barge dock's average capacity. We own a 51.0% indirect interest in our tank farms and our barge dock barge through Pipe Line Holdings. We own a 100.0% interest in our butane cavern.

The following table sets forth the average aggregate daily number of barrels of crude oil transported on our pipeline systems and at our barge dock for MPC and for third parties, in both physical and light equivalent barrels, for each of the periods set forth below:

**Crude Oil Volumes Transported**

	2011	Year ended December 31,				Six months ended
		2010	2009	2008	2007	June 30, 2012
<b>Crude oil transported for(1):</b>						
<b>Physical barrels:</b>						
MPC(mbpd)	811	732	676	697	690	833
Third parties(mbpd)	182	151	122	153	157	193
Total(mbpd)	993	883	798	850	847	1,026
% MPC	82%	83%	85%	82%	81%	81%
<b>Light equivalent barrels(2):</b>						
MPC(mbpd)	838	774	705	724	712	846
Third parties(mbpd)	203	181	137	175	180	216
Total(mbpd)	1,041	955	842	899	892	1,062

% MPC	80%	81%	84%	81%	80%	80%
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(1) Volumes shown are 100.0% of the volumes transported on the pipeline systems and barge dock. We own a 51.0% indirect interest in our pipeline systems and our barge dock through Pipe Line Holdings.

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- (2) Our crude oil pipelines are capable of transporting both heavy crude oil and light crude oil. If shippers nominate heavy crude oil for transportation on our crude oil pipelines, the viscosity of heavy crude oil reduces the capacity of that pipeline as compared to the capacity of such pipeline to transport and deliver light crude oil. The tariffs we charge for transporting heavy crude oil are higher than the tariffs for transporting light crude oil. This higher rate is expected to compensate us for the reduced capacity of the pipeline when transporting heavy crude oil. For a definition of light equivalent barrels, please read *Glossary of Terms*.

The following table sets forth the average aggregate daily number of barrels of products transported on our pipeline systems for MPC and third parties for each of the periods set forth below:

**Product Volumes Transported**

	Year ended December 31,					Six months ended
	2011	2010	2009	2008	2007	June 30, 2012
<b>Products transported for(1):</b>						
MPC (mbpd)(2)	971	904	856	873	964	869
Third parties (mbpd)	60	64	97	87	85	66
Total (mbpd)	1,031	968	953	960	1,049	935
% MPC(2)	94%	93%	90%	91%	92%	93%

- (1) Volumes shown are 100.0% of the volumes transported on the pipeline systems. We own a 51.0% indirect interest in the pipeline systems through Pipe Line Holdings.
- (2) Includes volumes shipped by MPC on various pipelines under joint tariffs with third parties. For accounting purposes, revenue attributable to these volumes is classified as third party revenue because we receive payment from those third parties with respect to volumes shipped under the joint tariffs; however, the volumes associated with this revenue are applied towards MPC's minimum volume commitments on the applicable pipelines because MPC is the shipper of record.

For the year ended December 31, 2011 and the six months ended June 30, 2012, on a pro forma basis, we had revenues and other income of approximately \$346.7 million and \$194.2 million, Adjusted EBITDA of approximately \$118.5 million and \$70.6 million and net income of approximately \$89.0 million and \$55.6 million, respectively. Excluding revenues attributable to volumes shipped by MPC under joint tariffs with third parties that were treated as third party revenues for accounting purposes, MPC accounted for approximately 80% and 81% of our pro forma revenues and other income for those periods, respectively. After excluding the 49.0% interest in Pipe Line Holdings retained by MPC, pro forma Adjusted EBITDA attributable to MPLX LP was approximately \$60.3 million and \$35.9 million and pro forma net income attributable to MPLX LP was approximately \$45.3 million and \$28.2 million for those same periods, respectively. Please read *Selected Historical and Pro Forma Financial and Operating Data* for the definition of the term Adjusted EBITDA and a reconciliation of Adjusted EBITDA to our most directly comparable financial measures, calculated and presented in accordance with GAAP.

**OUR TRANSPORTATION AND STORAGE SERVICES AGREEMENTS WITH MPC**

Our assets are strategically located within, and integral to, MPC's operations. At the closing of this offering, we will enter into long-term, fee-based transportation and storage services agreements with MPC. Under these agreements, we will provide transportation and storage services to MPC, and MPC will commit to provide us with minimum quarterly throughput and storage volumes of crude oil and products and minimum storage volumes of butane. All of our transportation services agreements for our crude oil and product pipeline systems (other than our Wood River to Patoka crude system) will include a 10-year term and will automatically renew for up to two additional five-year terms unless terminated by either party no later than six months prior to the end of the term. The transportation services



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agreements for our Wood River to Patoka crude system and our barge dock will each include a five-year term and will automatically renew for up to four additional two-year terms unless terminated by either party no later than six months prior to the end of the term. Our butane cavern storage services agreement will include a 10-year term but will not automatically renew. Our storage services agreements for our tank farms will include a three-year term and automatically renew for additional one-year terms unless terminated by either party no later than six months prior to the end of the term.

For the year ended December 31, 2011 and the six months ended June 30, 2012, on a pro forma basis, approximately 72% and 75% of our total revenues and other income, respectively, was attributable to MPC's minimum volume commitments under these agreements. The following table sets forth additional information regarding our transportation and storage services agreements:

**Transportation and Storage Services Agreements**

<b>Agreement</b>	<b>Initial term (years)</b>	<b>Weighted average tariff/storage fee (\$ per bbl)(1)</b>	<b>MPC minimum commitment(2)</b>
<b>Transportation Services (mbpd)</b>			
<i>Crude Systems</i>			
Patoka to Lima crude system(3)	10	\$ 0.52	40
Catlettsburg and Robinson crude system	10	0.74	380
Detroit crude system	10	0.23	155
Wood River to Patoka crude system(3)	5	0.20	130
Wood River Barge Dock(3)(4)	5	1.32	40
Total			745
<i>Products Systems</i>			
Garyville products system	10		
Garyville to Zachary(5)		\$ 0.55	300
Zachary to connecting pipelines		0.04	80
Texas City to Pasadena products system	10		
Texas City to Pasadena(5)		0.27	81
Pasadena to connecting pipelines		0.07	61
Ohio River Pipe Line (ORPL) products system(6)	10	1.25	128
Robinson products system(5)	10	0.65	209
Total			859
<b>Storage Services (mbbls)</b>			
Neal Butane Cavern	10	\$ 1.25	1,000
Patoka Tank Farm	3	0.48	1,386
Wood River Tank Farm	3	0.48	419
Martinsville Tank Farm	3	0.48	738
Lebanon Tank Farm	3	0.48	750
Total			4,293

- (1) *Based on forecasted volumes transported or stored for the twelve months ending December 31, 2013 and estimated applicable tariffs or fees during the forecast period, including general tariff increases on the majority of our pipeline systems in July 2012 and July 2013, as well as tariff increases in October 2012 on certain pipeline systems. Estimated weighted average tariff shown for crude oil transportation services agreements is presented on a per-light equivalent barrel basis.*

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- (2) *Quarterly commitment for our transportation services agreements. Volumes shown for crude oil transportation services agreements are presented in light equivalent barrels.*
- (3) *MPC's minimum commitment represents the lesser of (1) a base commitment and (2) a lesser amount reflecting increased third party utilization of the applicable asset.*
- (4) *Historically we have shipped primarily crude oil volumes; however, our barge dock can handle products as well as crude oil.*
- (5) *Includes revenue from volumes shipped by MPC on various pipelines under joint tariffs with third parties. For accounting purposes, this revenue is classified as third party revenue because we receive payment from those third parties with respect to volumes shipped under the joint tariffs; however, the volumes associated with this revenue are applied towards MPC's minimum volume commitments on the applicable pipelines because MPC is the shipper of record.*
- (6) *The estimated weighted average tariff for the ORPL products system assumes that MPC ships only its minimum throughput commitment. Once MPC has satisfied its minimum throughput commitment on any of our ORPL pipelines for any quarter, all excess volumes shipped by MPC on those pipelines will be at a reduced incentive tariff rate.*

Under our transportation services agreements, if MPC fails to transport its minimum throughput volumes during any quarter, then MPC will pay us a deficiency payment equal to the volume of the deficiency multiplied by the tariff rate then in effect (the *Quarterly Deficiency Payment*). Under each of our transportation services agreements, other than the agreements covering our Wood River to Patoka crude system and our barge dock, the amount of any Quarterly Deficiency Payment paid by MPC may be applied as a credit for any volumes transported on the applicable pipeline system in excess of MPC's minimum volume commitment during any of the succeeding four quarters, or eight quarters for the transportation services agreements covering our Wood River to Patoka crude system and our barge dock, after which time any unused credits will expire. Upon the expiration or termination of a transportation services agreement, MPC will have the opportunity to apply any such remaining credit amounts until the completion of any such four-quarter or eight-quarter period, as applicable. Unlike during the term of the agreement, any such remaining credits may be used against any volumes shipped by MPC on the applicable pipeline system, without regard to any minimum volume commitment that may have been in place during the term of the agreement.

In order to enable MPC to transport its minimum throughput commitment each quarter, we are obligated to maintain the stated minimum capacity of the pipeline systems. If the minimum capacity of the pipeline falls below the level of MPC's commitment at any time or if capacity on the pipeline is required to be allocated among shippers because volume nominations exceed available capacity, depending on the cause of the reduction in capacity, MPC's commitment may be reduced or MPC will receive a credit for its minimum volume commitment for that period. Generally, under our transportation services agreements, we may elect to adjust our tariff rates annually. MPC has agreed not to directly or indirectly take any action that indicates a lack of support for our tariffs for the term of the agreement. In addition to MPC's minimum volume commitment, MPC will also be responsible for any loading, handling, transfer and other charges with respect to volumes we transport for MPC.

Under our transportation services agreements, if we agree to make any capital expenditures at MPC's request, MPC will reimburse us for, or we will have the right in certain circumstances to file for an increased tariff rate to recover, the actual cost of such capital expenditures. In addition, if new laws or regulations that affect the services that we provide to MPC under these agreements are enacted or promulgated that require us to make substantial and unanticipated capital expenditures, MPC will reimburse us for, or we will have the right to file for, an increased tariff rate to cover MPC's proportionate share of the costs of complying with these laws or regulations, after we have made efforts to mitigate their effect. MPC will also reimburse us for, or we will also have the right to file for an increased tariff rate to recover, the amounts of any taxes (other than income taxes, gross receipt taxes, ad valorem taxes, property taxes and similar taxes) that we incur on MPC's behalf for the services we provide to MPC under these agreements to the extent permitted by law. We and MPC will negotiate in good faith to agree on the level of the increased tariff rate.

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MPC's obligations under these transportation and storage services agreements will not terminate if MPC no longer controls our general partner.

Our transportation services agreements include provisions that permit MPC to suspend, reduce or terminate its obligations under the applicable agreement if certain events occur. These events include MPC deciding to permanently or indefinitely suspend refining operations at one or more of its refineries for at least twelve consecutive months and certain force majeure events that would prevent us or MPC from performing required services under the applicable agreement. As defined in our transportation and storage services agreements, force majeure events include any acts or occurrences that prevent services from being performed under the applicable agreement, such as:

Ø acts of God, fires, floods or storms;

Ø compliance with orders of courts or any governmental authority;

Ø explosions, wars, terrorist acts, riots, strikes, lockouts or other industrial disturbances;

Ø accidental disruption of service;

Ø breakdown of machinery, storage tanks or pipelines and inability to obtain or unavoidable delays in obtaining material or equipment to repair or replace those assets; and

Ø similar events or circumstances, so long as such events or circumstances are beyond the party's reasonable control and could not have been prevented by the service provider's reasonable due diligence.

Under our crude oil transportation services agreements, if MPC experiences a force majeure at one of its refineries that reduces such refinery's crude oil throughput capacity by at least 50.0% for 30 days or more, MPC's minimum volume commitment under the associated agreement will be reduced by 50.0% until such time that capacity is restored at the refinery.

Under our storage services agreements, we will make available to MPC on a firm basis the available storage capacity at our tank farms and butane cavern, and MPC will pay us a per-barrel fee for such storage capacity, regardless of whether MPC fully utilizes the available capacity. If the available capacity of our storage assets is reduced as a result of testing, repair or maintenance activities, a force majeure event or in order to comply with applicable law, rule or regulation, then MPC will be entitled to a proportionate reduction in the amounts payable by MPC under the applicable agreement. Beginning on January 1, 2014, our storage services agreements will be adjusted based on changes in the PPI.

None of these agreements may be assigned by us or MPC without the other party's prior written consent, except that we or MPC may assign an agreement without the other party's prior written consent to a successor in interest resulting from any merger, reorganization, consolidation or as part of a sale of all or substantially all of the assigning party's assets.

To the extent MPC elects not to extend or renew any of these transportation and storage services agreements, our financial condition and results of operations may be adversely affected. The majority of our assets were constructed or purchased to service MPC's operations and are well situated to suit MPC's needs. As a result, we would expect that even if any of these agreements are not renewed, MPC would continue to use our pipelines, barge dock and storage facilities. However, we cannot assure you that MPC will continue to use our facilities or that we will be able to generate additional revenues from third parties.



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The following sets forth additional information regarding each of our transportation and storage services agreements:

#### **Crude Oil Pipeline Systems**

Ø *Patoka to Lima Crude System.* Under our Patoka to Lima transportation services agreement, we will charge MPC, at the applicable FERC tariff rates, for transporting crude oil from Patoka, Illinois and any new or existing connections, including any injection and truck unloading points, along our Patoka to Lima pipeline system. MPC will be obligated to transport on this pipeline system each quarter an average of at least the lesser of: (1) 40 mbpd of light equivalent crude oil and (2) 290 mbpd of light equivalent crude oil minus all third party shipments of light equivalent crude oil on the system, each quarter on this pipeline system. Under this agreement, we may file with the FERC to adjust our tariff rates annually at a rate equal to the percentage change in any inflationary index promulgated by the FERC, in accordance with the FERC's indexing methodology. If the FERC terminates its indexing methodology and does not adopt a new methodology, the parties will negotiate in good faith any adjustment to the existing tariff rates. MPC historically has shipped volumes of crude oil on this pipeline system in excess of its minimum throughput commitment, and we expect those excess shipments to continue.

Ø *Catlettsburg and Robinson Crude System.* Under our Catlettsburg and Robinson transportation services agreement, we will charge MPC, at the applicable FERC tariff rates, for transporting crude oil from:

Patoka, Illinois and any new or existing connections, including any injection and truck unloading points, along our Patoka to Robinson pipeline extending from Patoka, Illinois to MPC's Robinson refinery; and

Patoka, Illinois and any new or existing connections, including any injection and truck unloading points, along our Patoka to Owensboro to Catlettsburg pipeline extending from Patoka to MPC's Catlettsburg refinery.  
MPC will be obligated to transport each quarter an average of at least 380 mbpd of light equivalent crude oil from origin points at Patoka, Owensboro or other connections on this pipeline system to MPC's Robinson or Catlettsburg refineries. Under this agreement, we may file with the FERC to adjust our tariff rates annually at a rate equal to the percentage change in any inflationary index promulgated by the FERC, in accordance with the FERC's indexing methodology. If the FERC terminates its indexing methodology and does not adopt a new methodology, the parties will negotiate in good faith any adjustment to the existing tariff rates. MPC historically has shipped volumes of crude oil on this pipeline system in excess of its minimum throughput commitment, and we expect those excess shipments to continue.

Ø *Detroit Crude System.* Under our Detroit transportation services agreement, we will charge MPC, at the applicable FERC tariff rates, for transporting crude oil from:

Samaria, Michigan and any new or existing connections, including any injection and truck unloading points, along our Samaria to Detroit pipeline extending from Samaria, Michigan to MPC's Detroit refinery; and

Romulus, Michigan and any new or existing connections, including any injection and truck unloading points, along our Romulus to Detroit pipeline extending from Romulus, Michigan to MPC's Detroit refinery.  
MPC will be obligated to transport each quarter an average of at least 155 mbpd of light equivalent crude oil from origin points at Samaria, Romulus or other connections on this pipeline system to



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MPC's Detroit refinery. Under this agreement, we may file with the FERC to adjust our tariff rates annually at a rate equal to the percentage change in any inflationary index promulgated by the FERC, in accordance with the FERC's indexing methodology. If the FERC terminates its indexing methodology and does not adopt a new methodology, the parties will negotiate in good faith any adjustment to the existing tariff rates.

Ø *Wood River to Patoka Crude System.* Under our Wood River to Patoka transportation services agreement, we will charge MPC, at the applicable FERC tariff rates, for transporting crude oil from:

Wood River, Illinois and any new or existing connections, including any injection and truck unloading points, along our pipeline extending from Wood River to Patoka, Illinois; and

Roxanna, Illinois and any new or existing connections, including any injection and truck unloading points, along our pipeline extending from Roxanna, Illinois to Patoka.

MPC will be obligated to transport on this pipeline system each quarter an average of at least the lesser of: (1) 130 mbpd of light equivalent crude oil and (2) 307 mbpd light equivalent crude oil minus all third party shipments of light equivalent crude oil on the system. Under this agreement, we may file with the FERC to adjust our tariff rates annually at a rate equal to the percentage change in any inflationary index promulgated by the FERC, in accordance with the FERC's indexing methodology. If the FERC terminates its indexing methodology and does not adopt a new methodology, the parties will negotiate in good faith any adjustment to the existing tariff rates.

### **Product Pipeline Systems**

Ø *Garyville Products System.* Under our Garyville transportation services agreement, we will charge MPC, at the applicable FERC tariff rates, for transporting products from Garyville, Louisiana and any new or existing connections, including any injection and truck unloading points, on our Garyville pipeline system to Baton Rouge and Zachary, Louisiana. MPC will be obligated to transport an average each quarter of at least 300 mbpd of products from MPC's Garyville refinery to Baton Rouge or Zachary, and an average each quarter of at least 80 mbpd of products from tankage at Zachary to the Colonial Pipeline in Zachary. Our tariff rates on this pipeline system are market-based. Under this agreement, we may file with the FERC to adjust our tariff rates based on the FERC's order granting us market-based rates. MPC historically has shipped volumes of products on this pipeline system in excess of its minimum throughput commitment, and we expect those excess shipments to continue.

Ø *Texas City Products System.* Under our Texas City transportation services agreement, we will charge MPC, at the applicable FERC tariff rates, for transporting products on our Texas City pipeline system from Texas City to Pasadena, Texas and from storage tanks at Pasadena to connecting pipeline carriers. MPC will be obligated to transport an average each quarter of at least 81 mbpd of products from origin points at Texas City to Pasadena, and an average each quarter of at least 61 mbpd of products from storage tanks at Pasadena to connecting pipeline carriers. Our tariff rates on this pipeline system are market-based. Under this agreement, we may file with the FERC to adjust our tariff rates based on the FERC's order granting us market-based rates. MPC historically has shipped volumes of products on this pipeline system in excess of the minimum throughput commitment, and we expect those excess shipments to continue.

Ø *ORPL Products System.* Under our Ohio River Pipe Line (ORPL) transportation services agreement, we will charge MPC, at the applicable FERC tariff rates, for transporting products from:

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MPC's Catlettsburg refinery and any new or existing connections, including any injection and truck unloading points, along our pipeline segment extending from Kenova, West Virginia to Columbus, Ohio;

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MPC's Canton refinery and any new or existing connections, including any injection and truck unloading points, along our Canton to Heath pipeline segments extending from MPC's Canton refinery to East Sparta, Ohio;

East Sparta, Ohio and any new or existing connections, including any injection and truck unloading points, along our pipeline segments extending from East Sparta to Heath, Ohio and East Sparta to West Point, Ohio to Midland, Pennsylvania; and

Heath, Ohio and any new or existing connections along our pipeline segments extending from Heath to Findlay, Ohio and Heath to Columbus, Ohio to Dayton, Ohio.

MPC will be obligated to transport an average of at least: 48 mbpd of products each quarter on the Kenova to Columbus pipeline segment; 10 mbpd of products each quarter on the Columbus to Dayton pipeline segment; four mbpd of products each quarter on the Heath to Findlay and Findlay to Heath pipeline segment; six mbpd of products each quarter on the Columbus to Heath or Heath to Columbus pipeline segment; 32 mbpd of products each quarter on the Canton to East Sparta or East Sparta to Canton pipeline segment; eight mbpd of products each quarter on the East Sparta to Heath or Heath to East Sparta pipeline segment; 13 mbpd of products each quarter on the East Sparta to Midland or Midland to East Sparta pipeline segment and seven mbpd of products each quarter on the East Sparta to West Point pipeline segment or Midland to West Point pipeline segment. Under this agreement, we may file with the FERC to adjust our tariff rates annually at a rate equal to the percentage change in any inflationary index promulgated by the FERC, in accordance with the FERC's indexing methodology. If the FERC terminates its indexing methodology and does not adopt a new methodology, the parties will negotiate in good faith any adjustment to the existing tariff rates. Once MPC has satisfied its minimum throughput commitment on any of the pipeline segments for any quarter, all excess volumes shipped by MPC on those segments will be at a reduced incentive tariff rate.

Ø *Robinson Products System.* Under our Robinson products system transportation services agreement, we will charge MPC, at the applicable FERC tariff rates, for transporting products from:

MPC's Robinson refinery and any new or existing connections, including any injection and truck unloading points, along our pipeline segments extending from Robinson to Lima, Ohio, Robinson to Louisville, Kentucky, Robinson to Champaign to Griffith, Indiana, Robinson to Brownsburg Junction, Indiana and Robinson to Mt. Vernon, Indiana;

Wood River, Illinois and any new or existing connections, including any injection and truck unloading points, along our pipeline segments extending from Wood River to Clermont, Indiana and Wood River to Champaign to Griffith; and

Martinsville, Illinois to any available destination on the pipeline system for volumes that are delivered to Martinsville from our pipeline segment extending from Dieterich, Illinois to Martinsville.

MPC will be obligated to transport an average of at least 209 mbpd of products each quarter in the aggregate from origin points at Robinson, Wood River and Martinsville for volumes delivered from the Dieterich to Martinsville pipeline segment, as well as other connection points on this pipeline system. Our tariff rates on this pipeline system are market-based. Under this agreement, we may, but are not required to, file with the FERC to adjust our tariff rates based on the FERC's indexing methodology or under FERC's order approving our market-based rates annually. MPC historically has shipped volumes of products on this pipeline system in excess of the minimum throughput commitment, and we expect those excess shipments to continue.

### **Other Midstream Assets**



Ø *Wood River Barge Dock.* Under our Wood River barge dock transportation services agreement, we will charge MPC, at the applicable FERC tariff rates, for transporting crude oil or products over our

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dock at Wood River, Illinois to or from barges supplied by MPC. MPC will be obligated to transport an average of at least the lesser of (1) 40 mbpd of crude oil and products and (2) 60 mbpd of crude oil and products minus all third party shipments of light equivalent crude oil and products handled each quarter at this facility. Under the agreement, as to crude oil we may file with the FERC to adjust our tariff rates at a rate either equal to the percentage change in any inflationary index promulgated by the FERC, in accordance with the FERC's indexing methodology, or with respect to rates for refined products, we may adopt the tariff rates in a manner consistent with our market-based rates. If the FERC terminates its indexing methodology and does not adopt a new methodology, the parties will negotiate in good faith any adjustment to the existing tariff rates.

- Ø *Neal Butane Cavern.* Under our Neal butane cavern services agreement, MPC will be obligated to pay us a \$1.25 per-barrel fee per month for storing butane at our Neal, West Virginia butane cavern. MPC's fees under this agreement will be for the use of the available storage capacity of our Neal butane cavern of approximately 1.0 million barrels for butane regardless of whether MPC fully utilizes all of its contracted capacity. Beginning on January 1, 2014, we may increase MPC's per-barrel fee annually by a percentage equal to any increase in the PPI.
- Ø *Patoka Tank Farm.* Under our Patoka tank farm storage services agreement, MPC will be obligated to pay us a \$0.48 per-barrel fee per month for storing crude oil at our Patoka, Illinois tank farm. MPC's fees under this agreement will be for the use of the available shell capacity of our Patoka tank farm (1,386 mbbls for crude oil) regardless of whether MPC fully utilizes all of its contracted capacity. Beginning on January 1, 2014, we may increase MPC's per-barrel fee annually by a percentage equal to any increase in the PPI.
- Ø *Wood River Tank Farm.* Under our Wood River tank farm storage services agreement, MPC will be obligated to pay us a \$0.48 per-barrel fee per month for storing crude oil and products at our Wood River, Illinois terminal. MPC's fees under this agreement will be for the use of the available shell capacity of our Wood River tank farm (219 mbbls for crude oil and 200 mbbls for products) regardless of whether MPC fully utilizes all of its contracted capacity. Beginning on January 1, 2014, we may increase MPC's per-barrel fee annually by a percentage equal to any increase in the PPI.
- Ø *Martinsville Tank Farm.* Under our Martinsville tank farm storage services agreement, MPC will be obligated to pay us a \$0.48 per-barrel fee per month for storing crude oil and products at our Martinsville, Illinois terminal. MPC's fees under this agreement will be for the use of the available shell capacity of our Martinsville tank farm (110 mbbls for crude oil and 628 mbbls for products) regardless of whether MPC fully utilizes all of its contracted capacity. Beginning on January 1, 2014, we may increase MPC's per-barrel fee annually by a percentage equal to any increase in the PPI.
- Ø *Lebanon Tank Farm.* Under our Lebanon tank farm storage services agreement, MPC will be obligated to pay us a \$0.48 per-barrel fee per month for storing crude oil. MPC's fees under this agreement will be for the use of the available shell capacity of our Lebanon tank farm (750 mbbls for crude oil) regardless of whether MPC fully utilizes all of its contracted capacity. Beginning on January 1, 2014, we may increase MPC's per-barrel fee annually by a percentage equal to any increase in the PPI.

### **OPERATING AND MANAGEMENT SERVICES AGREEMENTS WITH MPC AND THIRD PARTIES**

#### **Operating Agreements**

Through MPL, we currently operate and, following the closing of this offering, will continue to operate, various pipeline systems owned by MPC and third parties under existing operating services agreements that MPL has entered into with MPC and third parties. Under these operating services agreements,



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MPL receives an operating fee for operating the assets, which include certain MPC wholly owned or partially owned crude oil and product pipelines, and for providing various operational services with respect to those assets. MPL is generally reimbursed for all direct and indirect costs associated with operating the assets and providing such operational services. These agreements generally range from one to five years in length and automatically renew. Most of the agreements are indexed for inflation. For the year ended December 31, 2011 and the six months ended June 30, 2012, MPL was paid an aggregate of approximately \$7.9 million and \$6.6 million in fees under these agreements, respectively.

Our existing operating services agreements also include an operating agreement with Red Butte Pipe Line Company, which is owned by MPC's former parent, Marathon Oil. Under this agreement, MPL receives an annual \$3.25 million operating fee for operating certain pipelines in Wyoming and Montana. This agreement will expire in December 2013 and may be renewed upon the mutual consent of the parties.

For more information regarding our operating services agreements with MPC, please read [Certain Relationships and Related Party Transactions](#) [Operating Agreements with MPC and Related Parties](#).

### **Management Services Agreements**

Effective September 1, 2012, we entered into a management services agreement with Hardin Street Holdings LLC, a subsidiary of MPC, under which MPL will continue to provide certain management services to MPC with respect to certain of MPC's retained assets owned by Hardin Street Holdings LLC. We will receive a fixed monthly fee under the agreement for providing the required management services. The aggregate monthly fees will initially be approximately \$0.5 million per year and will be indexed for inflation and subject to adjustments for changes in the scope of management services provided.

In connection with this offering, we will also enter into a second management services agreement with MPL Louisiana Holdings LLC, a subsidiary of MPC, under which MPL will continue to provide certain management services to MPC with respect to certain of MPC's retained pipeline assets owned by MPL Louisiana Holdings LLC. We will receive a fixed monthly fee under the agreement for providing the required management services. The aggregate monthly fees will initially be approximately \$0.2 million per year and will be indexed for inflation and subject to adjustments for changes in the scope of management services provided.

For additional information about our management services agreements, please read [Certain Relationships and Related Party Transactions](#) [Agreements Governing the Transactions](#) [Management Services Agreements](#).

### **OTHER AGREEMENTS WITH MPC**

In connection with this offering, we will also enter into the following agreements with MPC:

Ø *Omnibus Agreement.* Upon the closing of this offering, we will enter into an omnibus agreement with MPC that will address our payment of a fixed annual fee to MPC for the provision of executive management services by certain executive officers of our general partner and our reimbursement of MPC for the provision of certain general and administrative services to us, as well as MPC's indemnification of us for certain matters, including certain pre-closing environmental, title and tax matters. In addition, we will indemnify MPC for certain post-closing matters under this agreement. Please read [Certain Relationships and Related Party Transactions](#) [Agreements Governing the Transactions](#) [Omnibus Agreement](#).

Ø *Employee Services Agreements.* In connection with this offering, we will enter into two employee services agreements with MPC under which we will reimburse MPC for the provision of certain operational and management services to us in support of our pipelines, barge dock, butane cavern and tank farms. Please read [Certain Relationships and Related Party Transactions](#) [Agreements Governing the Transactions](#) [Employee Services Agreements](#).



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#### **OUR RELATIONSHIP WITH MARATHON PETROLEUM CORPORATION**

One of our principal strengths is our relationship with MPC, which we believe to be the fifth-largest petroleum products refiner in the United States and the largest petroleum products refiner in the Midwest region of the United States based on crude oil refining capacity. MPC owns and operates six refineries and associated midstream transportation and logistics assets in PADD II and PADD III, which consist of states in the Midwest and Gulf Coast regions of the United States, along with an extensive wholesale and retail refined product marketing operation that serves markets primarily in the Midwest and Southeast regions of the United States. MPC markets refined products under the Marathon brand through an extensive network of jobber- and dealer-owned retail locations, and under the Speedway brand through its wholly owned subsidiary, Speedway LLC, which operates what we believe to be the nation's fourth-largest chain of company-owned and operated retail gasoline and convenience stores. In addition, MPC sells refined products in the wholesale markets. For the year ended December 31, 2011 and the six months ended June 30, 2012, MPC had consolidated revenues of approximately \$78.6 billion and \$40.5 billion, respectively. Marathon Petroleum Corporation's common stock trades on the NYSE under the symbol MPC.

MPC's operations necessitate large-scale movements of crude oil and feedstocks to and among its refineries, as well as large-scale movements of refined products from its refineries to various markets. To this end, MPC has an extensive, integrated network of midstream assets. Following the completion of this offering, MPC will continue to own or lease a substantial portfolio of midstream assets, including:

- Ø a 49.0% interest in our network of pipeline systems, barge dock and tank farms through Pipe Line Holdings;
  - Ø over 5,000 miles of additional crude oil and product pipelines;
  - Ø three liquefied petroleum gas storage facilities in Woodhaven, Michigan; Canton, Ohio; and Neal, West Virginia with an aggregate capacity of over 2.1 million barrels;
  - Ø 62 owned and operated light product terminals with 182 transport loading racks;
  - Ø 21 owned and operated asphalt terminals with 79 transport loading racks;
  - Ø over 120 owned transport trucks;
  - Ø over 1,900 owned or leased rail cars; and
  - Ø one of the largest inland bulk liquid barge fleets in the United States, consisting of 15 towboats and 167 owned and 14 leased barges.
- MPC will retain a significant interest in us through its ownership of our general partner, a % limited partner interest in us and all of our incentive distribution rights. We believe MPC will promote and support the successful execution of our business strategies given its significant ownership in us following this offering and its stated intention to use us to grow its midstream business. As a result, we believe MPC will offer us the opportunity to purchase additional assets from it, including additional interests in Pipe Line Holdings. We also may pursue acquisitions jointly with MPC. However, MPC is under no obligation to offer to sell us additional assets or to pursue acquisitions jointly with us, and we are

under no obligation to buy any such additional assets or pursue any such joint acquisitions.

While our relationship with MPC and its subsidiaries is a significant strength, it is also a source of potential conflicts. Please read [Conflicts of Interest and Duties](#) and [Risk Factors](#) [Risks Inherent in an Investment in Us](#). Our general partner and its affiliates, including MPC, have conflicts of interest with us and limited duties to us and our unitholders, and they may favor their own interests to our detriment and that of our unitholders. Additionally, we have no control over MPC's business decisions and operations, and MPC is under no obligation to adopt a business strategy that favors us.

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**OUR ASSET PORTFOLIO**

The following sections describe in more detail our assets and the related services that we provide.

**Crude Oil Pipeline Systems**

Our crude oil pipeline systems and related assets are strategically positioned to support diverse and flexible crude oil supply options for MPC's Midwest refineries, which receive imported and domestic crude oil through a variety of sources. Imported and domestic crude oil is transported to supply hubs in Wood River and Patoka, Illinois from a variety of regions, including: Cushing, Oklahoma on the Ozark pipeline system; Western Canada, Wyoming and North Dakota on the Keystone, Platte, Mustang and Enbridge pipeline systems; and the Gulf Coast on the Capline crude oil pipeline system. Our major crude oil pipeline systems are connected to these supply hubs and transport crude oil to refineries owned by MPC and third parties.

The following map shows the locations of our crude oil pipeline systems:

The following are descriptions of each of our crude oil pipeline systems and related assets:

*Patoka to Lima crude system.* Our Patoka to Lima crude system is comprised of approximately 76 miles of 20-inch pipeline extending from Patoka, Illinois to Martinsville, Illinois, and approximately 226



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miles of 22-inch pipeline extending from Martinsville to Lima, Ohio. This system also includes associated breakout tankage. Crude oil delivered on this system to MPC's tank farm in Lima can then be shipped to MPC's Canton, Ohio refinery through MPC's Lima to Canton pipeline, to MPC's Detroit refinery through MPC's undivided joint interest portion of the Maumee pipeline, and our Samaria to Detroit pipeline, or to other third-party refineries owned by BP, Husky Energy, and PBF Energy in Lima and Toledo, Ohio. This pipeline system has a capacity of 290 mbpd.

*Catlettsburg and Robinson crude system.* Our Catlettsburg and Robinson crude system is comprised of the following pipelines:

Ø *Patoka to Robinson.* Our Patoka to Robinson pipeline consists of approximately 78 miles of 20-inch pipeline that delivers crude oil from Patoka, Illinois to MPC's Robinson, Illinois refinery. This pipeline has a capacity of 225 mbpd.

Ø *Patoka to Catlettsburg.* Our Patoka to Catlettsburg pipeline consists of approximately 140 miles of 20-inch pipeline extending from Patoka, Illinois to Owensboro, Kentucky, and approximately 266 miles of 24-inch pipeline extending from Owensboro to MPC's Catlettsburg, Kentucky refinery. Crude oil can enter this pipeline at Patoka, and into the Owensboro to Catlettsburg portion of the pipelines at Lebanon Junction, Kentucky, from the third-party Mid-Valley system. This pipeline has a capacity of 256 mbpd.

*Detroit crude system.* Our Detroit crude system is comprised of the following pipelines:

Ø *Samaria to Detroit.* Our Samaria to Detroit pipeline consists of approximately 44 miles of 16-inch pipeline that delivers crude oil from Samaria, Michigan to MPC's Detroit, Michigan refinery. This pipeline includes a tank farm and crude oil truck offloading facility located at Samaria. This pipeline has a capacity of 140 mbpd.

Ø *Romulus to Detroit.* Our Romulus to Detroit pipeline consists of approximately 17 miles of 16-inch pipeline extending from Romulus, Michigan to MPC's Detroit, Michigan refinery. This pipeline was previously a refined product pipeline that we are in the process of converting into a crude oil pipeline. We lease an existing 16-mile portion of this pipeline from a third party under a long-term lease that expires in 2019 and may be renewed for up to four additional five-year terms at our option. We are currently constructing the remaining approximately one mile of this pipeline. We anticipate that the one-mile addition and the pipeline's conversion into crude oil service will be completed during the fourth quarter of 2012. When completed, we expect that this pipeline will have a capacity of 180 mbpd and will deliver crude oil received from pipeline systems operated by Sunoco Logistics Partners and Enbridge Energy Partners at Romulus to MPC's Detroit refinery.

*Wood River to Patoka crude system.* Our Wood River to Patoka crude system is comprised of the following pipelines:

Ø *Wood River to Patoka.* Our Wood River to Patoka pipeline consists of approximately 57 miles of 22-inch pipeline that delivers crude oil received in Wood River, Illinois from the third-party Platte and Ozark pipeline systems to Patoka, Illinois. This pipeline was constructed in 1949 and has a capacity of 223 mbpd.

Ø *Roxanna to Patoka.* Our Roxanna to Patoka pipeline consists of approximately 58 miles of 12-inch pipeline that transports crude oil received in Roxanna, Illinois from the Ozark pipeline system to our tank farm in Patoka, Illinois. We lease this pipeline from a third party under a long-term lease that expires in 2020. This pipeline was formerly a refined product pipeline that we converted into a crude oil pipeline in January 2012. This pipeline has a capacity of 84 mbpd.



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#### **Product Pipeline Systems**

Our product pipeline systems are strategically positioned to transport products from five of MPC's refineries to MPC's marketing operations, as well as those of third parties. These pipeline systems also supply feedstocks to MPC's Midwest refineries. These product pipeline systems are integrated with MPC's expansive network of refined product marketing terminals, which support MPC's integrated midstream business.

The following map shows the locations of our Gulf Coast product pipeline systems, which are comprised of our Garyville products system and our Texas City products system:

The following are descriptions of our Gulf Coast product pipeline systems:

*Garyville products system.* Our Garyville products system is comprised of approximately 70 miles of 20-inch pipeline that delivers refined products from MPC's Garyville, Louisiana refinery to either the Plantation Pipeline in Baton Rouge, Louisiana or the MPC Zachary breakout tank farm in Zachary, Louisiana, and approximately two miles of 36-inch pipeline that delivers refined products from the MPC tank farm to Colonial Pipeline in Zachary. This pipeline system is the Garyville refinery's primary pathway for pipeline distribution of refined products, and has a capacity of 389 mbpd.

*Texas City products system.* Our Texas City products system is comprised of approximately 39 miles of 16-inch pipeline that delivers refined products from refineries owned by MPC, BP and Valero in Texas

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City, Texas to MPC's Pasadena breakout tank farm and third-party terminals in Pasadena, Texas. The system also includes approximately three miles of 30- and 36-inch pipeline that delivers refined products from MPC's Pasadena breakout tank farm to the third-party TEPPCO and Centennial pipeline systems. This pipeline system has a capacity of 215 mbpd.

The following map shows the locations of our Midwest product pipeline systems, which are comprised of our Ohio River Pipe Line products system, our Robinson products system and our Louisville Airport products system:

The following are descriptions of our Midwest product pipeline systems:

*Ohio River Pipe Line (ORPL) products system.* Our ORPL products system is comprised of the following pipelines:

Ø *Kenova to Columbus.* Our Kenova to Columbus pipeline consists of approximately 150 miles of 14-inch pipeline that delivers refined products from MPC's Catlettsburg refinery (through a MPC terminal in Kenova, West Virginia) to MPC's Columbus, Ohio area terminals. In Columbus, products can be further distributed to the Dayton, Ohio market through our Heath to Dayton pipeline. This pipeline has a capacity of 68 mbpd.

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- Ø *Canton to East Sparta.* Our Canton to East Sparta pipeline consists of two parallel pipelines that connect MPC's Canton, Ohio refinery with our East Sparta, Ohio breakout tankage and station. The first pipeline consists of approximately 8.5 miles of six-inch pipeline that delivers products (distillates) from Canton to East Sparta. The second pipeline consists of approximately 8.5 miles of six-inch bi-directional pipeline that can deliver products (gasoline) from Canton to East Sparta or light petroleum-based feedstocks from East Sparta to Canton. The first pipeline has a capacity of 32 mbpd. The second pipeline has a capacity of 42 mbpd.
  
- Ø *East Sparta to Heath.* Our East Sparta to Heath pipeline consists of approximately 81 miles of eight-inch pipeline that delivers products from our East Sparta, Ohio breakout tankage and station to MPC's terminal in Heath, Ohio, which has a marketing load rack and is able to connect to certain of our other pipelines to deliver products to destinations in Findlay and Columbus, Ohio. This pipeline has a capacity of 31 mbpd.
  
- Ø *East Sparta to Midland.* Our East Sparta to Midland pipeline consists of approximately 62 miles of eight-inch bi-directional pipeline that can deliver products and light petroleum-based feedstocks between our break-out tankage and station in East Sparta, Ohio and MPC's terminal in Midland, Pennsylvania. MPC's Midland terminal has a marketing load rack and is able to connect to other Pittsburgh, Pennsylvania-area terminals through a pipeline owned by Buckeye Pipe Line Company, L.P. and a river loading/unloading dock for products and petroleum feedstocks. This pipeline can also transport products to MPC's terminals in Steubenville and Youngstown, Ohio through a connection at West Point, Ohio with a pipeline owned by MPC. This pipeline has a capacity of 29 mbpd.
  
- Ø *Heath to Dayton.* Our Heath to Dayton pipeline consists of approximately 108 miles of six-inch pipeline that delivers products from MPC's terminals in Heath, Ohio and Columbus, Ohio to terminals owned by CITGO and Sunoco Logistics Partners, L.P. in Dayton, Ohio. This pipeline is bi-directional between Heath and Columbus for product deliveries. The pipeline extending from Columbus to Dayton was reactivated in December 2011. This pipeline has a capacity of 20 mbpd.
  
- Ø *Heath to Findlay.* Our Heath to Findlay consists of approximately 100 miles of eight- and 10-inch pipeline that delivers products from MPC's terminal in Heath, Ohio to MPC's pipeline break-out tankage and terminal in Findlay, Ohio. From Findlay, products can be further distributed to various Ohio, Michigan, and Indiana destinations through connections with a pipeline owned by Buckeye Pipe Line Company, L.P. and other third-party pipeline systems. This pipeline has a capacity of 20 mbpd.
- Robinson products system.* Our Robinson products system is comprised of the following pipelines:
  - Ø *Robinson to Lima.* Our Robinson to Lima pipeline consists of approximately 250 miles of 10-inch pipeline that delivers products from MPC's Robinson, Illinois refinery to various MPC terminals in Indianapolis, Indiana, as well as to MPC terminals in Muncie, Indiana and Lima, Ohio. This pipeline has a capacity of 51 mbpd.
  
  - Ø *Robinson to Louisville.* Our Robinson to Louisville pipeline consists of approximately 129 miles of 16-inch pipeline that delivers products from MPC's Robinson, Illinois refinery to two MPC and multiple third-party terminals in Louisville, Kentucky. At Louisville, MPC is able to further distribute these products to its river-sourced terminals through barge loading facilities at its Louisville terminal dock and its marine transportation assets. In addition, these products can supply MPC and Valero terminals in Lexington, Kentucky through the Louisville to Lexington pipeline system owned by MPC and Valero. The Robinson to Louisville pipeline has a capacity of 82 mbpd.

Ø *Robinson to Mt. Vernon.* Our Robinson to Mt. Vernon pipeline consists of approximately 79 miles of 10-inch pipeline that delivers products from MPC's Robinson, Illinois refinery to a MPC terminal located on the Ohio River in Mt. Vernon, Indiana. MPC is able to further distribute these products to

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its river-sourced terminals through dock loading facilities at its Mt. Vernon terminal and its marine transportation assets. We lease this pipeline from a third party under a long-term lease that expires in 2020. The pipeline has a capacity of 34 mbpd.

- Ø *Wood River to Clermont.* Our Wood River to Clermont pipeline consists of approximately 153 miles of 10-inch pipeline extending from MPC's terminal in Wood River, Illinois to Martinsville, Illinois, and approximately 156 miles of 10-inch pipeline extending from Martinsville, Illinois to Clermont, Indiana. This pipeline also includes approximately 9.5 miles of pipelines utilized for the local movement of products in and around Wood River, Illinois, and Clermont, Indiana. This pipeline has connecting segments from Martinsville, Illinois to MPC's Robinson, Illinois refinery, which allows bi-directional movements. This pipeline has a capacity of 48 mbpd.
- Ø *Dieterich to Martinsville.* Our Dieterich to Martinsville pipeline consists of approximately 40 miles of 10-inch pipeline that delivers products from the termination point of Centennial Pipeline to Martinsville, Illinois. From Martinsville, these products (including refinery feedstocks) can be further distributed to MPC's Robinson, Illinois refinery or to other destinations through our other pipeline systems. This pipeline has a capacity of 75 mbpd.
- Ø *Wabash Pipeline System.* Our Wabash Pipeline System consists of three interconnected pipeline pipelines: approximately 130 miles of 12-inch pipeline extending from MPC's terminal in Wood River, Illinois to Champaign, Illinois (the West leg); approximately 86 miles of 12-inch pipeline extending from MPC's Robinson, Illinois refinery to Champaign (the East leg); and approximately 140 miles of 12- and 16-inch pipeline extending from the junction with the East and West legs in Champaign to MPC's terminals in Griffith, Indiana and Hammond, Indiana. This pipeline system delivers products to MPC's tanks at Martinsville, Champaign, Griffith and Hammond. This pipeline system also delivers products to tanks owned by Meier Oil Company at Ashkum, Illinois. The Wabash Pipeline System connects to other pipeline systems in the Chicago area through a portion of the system located beyond MPC's Griffith terminal. Overall, the pipeline system is capable of receiving products from or delivering products to five separate third-party pipeline systems. The East leg has a capacity of 99 mbpd, the West leg has a capacity of 71 mbpd and the remaining pipeline segment has a capacity of 85 mbpd.
- Louisville Airport products system.* Our Louisville airport products system consists of approximately 14 miles of eight- and six-inch pipeline that delivers jet fuel from MPC's Louisville, Kentucky refined product terminals to customers at the Louisville International Airport. This pipeline system currently transports only third-party volumes. This pipeline system has a capacity of 29 mbpd.

### **Other Major Midstream Assets**

#### *Neal Butane Cavern*

Our new butane cavern is located in Neal, West Virginia, across the Big Sandy River from MPC's Catlettsburg, Kentucky refinery. This storage cavern has approximately 1.0 million barrels of storage capacity and is connected to MPC's Catlettsburg refinery. Rail access to the storage cavern is also available through connections with the refinery.

#### *Wood River Barge Dock*

Our barge dock is located on the Mississippi River in Wood River, Illinois and is used both for crude oil barge loading and products barge unloading. The barge dock is connected to our Wood River tank farm by approximately two miles of 14-inch pipeline that transfers crude oil from the tank farm to the dock, and two 10-inch pipelines that are each approximately two miles long and that transfer products and feedstocks from the dock to the tank farm. This dock generates revenue through a FERC tariff that is





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collected for the transfer and loading/unloading of crude oil and products. While the capacity of our barge dock and related pipelines can vary by product and other operational factors, based on volumes handled at the facility for the year ended December 31, 2011, the average capacity of our barge dock and related pipelines was approximately 80 mbpd.

#### *Tank Farms*

We also own tank farms located in Patoka, Martinsville and Wood River, Illinois and Lebanon, Indiana that we use for storing both crude oil and products. These storage assets are integral to the operation of our pipeline systems in those areas. We utilize the substantial majority of our capacity at these tank farms as breakout tankage for our crude oil and product pipeline systems. We will provide an aggregate of approximately 3.3 million barrels of available capacity to MPC on a firm basis under our storage services agreements.

### **COMPETITION**

As a result of our contractual relationship with MPC under our transportation and storage services agreements, and our connections to MPC's refineries, we believe that our crude oil and product pipelines will not face significant competition from other pipelines for MPC's crude oil or products transportation requirements. Please read Our Transportation and Storage Services Agreements with MPC.

If MPC's customers reduced their purchases of products from MPC due to the increased availability of less expensive products from other suppliers or for other reasons, MPC may only ship the minimum volumes through our pipelines (or pay the shortfall payment if it does not ship the minimum volumes), which would cause a decrease in our revenues. MPC competes with integrated petroleum companies, which have their own crude oil supplies and distribution and marketing systems, as well as with independent refiners, many of which also have their own distribution and marketing systems. MPC also competes with other suppliers that purchase refined products for resale. Competition in any particular geographic area is affected significantly by the volume of products produced by refineries in that area and by the availability of products and the cost of transportation to that area from distant refineries.

### **MPC'S OPERATIONS**

Although we do not own or operate any refining, marketing or retail assets, our crude oil and product pipeline systems are located within and are connected to MPC's extensive operations. Our pipelines transport crude oil to four of MPC's six refineries and distribute products received from five of MPC's refineries.

#### **MPC's Refining Operations**

MPC's operations include the manufacturing and marketing of numerous products, ranging from transportation fuels, such as reformulated gasolines, blend-grade gasolines intended for blending with fuel ethanol and ultra-low-sulfur diesel fuel, to heavy fuel oil and asphalt. MPC also manufactures aromatics, propane, propylene, cumene and sulfur. These products are manufactured from a variety of feedstocks.

MPC owns and operates six petroleum refineries located in Garyville, Louisiana; Catlettsburg, Kentucky; Robinson, Illinois; Detroit, Michigan; Texas City, Texas; and Canton, Ohio. MPC's refineries include crude oil atmospheric and vacuum distillation, fluid catalytic cracking, catalytic reforming, desulfurization and sulfur recovery units.

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The following table sets forth the crude oil refining capacity of each of MPC's refineries for the year ended December 31, 2011:

<b>MPC refinery</b>	<b>Crude oil refining capacity (mbpcd)(1)</b>
Garyville, Louisiana	490
Catlettsburg, Kentucky	233
Robinson, Illinois	206
Detroit, Michigan	106
Texas City, Texas	80
Canton, Ohio	78
<b>Total (All refineries)</b>	<b>1,193</b>

(1) As of December 31, 2011.

*Garyville, Louisiana Refinery.* MPC's Garyville, Louisiana refinery is located along the Mississippi River in southeastern Louisiana between New Orleans and Baton Rouge. The Garyville refinery is configured to process heavy sour crude oil into products such as gasoline, distillates, asphalt, polymer grade propylene, propane, isobutane, sulfur and fuel-grade coke. An expansion project was completed in the fourth quarter of 2009 that increased the Garyville refinery's crude oil refining capacity, making it one of the largest refineries in the United States. The Garyville refinery has earned designation as a U.S. Occupational Safety and Health Administration ( OSHA ) Voluntary Protection Program ( VPP ) Star site.

*Catlettsburg, Kentucky Refinery.* MPC's Catlettsburg, Kentucky refinery is located in northeastern Kentucky on the western bank of the Big Sandy River, near the confluence with the Ohio River. The Catlettsburg refinery processes sweet and sour crude oils into products such as gasoline, distillates, asphalt, cumene, petrochemicals, propane and propylene.

*Robinson, Illinois Refinery.* MPC's Robinson, Illinois refinery is located in southeastern Illinois. The Robinson refinery processes sweet and sour crude oils into products such as multiple grades of gasoline, distillates, anode-grade coke, propane, butane and propylene. The Robinson refinery has earned designation as an OSHA VPP Star site.

*Detroit, Michigan Refinery.* MPC's Detroit, Michigan refinery is located in southwest Detroit and is the only petroleum refinery currently operating in Michigan. The Detroit refinery processes light sweet and heavy sour crude oils, including Canadian crude oils, into products such as gasoline, distillates, asphalt, slurry, propane, and propylene. The Detroit refinery has earned designation as an OSHA VPP Star site.

*Texas City, Texas Refinery.* MPC's Texas City, Texas refinery is located on the Texas Gulf Coast approximately 30 miles south of Houston, Texas. The refinery processes sweet crude oil into products such as gasoline, chemical grade propylene, propane, slurry and aromatics.

*Canton, Ohio Refinery.* MPC's Canton, Ohio refinery is located approximately 60 miles southeast of Cleveland, Ohio. The Canton refinery processes sweet and sour crude oils into products such as gasoline, distillates, asphalt, propane, slurry and roofing flux.



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#### **MPC's Marketing Operations**

MPC is one of the largest wholesale suppliers of gasoline and distillates to resellers within its market area. MPC has two retail brands: Speedway® and Marathon®. We believe MPC's 1,455 convenience stores, which it operates through its wholly owned subsidiary, Speedway LLC, comprise the fourth-largest chain of company-owned and operated retail gasoline and convenience stores in the United States. The Marathon brand is an established motor fuel brand in the Midwest and Southeast regions of the United States, and is available through more than 5,000 retail outlets operated by third parties in 18 states.

### **INSURANCE**

Our assets may experience physical damage as a result of an accident or natural disaster. These hazards can also cause personal injury and loss of life, severe damage to and destruction of property and equipment, pollution or environmental damage, and suspension of operations. We will be insured under MPC's corporate property and liability insurance policies and be subject to the shared deductibles and limits under those policies. We will also maintain our own property, business interruption and pollution liability insurance policies separately from MPC and at varying levels of deductibles and limits that we believe are reasonable and prudent under the circumstances to cover our operations and assets. As we continue to grow, we will continue to evaluate our policy limits and retentions as they relate to the overall cost and scope of our insurance program.

### **PIPELINE CONTROL OPERATIONS**

Our pipeline systems are operated from a central control room located in Findlay, Ohio. The control center operates with a SCADA system equipped with computer systems designed to continuously monitor operational data. Monitored data includes pressures, temperatures, gravities, flow rates and alarm conditions. A state-of-the-art real-time transient leak detection system monitors throughput and alarms if pre-established operating parameters are exceeded. The control center operates remote pumps, motors, and valves associated with the receipt and delivery of crude oil and products, and provides for the remote-controlled shutdown of pump stations on the pipeline system. A fully functional back-up operations center is also maintained and routinely operated throughout the year to ensure safe and reliable operations.

### **RATE AND OTHER REGULATION**

Our pipeline systems are common carriers subject to regulation by various federal, state and local agencies. The FERC regulates interstate transportation on our common carrier pipeline systems under the ICA, EPAct 1992 and the rules and regulations promulgated under those laws. The ICA and its implementing regulations require that tariff rates for interstate service on oil pipelines, including interstate pipelines that transport crude oil and products (collectively referred to as petroleum pipelines), be just and reasonable and must not be unduly discriminatory or confer any undue preference upon any shipper. The FERC regulations require that interstate petroleum pipeline transportation rates and terms and conditions of service be filed with the FERC and publicly posted. Under the ICA, interested persons may challenge new or changed rates or services. The FERC is authorized to investigate such charges and may suspend the effectiveness of a challenged rate for up to seven months. A successful rate challenge could result in a petroleum pipeline paying refunds together with interest for the period that the rate was in effect. The FERC may also investigate, upon complaint or on its own motion, existing rates and related rules and may order a pipeline to change them prospectively. A shipper may obtain reparations for damages sustained for a period up to two years prior to the filing of a complaint.

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EPAct 1992 deemed certain interstate petroleum pipeline rates then in effect to be just and reasonable under the ICA. These rates are commonly referred to as grandfathered rates. Our rates in effect at the time of the passage of EPAct 1992 for interstate transportation service were deemed just and reasonable and therefore are grandfathered. New rates have since been established after EPAct 1992 for certain pipeline systems, and many of our products rates have subsequently been approved as market-based rates. The FERC may change grandfathered rates upon complaint only after it is shown that:

- Ø a substantial change has occurred since enactment in either the economic circumstances or the nature of the services that were a basis for the rate;
- Ø the complainant was contractually barred from challenging the rate prior to enactment of EPAct 1992 and filed the complaint within 30 days of the expiration of the contractual bar; or
- Ø a provision of the tariff is unduly discriminatory or preferential.

EPAct 1992 required the FERC to establish a simplified and generally applicable ratemaking methodology for interstate petroleum pipelines. As a result, the FERC adopted an indexing rate methodology which, as currently in effect, allows petroleum pipelines to change their rates within prescribed ceiling levels that are tied to changes in the PPI. The FERC's indexing methodology is subject to review every five years. During the five-year period commencing July 1, 2011 and ending June 30, 2016, petroleum pipelines charging indexed rates are permitted to adjust their indexed ceilings annually by PPI plus 2.65%. The indexing methodology is applicable to existing rates, including grandfathered rates, with the exclusion of market-based rates. A pipeline is not required to raise its rates up to the index ceiling, but it is permitted to do so and rate increases made under the index are presumed to be just and reasonable unless a protesting party can demonstrate that the portion of the rate increase resulting from application of the index is substantially in excess of the pipeline's increase in costs. Under the indexing rate methodology, in any year in which the index is negative, pipelines must file to lower their rates if those rates would otherwise be above the rate ceiling.

While petroleum pipelines often use the indexing methodology to change their rates, petroleum pipelines may elect to support proposed rates by using other methodologies such as cost-of-service ratemaking, market-based rates, and settlement rates. A pipeline can follow a cost-of-service approach when seeking to increase its rates above the rate ceiling (or when seeking to avoid lowering rates to the reduced rate ceiling), provided that the pipeline can establish that there is a substantial divergence between the actual costs experienced by the pipeline and the rate resulting from application of the index. A pipeline can charge market-based rates if it establishes that it lacks significant market power in the affected markets. In addition, a pipeline can establish rates under settlement if agreed upon by all current non-affiliated shippers. We have used index rates, settlement rates and market-based rates for our different pipeline systems. The FERC issued a policy statement in May 2005 stating that it would permit interstate oil pipelines, among others, to include an income tax allowance in cost-of-service rates to reflect actual or potential tax liability attributable to a regulated entity's operating income, regardless of the form of ownership. Under the FERC's policy, a tax pass-through entity seeking such an income tax allowance must establish that its partners or members have an actual or potential income tax liability on the regulated entity's income. Whether a pipeline's owners have such actual or potential income tax liability is subject to review by the FERC on a case-by-case basis. Although this policy is generally favorable for pipelines that are organized as pass-through entities, it still entails rate risk due to the case-by-case review requirement.

Intrastate services provided by certain of our pipeline systems are subject to regulation by state regulatory authorities, such as the Illinois Commerce Commission and the Michigan Public Service Commission. This state regulation uses a complaint-based system, both as to rates and priority of access. The Illinois Commerce Commission and the Michigan Public Service Commission could limit our ability



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to increase our rates or to set rates based on our costs or could order us to reduce our rates and could require the payment of refunds to shippers. Such regulation or a successful challenge to our intrastate pipeline rates could adversely affect our financial position, cash flows or results of operations.

The FERC and state regulatory agencies generally have not investigated rates on their own initiative when those rates, like ours, have not been the subject of a protest or a complaint by a shipper. MPC has agreed not to contest our tariff rates for the term of our transportation and storage services agreements with MPC. However, the FERC or a state commission could investigate our rates on its own initiative or at the urging of a third party if the third party is either a current shipper or is able to show that it has a substantial economic interest in our tariff rate level.

If our rate levels were investigated, the inquiry could result in a comparison of our rates to those charged by others or to an investigation of our costs, including:

- Ø the overall cost of service, including operating costs and overhead;
- Ø the allocation of overhead and other administrative and general expenses to the regulated entity;
- Ø the appropriate capital structure to be utilized in calculating rates;
- Ø the appropriate rate of return on equity and interest rates on debt;
- Ø the rate base, including the proper starting rate base;
- Ø the throughput underlying the rate; and
- Ø the proper allowance for federal and state income taxes.

If the FERC or a state commission were to determine that our rates were or had become unjust and unreasonable, we could be ordered to reduce rates prospectively and, pay refunds and reparations to shippers, which could adversely affect our financial position, cash flows, and results of operations.

With respect to our pipelines that charge FERC-approved market-based rates, we believe that the transactions contemplated by this prospectus will not affect the basis for our market-based rates or result in a requirement that we use another methodology to establish our rates.

Because our pipelines are common carrier pipelines, we may be required to accept new shippers who wish to transport on our pipelines. It is possible that new shippers, current shippers, or other interested parties, may decide to challenge our tariff rates and any related proration rules. Successful challenges could reduce our revenues and our ability to make distributions to our unitholders.

### **Pipeline Safety**

Our assets are subject to increasingly strict safety laws and regulations. The transportation and storage of crude oil and products involve a risk that hazardous liquids may be released into the environment, potentially causing harm to the public or the environment. In turn, such incidents may result in substantial expenditures for response actions, significant government penalties, liability to government agencies for natural resources damages, and significant business interruption. The U.S. Department of Transportation ( DOT ) has adopted safety regulations with respect to the design, construction, operation, maintenance, inspection and management of our assets. These regulations contain requirements for the development and implementation of pipeline integrity management programs, which include the inspection and testing of pipelines and the correction of anomalies. These regulations also require that pipeline operation and maintenance personnel meet certain qualifications and that pipeline operators develop comprehensive spill response plans.



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We are subject to regulation by the DOT under the Hazardous Liquid Pipeline Safety Act of 1979, also known as the HLPSPA. The HLPSPA delegated to DOT the authority to develop, prescribe, and enforce minimum federal safety standards for the transportation of hazardous liquids by pipeline. Congress also enacted the Pipeline Safety Act of 1992, also known as the PSA, which added the environment to the list of statutory factors that must be considered in establishing safety standards for hazardous liquid pipelines, required regulations be issued to define the term gathering line and establish safety standards for certain regulated gathering lines, and mandated that regulations be issued to establish criteria for operators to use in identifying and inspecting pipelines located in High Consequence Areas (HCAs), defined as those areas that are unusually sensitive to environmental damage, that cross a navigable waterway, or that have a high population density. In 1996, Congress enacted the Accountable Pipeline Safety and Partnership Act, also known as the APSPA, which limited the operator identification requirement mandate to pipelines that cross a waterway where a substantial likelihood of commercial navigation exists, required that certain areas where a pipeline rupture would likely cause permanent or long-term environmental damage be considered in determining whether an area is unusually sensitive to environmental damage, and mandated that regulations be issued for the qualification and testing of certain pipeline personnel. In the Pipeline Inspection, Protection, Enforcement, and Safety Act of 2006, also known as the PIPES Act, Congress required mandatory inspections for certain U.S. crude oil and natural gas transmission pipelines in HCAs and mandated that regulations be issued for low-stress hazardous liquid pipelines and pipeline control room management. We are also subject to the Pipeline Safety, Regulatory Certainty and Job Creation Act of 2011, which reauthorized funding for federal pipeline safety programs through 2015, increased penalties for safety violations, established additional safety requirements for newly constructed pipelines, and required studies of certain safety issues that could result in the adoption of new regulatory requirements for existing pipelines.

DOT has delegated its authority under these statutes to the Pipeline and Hazardous Materials Safety Administration (PHMSA), which administers compliance with these statutes and has promulgated comprehensive safety standards and regulations for the transportation of hazardous liquid by pipeline, including regulations for the design and construction of new pipeline systems or those that have been relocated, replaced, or otherwise changed (Subparts C and D of 49 CFR Part 195); pressure testing of new pipelines (Subpart E of 49 CFR Part 195); operation and maintenance of pipeline systems, including inspecting and reburying pipelines in the Gulf of Mexico and its inlets, establishing programs for public awareness and damage prevention, managing the integrity of pipelines in HCAs, and managing the operation of pipeline control rooms (Subpart F of 49 CFR Part 195); protecting steel pipelines from the adverse effects of internal and external corrosion (Subpart H of 49 CFR Part 195); and integrity management (IM) requirements for pipelines in HCAs (49 CFR 195.452). In addition, on October 18, 2010, PHMSA issued an advance notice of proposed rulemaking on a range of topics relating to the safety of crude oil and other hazardous liquids pipelines. Among other items, the advance notice of proposed rulemaking requested comment on whether to extend regulation to certain pipelines currently exempt from federal safety regulations; whether to extend integrity management regulations to additional pipelines or to include additional pipelines in high consequence areas; and whether to require emergency flow-restricting devices and revise valve spacing requirements for new or existing pipelines. PHMSA has not yet taken further action on the issues raised in the advance notice of proposed rulemaking. We do not anticipate that we would be impacted by these regulatory initiatives to any greater degree than other similarly-situated competitors.

We monitor the structural integrity of our pipelines through a program of periodic internal assessments using high resolution internal inspection tools, as well as hydrostatic testing and direct assessment, that conforms to federal standards. We accompany these assessments with a review of the data and repair anomalies, as required, to ensure the integrity of the pipeline. We then utilize sophisticated risk

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algorithms and a comprehensive data integration effort to ensure that the highest risk pipelines receive the highest priority for scheduling subsequent integrity assessments. We use external coatings and impressed current cathodic protection systems to protect against external corrosion. We conduct all cathodic protection work in accordance with National Association of Corrosion Engineers standards. We continually monitor, test, and record the effectiveness of these corrosion inhibiting systems.

### **Product Quality Standards**

Refined products and other hydrocarbon-based products that we transport are generally sold by our customers for consumption by the public. Various federal, state and local agencies have the authority to prescribe product quality specifications for products. Changes in product quality specifications or blending requirements could reduce our throughput volumes, require us to incur additional handling costs or require capital expenditures. For example, different product specifications for different markets affect the fungibility of the products in our system and could require the construction of additional storage. If we are unable to recover these costs through increased revenues, our cash flows and ability to pay cash distributions could be adversely affected. In addition, changes in the product quality of the products we receive on our product pipeline systems could reduce or eliminate our ability to blend products.

### **Security**

Two of our facilities have been preliminarily classified as subject to the Department of Homeland Security Chemical Facility Anti-Terrorism Standards (CFATS), and one additional facility is currently being evaluated to determine whether it is subject to either CFATS or the United States Coast Guard's Maritime Transportation Security Act (MTSA). In addition to these facilities, we have one facility that is subject to the MTSA, and a number of other facilities that are subject to the Transportation Security Administration's Pipeline Security Guidelines and are designated as Critical Facilities. The TSA Security Guidelines are subject to change without formal regulatory proposal and review. We have an internal inspection program designed to monitor and ensure compliance with all of these requirements. We believe that we are in material compliance with all applicable laws and regulations regarding the security of our facilities.

## **ENVIRONMENTAL REGULATION**

### **General**

Our operations are subject to extensive and frequently-changing federal, state and local laws, regulations and ordinances relating to the protection of the environment. Among other things, these laws and regulations govern the emission or discharge of pollutants into or onto the land, air and water, the handling and disposal of solid and hazardous wastes and the remediation of contamination. As with the industry generally, compliance with existing and anticipated environmental laws and regulations increases our overall cost of business, including our capital costs to construct, maintain, operate and upgrade equipment and facilities. While these laws and regulations affect our maintenance capital expenditures and net income, we believe they do not affect our competitive position, as the operations of our competitors are similarly affected. We believe our facilities are in substantial compliance with applicable environmental laws and regulations. However, these laws and regulations are subject to changes, or to changes in the interpretation of such laws and regulations, by regulatory authorities, and continued and future compliance with such laws and regulations may require us to incur significant expenditures. Additionally, violation of environmental laws, regulations, and permits can result in the imposition of significant administrative, civil and criminal penalties, injunctions limiting our operations, investigatory or remedial liabilities or construction bans or delays in the construction of additional

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facilities or equipment. Additionally, a release of hydrocarbons or hazardous substances into the environment could, to the extent the event is not insured, subject us to substantial expenses, including costs to comply with applicable laws and regulations and to resolve claims by third parties for personal injury or property damage, or by the U.S. federal government or state governments for natural resources damages. These impacts could directly and indirectly affect our business and have an adverse impact on our financial position, results of operations, and liquidity. We cannot currently determine the amounts of such future impacts.

Under the omnibus agreement, MPC will indemnify us for all known and certain unknown environmental liabilities that are associated with the ownership or operation of our assets and due to occurrences on or before the closing of this offering. Indemnification for any unknown environmental liabilities will be limited to liabilities due to occurrences on or before the closing of this offering and identified prior to the fifth anniversary of the closing of this offering, and will be subject to an aggregate deductible of \$500,000 before we are entitled to indemnification for losses incurred. Any other liabilities for which MPC will indemnify us are not subject to a deductible before we are entitled to indemnification. There is no limit on the amount for which MPC will indemnify us under the omnibus agreement once we meet the deductible, if applicable. Neither we nor our general partner will have any contractual obligation to investigate or identify any such unknown environmental liabilities after the closing of this offering. We have agreed to indemnify MPC for events and conditions associated with the ownership or operation of our assets due to occurrences after the closing of this offering and for environmental liabilities related to our assets to the extent MPC is not required to indemnify us for such liabilities. Pipe Line Holdings has agreed to indemnify MPC for events and conditions associated with the operations of the Pipe Line Holdings assets that occur after the closing of this offering. Liabilities for which we and Pipe Line Holdings will indemnify MPC pursuant to the omnibus agreement are not subject to a deductible before MPC is entitled to indemnification. There is no limit on the amount for which we or Pipe Line Holdings will indemnify MPC under the omnibus agreement.

### **Air Emissions and Climate Change**

Our operations are subject to the Clean Air Act and its regulations and comparable state and local statutes and regulations in connection with air emissions from our operations. Under these laws, permits may be required before construction can commence on a new source of potentially significant air emissions, and operating permits may be required for sources that are already constructed. These permits may require controls on our air emission sources, and we may become subject to more stringent regulations requiring the installation of additional emission control technologies.

Future expenditures may be required to comply with the Clean Air Act and other federal, state and local requirements for our various sites, including our pipeline and storage facilities. The impact of future legislative and regulatory developments, if enacted or adopted, could result in increased compliance costs and additional operating restrictions on our business, all of which could have an adverse impact on our financial position, results of operations, and liquidity.

These air emissions requirements also affect MPC's refineries from which we will receive substantially all of our revenues. MPC has been required in the past, and will be required in the future, to incur significant capital expenditures to comply with new legislative and regulatory requirements relating to its operations. To the extent these capital expenditures have a material effect on MPC, they could have a material effect on our business and results of operations.

In December 2007, Congress passed the Energy Independence and Security Act that created a second Renewable Fuels Standard ( RFS2 ). This standard requires the total volume of renewable

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transportation fuels (including ethanol and advanced biofuels) sold or introduced annually in the U.S. to reach 15.20 billion gallons in 2012 and rise to 36.0 billion gallons by 2022. The requirements could reduce future demand for petroleum products and thereby have an indirect effect on certain aspects of our business.

Currently, various legislative and regulatory measures to address greenhouse gas emissions (including carbon dioxide, methane and other gases) are in various phases of discussion or implementation. These include requirements effective in January 2010 to report emissions of greenhouse gases to the EPA beginning in 2011, and proposed federal legislation and regulation as well as state actions to develop statewide or regional programs, each of which require or could require reductions in our greenhouse gas emissions or those of MPC. Requiring reductions in greenhouse gas emissions could result in increased costs to (i) operate and maintain our facilities, (ii) install new emission controls at our facilities and (iii) administer and manage any greenhouse gas emissions programs, including acquiring emission credits or allotments. These requirements may also significantly affect MPC's refinery operations and may have an indirect effect on our business, financial condition and results of operations. None of our facilities are presently subject to the federal greenhouse gas reporting rule or the greenhouse gas tailoring rule, which subjects certain facilities to the additional permitting obligations under the New Source Review/Prevention of Significant Deterioration (NSR/PSD) and Title V programs of the Clean Air Act based on a facility's greenhouse gas emissions.

In addition, the EPA has proposed and may adopt further regulations under the Clean Air Act addressing greenhouse gases, to which some of our facilities may become subject. Congress continues to consider legislation on greenhouse gas emissions, which may include a delay in the implementation of greenhouse gas regulations by EPA or a limitation on EPA's authority to regulate greenhouse gases, although the ultimate adoption and form of any federal legislation cannot presently be predicted. The impact of future regulatory and legislative developments, if adopted or enacted, including any cap-and-trade program, is likely to result in increased compliance costs, increased utility costs, additional operating restrictions on our business, and an increase in the cost of products generally. Although such costs may impact our business directly or indirectly by impacting MPC's facilities or operations, the extent and magnitude of that impact cannot be reliably or accurately estimated due to the present uncertainty regarding the additional measures and how they will be implemented.

**Waste Management and Related Liabilities**

To a large extent, the environmental laws and regulations affecting our operations relate to the release of hazardous substances or solid wastes into soils, groundwater, and surface water, and include measures to control pollution of the environment. These laws generally regulate the generation, storage, treatment, transportation, and disposal of solid and hazardous waste. They also require corrective action, including investigation and remediation, at a facility where such waste may have been released or disposed.

**CERCLA.** The Comprehensive Environmental Response, Compensation, and Liability Act ( CERCLA ), which is also known as Superfund, and comparable state laws, impose liability, without regard to fault or to the legality of the original conduct, on certain classes of persons that contributed to the release of a hazardous substance into the environment. These persons include the former and present owner or operator of the site where the release occurred and the transporters and generators of the hazardous substances found at the site. Under CERCLA, these persons may be subject to joint and several liability for the costs of cleaning up the hazardous substances that have been released into the environment, for damages to natural resources, and for the costs of certain health studies. CERCLA also authorizes the EPA and, in some instances, third parties to act in response to threats to the public health or the environment and to seek to recover from the responsible classes of persons the costs they incur. It

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is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by hazardous substances or other pollutants released into the environment. In the course of our ordinary operations, we generate waste that falls within CERCLA's definition of a hazardous substance and, as a result, may be jointly and severally liable under CERCLA for all or part of the costs required to clean up sites. Costs for these remedial actions, if any, as well as any related claims are all covered by an indemnity from MPC to the extent occurring or existing before the closing of this offering. Pursuant to our omnibus agreement, MPC has and will continue to fund all of the costs for our known historical and legacy spills and releases, including all of the expected future costs.

*RCRA.* We also generate solid wastes, including hazardous wastes, that are subject to the requirements of the federal Resource Conservation and Recovery Act ( RCRA ) and comparable state statutes. From time to time, the EPA considers the adoption of stricter disposal standards for non-hazardous wastes. Hazardous wastes are subject to more rigorous and costly disposal requirements than are non-hazardous wastes. Any changes in the regulations could increase our maintenance capital expenditures and operating expenses. We continue to seek methods to minimize the generation of hazardous wastes in our operations.

*Hydrocarbon Wastes.* We currently own and lease, and MPC has in the past owned and leased, properties where hydrocarbons are being or have been handled for many years. Although we have utilized operating and disposal practices that were standard in the industry at the time, hydrocarbons or other waste may have been disposed of or released on or under the properties owned or leased by us or on or under other locations where these wastes have been taken for disposal. In addition, many of these properties have been operated by third parties whose treatment and disposal or release of hydrocarbons or other wastes was not under our control. These properties and wastes disposed thereon may be subject to CERCLA, RCRA, and analogous state laws. Under these laws, we could be required to remove or remediate previously disposed wastes (including wastes disposed of or released by prior owners or operators), to clean up contaminated property (including contaminated groundwater), or to perform remedial operations to prevent further contamination.

*Indemnity under the Omnibus Agreement.* Under the omnibus agreement, MPC will indemnify us for all known and certain unknown environmental liabilities that are associated with the ownership or operation of our assets and due to occurrences on or before the closing of this offering. Indemnification for any unknown environmental liabilities will be limited to liabilities due to occurrences on or before the closing of this offering and identified prior to the fifth anniversary of the closing of this offering, and will be subject to an aggregate deductible of \$500,000 before we are entitled to indemnification for losses incurred. Any other liabilities for which MPC will indemnify us are not subject to a deductible before we are entitled to indemnification. There is no limit on the amount for which MPC will indemnify us under the omnibus agreement once we meet the deductible, if applicable. We will not be indemnified for any future spills or releases of hydrocarbons or hazardous materials at our facilities, or, in addition to any other environmental liabilities resulting from our own operations. In addition, we have agreed to indemnify MPC for events and conditions associated with the ownership or operation of our assets due to occurrences after the closing of this offering and for environmental liabilities related to our assets to the extent MPC is not required to indemnify us for such liabilities. Pipe Line Holdings has agreed to indemnify MPC for events and conditions associated with the operations of the Pipe Line Holdings assets that occur after the closing of this offering. Liabilities for which we and Pipe Line Holdings will indemnify MPC pursuant to the omnibus agreement are not subject to a deductible before MPC is entitled to indemnification. There is no limit on the amount for which we or Pipe Line Holdings will indemnify MPC under the omnibus agreement. As a result, we may incur such expenses in the future, which may be substantial. Please read Certain Relationships and Related Party Transactions Agreements Governing the Transactions Omnibus Agreement.

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### **Water**

Our operations can result in the discharge of pollutants, including crude oil and products. Regulations under the Water Pollution Control Act of 1972 ( Clean Water Act ), Oil Pollution Act of 1990 ( OPA-90 ) and state laws impose regulatory burdens on our operations. Spill prevention control and countermeasure requirements of federal laws and some state laws require containment to mitigate or prevent contamination of navigable waters in the event of an oil overflow, rupture, or leak. For example, the Clean Water Act requires us to maintain Spill Prevention Control and Countermeasure ( SPCC ) plans at many of our facilities. We maintain numerous discharge permits as required under the National Pollutant Discharge Elimination System program of the Clean Water Act and have implemented systems to oversee our compliance efforts.

In addition, the transportation and storage of crude oil and products over and adjacent to water involves risk and subjects us to the provisions of OPA-90 and related state requirements. Among other requirements, OPA-90 requires the owner or operator of a tank vessel or a facility to maintain an emergency plan to respond to releases of oil or hazardous substances. Also, in case of any such release, OPA-90 requires the responsible company to pay resulting removal costs and damages. OPA-90 also provides for civil penalties and imposes criminal sanctions for violations of its provisions. We operate facilities at which releases of oil and hazardous substances could occur. We have implemented emergency oil response plans for all of our components and facilities covered by OPA-90 and we have established SPCC plans for facilities subject to Clean Water Act SPCC requirements.

Construction or maintenance of our pipelines, barge dock and storage facilities may impact wetlands, which are also regulated under the Clean Water Act by the EPA and the United States Army Corps of Engineers. Regulatory requirements governing wetlands (including associated mitigation projects) may result in the delay of our pipeline projects while we obtain necessary permits and may increase the cost of new projects and maintenance activities.

### **Employee Safety**

We are subject to the requirements of the Occupational Safety and Health Act ( OSHA ) and comparable state statutes that regulate the protection of the health and safety of workers. In addition, the OSHA hazard communication standard requires that information be maintained about hazardous materials used or produced in operations and that this information be provided to employees, state, and local government authorities and citizens. We believe that our operations are in substantial compliance with OSHA requirements, including general industry standards, record keeping requirements, and monitoring of occupational exposure to regulated substances.

### **Endangered Species Act**

The Endangered Species Act restricts activities that may affect endangered species or their habitats. While some of our facilities are in areas that may be designated as habitat for endangered species, we believe that we are in substantial compliance with the Endangered Species Act. However, the discovery of previously unidentified endangered species could cause us to incur additional costs or become subject to operating restrictions or bans in the affected area.

### **Hazardous Materials Transportation Requirements**

The DOT regulations affecting pipeline safety require pipeline operators to implement measures designed to reduce the environmental impact of crude oil and product discharge from onshore crude oil and product pipelines. These regulations require operators to maintain comprehensive spill response plans, including extensive spill response training for pipeline personnel. In addition, the DOT regulations



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contain detailed specifications for pipeline operation and maintenance. We believe our operations are in compliance with these regulations. The DOT also has a pipeline integrity management rule, with which we are in substantial compliance.

**TITLE TO PROPERTIES AND PERMITS**

Substantially all of our pipelines are constructed on rights-of-way granted by the apparent record owners of the property and in some instances these rights-of-way are revocable at the election of the grantor. In many instances, lands over which rights-of-way have been obtained are subject to prior liens that have not been subordinated to the right-of-way grants. We have obtained permits from public authorities to cross over or under, or to lay facilities in or along, watercourses, county roads, municipal streets, and state highways and, in some instances, these permits are revocable at the election of the grantor. We have also obtained permits from railroad companies to cross over or under lands or rights-of-way, many of which are also revocable at the grantor's election. In some states and under some circumstances, we have the right of eminent domain to acquire rights-of-way and lands necessary for our common carrier pipelines.

Our general partner believes that it has obtained or will obtain sufficient third-party consents, permits, and authorizations for the transfer of the assets necessary for us to operate our business in all material respects as described in this prospectus. With respect to any consents, permits, or authorizations that have not been obtained, our general partner believes that these consents, permits, or authorizations will be obtained after the closing of this offering, or that the failure to obtain these consents, permits, or authorizations will not have a material adverse effect on the operation of our business.

Our general partner believes that we will have satisfactory title to all of the assets that will be contributed to us at the closing of this offering. Under our omnibus agreement, MPC will indemnify us for certain title defects and for failures to obtain certain consents and permits necessary to conduct our business. Record title to some of our assets may continue to be held by affiliates of MPC until we have made the appropriate filings in the jurisdictions in which such assets are located and obtained any consents and approvals that are not obtained prior to transfer. We will make these filings and obtain these consents upon completion of this offering. Although title to these properties is subject to encumbrances in some cases, such as customary interests generally retained in connection with acquisition of real property, liens that can be imposed in some jurisdictions for government-initiated action to clean up environmental contamination, liens for current taxes and other burdens, and easements, restrictions, and other encumbrances to which the underlying properties were subject at the time of acquisition by our Predecessor or us, our general partner believes that none of these burdens should materially detract from the value of these properties or from our interest in these properties or should materially interfere with their use in the operation of our business.

**EMPLOYEES**

We are managed and operated by the board of directors and executive officers of MPLX GP LLC, our general partner. Neither we nor our subsidiaries have any employees. Our general partner has the sole responsibility for providing the employees and other personnel necessary to conduct our operations. All of the employees that conduct our business are employed by affiliates of our general partner. Immediately after the closing of this offering, we expect that our general partner and its affiliates will have approximately 800 employees performing services for our operations. We believe that our general partner and its affiliates have a satisfactory relationship with those employees. In connection with this



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### **Business**

offering, employees of MPL will be transferred to Marathon Petroleum Logistics Services LLC, a wholly owned subsidiary of MPC. Under our omnibus agreement, Marathon Petroleum Logistics Services LLC will indemnify us for any liabilities incurred by us in connection with the transfer of such employees.

### **LEGAL PROCEEDINGS**

#### **Litigation**

In 2003, the State of Illinois brought an action against the Premcor Refining Group, Inc. and Apex Refining Company asserting claims for environmental cleanup related to the refinery owned by these entities in the Hartford/Wood River, Illinois area. In 2006, Premcor and Apex filed a third-party complaint against numerous owners and operators of petroleum products facilities in the Hartford/Wood River, Illinois area, including MPL, asserting claims of contribution under the Illinois Contribution Act for environmental cleanup costs that may be imposed by Premcor and Apex by the State of Illinois. There are several third-party defendants in the litigation and MPL has asserted cross-claims in contribution against the various third-party defendants. This litigation is currently pending in the Third Judicial Circuit Court, Madison County, Illinois. While the ultimate outcome of these litigated matters remains uncertain, neither the likelihood of an unfavorable outcome nor the ultimate liability, if any, with respect to this matter can be determined at this time and we are unable to estimate a reasonably possible loss (or range of loss) for this litigation. Under our omnibus agreement, MPC will indemnify us for the full cost of any losses should MPL be deemed responsible for any damages in this lawsuit.

#### **Administrative Proceedings**

On August 24, 2010, PHMSA issued a Notice of Probable Violation, Proposed Civil Penalty, and Proposed Compliance Order to MPL related to an incident at St. James, Louisiana on March 10, 2009. In May 2012, we and PHMSA entered into a Consent Agreement and Order under which we agreed to pay a civil penalty of \$842,650 and undertake and complete (over a 42-month period) a Supplemental Safety and Environment Project with a minimum cost of \$305,000. The civil penalty of \$842,650 was paid in May 2012.

We are a defendant in a number of other lawsuits and other proceedings arising in the ordinary course of business. While the ultimate outcome and impact to us cannot be predicted with certainty, we believe that the resolution of these other lawsuits and proceedings will not have a material adverse effect on our consolidated results of operations, financial position or cash flows.

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# Management

## MANAGEMENT OF MPLX LP

We are managed by the directors and executive officers of our general partner, MPLX GP LLC. Our general partner is not elected by our unitholders and will not be subject to re-election by our unitholders in the future. MPC indirectly owns all of the membership interests in our general partner. Our general partner has a board of directors, and our unitholders are not entitled to elect the directors or directly or indirectly to participate in our management or operations. Our general partner will be liable, as general partner, for all of our debts (to the extent not paid from our assets), except for indebtedness or other obligations that are made specifically nonrecourse to it. Whenever possible, we intend to incur indebtedness that is nonrecourse to our general partner.

Upon the closing of this offering, we expect that our general partner will have at least five directors. We intend to increase the size of the board of directors to a minimum of seven members following the closing of this offering. MPC will appoint all members to the board of directors of our general partner. In accordance with the NYSE's phase-in rules, we will have at least three independent directors within one year of the date our common units are first listed on the NYSE. We anticipate that our board will determine that Christopher A. Helms is independent under the independence standards of the NYSE.

Neither we nor our subsidiaries have any employees. Our general partner has the sole responsibility for providing the employees and other personnel necessary to conduct our operations. All of the employees that conduct our business are employed by affiliates of our general partner, but we sometimes refer to these individuals in this prospectus as our employees.

### Director Independence

Although most companies listed on the NYSE are required to have a majority of independent directors serving on the board of directors of the listed company, the NYSE does not require a publicly traded limited partnership like us to have a majority of independent directors on the board of directors of our general partner or to establish a compensation or a nominating and corporate governance committee. We are, however, required to have an audit committee of at least three members within one year of the date our common units are first listed on the NYSE, and all of our audit committee members are required to meet the independence and financial literacy tests established by the NYSE and the Exchange Act.

### Committees of the Board of Directors

The board of directors of our general partner will have an audit committee and a conflicts committee, and may have such other committees as the board of directors shall determine from time to time. Each of the standing committees of the board of directors will have the composition and responsibilities described below.

### Audit Committee

The independent members of the board of directors of our general partner will serve as the initial members of our audit committee. Our general partner may rely on the phase-in rules of the SEC and the NYSE with respect to the independence of our audit committee. Those rules permit our general partner to have an audit committee that has one independent member by the date our common units are first listed on the NYSE, a majority of independent members within 90 days thereafter and all independent members within one year thereafter. In connection with his appointment to the board, we expect that Mr. Helms will serve as a member of our audit committee. Our audit committee will assist the board of



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directors in its oversight of the integrity of our financial statements and our compliance with legal and regulatory requirements and corporate policies and controls. Our audit committee will have the sole authority to retain and terminate our independent registered public accounting firm, approve all auditing services and related fees and the terms thereof, and pre-approve any non-audit services to be rendered by our independent registered public accounting firm. Our audit committee will also be responsible for confirming the independence and objectivity of our independent registered public accounting firm. Our independent registered public accounting firm will be given unrestricted access to our audit committee.

### **Conflicts Committee**

At least two members of the board of directors of our general partner will serve on our conflicts committee to review specific matters that may involve conflicts of interest in accordance with the terms of our partnership agreement. Our conflicts committee will determine if the resolution of the conflict of interest is fair and reasonable to us. The members of our conflicts committee may not be officers or employees of our general partner or directors, officers, or employees of its affiliates, and must meet the independence and experience standards established by the NYSE and the Exchange Act to serve on an audit committee of a board of directors. In addition, the members of our conflicts committee may not own any interest in our general partner or any interest in us or our subsidiaries other than common units or other awards under our incentive compensation plan. In connection with his appointment to our board, we expect that Mr. Helms will serve as a member of our conflicts committee. Any matters approved by our conflicts committee in good faith will be deemed to be approved by all of our partners and not a breach by our general partner of any duties it may owe us or our unitholders.

### **DIRECTORS AND EXECUTIVE OFFICERS OF MPLX GP LLC**

Directors are elected by the sole member of our general partner and hold office until their successors have been elected or qualified or until their earlier death, resignation, removal or disqualification. Executive officers are appointed by, and serve at the discretion of, the board of directors. The following table shows information for the directors, director nominees and executive officers of MPLX GP LLC.

<b>Name</b>	<b>Age</b>	<b>Position with MPLX GP LLC</b>
Gary R. Heminger	58	Chairman of the Board of Directors and Chief Executive Officer
Garry L. Peiffer	60	Director and President
Donald C. Templin	49	Director, Vice President and Chief Financial Officer
George P. Shaffner	53	Vice President and Chief Operating Officer
Craig O. Pierson	56	Vice President, Operations
J. Michael Wilder	59	Vice President, General Counsel and Secretary
Michael G. Braddock	54	Vice President and Controller
Timothy T. Griffith	43	Vice President, Finance and Treasurer
Pamela K.M. Beall	56	Vice President, Investor Relations
Christopher A. Helms	58	Director Nominee

*Gary R. Heminger.* Gary R. Heminger was appointed Chief Executive Officer and chairman of the board of directors of our general partner in June 2012. Mr. Heminger joined Marathon Oil Company in 1975 and assumed his current position as a member of the board of directors of MPC in January 2011 and as President and Chief Executive Officer of MPC effective June 30, 2011. Mr. Heminger will devote the majority of his time to his roles at MPC and will also spend time, as needed, directly managing our business and affairs. Initially, we expect approximately 10% of his total business time will be devoted to our business and affairs, although this amount may increase or decrease in future periods as our business



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develops. Prior to his current role as President and Chief Executive Officer of MPC, Mr. Heminger served in a variety of capacities in his more than thirty-seven years with Marathon Oil Company and MPC. In addition to five years in various financial and administrative roles, he spent three years in London as part of the Brae Project, and held several marketing and commercial roles with the predecessor of Speedway LLC. He also served as President of Marathon Pipe Line Company. Mr. Heminger was named Vice President of Business Development for Marathon Ashland Petroleum LLC upon its formation in January 1998, Senior Vice President in 1999 and Executive Vice President in 2001.

Mr. Heminger was appointed President of Marathon Petroleum Company LLC in September 2001 and Executive Vice President Downstream of Marathon Oil. Mr. Heminger is Chairman of the Board of Trustees of Tiffin University, Chairman of the American Petroleum Institute Downstream Committee, past Chairman of the Louisiana Offshore Oil Port and a member of the Oxford Institute for Energy Studies. He also serves on the Boards of Directors of Fifth Third Bancorp and JobsOhio, as well as the Board of Directors and Executive Committee for the American Fuel & Petrochemical Manufacturers and the U.S.-Saudi Arabian Business Council Executive Committee. Mr. Heminger has deep knowledge of our assets and business. We believe his extensive energy industry experience, particularly his ability to set strategic direction coupled with his breadth of transactional expertise, brings important experience and skill to the board.

*Garry L. Peiffer.* Garry L. Peiffer was appointed President and a member of the board of directors of our general partner in June 2012. Mr. Peiffer has served as Executive Vice President Corporate Planning and Investor & Government Relations for MPC since June 30, 2011. Mr. Peiffer will devote the majority of his time to his roles at MPC and will also spend time, as needed, devoted to our business and affairs. Initially, we expect approximately 15% of his total business time will be devoted to our business and affairs, although this amount may increase or decrease in future periods as our business develops. Mr. Peiffer began his career with Marathon Oil Company in 1974 as an associate auditor in the Auditing Division. In 1977, he became supervisor of Employee Savings and Retirement Plans. In 1979, he became the controller of Speedway Petroleum Company and served in numerous other marketing and logistics positions such as manager of Planning and Analysis for Marketing Operations and Southeastern area manager within Marathon's Terminal and Transport Department. In 1986, he was made manager of the Marketing and Supply Accounting Department in R&M Accounting. In 1987, Mr. Peiffer was appointed to the President's Commission on Executive Exchange. He served for a year in the Pentagon as special assistant to the Assistant Secretary of Defense for Production and Logistics. In 1988, Mr. Peiffer returned to Marathon Oil Company and was made the vice president of Finance and Administration for Emro Marketing Company. In 1992, he was named assistant controller, Refining, Marketing and Transportation for Marathon Oil Company. Mr. Peiffer was named senior vice president of Finance and Commercial Services at Marathon Ashland Petroleum LLC in 1998. Mr. Peiffer is a member of the Blanchard Valley Health System Board of Trustees and Audit Committee; the Blanchard Valley Port Authority Board; the Fifth Third Bank (Northwestern Ohio) Board of Directors; and the Findlay-Hancock County Community Foundation Board of Trustees and Finance & Investment Committee and also serves as treasurer. We believe that Mr. Peiffer's extensive energy industry background, particularly his strategic planning, investor relations, finance and accounting expertise, brings important experience and skill to the board.

*Donald C. Templin.* Donald C. Templin was appointed Vice President, Chief Financial Officer and a member of the board of directors of our general partner in June 2012. Mr. Templin has served as Senior Vice President and Chief Financial Officer for MPC since June 30, 2011 and has oversight of the finance, accounting, tax and auditing functions at MPC. Mr. Templin will devote the majority of his time to his roles at MPC and will also spend time, as needed, devoted to our business and affairs. Initially, we expect approximately 15% of his total business time will be devoted to our business and affairs, although this

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### **Management**

amount may increase or decrease in future periods as our business develops. Prior to joining MPC in June 2011, he was the managing partner of the Audit Practice for PricewaterhouseCoopers LLP ( PwC ) in Georgia, Alabama and Tennessee. He has more than 25 years of experience providing auditing and advisory services to a wide variety of private, public and multinational companies. He formerly served as the Managing Partner of PwC's practice in Kazakhstan and also participated in the International Service Program in PwC's World Office in London, England. Mr. Templin is active in a number of charitable organizations including the United Way. We believe that Mr. Templin's extensive energy industry background, particularly his expertise in accounting, financial reporting and strategic planning, brings important experience and skill to the board.

*George P. Shaffner.* George P. Shaffner was appointed Vice President and Chief Operating Officer of our general partner in June 2012. Mr. Shaffner has served as Senior Vice President, Transportation and Logistics for MPC since June 30, 2011. Mr. Shaffner will devote the majority of his time to his roles at MPC and will also spend time, as needed, devoted to our business and affairs. Initially, we expect approximately 25% of his total business time will be devoted to our business and affairs, although this amount may increase or decrease in future periods as our business develops. Mr. Shaffner joined Marathon Oil Company in 1981 as an associate engineer. He then held a number of key engineering and managerial positions in the company's pipeline, marketing and refining operations, including serving as maintenance manager of the Detroit, Michigan, refinery from 1990 until 1992 when he was appointed engineering manager at the Garyville, Louisiana, refinery. In 1994, he was named refining reliability manager. Mr. Shaffner was appointed division manager of the company's St. Paul Park, Minnesota refinery in 2003 and became Detroit Refining division manager in October 2006. In his current role, he oversees the company's Terminal, Transport & Marine organization, Marathon Pipe Line LLC operations, Marketing & Transportation Engineering and the company's Product Quality organization. Mr. Shaffner has served on committees for refining maintenance and risk-based inspection practices for both the American Fuel & Petrochemical Manufacturers, formerly the National Petrochemical & Refiners Association, and the American Petroleum Institute. He currently serves as chairman of the board of the Louisiana Offshore Oil Port (LOOP).

*Craig O. Pierson.* Craig O. Pierson was appointed Vice President, Operations of our general partner in June 2012. Mr. Pierson has served as President for MPL since May 30, 2011. Initially, we expect that Mr. Pierson will devote approximately 50% of his total business time to our business and affairs, although this amount may increase or decrease in future periods as our business develops. Mr. Pierson joined Marathon Pipe Line Company in June 1978 as a Pipeline Engineer in Martinsville, Illinois. He moved to Findlay, Ohio as an Internal Control Auditor for Marathon Oil Company and then back to a number of pipeline engineering and pipeline operations positions in Wyoming, Alaska, West Texas and Houston. In 1989, Mr. Pierson rejoined Marathon Oil Company to help develop a gas pipeline project in Syria. In 1991, Mr. Pierson was named as Manager of Engineering and Construction Services with responsibilities in the retail marketing sector. He then held operations manager positions for Marathon Pipe Line Company in Casper, Wyoming and Martinsville, Illinois until 1997, when he joined Marathon Oil Company in Houston on their upstream development project on Sakhalin Island, Russia. In 1999, Mr. Pierson was named as the Facilities Design Manager for the Phase 2 development of the Sakhalin Project, which included the offshore and onshore production facilities and pipeline, and the oil export terminal. In 2000, Mr. Pierson returned to operations manager positions for Marathon Ashland Pipe Line LLC, with responsibilities over Gulf Coast operations, and the commissioning and start-up of Centennial Pipeline, a 750-mile 26-inch product pipeline. In January 2005, Mr. Pierson was named Vice President of Operations for MPL. In 2007, Mr. Pierson was appointed as an industry representative on the Technical Hazardous Liquid Pipeline Safety Standards Committee, which advises the Pipeline and Hazardous Materials Safety Administration on regulatory matters.

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*J. Michael Wilder.* J. Michael Wilder was appointed Vice President, General Counsel and Secretary of our general partner in June 2012. Mr. Wilder has served as Vice President, General Counsel and Secretary for MPC since June 30, 2011. Mr. Wilder will devote the majority of his time to his roles at MPC and will also spend time, as needed, devoted to our business and affairs. Initially, we expect approximately 10% of his total business time will be devoted to our business and affairs, although this amount may increase or decrease in future periods as our business develops. Mr. Wilder joined Ashland Petroleum Company, a division of Ashland Inc., as a staff attorney in Russell, Kentucky, in August 1978, and he was promoted to senior attorney in 1984. In 1986, he transferred to Ashland's Valvoline Oil Company subsidiary in Lexington, Kentucky, where he served as senior attorney. In 1988, he was named vice president and general counsel for Ashland's SuperAmerica convenience store group in Lexington. In addition to law, his responsibilities with SuperAmerica at various times included real estate; design and construction; environmental, health and safety; and marketing. In 1995, he served as regional vice president for SuperAmerica's Northwest Region based in Milwaukee, Wisconsin. He was appointed to general counsel and secretary for Marathon Ashland Petroleum LLC in 1998, and in September 2009, he was appointed as deputy general counsel of Marathon Oil Company. Mr. Wilder has served as secretary-treasurer and president of The Findlay/Hancock County Bar Association, and as chairman of the Owens Community College Foundation Board of Directors and Kentucky Council on Child Abuse Board of Directors.

*Michael G. Braddock.* Michael G. Braddock was appointed Vice President and Controller of our general partner in June 2012. Mr. Braddock has served as Vice President and Controller for MPC since June 30, 2011. Mr. Braddock will devote the majority of his time to his roles at MPC and will also spend time, as needed, devoted to our business and affairs. Initially, we expect approximately 10% of his total business time will be devoted to our business and affairs, although this amount may increase or decrease in future periods as our business develops. Mr. Braddock started with Marathon Oil Company in 1980 as a joint interest auditor in the Internal Audit Organization. In 1982, he accepted a position in Corporate Accounting and eventually served as the accounting analyst responsible for Marathon Oil Company's financial consolidation. In 1987, he transferred to the Tax Organization and was appointed tax supervisor in 1988, responsible for several income tax and other tax compliance functions. In 1992, he accepted a position with USX Corporation, in Pittsburgh, Pennsylvania as manager, Federal Income Tax Compliance. He returned to Marathon Oil Company in 1998 as manager, Income Tax Compliance in Houston responsible for both income tax compliance and tax accounting functions. In August 2002, Mr. Braddock accepted a position as Business Development manager with Marathon Oil Company's downstream business unit with responsibility for a variety of pipeline related matters and projects. In October 2005, he was appointed manager, Internal Audit where he led the department focused on downstream internal control audit work. Mr. Braddock was subsequently appointed Controller, Marathon Petroleum Company LLC in July 2008 with responsibility for all downstream business unit accounting functions. He is currently responsible for all accounting related functions for Marathon Petroleum Corporation. Mr. Braddock is a member of the American Institute of Certified Public Accountants and The Ohio Society of CPAs.

*Timothy T. Griffith.* Timothy T. Griffith was appointed Vice President, Finance and Treasurer of our general partner in September 2012. Mr. Griffith has served as Vice President of Finance and Treasurer for MPC since August 1, 2012. Mr. Griffith will devote the majority of his time to his roles at MPC and will also spend time, as needed, devoted to our business and affairs. Initially, we expect approximately 10% of his total business time will be devoted to our business and affairs, although this amount may increase or decrease in future periods as our business develops. Prior to joining MPC in 2011, Mr. Griffith served in roles of increasing responsibility at Comerica Incorporated from 1991 until 1997 prior to becoming the company's capital planning officer. Mr. Griffith held positions as a derivatives



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specialist at Citicorp Securities in New York and Chicago from 1997 until 1999. In 1999, he secured a position at Lear Corporation, eventually becoming the company's assistant treasurer, where he was responsible for risk management, capital markets, and international finance. In 2006, Mr. Griffith was appointed vice president and treasurer of Cooper-Standard Automotive. At Cooper-Standard, Mr. Griffith had executive responsibility for the company's global treasury operations and investor relations activities. In 2009, Mr. Griffith was appointed vice president of investor relations and treasurer of Smurfit-Stone Container Corporation, a publicly traded paper-based packaging company, where he had executive responsibility for the company's investor interface and treasury operations, including capital structure, cash management, insurance and investment oversight.

*Pamela K. M. Beall.* Pamela K. M. Beall was appointed Vice President, Investor Relations of our general partner in September 2012. Ms. Beall has served as Vice President, Investor Relations and Government and Public Affairs for MPC since June 30, 2011. Ms. Beall will devote the majority of her time to her roles at MPC and will also spend time, as needed, devoted to our business and affairs. Initially, we expect approximately 15% of her total business time will be devoted to our business and affairs, although this amount may increase or decrease in future periods as our business develops. Ms. Beall began her career with Marathon Oil in 1978 and was appointed to Vice President Products Supply and Optimization of Marathon Petroleum Company LP in June 2010. From 2006 to 2009, she served as Organizational Vice President, Business Development Downstream and Vice President of Global Procurement and, prior to 2006, in various other roles of increasing responsibility in the business development and corporate affairs areas. Ms. Beall served as the 2005/2006 chair for the American Petroleum Institute Envisioned Future Initiative steering committee and the 2007 vice-chair for Greater Findlay Inc., a partnership for growth. She is a member of The Ohio Society of CPAs and The University of Findlay Board of Trustees. Ms. Beall also served on the board of directors of Boyle Engineering Corporation from August 2006 to March 2008.

*Christopher A. Helms.* We expect that Christopher A. Helms will become a member of our board of directors prior to the closing of this offering. Mr. Helms is the founder and Chief Executive Officer of US Shale Energy Advisors LLC, a firm that specializes in providing advisory services to domestic and international clients on issues arising out of the emerging North American shale developments, and has served in that capacity since November 2011. From 2005 until his retirement in November 2011, Mr. Helms served in various capacities at NiSource Inc. and its affiliate, NiSource Gas Transmission and Storage, including as Executive Vice President and Group Chief Executive Officer (2008-2011) and Group President, Pipeline (2005-2008) of NiSource Inc., where he was also a member of the executive council and corporate risk management committee. He served as Chief Executive Officer and Executive Director of NiSource Gas Transmission and Storage (2008-2011). At NiSource, Mr. Helms was responsible for leading the company's interstate gas transmission and storage business. Mr. Helms has served on the boards of the Millennium Pipeline Company LLC; Centennial Pipeline Company LLC; Marcellus Shale Coalition; Interstate Natural Gas Association of America; Southern Gas Association; Group International des Importeurs de Gas Liquiefie; Corporate Tele-Network; Junior Achievement of Southeast Texas, Inc.; Boys and Girls Country; and The Alley Theatre. We believe that Mr. Helms' significant experience as an executive in the midstream energy industry, particularly his expertise in operations and mergers and acquisitions, and his extensive experience and skills in the areas of finance, accounting, compliance, strategic planning and risk oversight, brings important experience and skill to the board.

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#### **BOARD LEADERSHIP STRUCTURE**

The chief executive officer of our general partner currently serves as the chairman of the board. The board of directors of our general partner has no policy with respect to the separation of the offices of chairman of the board of directors and chief executive officer. Instead, that relationship is defined and governed by the amended and restated limited liability company agreement of our general partner, which permits the same person to hold both offices. Directors of the board of directors of our general partner are designated or elected by MPC. Accordingly, unlike holders of common stock in a corporation, our unitholders will have only limited voting rights on matters affecting our business or governance, subject in all cases to any specific unitholder rights contained in our partnership agreement.

#### **BOARD ROLE IN RISK OVERSIGHT**

Our corporate governance guidelines will provide that the board of directors of our general partner is responsible for reviewing the process for assessing the major risks facing us and the options for their mitigation. This responsibility will be largely satisfied by our audit committee, which is responsible for reviewing and discussing with management and our registered public accounting firm our major risk exposures and the policies management has implemented to monitor such exposures, including our financial risk exposures and risk management policies.

#### **COMPENSATION OF OUR OFFICERS**

We were formed on March 27, 2012 and our general partner was formed on March 14, 2012. Neither we nor our general partner has accrued any financial obligations related to the compensation for our executive officers, or other personnel, for any periods prior to our formation.

We expect that neither we, any of our subsidiaries nor our general partner will have employees. MPC will have the contractual responsibility for providing its and its subsidiaries' employees and other personnel necessary to conduct our operations. This will include all of our executive officers. For our executive officers who are also providing services to MPC and its affiliates other than us and our general partner, compensation will be paid by MPC or its applicable affiliate. We will pay MPC a fixed amount each month for the services of the executive officers. The amount we pay to MPC for services provided to us by our executive officers is outlined in the omnibus agreement. For a description of the reimbursement provisions of the omnibus agreement, please refer to the discussion elsewhere in this prospectus under the heading "Certain Relationships and Related Party Transactions—Agreements Governing The Transactions Omnibus Agreement." This arrangement will be entered into, in part, to allocate costs of certain employees between us, our general partner, and MPC, each of which may receive services from our officers.

We anticipate that, in connection with the closing of this offering, our general partner will adopt an incentive compensation plan (which we refer to as the "2012 ICP") on our behalf, and that certain of our officers and non-employee directors who make significant contributions to our business will receive awards under the 2012 ICP. We expect that awards under the 2012 ICP will be approved by our general partner. The expected material terms of the 2012 ICP are described in more detail below under the heading "Our Incentive Compensation Plan."

#### **Named Executive Officer Compensation**

The compensation-related sections of this document are intended to comply with reduced disclosure requirements provided under the JOBS Act. However, because we and our general partner were formed in

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March 2012 and we incurred no cost or liability with respect to compensation for employees of MPC or our general partner for the fiscal year ended December 31, 2011 or for any prior periods, we are not presenting compensation information for historical periods. Following the closing of this offering, we expect that our chief executive officer and our two other most highly compensated executive officers (which we refer to collectively in this prospectus as our **Named Executive Officers** or **NEOs**) will consist of the following three individuals:

Ø Gary R. Heminger, our Chief Executive Officer;

Ø Garry L. Peiffer, our President; and

Ø Donald C. Templin, our Vice President and Chief Financial Officer.

All executive compensation decisions for our NEOs prior to the consummation of this offering were made solely by MPC. Following the consummation of this offering, except with respect to awards that may be granted under our 2012 ICP, responsibility and authority for compensation-related decisions for our executive officers will remain with MPC and, for individuals who are also executive officers of MPC, will reside with the compensation committee of the Board of Directors of MPC (the **MPC Compensation Committee**), which is currently composed of five independent directors. Any such compensation decisions, other than awards that may be granted under the 2012 ICP, will not be subject to any approvals by us, the board of directors of our general partner or any committees thereof. Other than awards granted under the 2012 ICP, MPC has the ultimate decision-making authority with respect to the total compensation of its and its subsidiaries' executive officers and employees. The reimbursement amount that will be charged to us is agreed upon and set by the terms of the omnibus agreement.

All determinations with respect to awards to be made under the 2012 ICP to executive officers of MPC will be made by the board of directors of our general partner or any committee thereof that may be established for such purpose.

#### *Base Compensation*

Our named executive officers earn base salaries for their services to MPC and to us, which amounts are paid by MPC or its affiliates other than us, as described in more detail above. We incur only a fixed expense per month with respect to the compensation paid to each of our named executive officers, as provided for in the omnibus agreement. As provided in the omnibus agreement, the annualized fixed fee for each of our NEOs is as follows: for Mr. Heminger, \$1,175,000; for Mr. Peiffer, \$475,000; and for Mr. Templin, \$475,000.

#### *Annual Cash Bonus Payments*

Our NEOs are eligible to earn annual bonus payments under MPC's Annual Cash Bonus Program. We expect that the amount of any annual bonus payments to our NEOs will be determined generally based upon their performance in respect of their services provided to MPC and its subsidiaries, which may, directly or indirectly, include a component that relates to our financial performance or the NEO's services in respect of our business. However, any bonus payments made to our NEOs will be determined solely by MPC without input from us or our general partner or its board of directors. The amount of any bonus payments made by MPC will not result in changes to the contractually fixed fee for executive management services that we will pay to MPC under the omnibus agreement.

#### *Long-Term Incentive Compensation*

Our NEOs currently hold grants under MPC's equity incentive plan and will retain these grants after the closing of the offering. Our NEOs may also receive additional awards under MPC's equity incentive plan from time to time as may be determined by the MPC Compensation Committee. The amount of any



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long-term incentive compensation made by MPC will not result in changes to the contractually fixed fee for executive management services that we will pay to MPC under the omnibus agreement. In addition, we expect that our NEOs will receive awards under our 2012 ICP in connection with their services for us, as described in more detail below.

#### *Benefit Programs and Perquisites*

We expect that neither we nor our general partner will sponsor any benefit plans, programs or policies such as healthcare, life, income protection or retirement benefits for our NEOs, and that we and our general partner will not provide our NEOs with any perquisites. However, such benefits are generally provided to our NEOs in connection with their employment by MPC and its subsidiaries and are based on the eligibility provisions contained in their various plan documents. We expect that all determinations with respect to such benefits, both now and in the future, will be made by MPC and its subsidiaries without input from us or our general partner or its board of directors. MPC will bear the full cost of any such programs and no portion of these benefits will be charged back to us under the provisions of the omnibus agreement.

#### *Severance and Change in Control Arrangements*

None of our NEOs have contracts of employment with us, our general partner or MPC. However, some of our NEOs may be eligible to participate in MPC's Amended and Restated Executive Change in Control Severance Benefits Plan. This plan provides MPC's senior executives with severance payments and benefits in the event of an involuntary termination of employment within two years of the occurrence of a change in control of MPC, which event would also likely result in a change in control of us. All determinations with respect to such benefits will be made by MPC without input from us or our general partner or its board of directors. MPC will bear the full cost of any such payments and benefits and no portion of such payments will be charged back to us under the provisions of the omnibus agreement. None of our NEOs currently participate in any arrangements that would result in the payment of any amounts or provision of any benefits as a result of a change in control of us if such event did not also result in a change in control of MPC. However, our board of directors may from time to time determine to include change in control provisions relating to us in award agreements for awards under our 2012 ICP.

#### *Additional Compensation Components*

In the future, as MPC and/or our general partner formulate and implement the compensation programs for our NEOs, MPC and/or our general partner may provide different and/or additional compensation components, benefits and/or perquisites to our NEOs to help ensure that they are provided with a balanced, comprehensive and competitive total compensation package. We, MPC and our general partner believe that it is important to maintain flexibility to adapt compensation structures on an ongoing basis to properly attract, motivate, retain and reward the top executive talent for which MPC and our general partner compete with other companies.

### **Our Incentive Compensation Plan**

Our general partner intends to adopt our 2012 ICP on our behalf primarily for the benefit of eligible officers and non-employee directors of our general partner and its affiliates, who make significant contributions to our business. In connection with the closing of this offering, as well as annually thereafter to reward service or performance, we anticipate that the board of directors of our general partner will grant awards to our non-employee directors and our NEOs pursuant to the terms of the 2012 Plan.

Unlike base compensation, for which we receive a fixed monthly allocation under the omnibus agreement, we bear the full cost of granting equity to our officers and directors.



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### **Management**

The description of the 2012 ICP set forth below is intended to be a summary of anticipated material features of the 2012 ICP. However, this summary does not purport to be a complete description of all of the anticipated provisions of the 2012 ICP, which is still under development. This summary is subject to change prior to the effectiveness of the registration statement of which this prospectus is a part.

We expect that the 2012 ICP will provide for the grant of unit awards, restricted units, phantom units, unit options, unit appreciation rights, distribution equivalent rights and other unit-based awards. Subject to adjustment in the event of certain transactions or changes in capitalization, an aggregate of common units may be delivered pursuant to awards under the 2012 ICP. Units that are cancelled or forfeited will be available for delivery pursuant to other awards. Units that are withheld to satisfy our general partner's tax withholding obligations or payment of an award's exercise price will not be available for future awards. The 2012 ICP will be administered by our general partner's board of directors. The 2012 ICP will be designed to promote our interests, as well as the interests of our unitholders, by rewarding the officers and directors of our general partner for delivering desired performance results, as well as by strengthening our general partner's ability to attract, retain, motivate and reward qualified individuals to serve as directors and officers.

#### *Unit Awards*

We expect that the 2012 ICP will provide that our general partner's board of directors may grant unit awards to eligible individuals under the 2012 ICP. A unit award is an award of common units that are fully vested when granted and are not subject to forfeiture. The unit award may be wholly discretionary in amount or it may be paid with respect to a bonus or an incentive compensation award the amount of which is determined based on the achievement of performance criteria or other factors.

#### *Restricted Units and Phantom Units*

A restricted unit is a common unit that is subject to forfeiture. Upon vesting, the forfeiture restrictions lapse and the recipient holds a common unit that is generally not subject to forfeiture. A phantom unit is a notional unit that entitles the grantee to receive a common unit upon the vesting of the phantom unit or on a deferred basis upon specified future dates. Our general partner's board of directors may make grants of restricted and phantom units under the 2012 ICP that contain such terms, consistent with the 2012 ICP, as the board of directors may determine are appropriate, including the period over which restricted or phantom units will vest. The board of directors may, in its discretion, base vesting on various requirements including the grantee's completion of a period of service or upon the achievement of specified financial objectives or other criteria or upon a change of control (as defined in the 2012 ICP) or as otherwise described in an award agreement.

Distributions made by us with respect to awards of restricted units may, in the discretion of the board of directors, be subject to the same vesting requirements as the restricted units. The board of directors, in its discretion, may also grant tandem distribution equivalent rights with respect to phantom units. Distribution equivalent rights are contingent rights to receive an amount equal to all or a portion of the cash distributions made on units during the period a restricted unit or a phantom unit remains outstanding.

#### *Unit Options and Unit Appreciation Rights*

We expect that the 2012 ICP will also permit the grant of options and unit appreciation rights covering common units. Unit options represent the contingent right to purchase a number of common units at a specified exercise price. Unit appreciation rights represent the right to receive in either cash or common units the appreciation in the value of a number of common units over a specified exercise price in common units as determined by the board of directors. Unit options and unit appreciation rights may be granted to such eligible individuals and with such terms as the board of directors may determine,





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### **Management**

consistent with the 2012 ICP; however, a unit option or unit appreciation right must have an exercise price equal to at least the fair market value of a common unit on the date of grant.

#### *Other Unit-Based Awards*

We expect that the 2012 ICP may also permit the grant of other unit-based awards, which are awards that, in whole or in part, are valued or based on or related to the value of a unit. The vesting of another unit-based award may be based on factors including a participant's continued service, the achievement of performance criteria or other measures. On vesting, or on a deferred basis upon specified future dates or events, other unit-based awards may be paid in cash and/or in units (including restricted units), as the board of directors of our general partner may determine.

#### *Source of Common Units; Cost*

We expect that common units to be delivered with respect to awards under the 2012 ICP may be newly-issued units, common units acquired by our general partner in the open market, common units already owned by our general partner or us, common units acquired by our general partner directly from us or any other person or any combination of the foregoing. Our general partner will be entitled to reimbursement by us for the cost incurred in acquiring such common units. With respect to unit options, our general partner will be entitled to reimbursement from us for the difference between the cost it incurs in acquiring these common units and the proceeds it receives from an optionee at the time of exercise of an option. Thus, we will bear the cost of the unit options. If we issue new common units with respect to these awards, the total number of common units outstanding will increase, and our general partner will remit the proceeds it receives from a participant, if any, upon exercise of an award to us. With respect to any awards settled in cash, our general partner will be entitled to reimbursement by us for the amount of the cash settlement.

#### *Amendment or Termination of our Incentive Compensation Plan*

The board of directors, at its discretion, may terminate the 2012 ICP at any time with respect to the common units for which a grant has not previously been made. The 2012 ICP will automatically terminate on the 10th anniversary of the date it was initially adopted by our general partner. The board of directors will also have the right to alter or amend the 2012 ICP or any part of it from time to time or to amend any outstanding award made under the 2012 ICP, provided that no change in any outstanding award may be made that would materially impair the vested rights of the participant without the consent of the affected participant, and/or result in taxation to the participant under Section 409A of the Code.

#### *Awards under the 2012 ICP in connection with this Offering*

In connection with the consummation of this offering, and at any time following the consummation of this offering, our general partner may make grants of equity awards to certain of our named executive officers, the amounts, terms and conditions of which have not yet been determined.

### **Other Policies**

#### *Unit Ownership Guidelines*

We anticipate that our general partner will implement Unit Ownership Guidelines for our executive officers, including all of our NEOs. The guidelines are intended to align the long-term interests of our executive officers with our other unitholders. Under these guidelines, executive officers, including our NEOs, are expected to hold our common units having a certain minimum value. We expect that the targeted ownership levels, which amounts are in the process of being determined, will vary by executive depending upon the executive's position and responsibilities. We will update this disclosure prior to the effectiveness of the registration statement of which this prospectus is a part.



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### **Management**

We expect that executive officers will not be permitted to sell any units received in connection with awards under the 2012 ICP until their guideline ownership levels have been met in full. Additionally, we expect that a minimum holding requirement may be established for all executive officers who receive full-value units from our 2012 ICP. This holding period would prevent executive officers from selling any such units for twelve months from the time they are vested or earned. However, we expect these restrictions will apply only to units net of taxes at the time of vesting and/or distribution.

#### *Prohibition on Derivatives and Hedging*

In order to ensure that executive officers of our general partner, including our NEOs, bear the full risks of our common unit ownership, we expect our executive officers will be subject to a policy that prohibits hedging transactions related to our units or pledging or creating a security interest in any of our units, including units in excess of an ownership requirement.

#### *Recoupment/Clawback Policy*

In addition to any compensation recoupment policies that may apply with respect to the compensation our NEOs earn from MPC, we expect that the 2012 ICP will provide that all awards granted under the 2012 ICP will be subject to any compensation clawback or recoupment policy that we may adopt. We are currently considering the terms and conditions of such a policy, pending expected regulatory action on this issue, and expect that any such policy will be intended to comply with all applicable regulations and other legal requirements.

### **COMPENSATION OF OUR DIRECTORS**

The officers or employees of our general partner or of MPC who also serve as directors of our general partner will not receive additional compensation for their service as a director of our general partner. Directors of our general partner who are not officers or employees of our general partner or of MPC will receive compensation as non-employee directors.

Effective with the closing of this offering, we expect that each non-employee director will receive a compensation package that may consist of a combination of an annual cash retainer for board service, an additional retainer for service as the chair of a standing committee, and/or grants of equity-based awards under our 2012 ICP, the precise amounts, terms and conditions of which have not yet been determined. Further, each director will be indemnified for his actions associated with being a director to the fullest extent permitted under Delaware law.

**Table of Contents****Security ownership and certain beneficial owners and management**

The following table sets forth the beneficial ownership of units of MPLX LP that will be issued upon the consummation of this offering and the related transactions and held by beneficial owners of 5.0% or more of the units, by directors of MPLX GP LLC, our general partner, by each named executive officer and by all directors and officers of our general partner as a group and assumes no exercise of the underwriters' option to purchase additional common units.

The following table does not include any common units that directors and executive officers may purchase in this offering through the directed unit program described under "Underwriting."

Name of beneficial owner(1)	Common units to be beneficially owned	Percentage of common units to be beneficially owned	Subordinated units to be beneficially owned	Percentage of subordinated units to be beneficially owned	Percentage of total units to be beneficially owned
Marathon Petroleum Corporation(2)					
All directors and executive officers as a group (    persons)					

(1) Unless otherwise indicated, the address for all beneficial owners in this table is 200 E. Hardin Street, Findlay, Ohio 45840.

(2) Marathon Petroleum Corporation is the ultimate parent company of MPC Investment LLC, the sole owner of the member interests of our general partner. MPC Investment LLC is also the sole owner of MPLX Logistics Holdings LLC, which is the owner of        common units and        subordinated units. Marathon Petroleum Corporation may, therefore, be deemed to beneficially own the units held by MPC Investment LLC.

The following table sets forth the number of shares of MPC common stock beneficially owned as of August 1, 2012, except as otherwise noted, by each director, by each non-management director nominee, by each named executive officer and by all directors, non-management director nominees and executive officers as a group.

Name of Beneficial Owners	Amount and Nature of Beneficial Ownership(7)	Percent of Total Outstanding
<b>Directors/Named Executive Officers</b>		
Gary R. Heminger	598,843 <sup>(1)(2)(5)(6)</sup>	*
Garry L. Peiffer	131,003 <sup>(1)(4)(5)</sup>	*
Donald C. Templin	61,353 <sup>(1)(5)</sup>	*
<b>Non-Management Director Nominees</b>		
Christopher A. Helms		*
<b>All Directors, Non-Management Director Nominees and Executive Officers as a group (10 reporting persons)</b>		
	1,067,427 <sup>(1)(2)(3)(4)(5)(6)</sup>	*

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- (1) *Includes shares of restricted stock issued pursuant to the Marathon Petroleum Corporation Amended and Restated 2011 Incentive Compensation Plan and the Marathon Petroleum Corporation 2012 Incentive Compensation Plan, which are subject to limits on sale and transfer and may be forfeited under certain conditions.*
- (2) *Includes shares held within the Marathon Petroleum Thrift Plan.*
- (3) *Includes shares held within the Marathon Petroleum Corporation Dividend Reinvestment and Direct Stock Purchase Plan.*
- (4) *Includes 1,825 shares indirectly held by Mr. Peiffer in a revocable trust account governed by a Trust Agreement dated April 9, 2010.*

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**Security ownership and certain beneficial owners and management**

- (5) *Includes vested options exercisable within sixty days of August 1, 2012, including the following number of options not in-the-money as of August 1, 2012: Mr. Heminger: 35,512; Mr. Peiffer: 6,378; and all other executive officers as a group: 22,180.*
- (6) *Includes shares that would have been received as a result of stock-settled stock appreciation rights exercised based on the fair market value (i.e., closing price) of MPC common stock on August 1, 2012 of \$46.80.*
- (7) *None of the shares are pledged as security.*
- \* *The percentage of shares beneficially owned by each director, non-management director nominee or executive officer does not exceed 1% of the common shares outstanding. The percentage of shares beneficially owned by all directors, non-management director nominees and executive officers as a group does not exceed 1% of the common shares outstanding.*

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## Certain relationships and related party transactions

After this offering, the general partner and its affiliates will own \_\_\_\_\_ common units and \_\_\_\_\_ subordinated units representing a % limited partner interest in us. In addition, our general partner will own \_\_\_\_\_ general partner units representing a 2.0% general partner interest in us.

### **DISTRIBUTIONS AND PAYMENTS TO OUR GENERAL PARTNER AND ITS AFFILIATES**

The following table summarizes the distributions and payments to be made by us to our general partner and its affiliates in connection with the formation, ongoing operation, and liquidation of MPLX LP. These distributions and payments were determined by and among affiliated entities and, consequently, are not the result of arm's-length negotiations.

#### **Formation Stage**

The consideration received by our general partner and its affiliates prior to or in connection with this offering for the contribution of the assets and liabilities to us	Ø	common units
	Ø	subordinated units;
	Ø	general partner units representing a 2.0% general partner interest in us;
	Ø	the incentive distribution rights;
	Ø \$	million cash distribution of the net proceeds of the offering, in part to reimburse them for certain capital expenditures; and
	Ø	the right to have up to _____ common units redeemed with the proceeds of any exercise of the underwriters' option to purchase additional common units.

#### **Operational Stage**

Distributions of available cash to our general partner and its affiliates

We will generally make cash distributions of 98.0% to the unitholders pro rata, including MPC, as holder of an aggregate of \_\_\_\_\_ common units and \_\_\_\_\_ subordinated units, and 2.0% to our general partner, assuming it makes any capital contributions necessary to maintain its 2.0% general partner interest in us. In

addition, if distributions exceed the minimum quarterly distribution and target distribution levels, the incentive distribution rights held by our general partner will entitle our general partner to increasing percentages of the distributions, up to 48.0% of the distributions above the highest target distribution level.



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### Certain relationships and related party transactions

Assuming we have sufficient available cash to pay the full minimum quarterly distribution on all of our outstanding units for four quarters, our general partner and its affiliates would receive an annual distribution of approximately \$      million on the 2.0% general partner interest and \$      million on their common units and subordinated units.

#### Payments to our general partner and its affiliates

Under our partnership agreement, we are required to reimburse our general partner and its affiliates for all costs and expenses that they incur on our behalf for managing and controlling our business and operations. Except to the extent specified under our omnibus agreement, our general partner determines the amount of these expenses and such determinations must be made in good faith under the terms of our partnership agreement. The expenses of non-executive employees will be allocated to us based on weighted average headcount and the ratio of time spent by those employees on our business and operations. These reimbursable expenses also include an allocable portion of the compensation and benefits of employees and executive officers of other affiliates of our general partner who provide services to us. We will pay to MPC a fixed fee for the provision of certain executive management services by certain officers of our general partner. We will also reimburse MPC for the provision of certain general and administrative services to us. Please read [Agreements Governing the Transactions Omnibus Agreement](#) below and [Management Compensation of Our Officers](#).

In addition, we will reimburse MPC for the provision of certain operational and management services to us in support of our pipelines, barge dock, butane cavern and tank farms. Please read [Agreements Governing the Transactions Employee Services Agreements](#).

#### Withdrawal or removal of our general partner

If our general partner withdraws or is removed, its general partner interest and its incentive distribution rights will either be sold to the new general partner for cash or converted into common units, in each case for an amount equal to the fair market value of those interests. Please read [Our Partnership Agreement Withdrawal or Removal of Our General Partner](#).



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### **Certain relationships and related party transactions**

#### **Liquidation Stage**

##### **Liquidation**

Upon our liquidation, the partners, including our general partner, will be entitled to receive liquidating distributions according to their respective capital account balances.

### **AGREEMENTS GOVERNING THE TRANSACTIONS**

We and other parties have entered into or will enter into the various agreements that will effect the transactions, including the vesting of assets in, and the assumption of liabilities by, us and our subsidiaries, and the application of the proceeds of this offering. While not the result of arm's-length negotiations, we believe the terms of all of our initial agreements with MPC will be, and specifically intend the rates to be, generally no less favorable to either party than those that could have been negotiated with unaffiliated parties with respect to similar services. All of the transaction expenses incurred in connection with these transactions, including the expenses associated with transferring assets into our subsidiaries, will be paid for with the proceeds of this offering.

#### **Omnibus Agreement**

At the closing of this offering, we will enter into an omnibus agreement with MPC, certain of its subsidiaries and our general partner that will address the following matters:

- Ø our payment of an annual amount to MPC, initially in the amount of approximately \$31.8 million, for the provision of certain general and administrative services by MPC and its affiliates, which annual amount includes a fixed annual fee of approximately \$3.5 million for the provision of certain executive management services by certain officers of our general partner;
- Ø our obligation to reimburse MPC for any out-of-pocket costs and expenses incurred by MPC in providing general and administrative services (which reimbursement is in addition to certain expenses of our general partner and its affiliates that are reimbursed under our partnership agreement), as well as any other out-of-pocket expenses incurred by MPC on our behalf;
- Ø an indemnity by wholly owned subsidiaries of MPC for certain environmental and other liabilities, and our obligation to indemnify MPC and its subsidiaries for events and conditions associated with the operation of our assets that occur after the closing of this offering and for environmental liabilities related to our assets to the extent MPC is not required to indemnify us;
- Ø the granting of a license from MPC to us with respect to use of certain MPC trademarks and the granting of a license from us to MPC with respect to use of certain MPLX trademarks; and
- Ø so long as MPC controls our general partner, the omnibus agreement will remain in full force and effect. If MPC ceases to control our general partner, either party may terminate the omnibus agreement, provided that the indemnification obligations will remain in full force and effect in accordance with their terms.

*Reimbursement of Expenses.* We will reimburse MPC for any out-of-pocket costs and expenses incurred by MPC in providing general and administrative services to us. We will pre-pay MPC, in equal monthly installments, an amount MPC estimates it will incur during that calendar year in providing services for our benefit, except for actual costs incurred related to the services, which will be charged to us by MPC monthly.

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This reimbursement will be in addition to our reimbursement of our general partner and its affiliates for certain costs and expenses incurred on our behalf for managing and controlling our business and operations as required by our partnership agreement.

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### **Certain relationships and related party transactions**

*Indemnification.* Under the omnibus agreement, MPC will indemnify us for all known and certain unknown environmental liabilities that are associated with the ownership or operation of our assets and due to occurrences on or before the closing of this offering. Indemnification for any unknown environmental liabilities will be limited to liabilities due to occurrences on or before the closing of this offering and identified prior to the fifth anniversary of the closing of this offering, and will be subject to an aggregate deductible of \$500,000 before we are entitled to indemnification. There is no limit on the amount for which MPC will indemnify us under the omnibus agreement once we meet the deductible, if applicable. MPC will also indemnify us for certain defects in title to the assets contributed to us and failure to obtain certain consents, licenses and permits necessary to conduct our business, including the cost of curing any such condition.

MPC will also indemnify us for liabilities relating to:

- Ø the assets contributed to us, other than environmental liabilities, that arise out of the ownership or operation of the assets prior to the closing of this offering and that are asserted prior to the fifth anniversary of the closing of this offering;
- Ø events and conditions associated with any assets retained by MPC;
- Ø all tax liabilities attributable to the assets contributed to us arising prior to the closing of this offering or otherwise related to MPC's contribution of those assets to us in connection with this offering; and
- Ø all liabilities incurred by us in connection with the transfer of any employees from MPL to Marathon Petroleum Logistics Services LLC in connection with this offering.

We have agreed to indemnify MPC for events and conditions associated with the operation of our assets that occur after the closing of this offering and for environmental liabilities related to our assets to the extent MPC is not required to indemnify us as described above. Pipe Line Holdings has agreed to indemnify MPC for events and conditions associated with the operations of the Pipe Line Holdings assets that occur after the closing of this offering. Liabilities for which we and Pipe Line Holdings will indemnify MPC pursuant to the omnibus agreement are not subject to a deductible before MPC is entitled to indemnification. There is no limit on the amount for which we or Pipe Line Holdings will indemnify MPC under the omnibus agreement.

*License of Trademarks.* MPC will grant us a nontransferable, nonexclusive, royalty free right and license to use MPC's red M with hexagon trademark and certain other trademarks and tradenames owned by MPC. We will grant MPC a nontransferable, nonexclusive, royalty free right and license to use the MPLX name, logo and certain other trademarks that we own. These licenses will terminate upon the termination of the omnibus agreement.

### **Employee Services Agreements**

In connection with this offering, we will enter into two employee services agreements with MPC under which MPC will provide certain operational and management services to us in support of our assets. We will pay MPC for the services performed by certain of MPC's employees under these agreements, and we will also reimburse MPC for any direct costs actually incurred by MPC in providing these services. Either party may terminate the agreements upon 180 days' prior written notice. The employee services agreements will have an initial term of five years and will automatically renew for additional one-year terms unless terminated by either party. If a force majeure event prevents MPC from performing required services, then upon written notice to MPC, we may subcontract out the affected services. These force majeure events include fire, flood, storm, strike, walkout, lockout or other labor trouble or shortage, delays by unaffiliated suppliers or carriers, shortages of fuel, power, raw materials or components, equipment failure, any law, order, proclamation, regulation, ordinance, demand, seizure or requirement.



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### **Certain relationships and related party transactions**

of any governmental authority, riot, civil commotion, war, rebellion, act of terrorism, nuclear or other accident, explosion, casualty, pandemic, or act of God, or act, omission or delay in acting by any governmental or military authority or another party or any other cause, so long as such cause is beyond the reasonable control and without the fault of the affected party.

Under the employee services agreements, each party will indemnify the other party from any losses or liabilities incurred as a result of the indemnifying party's breach of any payment obligation under the employee services agreements. Additionally, we will indemnify MPC from any losses or liabilities incurred as a result of (1) our gross negligence, willful misconduct or bad faith in the performance of the employee services agreements and (2) third-party claims arising out of the provision of services, except to the extent resulting from MPC's gross negligence, willful misconduct or bad faith in connection with performance of the services. MPC will indemnify us from any losses or liabilities incurred for any third-party claims resulting from MPC's gross negligence, willful misconduct or bad faith in the provision of the services. Neither party is liable for any special, incidental, indirect, consequential, exemplary or punitive damages under the employee services agreements. Neither party may assign its rights or obligations under the employee services agreements without the prior written consent of the other party.

### **Transportation and Storage Services Agreements**

In connection with the closing of this offering, we will enter into long term, fee-based transportation and storage services agreements with MPC under which we will provide transportation and storage services to MPC, and MPC will commit to provide us with minimum quarterly throughput and storage volumes of crude oil and products and minimum storage volumes of butane. For more information about our transportation and storage services agreements with MPC, including MPC's ability to reduce or terminate its obligations in the event of a force majeure event that affects us, please read "Management's Discussion and Analysis of Financial Condition and Results of Operations—How We Generate Revenue" and "Business—Our Transportation and Storage Services Agreements with MPC."

### **Management Services Agreements**

Effective September 1, 2012, we entered into a management services agreement with Hardin Street Holdings LLC, a subsidiary of MPC, under which we will provide MPC with certain management services to assist in the management of certain of MPC's retained pipelines owned by Hardin Street Holdings LLC. Under this agreement, Hardin Street Holdings LLC will pay us a monthly management fee of approximately \$42,000 per month (approximately \$0.5 million per year in the aggregate) for management services performed. This management fee is fixed until December 31, 2013 and thereafter will be adjusted annually based on changes in the scope of the services performed. The management services that we provide to MPC under this agreement include administering nominations from shippers, assisting with the preparation and review of expense budgets and capital budgets, amending and filing of tariffs and assisting with day-to-day pipeline operation and maintenance, including emergency protocol procedures. This agreement has an initial term of five years and will automatically renew for additional one-year terms unless terminated by either party.

In connection with this offering, we will also enter into a management services agreement with MPL Louisiana Holdings LLC, a subsidiary of MPC, under which we will provide similar management services to MPC with respect to certain of MPC's retained assets owned by MPL Louisiana Holdings LLC. Under this agreement, MPL Louisiana Holdings LLC will pay us a monthly management fee of approximately \$17,000 per month (approximately \$0.2 million per year in the aggregate) for management services performed. This management fee will be fixed until December 31, 2013 and thereafter will be adjusted annually based on changes in the scope of the services performed. This agreement will have an initial term of five years and will automatically renew for additional one-year terms unless terminated by either party.

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### **Certain relationships and related party transactions**

Generally, under our management services agreements, the monthly management fee is fixed for the first year of the initial term of the agreement and thereafter will be adjusted annually based on changes in the scope of the services performed. Either party may terminate our management services agreements upon 180 days prior written notice. If a force majeure event prevents us from performing required management services under either agreement, the applicable MPC subsidiary may subcontract the affected management services. These force majeure events include fire, flood, storm, strike, walkout, lockout or other labor trouble or shortage, delays by unaffiliated suppliers or carriers, shortages of fuel, power, raw materials or components, equipment failure, any law, order, proclamation, regulation, ordinance, demand, seizure or requirement of any governmental authority, riot, civil commotion, war, rebellion, act of terrorism, nuclear or other accident, explosion, casualty, pandemic, or act of God, or act, omission or delay in acting by any governmental or military authority or another party or any other cause, so long as such cause is beyond our reasonable control and could not have been prevented by our reasonable due diligence.

Under the management services agreements, each party will indemnify the other party from any losses or liabilities incurred as a result of the indemnifying party's breach of the management services agreement. Additionally, we will indemnify the applicable MPC party from any losses or liabilities, including third party claims, incurred by such MPC party as a result of our gross negligence, willful misconduct or bad faith in the performance of the management services agreement. The applicable MPC party will indemnify us from any losses or liabilities incurred for any third-party claims except to the extent resulting from our gross negligence, willful misconduct or bad faith in the provision of management services. There is no limit on the amount of the indemnification obligations under our management services agreements. Neither party is liable for any consequential, incidental or punitive damages under the management services agreements. Neither party may assign its rights or obligations under the management services agreements without the prior written consent of the other party.

### **Amended and Restated Limited Partnership Agreement of Pipe Line Holdings**

Upon the closing of this offering, we and MPC will enter into an amended and restated limited partnership agreement of Pipe Line Holdings pursuant to which we will receive a 51.0% general partner interest and MPC will receive a 49.0% limited partner interest. We expect that the management of Pipe Line Holdings will be vested in a board of managers appointed by us and MPC and that certain actions of Pipe Line Holdings will require the unanimous approval of both us and MPC. These actions include the following:

- Ø any reorganization, merger, consolidation or similar transaction or any sale or lease of all or substantially all of Pipe Line Holdings' assets;
- Ø the creation of any new class of partnership interests or the issuance of any additional partnership interests or any securities convertible into or exchangeable for any partnership interests;
- Ø the admission or withdrawal of any person as a partner of Pipe Line Holdings;
- Ø the making of any capital contribution to Pipe Line Holdings;
- Ø causing or permitting Pipe Line Holdings to file an application for bankruptcy;
- Ø approving any modification or amendment to the amount, timing, frequency or method of calculation of distributions; and



Ø approving any distribution by Pipe Line Holdings of any assets in kind or any distribution of any cash or property on a non-pro rata basis.

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### **Certain relationships and related party transactions**

The amended and restated partnership agreement will provide that the board of managers will distribute all distributable cash of Pipe Line Holdings to us and MPC on a pro rata basis as of the end of each quarter.

### **Contribution Agreement**

At the closing of this offering, we will enter into a contribution, conveyance and assignment agreement, which we refer to as our contribution agreement, with MPC and our general partner under which MPC will contribute all of our initial assets to us, including our butane cavern and our 51.0% indirect interest in Pipe Line Holdings.

### **OTHER AGREEMENTS WITH MPC AND RELATED PARTIES**

Through MPL, we currently operate and, following the closing of this offering, will continue to operate, various pipeline systems owned by MPC and related parties under existing operating services agreements that MPL has entered into with MPC and such related parties. Under these operating services agreements, MPL receives an operating fee for operating the assets and for providing various operational services with respect to those assets. MPL is generally reimbursed for all direct and indirect costs associated with operating the assets and providing such operational services. These agreements generally range from one to five years in length and automatically renew. Most of the agreements are indexed for inflation. Our existing operating services agreements include the following:

- Ø an operating agreement with MPC under which MPL receives an annual \$11.2 million operating fee for operating certain MPC wholly owned crude oil and product pipeline systems. This agreement will expire in December 2013 and will automatically renew for additional one-year terms;
- Ø an operating agreement with Centennial Pipeline LLC, a joint venture in which MPC owns a 50% equity interest, under which MPL receives an annual operating fee of approximately \$1.0 million for operating certain portions of the Centennial pipeline system extending from Texas to Illinois. This agreement is currently year-to-year and automatically renews for additional one-year terms;
- Ø an agreement with MPC under which MPL receives an annual fee of approximately \$0.4 million for managing various MPC-owned pipeline transportation facilities that are regulated by the Department of Transportation. This agreement is currently year-to-year and automatically renews for additional one-year terms;
- Ø an operating services agreement between MPC and MPL under which MPL receives fees for providing certain services at terminals owned by MPC and pays MPC fees for providing certain services at our tank farms. This agreement will expire in August 2015 and will automatically renew for additional one-year terms. For the year ended December 31, 2011, MPL received an aggregate of \$0.2 million in fees and paid MPC an aggregate of \$0.3 million in fees under this agreement;
- Ø an operating agreement with MPC and an unrelated third party under which MPL receives an annual operating fee of approximately \$0.2 million for operating certain portions of a product pipeline extending from Louisville, Kentucky to Lexington, Kentucky. This agreement is currently year-to-year and automatically renews for additional one-year terms;
- Ø an operating agreement with Muskegon Pipeline LLC, a joint venture in which MPC owns a 60% equity interest, under which MPL receives an annual operating fee of approximately \$0.2 million for operating certain portions of a product pipeline extending from Griffith, Indiana to

Muskegon, Michigan. This agreement will expire in December 2020 and will automatically renew for additional one-year terms;

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### **Certain relationships and related party transactions**

Ø two separate operating service agreements with MPC under which MPL is paid fees for providing cathodic protection program oversight for certain of MPC's facilities. These agreements are currently year-to-year and automatically renew for additional one-year terms. For the year ended December 31, 2011, MPL received an aggregate of approximately \$0.1 million in fees under these agreements; and

Ø a service agreement with MPC under which MPL receives an annual fee of approximately \$0.1 million for operating and managing certain of MPC's storage caverns. This agreement is currently year-to-year and automatically renews for additional one-year terms.

#### **Cavern Services Agreement**

Prior to the closing of this offering, our wholly owned subsidiary, MPLX Terminal and Storage LLC, will enter into a cavern services agreement with MPL under which MPL will provide certain operating services for our butane cavern, including personnel, maintenance and DOT compliance support services. MPLX Terminal and Storage LLC will pay MPL an annual fee in the amount of \$0.2 million, payable in equal monthly payments, for providing the operating services. In addition, MPLX Terminal and Storage LLC will reimburse MPL for any costs and expenses incurred by MPL in providing the operational services. The initial term of the agreement will be for one year and will automatically renew from year-to-year unless terminated by either party at least six months prior to the end of the term.

#### **Cash Management Agreements**

We historically participated in MPC's centralized cash management program for periods prior to September 30, 2010, under which the net balance of our cash receipts and cash disbursements was settled with MPC on a daily basis. On October 1, 2010, we ceased participating in MPC's centralized cash management program and entered into agreements with PFD, a subsidiary of Marathon Oil, to invest our excess cash in preferred stock of PFD. The agreement with PFD was terminated effective June 30, 2011. For the year ended December 31, 2010, we purchased \$103.1 million of PFD shares and redeemed \$52.0 million of PFD shares, for a net purchase of \$51.1 million for the period. For the six months ended June 30, 2011, we purchased \$260.6 million of PFD shares and redeemed \$311.7 million of PFD shares, for a net redemption of \$51.1 million for the period. We had dividend income of \$0.2 million and \$1.9 million from our investment in PFD preferred stock for the year ended December 31, 2010 and the six months ended June 30, 2011, respectively.

On June 21, 2011, we executed a cash management agreement with MPCIF that allows us, on a daily basis, to send our excess cash to MPCIF as an advance or request cash from MPCIF as a draw. Under this agreement, our net cash balance with MPCIF on the last day of each quarter is classified as loans receivable from related party or as loans payable to related party. The loan balance remains constant until the last day of the next quarter. Loans receivable earn interest at the three-month London Interbank Offered Rate (LIBOR) plus 10 basis points. Loans payable bear interest at the three-month LIBOR plus 50 basis points. At the end of the quarter, the net balance of the daily advances and draws and the accrued interest is rolled into the loan balance for the subsequent quarter. At any time during the term of the agreement, a loan from MPCIF can be repaid or a demand for repayment can be made for a loan to MPCIF. The term of this agreement will end on January 1, 2020; however, we can terminate our participation at any time during the term of the agreement. Our loans to MPCIF were \$220.0 million and \$170.4 million for the year ended December 31, 2011 and the six months ended June 30, 2012, respectively, and our interest income from MPCIF was \$0.4 million and \$0.8 million for those same periods, respectively. This agreement with MPCIF will be terminated prior to the closing of this offering. Please read note 3 to the unaudited interim combined financial statements and note 4 to the audited combined financial statements included elsewhere in this prospectus for additional information regarding our investment in PFD preferred stock and our cash management agreement with MPCIF.

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### **Certain relationships and related party transactions**

#### **PROCEDURES FOR REVIEW, APPROVAL AND RATIFICATION OF RELATED PERSON TRANSACTIONS**

The board of directors of our general partner will adopt a related party transactions policy in connection with the closing of this offering that will provide that the board of directors of our general partner or its authorized committee will review on at least a quarterly basis all related person transactions that are required to be disclosed under SEC rules and, when appropriate, initially authorize or ratify all such transactions. In the event that the board of directors of our general partner or its authorized committee considers ratification of a related person transaction and determines not to so ratify, the code of business conduct and ethics will provide that our management will make all reasonable efforts to cancel or annul the transaction.

The related party transactions policy will provide that, in determining whether or not to recommend the initial approval or ratification of a related person transaction, the board of directors of our general partner or its authorized committee should consider all of the relevant facts and circumstances available, including (if applicable) but not limited to: (i) whether there is an appropriate business justification for the transaction; (ii) the benefits that accrue to us as a result of the transaction; (iii) the terms available to unrelated third parties entering into similar transactions; (iv) the impact of the transaction on a director's independence (in the event the related person is a director, an immediate family member of a director or an entity in which a director or an immediate family member of a director is a partner, shareholder, member or executive officer); (v) the availability of other sources for comparable products or services; (vi) whether it is a single transaction or a series of ongoing, related transactions; and (vii) whether entering into the transaction would be consistent with the code of business conduct and ethics.

The related party transactions policy described above will be adopted in connection with the closing of this offering, and as a result the transactions described above were not reviewed under such policy.

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# Conflicts of interest and duties

## CONFLICTS OF INTEREST

Conflicts of interest exist and may arise in the future as a result of the relationships between our general partner and its affiliates, including MPC, on the one hand, and us and our unaffiliated limited partners, on the other hand. The directors and executive officers of our general partner have fiduciary duties to manage our general partner in a manner that is not adverse to the best interests of its owners. At the same time, our general partner has a fiduciary duty to manage us in a manner that is not adverse to the best interests of our partnership.

Whenever a conflict arises between our general partner or its affiliates, on the one hand, and us or any other partner, on the other, our general partner will resolve that conflict. Our general partner may seek the approval of such resolution from the conflicts committee of the board of directors of our general partner. There is no requirement that our general partner seek the approval of the conflicts committee for the resolution of any conflict, and, under our partnership agreement, our general partner may decide to seek such approval or resolve a conflict of interest in any other way permitted by our partnership agreement, as described below, in its sole discretion. Our general partner will decide whether to refer the matter to the conflicts committee on a case-by-case basis. An independent third party is not required to evaluate the fairness of the resolution.

Our general partner will not be in breach of its obligations under our partnership agreement or its duties to us or our unitholders if the resolution of the conflict is:

- Ø approved by the conflicts committee;
- Ø approved by the vote of a majority of the outstanding common units, excluding any common units owned by our general partner or any of its affiliates;
- Ø on terms no less favorable to us than those generally being provided to or available from unrelated third parties; or
- Ø fair and reasonable to us, taking into account the totality of the relationships between the parties involved, including other transactions that may be particularly favorable or advantageous to us.

If our general partner does not seek approval from the conflicts committee and our general partner's board of directors determines that the resolution or course of action taken with respect to the conflict of interest satisfies either of the standards set forth in the third and fourth bullet points above, then it will be presumed that, in making its decision, the board of directors acted in good faith, and in any proceeding brought by or on behalf of any limited partner or the partnership challenging such determination, the person bringing or prosecuting such proceeding will have the burden of overcoming such presumption. Unless the resolution of a conflict is specifically provided for in our partnership agreement, our general partner or the conflicts committee of our general partner's board of directors may consider any factors it determines in good faith to consider when resolving a conflict. When our partnership agreement requires someone to act in good faith, it requires that person to subjectively believe that he is acting in a manner that is not adverse to the best interests of the partnership or meets the specified standard, for example, a transaction on terms no less favorable to the partnership than those generally being provided to or available from unrelated third parties. Please read Management of MPLX LP Conflicts Committee for information about the conflicts committee of our general partner's board of directors.

Conflicts of interest could arise in the situations described below, among others.



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### **Conflicts of interest and duties**

**Affiliates of our general partner, including MPC, may compete with us, and neither our general partner nor its affiliates have any obligation to present business opportunities to us.**

Our partnership agreement provides that our general partner will be restricted from engaging in any business activities other than acting as our general partner (or as general partner of another company of which we are a partner or member) or those activities incidental to its ownership of interests in us. However, affiliates of our general partner, including MPC, are not prohibited from engaging in other businesses or activities, including those that might compete with us.

Under the terms of our partnership agreement, the doctrine of corporate opportunity, or any analogous doctrine, will not apply to our general partner or any of its affiliates, including its executive officers, directors and MPC. Any such person or entity that becomes aware of a potential transaction, agreement, arrangement or other matter that may be an opportunity for us will not have any duty to communicate or offer such opportunity to us. Any such person or entity will not be liable to us or to any limited partner for breach of any fiduciary duty or other duty by reason of the fact that such person or entity pursues or acquires such opportunity for itself, directs such opportunity to another person or entity or does not communicate such opportunity or information to us. Therefore, except as provided in the omnibus agreement, MPC may compete with us for acquisition opportunities and may own an interest in entities that compete with us.

**Our general partner is allowed to take into account the interests of parties other than us, such as MPC, in resolving conflicts of interest.**

Our partnership agreement contains provisions that reduce and modify the standards to which our general partner would otherwise be held by state fiduciary duty law. For example, our partnership agreement permits our general partner to make a number of decisions in its individual capacity, as opposed to in its capacity as our general partner, free of any duty or obligation to us and our unitholders, other than the implied contractual covenant of good faith and fair dealing, which means that a court will enforce the reasonable expectations of the partners where the language in our partnership agreement does not provide for a clear course of action. This entitles our general partner to consider only the interests and factors that it desires, and relieves it of any duty or obligation to give any consideration to any interest of, or factors affecting, us or any limited partner. Examples of decisions that our general partner may make in its individual capacity include the allocation of corporate opportunities among us and our affiliates, the exercise of its limited call right, its voting rights with respect to the units it owns and its registration rights, and its determination whether or not to consent to any merger, consolidation or conversion of the partnership or amendment to our partnership agreement.

**Our partnership agreement replaces the fiduciary duties that would otherwise be owed by our general partner with contractual standards governing its duties, and limits our general partner's liabilities and the remedies available to our unitholders for actions that, without the limitations, might constitute breaches of fiduciary duty under applicable Delaware law.**

In addition to the provisions described above, our partnership agreement contains provisions that restrict the remedies available to our limited partners for actions that might constitute breaches of fiduciary duty under applicable Delaware law. For example, our partnership agreement:

- Ø permits our general partner to make a number of decisions in its individual capacity, as opposed to in its capacity as our general partner. This entitles our general partner to consider only the interests and factors that it desires, and it has no duty or obligation to give any consideration to any interest of, or



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### **Conflicts of interest and duties**

factors affecting, us or any limited partner. Examples of decisions that our general partner may make in its individual capacity include: (1) how to allocate business opportunities among us and its other affiliates; (2) whether to exercise its limited call right; (3) how to exercise its voting rights with respect to the units it owns; (4) whether to exercise its registration rights; (5) whether to elect to reset target distribution levels; and (6) whether or not to consent to any merger or consolidation of the partnership or amendment to our partnership agreement;

Ø provides that the general partner will have no liability to us or our limited partners for decisions made in its capacity as a general partner so long as such decisions are made in good faith;

Ø generally provides that in a situation involving a transaction with an affiliate or other conflict of interest, any determination by our general partner must be made in good faith. If an affiliate transaction or the resolution of another conflict of interest is not approved by our public common unitholders or the conflicts committee and the board of directors of our general partner determines that the resolution or course of action taken with respect to the affiliate transaction or conflict of interest is either on terms no less favorable to us than those generally being provided to or available from unrelated third parties or is fair and reasonable to us, considering the totality of the relationships between the parties involved, including other transactions that may be particularly advantageous or beneficial to us, then it will be presumed that in making its decision, the board of directors of our general partner acted in good faith, and in any proceeding brought by or on behalf of any limited partner or us challenging such decision, the person bringing or prosecuting such proceeding will have the burden of overcoming such presumption; and

Ø provides that our general partner and its officers and directors will not be liable for monetary damages to us or our limited partners resulting from any act or omission unless there has been a final and non-appealable judgment entered by a court of competent jurisdiction determining that our general partner or its officers or directors, as the cases may be, acted in bad faith or engaged in fraud or willful misconduct or, in the case of a criminal matter, acted with knowledge that the conduct was unlawful.

By purchasing a common unit, a common unitholder will be deemed to have agreed to become bound by the provisions in our partnership agreement, including the provisions discussed above.

### **Except in limited circumstances, our general partner has the power and authority to conduct our business without unitholder approval.**

Under our partnership agreement, our general partner has full power and authority to do all things, other than those items that require unitholder approval or with respect to which our general partner has sought conflicts committee approval, on such terms as it determines to be necessary or appropriate to conduct our business including, but not limited to, the following:

Ø the making of any expenditures, the lending or borrowing of money, the assumption or guarantee of or other contracting for, indebtedness and other liabilities, the issuance of evidences of indebtedness, including indebtedness that is convertible into our securities, and the incurring of any other obligations;

Ø the purchase, sale or other acquisition or disposition of our securities, or the issuance of additional options, rights, warrants and appreciation rights relating to our securities;

Ø the acquisition, disposition, mortgage, pledge, encumbrance, hypothecation or exchange of any or all of our assets;

Ø the negotiation, execution and performance of any contracts, conveyances or other instruments;

Ø the distribution of our cash;

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### **Conflicts of interest and duties**

- Ø the selection and dismissal of employees and agents, outside attorneys, accountants, consultants and contractors and the determination of their compensation and other terms of employment or hiring;
- Ø the maintenance of insurance for our benefit and the benefit of our partners;
- Ø the formation of, or acquisition of an interest in, the contribution of property to, and the making of loans to, any limited or general partnership, joint venture, corporation, limited liability company or other entity;
- Ø the control of any matters affecting our rights and obligations, including the bringing and defending of actions at law or in equity, otherwise engaging in the conduct of litigation, arbitration or mediation and the incurring of legal expense, the settlement of claims and litigation;
- Ø the indemnification of any person against liabilities and contingencies to the extent permitted by law;
- Ø the making of tax, regulatory and other filings, or the rendering of periodic or other reports to governmental or other agencies having jurisdiction over our business or assets; and
- Ø the entering into of agreements with any of its affiliates to render services to us or to itself in the discharge of its duties as our general partner. Our partnership agreement provides that our general partner must act in good faith when making decisions on our behalf, and our partnership agreement further provides that in order for a determination to be made in good faith, our general partner must subjectively believe that the determination is not adverse to the best interests of our partnership. Please read Our Partnership Agreement Voting Rights for information regarding matters that require unitholder approval.

### **Actions taken by our general partner may affect the amount of cash available for distribution to unitholders or accelerate the right to convert subordinated units.**

The amount of cash that is available for distribution to unitholders is affected by decisions of our general partner regarding such matters as:

- Ø the amount and timing of asset purchases and sales;
- Ø cash expenditures;
- Ø borrowings;

Ø the issuance of additional units; and

Ø the creation, reduction or increase of reserves in any quarter.

Our general partner determines the amount and timing of any capital expenditures and whether a capital expenditure is classified as a maintenance capital expenditure, which reduces operating surplus, or an expansion capital expenditure, which does not reduce operating surplus. This determination can affect the amount of cash that is distributed to our unitholders and to our general partner and the ability of the subordinated units to convert into common units.

In addition, our general partner may use an amount, initially equal to \$        million, which would not otherwise constitute available cash from operating surplus, in order to permit the payment of cash distributions on its units and incentive distribution rights. All of these actions may affect the amount of cash distributed to our unitholders and our general partner and may facilitate the conversion of subordinated units into common units. Please read    Provisions of Our Partnership Agreement Relating to Cash Distributions.

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**Conflicts of interest and duties**

In addition, borrowings by us and our affiliates do not constitute a breach of any duty owed by our general partner to our unitholders, including borrowings that have the purpose or effect of:

Ø enabling our general partner or its affiliates to receive distributions on any subordinated units held by them or the incentive distribution rights; or

Ø accelerating the expiration of the subordination period.

For example, in the event we have not generated sufficient cash from our operations to pay the minimum quarterly distribution on our common units and our subordinated units, our partnership agreement permits us to borrow working capital funds, which would enable us to make this distribution on all outstanding units. Please read **Provisions of our Partnership Agreement Relating to Cash Distributions Subordinated Units and Subordination Period**.

Our partnership agreement provides that we and our subsidiaries may borrow funds from our general partner and its affiliates. Our general partner and its affiliates may not borrow funds from us, or our operating company and its operating subsidiaries.

**We will reimburse our general partner and its affiliates for expenses.**

We will reimburse our general partner and its affiliates, including MPC, for costs incurred in managing and operating us. Our partnership agreement provides that our general partner will determine the expenses that are allocable to us in good faith, and it will charge on a fully allocated cost basis for services provided to us. We will also enter into an omnibus agreement and employee services agreements with MPC that will address our reimbursement of our general partner and its affiliates for these costs and services. Please read **Certain Relationships and Related Party Transactions**.

**Contracts between us, on the one hand, and our general partner and its affiliates, on the other hand, will not be the result of arm's-length negotiations.**

Our partnership agreement allows our general partner to determine, in good faith, any amounts to pay itself or its affiliates for any services rendered to us. Our general partner may also enter into additional contractual arrangements with any of its affiliates on our behalf. Our general partner will determine, in good faith, the terms of any arrangements or transactions entered into after the close of this offering. While neither our partnership agreement nor any of the other agreements, contracts, and arrangements between us and our general partner and its affiliates are or will be the result of arm's-length negotiations, we believe the terms of all of our initial agreements with our general partner and its affiliates will be, and specifically intend the rates to be, generally no less favorable to either party than those that could have been negotiated with unaffiliated parties with respect to similar services. Similarly, agreements, contracts or arrangements between us and our general partner and its affiliates that are entered into following the closing of this offering will not be required to be negotiated on an arm's-length basis, although, in some circumstances, our general partner may determine that the conflicts committee may make a determination on our behalf with respect to such arrangements.

Our general partner and its affiliates will have no obligation to permit us to use any facilities or assets of our general partner and its affiliates, except as may be provided in contracts entered into specifically for such use. There is no obligation of our general partner and its affiliates to enter into any contracts of this kind.



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**Conflicts of interest and duties**

**Our general partner intends to limit its liability regarding our obligations.**

Our general partner intends to limit its liability under contractual arrangements so that counterparties to such agreements have recourse only against our assets and not against our general partner or its assets or any affiliate of our general partner or its assets. Our partnership agreement provides that any action taken by our general partner to limit its liability is not a breach of our general partner's fiduciary duties, even if we could have obtained terms that are more favorable without the limitation on liability.

**Common units are subject to our general partner's limited call right.**

Our general partner may exercise its right to call and purchase common units, as provided in our partnership agreement, or may assign this right to one of its affiliates or to us. Our general partner may use its own discretion, free of any duty or liability to us or our unitholders, in determining whether to exercise this right. As a result, a common unitholder may have to sell his common units at an undesirable time or price. Please read "Our Partnership Agreement - Limited Call Right."

**Common unitholders will have no right to enforce obligations of our general partner and its affiliates under agreements with us.**

Any agreements between us, on the one hand, and our general partner and its affiliates, on the other hand, will not grant to the unitholders, separate and apart from us, the right to enforce the obligations of our general partner and its affiliates in our favor.

**Our general partner decides whether to retain separate counsel, accountants or others to perform services for us.**

The attorneys, independent accountants and others who perform services for us have been retained by our general partner. Attorneys, independent accountants and others who perform services for us are selected by our general partner or our conflicts committee and may perform services for our general partner and its affiliates. We may retain separate counsel for ourselves or the holders of common units in the event of a conflict of interest between our general partner and its affiliates, on the one hand, and us or the holders of common units, on the other, depending on the nature of the conflict. We do not intend to do so in most cases.

**Our general partner may elect to cause us to issue common units to it in connection with a resetting of the target distribution levels related to our general partner's incentive distribution rights without the approval of our conflicts committee or our unitholders. This election may result in lower distributions to our common unitholders in certain situations.**

Our general partner has the right, at any time when there are no subordinated units outstanding and it has received incentive distributions at the highest level to which it is entitled (48.0%) for each of the prior four consecutive calendar quarters, to reset the initial target distribution levels at higher levels based on our cash distribution at the time of the exercise of the reset election. Furthermore, our general partner has the right to transfer all or any portion of the incentive distribution rights at any time, and such transferee shall have the same rights as the general partner relative to resetting target distributions if our general partner concurs that the tests for resetting target distributions have been fulfilled. Following a reset election by our general partner, the minimum quarterly distribution will be reset to an amount equal to the average cash distribution per unit for the two calendar quarters immediately preceding the reset election (such amount is referred to as the "reset minimum quarterly distribution"), and the target distribution levels will be reset to correspondingly higher levels based on percentage increases above the reset minimum quarterly distribution.

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### **Conflicts of interest and duties**

We anticipate that our general partner would exercise this reset right in order to facilitate acquisitions or internal growth projects that would not be sufficiently accretive to cash distributions per common unit without such conversion; however, it is possible that our general partner could exercise this reset election at a time when we are experiencing declines in our aggregate cash distributions or at a time when our general partner expects that we will experience declines in our aggregate cash distributions in the foreseeable future. In such situations, our general partner may be experiencing, or may expect to experience, declines in the cash distributions it receives related to its incentive distribution rights and may therefore desire to be issued common units, which are entitled to specified priorities with respect to our distributions and which therefore may be more advantageous for the general partner to own in lieu of the right to receive incentive distribution payments based on target distribution levels that are less certain to be achieved in the then current business environment. As a result, a reset election may cause our common unitholders to experience dilution in the amount of cash distributions that they would have otherwise received had we not issued common units to our general partner in connection with resetting the target distribution levels related to our general partner's incentive distribution rights. Please read Provisions of Our Partnership Agreement Relating to Cash Distributions General Partner Interest and Incentive Distribution Rights.

### **DUTIES OF THE GENERAL PARTNER**

The Delaware Act provides that Delaware limited partnerships may, in their partnership agreements, expand, restrict or eliminate, except for the implied contractual covenant of good faith and fair dealing, the fiduciary duties otherwise owed by the general partner to limited partners and the partnership.

As permitted by the Delaware Act, our partnership agreement contains various provisions replacing the fiduciary duties that might otherwise be owed by our general partner with contractual standards governing the duties of our general partner and contractual methods of resolving conflicts of interest. We have adopted these provisions to allow our general partner or its affiliates to engage in transactions with us that would otherwise be prohibited by state-law fiduciary standards and to take into account the interests of other parties in addition to our interests when resolving conflicts of interest. We believe this is appropriate and necessary because the board of directors of our general partner has duties to manage our general partner in a manner that is not adverse to the best interests of its owners in addition to the best interests of our partnership. Without these provisions, our general partner's ability to make decisions involving conflicts of interest would be restricted. These provisions enable our general partner to take into consideration the interests of all parties involved in the proposed action. These provisions also strengthen the ability of our general partner to attract and retain experienced and capable directors. These provisions disadvantage the common unitholders because they restrict the rights and remedies that would otherwise be available to such unitholders for actions that, without those limitations, might constitute breaches of fiduciary duty, as described below, and permit our general partner to take into account the interests of third parties in addition to our interests when resolving conflicts of interest. The following is a summary of the fiduciary duties imposed on general partners of a limited partnership by the Delaware Act in the absence of partnership agreement provisions to the contrary, the contractual duties of our general partner contained in our partnership agreement that replace the fiduciary duties that would otherwise be imposed by Delaware laws on our general partner and the rights and remedies of our unitholders with respect to these contractual duties:

#### **State law fiduciary duty standards**

Fiduciary duties are generally considered to include an obligation to act in good faith and with due care and loyalty. The duty of care, in the absence of a provision in a partnership agreement providing otherwise, would generally require a general partner to act for the partnership in the same manner as a prudent person would act on his own behalf. The duty of loyalty, in the absence of a provision in a



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### Conflicts of interest and duties

partnership agreement providing otherwise, would generally prohibit a general partner of a Delaware limited partnership from taking any action or engaging in any transaction where a conflict of interest is present unless such transactions were entirely fair to the partnership.

### Partnership agreement modified standards

Our partnership agreement contains provisions that waive or consent to conduct by our general partner and its affiliates that might otherwise raise issues as to compliance with fiduciary duties or applicable law. For example, our partnership agreement provides that when our general partner is acting in its capacity as our general partner, as opposed to in its individual capacity, it must act in good faith, meaning that it subjectively believed that the decision was not adverse to the best interests of our partnership, and will not be subject to any other standard under applicable law, other than the implied contractual covenant of good faith and fair dealing. In addition, when our general partner is acting in its individual capacity, as opposed to in its capacity as our general partner, it may act free of any duty or obligation to us or our limited partners, other than the implied contractual covenant of good faith and fair dealing. These standards reduce the obligations to which our general partner would otherwise be held.

Our partnership agreement generally provides that affiliated transactions and resolutions of conflicts of interest not involving a vote of unitholders or that are not approved by our conflicts committee must be:

- Ø on terms no less favorable to us than those generally being provided to or available from unrelated third parties; or
- Ø fair and reasonable to us, taking into account the totality of the relationships between the parties involved (including other transactions that may be particularly favorable or advantageous to us).

If our general partner does not seek approval from our conflicts committee and its board of directors determines that the resolution or course of action taken with respect to the conflict of interest satisfies either of the standards set forth in the bullet points above, then it will be presumed that, in making its decision, the board of directors,



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### **Conflicts of interest and duties**

which may include board members affected by the conflict of interest, acted in good faith, and in any proceeding brought by or on behalf of any limited partner or us challenging such approval, the person bringing or prosecuting such proceeding will have the burden of overcoming such presumption. These standards reduce the obligations to which our general partner would otherwise be held.

In addition to the other more specific provisions limiting the obligations of our general partner, our partnership agreement further provides that our general partner and its officers and directors will not be liable for monetary damages to us or our limited partners for errors of judgment or for any acts or omissions unless there has been a final and non-appealable judgment by a court of competent jurisdiction determining that our general partner or its officers and directors acted in bad faith or engaged in fraud or willful misconduct or, in the case of a criminal matter, acted with knowledge that the conduct was unlawful.

### **Rights and remedies of unitholders**

The Delaware Act generally provides that a limited partner may institute legal action on behalf of the partnership to recover damages from a third party where a general partner has refused to institute the action or where an effort to cause a general partner to do so is not likely to succeed. These actions include actions against a general partner for breach of its fiduciary duties, if any, or of the partnership agreement.

By purchasing our common units, each common unitholder automatically agrees to be bound by the provisions in our partnership agreement, including the provisions discussed above. This is in accordance with the policy of the Delaware Act favoring the principle of freedom of contract and the enforceability of partnership agreements. The failure of a limited partner to sign a partnership agreement does not render the partnership agreement unenforceable against that person.

Under our partnership agreement, we must indemnify our general partner and its officers, directors and managers, to the fullest extent permitted by law, against liabilities, costs and expenses incurred by our general partner or these other persons. We must provide this indemnification unless there has been a final and non-appealable judgment by a court of competent jurisdiction determining that these persons acted in bad faith or engaged in fraud or willful misconduct or, in the case of a criminal matter, acted with knowledge that the conduct was unlawful. We also must provide this indemnification for criminal proceedings when our general partner or these other persons acted with no knowledge that their conduct was unlawful. Thus, our general partner could be indemnified for its negligent acts if it met the requirements set forth above. To the extent that these provisions purport to include indemnification for liabilities arising under the Securities Act of 1933, or the Securities Act, in the opinion of the SEC, such indemnification is contrary to public policy and therefore unenforceable. Please read Our Partnership Agreement Indemnification.

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## Description of the common units

### **THE UNITS**

The common units represent limited partner interests in us. The holders of common units, along with the holders of subordinated units, are entitled to participate in partnership distributions and are entitled 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 common units and subordinated units in and to partnership distributions, please read this section and Cash Distribution Policy and Restrictions on Distributions. For a description of the rights and privileges of limited partners under our partnership agreement, including voting rights, please read Our Partnership Agreement.

### **TRANSFER AGENT AND REGISTRAR**

#### **Duties**

Computershare Trust Company, N.A. will serve as the registrar and transfer agent for our common units. We will pay all fees charged by the transfer agent for transfers of common units, except the following that must be paid by our unitholders:

Ø surety bond premiums to replace lost or stolen certificates, or to cover taxes and other governmental charges in connection therewith;

Ø special charges for services requested by a holder of a common unit; and

Ø other similar fees or charges.

There will be no charge to our unitholders for disbursements of our cash distributions. We will indemnify the transfer agent, its agents and each of their respective stockholders, directors, officers and employees against all claims and losses that may arise out of acts performed or omitted for its activities in that capacity, except for any liability due to any gross negligence or intentional misconduct of the indemnified person or entity.

#### **Resignation or Removal**

The transfer agent may resign, by notice to us, or be removed by us. The resignation or removal of the transfer agent will become effective upon our appointment of a successor transfer agent and registrar and its acceptance of the appointment. If no successor has been appointed and has accepted the appointment within 30 days after notice of the resignation or removal, our general partner may act as the transfer agent and registrar until a successor is appointed.

### **TRANSFER OF COMMON UNITS**

By transfer of common units in accordance with our partnership agreement, each transferee of common units shall be admitted as a limited partner with respect to the common units transferred when such transfer and admission are reflected in our books and records. Each transferee:

Ø automatically agrees to be bound by the terms and conditions of, and is deemed to have executed, our partnership agreement;

Ø represents and warrants that the transferee has the right, power, authority and capacity to enter into our partnership agreement; and

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**Description of the common units**

Ø gives the consents, waivers and approvals contained in our partnership agreement, such as the approval of all transactions and agreements that we are entering into in connection with our formation and this offering.

Our general partner will cause any transfers to be recorded on our books and records no less frequently than quarterly.

We may, at our discretion, treat the nominee holder of a common unit as the absolute owner. In that case, the beneficial holder's rights are limited solely to those that it has against the nominee holder as a result of any agreement between the beneficial owner and the nominee holder.

Common units are securities and transferable according to the laws governing the transfer of securities. In addition to other rights acquired upon transfer, the transferor gives the transferee the right to become a substituted limited partner in our partnership for the transferred common units.

Until a common unit has been transferred on our books, we and the transfer agent may treat the record holder of the common unit as the absolute owner for all purposes, except as otherwise required by law or stock exchange regulations.

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## Our partnership agreement

The following is a summary of the material provisions of our partnership agreement. The form of our partnership agreement is included in this prospectus as Appendix A. We will provide prospective investors with a copy of our partnership agreement upon request at no charge.

We summarize the following provisions of our partnership agreement elsewhere in this prospectus:

Ø with regard to distributions of available cash, please read Provisions of Our Partnership Agreement Relating to Cash Distributions ;

Ø with regard to the duties of our general partner, please read Conflicts of Interest and Duties ;

Ø with regard to the transfer of common units, please read Description of the Common Units Transfer of Common Units ; and

Ø with regard to allocations of taxable income and taxable loss, please read Material Federal Income Tax Consequences.

### **ORGANIZATION AND DURATION**

Our partnership was organized on March 27, 2012 and will have a perpetual existence unless terminated pursuant to the terms of our partnership agreement.

### **PURPOSE**

Our purpose under the partnership agreement is limited to any business activity that is approved by our general partner and that lawfully may be conducted by a limited partnership organized under Delaware law; provided that our general partner shall not cause us to engage, directly or indirectly, in any business activity that our general partner determines would be reasonably likely to cause us to be treated as an association taxable as a corporation or otherwise taxable as an entity for federal income tax purposes.

Although our general partner has the ability to cause us and our subsidiaries to engage in activities other than the business of owning, operating, developing and acquiring crude oil, refined product and other hydrocarbon-based product pipelines and other midstream assets, our general partner has no current plans to do so and may decline to do so free of any duty or obligation whatsoever to us or the limited partners, including any duty to act in the best interests of our partnership or our limited partners, other than the implied contractual covenant of good faith and fair dealing. Our general partner is authorized in general to perform all acts it determines to be necessary or appropriate to carry out our purposes and to conduct our business.

### **CAPITAL CONTRIBUTIONS**

Unitholders are not obligated to make additional capital contributions, except as described below under Limited Liability. For a discussion of our general partner's right to contribute capital to maintain its 2.0% general partner interest if we issue additional units, please read Issuance of Additional Securities.





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### **Our partnership agreement**

## **VOTING RIGHTS**

The following is a summary of the unitholder vote required for the matters specified below. Matters that require the approval of a unit majority require:

Ø during the subordination period, the approval of a majority of the outstanding common units, excluding those common units held by our general partner and its affiliates, and a majority of the outstanding subordinated units, voting as separate classes; and

Ø after the subordination period, the approval of a majority of the outstanding common units.

In voting their common units and subordinated units, our general partner and its affiliates will have no duty or obligation whatsoever to us or the limited partners, including any duty to act in the best interests of us or the limited partners, other than the implied contractual covenant of good faith and fair dealing.

Issuance of additional units

No approval rights.

Amendment of our partnership agreement

Certain amendments may be made by the general partner without the approval of the unitholders. Other amendments generally require the approval of a unit majority. Please read Amendment of Our Partnership Agreement.

Merger of our partnership or the sale of all or substantially all of our assets

Unit majority. Please read Merger, Sale or Other Disposition of Assets.

Dissolution of our partnership

Unit majority. Please read Termination and Dissolution.

Continuation of our business upon dissolution

Unit majority. Please read Termination and Dissolution.

Withdrawal of the general partner

Under most circumstances, the approval of unitholders holding at least a majority of the outstanding common units, excluding common units held by our general partner and its affiliates, is required for the withdrawal of the general partner prior to , 2022 in a manner which would cause a dissolution of our partnership. Please read Withdrawal or Removal of Our General Partner.

Removal of the general partner

Not less than 66 <sup>2</sup>/<sub>3</sub> % of the outstanding units, voting as a single class, including units held by our general partner and its affiliates. Please

read Withdrawal or Removal of Our General Partner.

Transfer of the general partner interest

Our general partner may transfer all, but not less than all, of its general partner interest in us without a vote of our unitholders to an affiliate or another person in connection with its merger or

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### **Our partnership agreement**

consolidation with or into, or sale of all or substantially all of its assets to, such person. The approval of a majority of the outstanding common units, excluding common units held by our general partner and its affiliates, is required in other circumstances for a transfer of the general partner interest to a third party prior to \_\_\_\_\_, 2022. Please read \_\_\_\_\_ Transfer of General Partner Interest.

Transfer of incentive distribution rights

Our general partner may transfer any or all of its incentive distribution rights to an affiliate or another person without a vote of our unitholders. Please read \_\_\_\_\_ Transfer of Incentive Distribution Rights.

Reset of incentive distribution levels

No approval right.

Transfer of ownership interests in our general partner

No approval right. Please read \_\_\_\_\_ Transfer of Ownership Interests in Our General Partner.

### **LIMITED LIABILITY**

Assuming that a limited partner does not participate in the control of our business within the meaning of the Delaware Act and that it otherwise acts in conformity with the provisions of our partnership agreement, its liability under the Delaware Act will be limited, subject to possible exceptions, to the amount of capital it is obligated to contribute to us for its common units plus its share of any undistributed profits and assets. If it were determined, however, that the right, or exercise of the right of, by the limited partners as a group:

Ø to remove or replace our general partner;

Ø to approve some amendments to our partnership agreement; or

Ø to take other action under our partnership agreement;

constituted participation in the control of our business for the purposes of the Delaware Act, then the limited partners could be held personally liable for our obligations under the laws of Delaware, to the same extent as our general partner. This liability would extend to persons who transact business with us who reasonably believe that a limited partner is a general partner. Neither our partnership agreement nor the Delaware Act specifically provides for legal recourse against our general partner if a limited partner were to lose limited liability through any fault of our general partner. While this does not mean that a limited partner could not seek legal recourse, we know of no precedent for this type of a claim in Delaware case law.

Under the Delaware Act, a limited partnership may not make a distribution to a partner if, after the distribution, all liabilities of the limited partnership, other than liabilities to partners on account of their limited partner interests and liabilities for which the recourse of creditors is limited to specific property of the partnership, would exceed the fair value of the assets of the limited partnership, except that the fair value of property that is subject to a liability for which the recourse of creditors is limited is included in the assets of the limited partnership only to the extent that the fair value of that property exceeds that liability. For the purpose of determining the fair value of the assets of a limited partnership, the Delaware Act provides that the fair value of property subject to liability for which recourse of creditors is limited



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**Our partnership agreement**

shall be included in the assets of the limited partnership only to the extent that the fair value of that property exceeds the nonrecourse liability. The Delaware Act provides that a limited partner who receives a distribution and knew at the time of the distribution that the distribution was in violation of the Delaware Act shall be liable to the limited partnership for the amount of the distribution for three years. Under the Delaware Act, a substituted limited partner of a limited partnership is liable for the obligations of its assignor to make contributions to the partnership, except that such person is not obligated for liabilities unknown to it at the time it became a limited partner and that could not be ascertained from the partnership agreement.

Our subsidiaries conduct business in several states and we may have subsidiaries that conduct business in other states in the future. Maintenance of our limited liability as a member of our operating company may require compliance with legal requirements in the jurisdictions in which our operating company conducts business, including qualifying our subsidiaries to do business there.

Limitations on the liability of members or limited partners for the obligations of a limited liability company or limited partnership have not been clearly established in many jurisdictions. If, by virtue of our ownership interests in our operating subsidiaries or otherwise, it were determined that we were conducting business in any state without compliance with the applicable limited partnership or limited liability company statute, or that the right or exercise of the right by the limited partners as a group to remove or replace our general partner, to approve some amendments to our partnership agreement, or to take other action under our partnership agreement constituted participation in the control of our business for purposes of the statutes of any relevant jurisdiction, then the limited partners could be held personally liable for our obligations under the law of that jurisdiction to the same extent as our general partner under the circumstances. We will operate in a manner that our general partner considers reasonable and necessary or appropriate to preserve the limited liability of the limited partners.

**ISSUANCE OF ADDITIONAL SECURITIES**

Our partnership agreement authorizes us to issue an unlimited number of additional partnership interests for the consideration and on the terms and conditions determined by our general partner without the approval of the unitholders.

It is possible that we will fund acquisitions through the issuance of additional common units, subordinated units or other partnership interests. Holders of any additional common units we issue will be entitled to share equally with the then-existing holders of common units in our distributions of available cash. In addition, the issuance of additional common units or other partnership interests may dilute the value of the interests of the then-existing holders of common units in our net assets.

In accordance with Delaware law and the provisions of our partnership agreement, we may also issue additional partnership interests that, as determined by our general partner, may have special voting rights to which the common units are not entitled. In addition, our partnership agreement does not prohibit the issuance by our subsidiaries of equity interests, which may effectively rank senior to the common units.

Upon issuance of additional limited partner interests (other than the issuance of common units upon exercise by the underwriters of their option to purchase additional common units, the issuance of common units in connection with a rest of the incentive distribution target levels or the issuance of common units upon conversion of outstanding partnership interests), our general partner will be entitled, but not required, to make additional capital contributions to the extent necessary to maintain its 2.0% general partner interest in us. Our general partner's 2.0% interest in us will be reduced if we issue additional units in the future and our general partner does not contribute a proportionate amount of capital to us to maintain its 2.0% general partner interest. Moreover, our general partner will have the

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### **Our partnership agreement**

right, which it may from time to time assign in whole or in part to any of its affiliates, to purchase common units, subordinated units or other partnership interests whenever, and on the same terms that, we issue those interests to persons other than our general partner and its affiliates, to the extent necessary to maintain the percentage interest of the general partner and its affiliates, including such interest represented by common units and subordinated units, that existed immediately prior to each issuance. The other holders of common units will not have preemptive rights to acquire additional common units or other partnership interests.

### **AMENDMENT OF OUR PARTNERSHIP AGREEMENT**

#### **General**

Amendments to our partnership agreement may be proposed only by our general partner. However, our general partner will have no duty or obligation to propose any amendment and may decline to do so free of any duty or obligation whatsoever to us or our limited partners, including any duty to act in the best interests of us or the limited partners, other than the implied contractual covenant of good faith and fair dealing. In order to adopt a proposed amendment, other than the amendments discussed below, our general partner is required to seek written approval of the holders of the number of units required to approve the amendment or call a meeting of the limited partners to consider and vote upon the proposed amendment. Except as described below, an amendment must be approved by a unit majority.

#### **Prohibited Amendments**

No amendment may be made that would:

Ø enlarge the obligations of any limited partner without its consent, unless such is deemed to have occurred as a result of an amendment approved by at least a majority of the type or class of limited partner interests so affected; or

Ø enlarge the obligations of, restrict in any way any action by or rights of, or reduce in any way the amounts distributable, reimbursable or otherwise payable by us to our general partner or any of its affiliates without its consent, which consent may be given or withheld at its option.

The provisions of our partnership agreement preventing the amendments having the effects described in any of the clauses above can be amended upon the approval of the holders of at least 90.0% of the outstanding units voting together as a single class (including units owned by our general partner and its affiliates). Upon the completion of this offering, our general partner and its affiliates will own approximately % of the outstanding common and subordinated units (excluding common units purchased by officers and directors of our general partner and MPC under our directed unit program).

#### **No Unitholder Approval**

Our general partner may generally make amendments to our partnership agreement without the approval of any limited partner to reflect:

Ø a change in our name, the location of our principal office, our registered agent or our registered office;

Ø the admission, substitution, withdrawal or removal of partners in accordance with our partnership agreement;

Ø a change that our general partner determines to be necessary or appropriate to qualify or continue our qualification as a limited partnership or a partnership in which the limited partners have limited liability under the laws of any state or to ensure that neither we nor any of our subsidiaries will be treated as an association taxable as a corporation or otherwise taxed as an entity for federal income tax purposes;

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### **Our partnership agreement**

- Ø an amendment that is necessary, in the opinion of our counsel, to prevent us or our general partner or its directors, officers, agents or trustees, from in any manner, being subjected to the provisions of the Investment Company Act of 1940, the Investment Advisors Act of 1940, or plan asset regulations adopted under the Employee Retirement Income Security Act of 1974 (ERISA), whether or not substantially similar to plan asset regulations currently applied or proposed by the United States Department of Labor;
  - Ø an amendment that our general partner determines to be necessary or appropriate for the authorization or issuance of additional partnership interests;
  - Ø any amendment expressly permitted in our partnership agreement to be made by our general partner acting alone;
  - Ø an amendment effected, necessitated or contemplated by a merger agreement that has been approved under the terms of our partnership agreement;
  - Ø any amendment that our general partner determines to be necessary or appropriate to reflect and account for the formation by us of, or our investment in, any corporation, partnership or other entity, in connection with our conduct of activities permitted by our partnership agreement;
  - Ø a change in our fiscal year or taxable year and any other changes that our general partner determines to be necessary or appropriate as a result of such change;
  - Ø mergers with, conveyances to or conversions into another limited liability entity that is newly formed and has no assets, liabilities or operations at the time of the merger, conveyance or conversion other than those it receives by way of the merger, conveyance or conversion; or
  - Ø any other amendments substantially similar to any of the matters described in the clauses above.
- In addition, our general partner may make amendments to our partnership agreement without the approval of any limited partner if our general partner determines that those amendments:
- Ø do not adversely affect in any material respect the limited partners considered as a whole or any particular class of partnership interests as compared to other classes of partnership interests;
  - Ø are necessary or appropriate to satisfy any requirements, conditions or guidelines contained in any opinion, directive, order, ruling or regulation of any federal or state agency or judicial authority or contained in any federal or state statute;



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- Ø are necessary or appropriate to facilitate the trading of limited partner interests or to comply with any rule, regulation, guideline or requirement of any securities exchange on which the limited partner interests are or will be listed or admitted to trading;
- Ø are necessary or appropriate for any action taken by our general partner relating to splits or combinations of units under the provisions of our partnership agreement; or
- Ø are required to effect the intent expressed in this prospectus or the intent of the provisions of our partnership agreement or are otherwise contemplated by our partnership agreement.

### **Opinion of Counsel and Unitholder Approval**

For amendments of the type not requiring unitholder approval, our general partner will not be required to obtain an opinion of counsel to the effect that an amendment will not affect the limited liability of any limited partner under Delaware law. No other amendments to our partnership agreement will become effective without the approval of holders of at least 90.0% of the outstanding units voting as a single class unless we first obtain such an opinion of counsel.

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In addition to the above restrictions, any amendment that would have a material adverse effect on the rights or preferences of any type or class of partnership interests in relation to other classes of partnership interests will require the approval of at least a majority of the type or class of partnership interests so affected. Any amendment that would reduce the percentage of units required to take any action, other than to remove our general partner or call a meeting of unitholders, must be approved by the affirmative vote of limited partners whose aggregate outstanding units constitute not less than the percentage sought to be reduced. Any amendment that would increase the percentage of units required to remove our general partner must be approved by the affirmative vote of limited partners whose aggregate outstanding units constitute not less than 90.0% of outstanding units. Any amendment that would increase the percentage of units required to call a meeting of unitholders must be approved by the affirmative vote of limited partners whose aggregate outstanding units constitute at least a majority of the outstanding units.

### **MERGER, CONSOLIDATION, CONVERSION, SALE OR OTHER DISPOSITION OF ASSETS**

A merger, consolidation or conversion of our partnership requires the prior consent of our general partner. However, our general partner will have no duty or obligation to consent to any merger, consolidation or conversion and may decline to do so free of any duty or obligation whatsoever to us or the limited partners, including any duty to act in the best interest of us or the limited partners, other than the implied contractual covenant of good faith and fair dealing.

In addition, our partnership agreement generally prohibits our general partner, without the prior approval of the holders of a unit majority, from causing us to, among other things, sell, exchange or otherwise dispose of all or substantially all of our assets in a single transaction or a series of related transactions. Our general partner may, however, mortgage, pledge, hypothecate, or grant a security interest in all or substantially all of our assets without that approval. Our general partner may also sell any or all of our assets under a foreclosure or other realization upon those encumbrances without that approval. Finally, our general partner may consummate any merger with another limited liability entity without the prior approval of our unitholders if we are the surviving entity in the transaction, our general partner has received an opinion of counsel regarding limited liability and tax matters, the transaction would not result in an amendment to our partnership agreement requiring unitholder approval, each of our units will be an identical unit of our partnership following the transaction and the partnership interests to be issued by us in such merger do not exceed 20.0% of our outstanding partnership interests immediately prior to the transaction.

If the conditions specified in our partnership agreement are satisfied, our general partner may convert us or any of our subsidiaries into a new limited liability entity or merge us or any of our subsidiaries into, or convey all of our assets to, a newly formed entity if the sole purpose of that conversion, merger or conveyance is to effect a mere change in our legal form into another limited liability entity, our general partner has received an opinion of counsel regarding limited liability and tax matters, and our general partner determines that the governing instruments of the new entity provide the limited partners and our general partner with the same rights and obligations as contained in our partnership agreement. The unitholders are not entitled to dissenters' rights of appraisal under our partnership agreement or applicable Delaware law in the event of a conversion, merger or consolidation, a sale of substantially all of our assets or any other similar transaction or event.

### **TERMINATION AND DISSOLUTION**

We will continue as a limited partnership until dissolved and terminated under our partnership agreement. We will dissolve upon:

- Ø the withdrawal or removal of our general partner or any other event that results in its ceasing to be our general partner other than by reason of a transfer of its general partner interest in accordance with our partnership agreement or withdrawal or removal followed by approval and admission of a successor;



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### **Our partnership agreement**

Ø the election of our general partner to dissolve us, if approved by the holders of units representing a unit majority;

Ø the entry of a decree of judicial dissolution of our partnership; or

Ø there being no limited partners, unless we are continued without dissolution in accordance with the Delaware Act.

Upon a dissolution under the first clause above, the holders of a unit majority may also elect, within specific time limitations, to continue our business on the same terms and conditions described in our partnership agreement by appointing as a successor general partner an entity approved by the holders of units representing a unit majority, subject to our receipt of an opinion of counsel to the effect that:

Ø the action would not result in the loss of limited liability of any limited partner; and

Ø neither our partnership nor any of our subsidiaries would be treated as an association taxable as a corporation or otherwise be taxable as an entity for federal income tax purposes upon the exercise of that right to continue.

### **LIQUIDATION AND DISTRIBUTION OF PROCEEDS**

Upon our dissolution, unless we are continued as a new limited partnership, the liquidator authorized to wind up our affairs will, acting with all of the powers of our general partner that are necessary or appropriate to, liquidate our assets and apply the proceeds of the liquidation as described in Provisions of Our Partnership Agreement Relating to Cash Distributions Distributions of Cash Upon Liquidation. The liquidator may defer liquidation or distribution of our assets for a reasonable period of time or distribute assets to partners in kind if it determines that a sale would be impractical or would cause undue loss to our partners.

### **WITHDRAWAL OR REMOVAL OF OUR GENERAL PARTNER**

Except as described below, our general partner has agreed not to withdraw voluntarily as our general partner prior to , 2022 without obtaining the approval of the holders of at least a majority of the outstanding common units, excluding common units held by our general partner and its affiliates, and furnishing an opinion of counsel regarding limited liability and tax matters. On or after , 2022 our general partner may withdraw as general partner without first obtaining approval of any unitholder by giving 90 days written notice, and that withdrawal will not constitute a violation of our partnership agreement. Notwithstanding the information above, our general partner may withdraw without unitholder approval upon 90 days written notice to the limited partners if at least 50.0% of the outstanding units are held or controlled by one person and its affiliates other than our general partner and its affiliates. In addition, our partnership agreement permits our general partner in some instances to sell or otherwise transfer all of its general partner interest in us without the approval of the unitholders. Please read Transfer of General Partner Interest and Transfer of Incentive Distribution Rights.

Upon voluntary withdrawal of our general partner by giving notice to the other partners, the holders of a unit majority may select a successor to that withdrawing general partner. If a successor is not elected, or is elected but an opinion of counsel regarding limited liability and tax matters cannot be obtained, we will be dissolved, wound up and liquidated, unless within a specified period after that withdrawal, the holders of a unit majority agree to continue our business by appointing a successor general partner. Please read Termination and Dissolution.



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Our general partner may not be removed unless that removal is approved by the vote of the holders of not less than  $66\frac{2}{3}\%$  of our outstanding units, voting together as a single class, including units held by our general partner and its affiliates, and we receive an opinion of counsel regarding limited liability and tax matters. Any removal of our general partner is also subject to the approval of a successor general partner by the vote of the holders of a majority of the outstanding common units, voting as a separate class, and subordinated units, voting as a separate class. The ownership of more than  $33\frac{1}{3}\%$  of the outstanding units by our general partner and its affiliates would give them the practical ability to prevent our general partner's removal. At the closing of this offering, our general partner and its affiliates will own % of the outstanding common and subordinated units (excluding common units purchased by officers and directors of our general partner and MPC under our directed unit program).

Our partnership agreement also provides that if our general partner is removed as our general partner under circumstances where cause does not exist and units held by our general partner and its affiliates are not voted in favor of that removal:

Ø the subordination period will end, and all outstanding subordinated units will immediately convert into common units on a one-for-one basis;

Ø any existing arrearages in payment of the minimum quarterly distribution on the common units will be extinguished; and

Ø our general partner will have the right to convert its general partner interest and its incentive distribution rights into common units or to receive cash in exchange for those interests based on the fair market value of those interests as of the effective date of its removal.

In the event of removal of our general partner under circumstances where cause exists or withdrawal of our general partner where that withdrawal violates our partnership agreement, a successor general partner will have the option to purchase the general partner interest and incentive distribution rights of the departing general partner for a cash payment equal to the fair market value of those interests. Under all other circumstances where our general partner withdraws or is removed by the limited partners, the departing general partner will have the option to require the successor general partner to purchase the general partner interest of the departing general partner and its incentive distribution rights for fair market value. In each case, this fair market value will be determined by agreement between the departing general partner and the successor general partner. If no agreement is reached, an independent investment banking firm or other independent expert selected by the departing general partner and the successor general partner will determine the fair market value. Or, if the departing general partner and the successor general partner cannot agree upon an expert, then an expert chosen by agreement of the experts selected by each of them will determine the fair market value.

If the option described above is not exercised by either the departing general partner or the successor general partner, the departing general partner will become a limited partner and its general partner interest and its incentive distribution rights will automatically convert into common units pursuant to a valuation of those interests as determined by an investment banking firm or other independent expert selected in the manner described in the preceding paragraph.

In addition, we will be required to reimburse the departing general partner for all amounts due the departing general partner, including, without limitation, all employee-related liabilities, including severance liabilities, incurred for the termination of any employees employed by the departing general partner or its affiliates for our benefit.

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#### **TRANSFER OF GENERAL PARTNER INTEREST**

Except for transfer by our general partner of all, but not less than all, of its general partner interest to (1) an affiliate of our general partner (other than an individual), or (2) another entity as part of the merger or consolidation of our general partner with or into such entity or the transfer by our general partner of all or substantially all of its assets to such entity, our general partner may not transfer all or any part of its general partner interest to another person prior to \_\_\_\_\_, 2022 without the approval of the holders of at least a majority of the outstanding common units, excluding common units held by our general partner and its affiliates. As a condition of this transfer, the transferee must assume, among other things, the rights and duties of our general partner, agree to be bound by the provisions of our partnership agreement, and furnish an opinion of counsel regarding limited liability and tax matters.

Our general partner and its affiliates may at any time transfer units to one or more persons, without unitholder approval, except that they may not transfer subordinated units to us.

#### **TRANSFER OF OWNERSHIP INTERESTS IN OUR GENERAL PARTNER**

At any time, MPC and its affiliates may sell or transfer all or part of their membership interest in our general partner, or their membership interests in MPC Investment LLC, the sole member of our general partner to an affiliate or third party without the approval of our unitholders.

#### **TRANSFER OF INCENTIVE DISTRIBUTION RIGHTS**

At any time, our general partner may sell or transfer its incentive distribution rights to an affiliate or third party without the approval of the unitholders.

#### **CHANGE OF MANAGEMENT PROVISIONS**

Our partnership agreement contains specific provisions that are intended to discourage a person or group from attempting to remove MPLX GP LLC as our general partner or otherwise change our management. If any person or group other than our general partner and its affiliates acquires beneficial ownership of 20.0% or more of any class of units, that person or group loses voting rights on all of its units. This loss of voting rights does not apply to any person or group that acquires the units from our general partner or its affiliates and any transferees of that person or group who are notified by our general partner that they will not lose their voting rights or to any person or group who acquires the units with the prior approval of the board of directors of our general partner. Please read \_\_\_\_\_ Withdrawal or Removal of Our General Partner.

#### **LIMITED CALL RIGHT**

If at any time our general partner and its affiliates own more than 80.0% of the then-issued and outstanding limited partner interests of any class, our general partner will have the right, which it may assign in whole or in part to any of its affiliates or to us, to acquire all, but not less than all, of the limited partner interests of such class held by unaffiliated persons as of a record date to be selected by our general partner, on at least 10, but not more than 60, days \_\_\_\_\_ written notice.

The purchase price in the event of this purchase is the greater of:

- Ø the highest cash price paid by either our general partner or any of its affiliates for any limited partner interests of the class purchased within the 90 days preceding the date on which our general partner first mails notice of its election to purchase those limited partner interests; and





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Ø the current market price calculated in accordance with our partnership agreement as of the date three business days before the date the notice is mailed.

As a result of our general partner's right to purchase outstanding limited partner interests, a holder of limited partner interests may have his limited partner interests purchased at a price that may be lower than market prices at various times prior to such purchase or lower than a unitholder may anticipate the market price to be in the future. The tax consequences to a unitholder of the exercise of this call right are the same as a sale by that unitholder of his common units in the market. Please read "Material Federal Income Tax Consequences" Disposition of Common Units.

### **REDEMPTION OF INELIGIBLE HOLDERS**

In order to avoid any material adverse effect on the maximum applicable rates that can be charged to customers by our subsidiaries on assets that are subject to rate regulation by FERC or analogous regulatory body, each transferee of common units, upon becoming the record holder of such common units, will automatically certify, and the general partner at any time can request such unitholder to re-certify:

Ø that the transferee or unitholder is an individual or an entity subject to United States federal income taxation on the income generated by us; or

Ø that, if the transferee unitholder is an entity not subject to United States federal income taxation on the income generated by us, as in the case, for example, of a mutual fund taxed as a regulated investment company or a partnership, all the entity's owners are subject to United States federal income taxation on the income generated by us.

Furthermore, in order to avoid a substantial risk of cancellation or forfeiture of any property, including any governmental permit, endorsement or other authorization, in which we have an interest as the result of any federal, state or local law or regulation concerning the nationality, citizenship or other related status of any unitholder, our general partner may at any time request unitholders to certify as to, or provide other information with respect to, their nationality, citizenship or other related status.

The certifications as to taxpayer status and nationality, citizenship or other related status can be changed in any manner our general partner determines is necessary or appropriate to implement its original purpose.

If a unitholder fails to furnish the certification or other requested information with 30 days or if our general partner determines, with the advice of counsel, upon review of such certification or other information that a unitholder does not meet the status set forth in the certification, we will have the right to redeem all of the units held by such unitholder at the market price as of the date three days before the date the notice of redemption is mailed.

The purchase price will be paid in cash or by delivery of a promissory note, as determined by our general partner. Any such promissory note will bear interest at the rate of 5.0% annually and be payable in three equal annual installments of principal and accrued interest, commencing one year after the redemption date. Further, the units will not be entitled to any allocations of income or loss, distributions or voting rights while held by such unitholder.

### **MEETINGS; VOTING**

Except as described below regarding a person or group owning 20.0% or more of any class of units then outstanding, record holders of units on the record date will be entitled to notice of, and to vote at, meetings of our limited partners and to act upon matters for which approvals may be solicited.



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### **Our partnership agreement**

Our general partner does not anticipate that any meeting of unitholders will be called in the foreseeable future. Any action that is required or permitted to be taken by the unitholders may be taken either at a meeting of the unitholders or, if authorized by our general partner, without a meeting if consents in writing describing the action so taken are signed by holders of the number of units that would be necessary to authorize or take that action at a meeting where all limited partners were present and voted. Meetings of the unitholders may be called by our general partner or by unitholders owning at least 20.0% of the outstanding units of the class for which a meeting is proposed. Unitholders may vote either in person or by proxy at meetings. The holders of a majority of the outstanding units of the class or classes for which a meeting has been called, represented in person or by proxy, will constitute a quorum unless any action by the unitholders requires approval by holders of a greater percentage of the units, in which case the quorum will be the greater percentage. The units representing the general partner interest are units for distribution and allocation purposes, but do not entitle our general partner to any vote other than its rights as general partner under our partnership agreement, will not be entitled to vote on any action required or permitted to be taken by the unitholders and will not count toward or be considered outstanding when calculating required votes, determining the presence of a quorum, or for similar purposes.

Each record holder of a unit has a vote according to its percentage interest in us, although additional limited partner interests having special voting rights could be issued. Please read Issuance of Additional Securities. However, if at any time any person or group, other than our general partner and its affiliates, a direct transferee of our general partner and its affiliates or a transferee of such direct transferee who is notified by our general partner that it will not lose its voting rights, acquires, in the aggregate, beneficial ownership of 20.0% or more of any class of units then outstanding, that person or group will lose voting rights on all of its units and the units may not be voted on any matter and will not be considered to be outstanding when sending notices of a meeting of unitholders, calculating required votes, determining the presence of a quorum, or for other similar purposes. Common units held in nominee or street name account will be voted by the broker or other nominee in accordance with the instruction of the beneficial owner unless the arrangement between the beneficial owner and its nominee provides otherwise. Except as our partnership agreement otherwise provides, subordinated units will vote together with common units as a single class. Any notice, demand, request, report or proxy material required or permitted to be given or made to record holders of common units under our partnership agreement will be delivered to the record holder by us or by the transfer agent.

### **STATUS AS LIMITED PARTNER**

By transfer of common units in accordance with our partnership agreement, each transferee of common units shall be admitted as a limited partner with respect to the common units transferred when such transfer and admission is reflected in our register. Except as described under Limited Liability, the common units will be fully paid, and unitholders will not be required to make additional contributions.

### **INDEMNIFICATION**

Under our partnership agreement, in most circumstances, we will indemnify the following persons, to the fullest extent permitted by law, from and against all losses, claims, damages or similar events:

- Ø our general partner;
- Ø any departing general partner;
- Ø any person who is or was an affiliate of our general partner or any departing general partner;
- Ø any person who is or was a director, officer, managing member, manager, general partner, fiduciary or trustee of us or our subsidiaries, or any entity set forth in the preceding three bullet points;



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### **Our partnership agreement**

Ø any person who is or was serving as director, officer, managing member, manager, general partner, fiduciary or trustee of another person owing a fiduciary duty to us or any of our subsidiaries at the request of our general partner or any departing general partner or any of their affiliates; and

Ø any person designated by our general partner because such person's status, service or relationship expose such person to claims or suits relating to our business and affairs.

Any indemnification under these provisions will only be out of our assets. Unless it otherwise agrees, our general partner will not be personally liable for, or have any obligation to contribute or lend funds or assets to us to enable us to effectuate, indemnification. We will purchase insurance against liabilities asserted against and expenses incurred by persons for our activities, regardless of whether we would have the power to indemnify the person against such liabilities under our partnership agreement.

### **REIMBURSEMENT OF EXPENSES**

Our partnership agreement requires us to reimburse our general partner for all direct and indirect expenses it incurs or payments it makes on our behalf and all other expenses allocable to us or otherwise incurred by our general partner in connection with operating our business. These expenses include salary, bonus, incentive compensation and other amounts paid to persons who perform services for us or on our behalf and expenses allocated to our general partner by its affiliates. Our general partner is entitled to determine in good faith the expenses that are allocable to us. Please read Certain Relationships and Related Party Transactions Agreements Governing the Transactions Omnibus Agreement and Certain Relationships and Related Party Transactions Agreements Governing the Transactions Employee Services Agreements.

### **BOOKS AND REPORTS**

Our general partner is required to keep appropriate books of our business at our principal offices. The books will be maintained for financial reporting purposes on an accrual basis. For fiscal and tax reporting purposes, our fiscal year is the calendar year.

We will mail or make available to record holders of common units, within 105 days after the close of each fiscal year, an annual report containing audited financial statements and a report on those financial statements by our independent public accountants. Except for our fourth quarter, we will also mail or make available summary financial information within 50 days after the close of each quarter.

We will furnish each record holder of a unit with information reasonably required for tax reporting purposes within 90 days after the close of each calendar year. This information is expected to be furnished in summary form so that some complex calculations normally required of partners can be avoided. Our ability to furnish this summary information to unitholders will depend on the cooperation of unitholders in supplying us with specific information. Every unitholder will receive information to assist him in determining its federal and state tax liability and filing its federal and state income tax returns, regardless of whether he supplies us with information.

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### **Our partnership agreement**

#### **RIGHT TO INSPECT OUR BOOKS AND RECORDS**

Our partnership agreement provides that a limited partner can, for a purpose reasonably related to its interest as a limited partner, upon reasonable written demand stating the purpose of such demand and at its own expense, have furnished to him:

Ø a current list of the name and last known address of each record holder;

Ø copies of our partnership agreement and our certificate of limited partnership and all amendments thereto; and

Ø certain information regarding the status of our business and financial condition.

Our general partner may, and intends to, keep confidential from the limited partners trade secrets or other information the disclosure of which our general partner determines is not in our best interests or that we are required by law or by agreements with third parties to keep confidential. Our partnership agreement limits the right to information that a limited partner would otherwise have under Delaware law.

#### **REGISTRATION RIGHTS**

Under our partnership agreement, we have agreed to register for resale under the Securities Act and applicable state securities laws any common units, subordinated units or other partnership interests proposed to be sold by our general partner or any of its affiliates, other than individuals, or their assignees if an exemption from the registration requirements is not otherwise available. These registration rights continue for two years following any withdrawal or removal of MPLX GP LLC as our general partner. We are obligated to pay all expenses incidental to the registration, excluding underwriting discounts and commissions. Please read Units Eligible for Future Sale.

#### **EXCLUSIVE FORUM**

Our partnership agreement will provide that the Court of Chancery of the State of Delaware shall be the exclusive forum for any claims, suits, actions or proceedings (i) arising out of or relating in any way to our partnership agreement (including any claims, suits or actions to interpret, apply or enforce the provisions of our partnership agreement or the duties, obligations or liabilities among our partners, or obligations or liabilities of our partners to us, or the rights or powers of, or restrictions on, our partners or us), (ii) brought in a derivative manner on our behalf, (iii) asserting a claim of breach of a duty owed by any of our, or our general partner's, directors, officers, or other employees, or owed by our general partner, to us or our partners, (iv) asserting a claim against us arising pursuant to any provision of the Delaware Act or (v) asserting a claim against us governed by the internal affairs doctrine. Although we believe this provision benefits us by providing increased consistency in the application of Delaware law in the types of lawsuits to which it applies, the provision may have the effect of discouraging lawsuits against our directors and officers. The enforceability of similar choice of forum provisions in other companies' certificates of incorporation or similar governing documents have been challenged in legal proceedings, and it is possible that, in connection with any action, a court could find the choice of forum provisions contained in our partnership agreement to be inapplicable or unenforceable in such action.

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## Units eligible for future sale

After the sale of the common units offered by this prospectus and assuming that the underwriters do not exercise their option to purchase additional common units, our general partner and its affiliates will hold an aggregate of                      common units and                      subordinated units (or                      common units and                      subordinated units if the underwriters exercise their option to purchase additional units in full). All of the subordinated units will convert into common units at the end of the subordination period. All of the common units and subordinated units held by our general partner and its affiliates are subject to lock-up restrictions described below. The sale of these units could have an adverse impact on the price of the common units or on any trading market that may develop.

### **RULE 144**

The common units sold in this offering will generally be freely transferable without restriction or further registration under the Securities Act other than any units purchased in this offering through the directed unit program, which will be subject to the lock-up restrictions described below. None of the directors or officers of our general partner own any common units prior to this offering; however they may purchase common units through the directed unit program or otherwise. Assuming all of the units reserved for issuance under the directed unit program are sold to participants in the program,                      common units will be held by persons who have contractually agreed not to sell such units for a specified period from the date of this prospectus. Please read    Underwriting    for a description of these lock-up provisions. Additionally, any common units owned by an    affiliate    of ours may not be resold publicly except in compliance with the registration requirements of the Securities Act or under an exemption under Rule 144 or otherwise. Rule 144 permits securities acquired by an affiliate of the issuer to be sold into the market in an amount that does not exceed, during any three-month period, the greater of:

Ø 1.0% of the total number of the common units outstanding, which will equal approximately                      units immediately after this offering; or

Ø the average weekly reported trading volume of the common units for the four calendar weeks prior to the sale.

At the closing of this offering, the following common units will be restricted and may not be resold publicly except in compliance with the registration requirements of the Securities Act, Rule 144 or otherwise:

Ø                      common units owned by our general partner and its affiliates; and

Ø any units acquired by our general partner or any of its affiliates, including the directors and executive officers of our general partner under the directed unit program.

Sales under Rule 144 are also subject to specific manner of sale provisions, holding period requirements, notice requirements and the availability of current public information about us. A person who is not deemed to have been an affiliate of ours at any time during the three months preceding a sale, and who has beneficially owned his common units for at least six months (provided we are in compliance with the current public information requirement) or one year (regardless of whether we are in compliance with the current public information requirement), would be entitled to sell those common units under Rule 144 without regard to the volume limitations, manner of sale provisions and notice requirements of Rule 144.





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### **Units eligible for future sale**

## **OUR PARTNERSHIP AGREEMENT AND REGISTRATION RIGHTS**

Our partnership agreement provides that we may issue an unlimited number of limited partner interests of any type without a vote of the unitholders. Any issuance of additional common units or other limited partner interests would result in a corresponding decrease in the proportionate ownership interest in us represented by, and could adversely affect the cash distributions to and market price of, common units then outstanding. Please read *Our Partnership Agreement* *Issuance of Additional Securities*.

Under our partnership agreement, our general partner and its affiliates, other than individuals, have the right to cause us to register under the Securities Act and applicable state securities laws the offer and sale of any units that they hold. Subject to the terms and conditions of our partnership agreement, these registration rights allow our general partner and its affiliates or their assignees holding any common units or other limited partner interests to require registration of any of these common units or other limited partner interests and to include any of these common units in a registration by us of other common units, including common units offered by us or by any unitholder. Our general partner and its affiliates will continue to have these registration rights for two years after it ceases to be our general partner. In connection with any registration of this kind, we will indemnify each unitholder participating in the registration and its officers, directors, and controlling persons from and against any liabilities under the Securities Act or any applicable state securities laws arising from the registration statement or prospectus. We will bear all costs and expenses incidental to any registration, excluding any underwriting discounts. Our general partner and its affiliates also may sell their common units or other limited partner interests in private transactions at any time, subject to compliance with applicable laws.

## **LOCK-UP AGREEMENTS**

MPC and certain of its affiliates, including our general partner and each of our general partner's directors and officers, have agreed that for a period of 180 days from the date of this prospectus they will not, without the prior written consent of UBS Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Morgan Stanley & Co. LLC, dispose of or hedge any common units or any securities convertible into or exchangeable for our common units. Participants in our directed unit program who purchase \$100,000 or more of common units under the program will be subject to similar restrictions for a period of 25 days from the date of this prospectus. Please read *Underwriting* for a description of these lock-up provisions.

## **REGISTRATION STATEMENT ON FORM S-8**

We intend to file a registration statement on Form S-8 under the Securities Act following this offering to register all common units issued or reserved for issuance under the 2012 ICP. We expect to file this registration statement as soon as practicable after this offering. Common units covered by the registration statement on Form S-8 will be eligible for sale in the public market, subject to applicable vesting requirements and the terms of applicable lock-up agreements described above.

**Table of Contents****Material federal income tax consequences**

This section is a summary of the material tax considerations that may be relevant to prospective unitholders who are individual citizens or residents of the U.S. and, unless otherwise noted in the following discussion, is the opinion of Latham & Watkins LLP, counsel to our general partner and us, insofar as it relates to legal conclusions with respect to matters of U.S. federal income tax law. This section is based upon current provisions of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), existing and proposed Treasury regulations promulgated under the Internal Revenue Code (the "Treasury Regulations") and current administrative rulings and court decisions, all of which are subject to change. Later changes in these authorities may cause the tax consequences to vary substantially from the consequences described below. Unless the context otherwise requires, references in this section to "us" or "we" are references to MPLX LP and our operating subsidiaries.

The following discussion does not comment on all federal income tax matters affecting us or our unitholders. Moreover, the discussion focuses on unitholders who are individual citizens or residents of the U.S. and has only limited application to corporations, estates, entities treated as partnerships for U.S. federal income tax purposes, trusts, nonresident aliens, U.S. expatriates and former citizens or long-term residents of the United States or other unitholders subject to specialized tax treatment, such as banks, insurance companies and other financial institutions, tax-exempt institutions, foreign persons (including, without limitation, controlled foreign corporations, passive foreign investment companies and non-U.S. persons eligible for the benefits of an applicable income tax treaty with the United States), IRAs, real estate investment trusts (REITs) or mutual funds, dealers in securities or currencies, traders in securities, U.S. persons whose functional currency is not the U.S. dollar, persons holding their units as part of a straddle, hedge, conversion transaction or other risk reduction transaction, and persons deemed to sell their units under the constructive sale provisions of the Code. In addition, the discussion only comments to a limited extent on state, local and foreign tax consequences. Accordingly, we encourage each prospective unitholder to consult his own tax advisor in analyzing the state, local and foreign tax consequences particular to him of the ownership or disposition of common units and potential changes in applicable tax laws.

No ruling has been requested from the IRS regarding our characterization as a partnership for tax purposes. Instead, we will rely on opinions of Latham & Watkins LLP. Unlike a ruling, an opinion of counsel represents only that counsel's best legal judgment and does not bind the IRS or the courts. Accordingly, the opinions and statements made herein may not be sustained by a court if contested by the IRS. Any contest of this sort with the IRS may materially and adversely impact the market for the common units and the prices at which common units trade. In addition, the costs of any contest with the IRS, principally legal, accounting and related fees, will result in a reduction in cash available for distribution to our unitholders and our general partner and thus will be borne indirectly by our unitholders and our general partner. Furthermore, the tax treatment of us, or of an investment in us, may be significantly modified by future legislative or administrative changes or court decisions. Any modifications may or may not be retroactively applied.

All statements as to matters of federal income tax law and legal conclusions with respect thereto, but not as to factual matters, contained in this section, unless otherwise noted, are the opinion of Latham & Watkins LLP and are based on the accuracy of the representations made by us.

For the reasons described below, Latham & Watkins LLP has not rendered an opinion with respect to the following specific federal income tax issues: (i) the treatment of a unitholder whose common units are loaned to a short seller to cover a short sale of common units (please read "Tax Consequences of Unit Ownership" Treatment of Short Sales); (ii) whether our monthly convention for allocating taxable

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### **Material federal income tax consequences**

income and losses is permitted by existing Treasury Regulations (please read *Disposition of Common Units Allocations Between Transferors and Transferees* ); (iii) whether our method for taking into account Section 743 adjustments is sustainable in certain cases (please read *Tax Consequences of Unit Ownership Section 754 Election and Uniformity of Units* ); and (iv) the availability or the extent of Section 199 deduction, if any, to our unitholders (please read *Tax Treatment of Operations Deduction for U.S. Production Activities*. )

### **PARTNERSHIP STATUS**

A partnership is not a taxable entity and incurs no federal income tax liability. Instead, each partner of a partnership is required to take into account his or her share of items of income, gain, loss and deduction of the partnership in computing his or her federal income tax liability, regardless of whether cash distributions are made to him or her by the partnership. Distributions by a partnership to a partner are generally not taxable to the partnership or the partner unless the amount of cash distributed to him is in excess of the partner's adjusted basis in his partnership interest. Section 7704 of the Internal Revenue Code provides that publicly traded partnerships will, as a general rule, be taxed as corporations. However, an exception, referred to as the *Qualifying Income Exception*, exists with respect to publicly traded partnerships of which 90.0% or more of the gross income for every taxable year consists of *qualifying income*. *Qualifying income* includes income and gains derived from the transportation, processing, storage and marketing of crude oil, natural gas and products thereof. Other types of *qualifying income* include interest (other than from a financial business), dividends, gains from the sale of real property and gains from the sale or other disposition of capital assets held for the production of income that otherwise constitutes *qualifying income*. We estimate that less than % of our current gross income is not *qualifying income*; however, this estimate could change from time to time. Based upon and subject to this estimate, the factual representations made by us and our general partner and a review of the applicable legal authorities, Latham & Watkins LLP is of the opinion that at least 90.0% of our current gross income constitutes *qualifying income*. The portion of our income that is *qualifying income* may change from time to time.

The IRS has made no determination as to our status or the status of our operating subsidiaries for federal income tax purposes or whether our operations generate *qualifying income* under Section 7704 of the Internal Revenue Code. Instead, we will rely on the opinion of Latham & Watkins LLP on such matters. It is the opinion of Latham & Watkins LLP that, based upon the Internal Revenue Code, its regulations, published revenue rulings and court decisions and the representations described below that:

Ø We will be classified as a partnership for federal income tax purposes; and

Ø Each of our operating subsidiaries will be treated as a partnership or will be disregarded as an entity separate from us for federal income tax purposes.

In rendering its opinion, Latham & Watkins LLP has relied on factual representations made by us and our general partner. The representations made by us and our general partner upon which Latham & Watkins LLP has relied include:

Ø Neither we nor any of the operating subsidiaries has elected or will elect to be treated as a corporation; and

Ø For each taxable year, more than 90.0% of our gross income has been and will be income of the type that Latham & Watkins LLP has opined or will opine is *qualifying income* within the meaning of Section 7704(d) of the Internal Revenue Code.

We believe that these representations have been true in the past and expect that these representations will continue to be true in the future.



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### **Material federal income tax consequences**

If we fail to meet the Qualifying Income Exception, other than a failure that is determined by the IRS to be inadvertent and that is cured within a reasonable time after discovery (in which case the IRS may also require us to make adjustments with respect to our unitholders or pay other amounts), we will be treated as if we had transferred all of our assets, subject to liabilities, to a newly formed corporation, on the first day of the year in which we fail to meet the Qualifying Income Exception, in return for stock in that corporation, and then distributed that stock to the unitholders in liquidation of their interests in us. This deemed contribution and liquidation should be tax-free to unitholders and us so long as we, at that time, do not have liabilities in excess of the tax basis of our assets. Thereafter, we would be treated as a corporation for federal income tax purposes.

If we were treated as an association taxable as a corporation in any taxable year, either as a result of a failure to meet the Qualifying Income Exception or otherwise, our items of income, gain, loss and deduction would be reflected only on our tax return rather than being passed through to our unitholders, and our net income would be taxed to us at corporate rates. In addition, any distribution made to a unitholder would be treated as taxable dividend income, to the extent of our current and accumulated earnings and profits, or, in the absence of earnings and profits, a nontaxable return of capital, to the extent of the unitholder's tax basis in his common units, or taxable capital gain, after the unitholder's tax basis in his common units is reduced to zero. Accordingly, taxation as a corporation would result in a material reduction in a unitholder's cash flow and after-tax return and thus would likely result in a substantial reduction of the value of the units.

**The discussion below is based on Latham & Watkins LLP's opinion that we will be classified as a partnership for federal income tax purposes.**

### **LIMITED PARTNER STATUS**

Unitholders of MPLX LP will be treated as partners of MPLX LP for federal income tax purposes. Also, unitholders whose common units are held in street name or by a nominee and who have the right to direct the nominee in the exercise of all substantive rights attendant to the ownership of their common units will be treated as partners of MPLX LP for federal income tax purposes.

A beneficial owner of common units whose units have been transferred to a short seller to complete a short sale would appear to lose his status as a partner with respect to those units for federal income tax purposes. Please read Tax Consequences of Unit Ownership Treatment of Short Sales.

Income, gain, deductions or losses would not appear to be reportable by a unitholder who is not a partner for federal income tax purposes, and any cash distributions received by a unitholder who is not a partner for federal income tax purposes would therefore appear to be fully taxable as ordinary income. These holders are urged to consult their tax advisors with respect to their tax consequences of holding common units in MPLX LP. The references to unitholders in the discussion that follows are to persons who are treated as partners in MPLX LP for federal income tax purposes.

### **TAX CONSEQUENCES OF UNIT OWNERSHIP**

#### **Flow-Through of Taxable Income**

Subject to the discussion below under Tax Consequences of Unit Ownership Entity-Level Collections we will not pay any federal income tax. Instead, each unitholder will be required to report on his income tax return his share of our income, gains, losses and deductions without regard to whether



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### **Material federal income tax consequences**

we make cash distributions to him. Consequently, we may allocate income to a unitholder even if he has not received a cash distribution. Each unitholder will be required to include in income his allocable share of our income, gains, losses and deductions for our taxable year ending with or within his taxable year. Our taxable year ends on December 31.

### **Treatment of Distributions**

Distributions by us to a unitholder generally will not be taxable to the unitholder for federal income tax purposes, except to the extent the amount of any such cash distribution exceeds his or her tax basis in his or her common units immediately before the distribution. Our cash distributions in excess of a unitholder's tax basis generally will be considered to be gain from the sale or exchange of the common units, taxable in accordance with the rules described under **Disposition of Common Units**. Any reduction in a unitholder's share of our liabilities for which no partner, including the general partner, bears the economic risk of loss, known as **nonrecourse liabilities**, will be treated as a distribution by us of cash to that unitholder. To the extent our distributions cause a unitholder's **at-risk** amount to be less than zero at the end of any taxable year, he must recapture any losses deducted in previous years. Please read **Tax Consequences of Unit Ownership** **Limitations on Deductibility of Losses**.

A decrease in a unitholder's percentage interest in us because of our issuance of additional common units will decrease his or her share of our nonrecourse liabilities, and thus will result in a corresponding deemed distribution of cash. This deemed distribution may constitute a non-pro rata distribution. A non-pro rata distribution of money or property may result in ordinary income to a unitholder, regardless of his tax basis in his common units, if the distribution reduces the unitholder's share of our **unrealized receivables**, including depreciation recapture and/or substantially appreciated **inventory items**, each as defined in the Internal Revenue Code, and collectively, **Section 751 Assets**. To that extent, the unitholder will be treated as having been distributed his proportionate share of the **Section 751 Assets** and then having exchanged those assets with us in return for the non-pro rata portion of the actual distribution made to him. This latter deemed exchange will generally result in the unitholder's realization of ordinary income, which will equal the excess of (i) the non-pro rata portion of that distribution over (ii) the unitholder's tax basis (often zero) for the share of **Section 751 Assets** deemed relinquished in the exchange.

### **Ratio of Taxable Income to Distributions**

We estimate that a purchaser of common units in this offering who owns those common units from the date of closing of this offering through the record date for distributions for the period ending December 31, 2015, will be allocated, on a cumulative basis, an amount of federal taxable income for that period that will be % or less of the cash distributed with respect to that period. Thereafter, we anticipate that the ratio of allocable taxable income to cash distributions to the unitholders will increase. These estimates are based upon the assumption that gross income from operations will approximate the amount required to make the minimum quarterly distribution on all units and other assumptions with respect to capital expenditures, cash flow, net working capital and anticipated cash distributions. These estimates and assumptions are subject to, among other things, numerous business, economic, regulatory, legislative, competitive and political uncertainties beyond our control. Further, the estimates are based on current tax law and tax reporting positions that we will adopt and with which the IRS could disagree. Accordingly, we cannot assure you that these estimates will prove to be correct.

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### **Material federal income tax consequences**

The actual percentage of distributions that will constitute taxable income could be higher or lower than expected, and any differences could be material and could materially affect the value of the common units. For example, the ratio of allocable taxable income to cash distributions to a purchaser of common units in this offering will be greater, and perhaps substantially greater, than our estimate with respect to the period described above if:

- Ø gross income from operations exceeds the amount required to make minimum quarterly distributions on all units, yet we only distribute the minimum quarterly distributions on all units; or
- Ø we make a future offering of common units and use the proceeds of the offering in a manner that does not produce substantial additional deductions during the period described above, such as to repay indebtedness outstanding at the time of this offering or to acquire property that is not eligible for depreciation or amortization for federal income tax purposes or that is depreciable or amortizable at a rate significantly slower than the rate applicable to our assets at the time of this offering.

### **Basis of Common Units**

A unitholder's initial tax basis for his or her common units will be the amount he or she paid for the common units plus his or her share of our nonrecourse liabilities. That basis will be increased by his or her share of our income and by any increases in his or her share of our nonrecourse liabilities. That basis will be decreased, but not below zero, by distributions from us, by the unitholder's share of our losses, by any decreases in his or her share of our nonrecourse liabilities and by his or her share of our expenditures that are not deductible in computing taxable income and are not required to be capitalized. A unitholder will have no share of our debt that is recourse to our general partner to the extent of the general partner's net value as defined in regulations under Section 752 of the Internal Revenue Code, but will have a share, generally based on his or her share of profits, of our nonrecourse liabilities. Please read "Disposition of Common Units" "Recognition of Gain or Loss."

### **Limitations on Deductibility of Losses**

The deduction by a unitholder of his or her share of our losses will be limited to the tax basis in his or her units and, in the case of an individual unitholder, estate, trust, or corporate unitholder (if more than 50.0% of the value of the corporate unitholder's stock is owned directly or indirectly by or for five or fewer individuals or some tax-exempt organizations) to the amount for which the unitholder is considered to be at risk with respect to our activities, if that is less than his tax basis. A common unitholder subject to these limitations must recapture losses deducted in previous years to the extent that distributions cause his at-risk amount to be less than zero at the end of any taxable year. Losses disallowed to a unitholder or recaptured as a result of these limitations will carry forward and will be allowable as a deduction to the extent that his at-risk amount is subsequently increased, provided such losses do not exceed such common unitholder's tax basis in his common units. Upon the taxable disposition of a unit, any gain recognized by a unitholder can be offset by losses that were previously suspended by the at-risk limitation but may not be offset by losses suspended by the basis limitation. Any loss previously suspended by the at-risk limitation in excess of that gain would no longer be utilizable.

In general, a unitholder will be at risk to the extent of the tax basis of his or her units, excluding any portion of that basis attributable to his or her share of our nonrecourse liabilities, reduced by (i) any portion of that basis representing amounts otherwise protected against loss because of a guarantee, stop loss agreement or other similar arrangement and (ii) any amount of money he borrows to acquire or hold his units, if the lender of those borrowed funds owns an interest in us, is related to the unitholder or can look only to the units for repayment. A unitholder's at-risk amount will increase or decrease as the tax basis of the unitholder's units increases or decreases, other than tax basis increases or decreases attributable to increases or decreases in his share of our nonrecourse liabilities.





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### **Material federal income tax consequences**

In addition to the basis and at-risk limitations on the deductibility of losses, the passive loss limitations generally provide that individuals, estates, trusts and some closely-held corporations and personal service corporations can deduct losses from passive activities, which are generally trade or business activities in which the taxpayer does not materially participate, only to the extent of the taxpayer's income from those passive activities. The passive loss limitations are applied separately with respect to each publicly traded partnership. Consequently, any passive losses we generate will only be available to offset our passive income generated in the future and will not be available to offset income from other passive activities or investments, including our investments or a unitholder's investments in other publicly traded partnerships, or the unitholder's salary, active business or other income. Passive losses that are not deductible because they exceed a unitholder's share of income we generate may be deducted in full when he disposes of his entire investment in us in a fully taxable transaction with an unrelated party. The passive loss limitations are applied after other applicable limitations on deductions, including the at-risk rules and the basis limitation.

A unitholder's share of our net income may be offset by any of our suspended passive losses, but it may not be offset by any other current or carryover losses from other passive activities, including those attributable to other publicly traded partnerships.

### **Limitations on Interest Deductions**

The deductibility of a non-corporate taxpayer's investment interest expense is generally limited to the amount of that taxpayer's net investment income. Investment interest expense includes:

Ø interest on indebtedness properly allocable to property held for investment;

Ø our interest expense attributed to portfolio income; and

Ø the portion of interest expense incurred to purchase or carry an interest in a passive activity to the extent attributable to portfolio income. The computation of a unitholder's investment interest expense will take into account interest on any margin account borrowing or other loan incurred to purchase or carry a unit. Net investment income includes gross income from property held for investment and amounts treated as portfolio income under the passive loss rules, less deductible expenses, other than interest, directly connected with the production of investment income, but generally does not include gains attributable to the disposition of property held for investment or (if applicable) qualified dividend income. The IRS has indicated that the net passive income earned by a publicly traded partnership will be treated as investment income to its unitholders. In addition, the unitholder's share of our portfolio income will be treated as investment income.

### **Entity-Level Collections**

If we are required or elect under applicable law to pay any federal, state, local or foreign income tax on behalf of any unitholder or our general partner or any former unitholder, we are authorized to pay those taxes from our funds. That payment, if made, will be treated as a distribution of cash to the unitholder on whose behalf the payment was made. If the payment is made on behalf of a person whose identity cannot be determined, we are authorized to treat the payment as a distribution to all current unitholders. We are authorized to amend our partnership agreement in the manner necessary to maintain uniformity of intrinsic tax characteristics of units and to adjust later distributions, so that after giving effect to these distributions, the priority and characterization of distributions otherwise applicable under our partnership agreement is maintained as nearly as is practicable. Payments by us as described above could give rise to an overpayment of tax on behalf of an individual unitholder in which event the unitholder would be required to file a claim in order to obtain a credit or refund.



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#### **Allocation of Income, Gain, Loss and Deduction**

In general, if we have a net profit, our items of income, gain, loss and deduction will be allocated among our general partner and the unitholders in accordance with their percentage interests in us. At any time that distributions are made to the common units in excess of distributions to the subordinated units, or incentive distributions are made to our general partner, gross income will be allocated to the recipients to the extent of these distributions. If we have a net loss, that loss will be allocated first to our general partner and the unitholders in accordance with their percentage interests in us to the extent of their positive capital accounts and, second, to our general partner.

Specified items of our income, gain, loss and deduction will be allocated to account for (i) any difference between the tax basis and fair market value of our assets at the time of an offering and (ii) any difference between the tax basis and fair market value of any property contributed to us by the general partner and its affiliates (or by a third party) that exists at the time of such contribution, together referred to in this discussion as the Contributed Property. The effect of these allocations, referred to as Section 704(c) Allocations, to a unitholder purchasing common units from us in this offering will be essentially the same as if the tax bases of our assets were equal to their fair market values at the time of this offering. In the event we issue additional common units or engage in certain other transactions in the future, reverse Section 704(c) Allocations, similar to the Section 704(c) Allocations described above, will be made to the general partner and all of our unitholders immediately prior to such issuance or other transactions to account for the difference between the book basis for purposes of maintaining capital accounts and the fair market value of all property held by us at the time of such issuance or future transaction. In addition, items of recapture income will be allocated to the extent possible to the unitholder who was allocated the deduction giving rise to the treatment of that gain as recapture income in order to minimize the recognition of ordinary income by some unitholders. Finally, although we do not expect that our operations will result in the creation of negative capital accounts, if negative capital accounts nevertheless result, items of our income and gain will be allocated in an amount and manner sufficient to eliminate the negative balance as quickly as possible.

An allocation of items of our income, gain, loss or deduction, other than an allocation required by the Internal Revenue Code to eliminate the difference between a partner's book capital account, credited with the fair market value of Contributed Property, and tax capital account, credited with the tax basis of Contributed Property, referred to in this discussion as the Book-Tax Disparity, will generally be given effect for federal income tax purposes in determining a partner's share of an item of income, gain, loss or deduction only if the allocation has a substantial economic effect. In any other case, a partner's share of an item will be determined on the basis of his interest in us, which will be determined by taking into account all the facts and circumstances, including:

Ø his or her relative contributions to us;

Ø the interests of all the partners in profits and losses;

Ø the interest of all the partners in cash flow; and

Ø the rights of all the partners to distributions of capital upon liquidation.

Latham & Watkins LLP is of the opinion that, with the exception of the issues described in Tax Consequences of Unit Ownership Section 754 Election and Disposition of Common Units Allocations Between Transferors and Transferees, allocations under our partnership agreement will be given effect for federal income tax purposes in determining a partner's share of an item of income, gain, loss or deduction.



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#### **Treatment of Short Sales**

A unitholder whose units are loaned to a short seller to cover a short sale of units may be considered as having disposed of those units. If so, he or she would no longer be treated for tax purposes as a partner with respect to those units during the period of the loan and may recognize gain or loss from the disposition. As a result, during this period:

Ø any of our income, gain, loss or deduction with respect to those units would not be reportable by the unitholder;

Ø any cash distributions received by the unitholder as to those units would be fully taxable; and

Ø while not entirely free from doubt, all of these distributions would appear to be ordinary income.

Because there is no direct or indirect controlling authority on the issue relating to partnership interests, Latham & Watkins LLP has not rendered an opinion regarding the tax treatment of a unitholder whose common units are loaned to a short seller to cover a short sale of common units; therefore, unitholders desiring to assure their status as partners and avoid the risk of gain recognition from a loan to a short seller are urged to consult a tax advisor to discuss whether it is advisable to modify any applicable brokerage account agreements to prohibit their brokers from borrowing and loaning their units. The IRS has previously announced that it is studying issues relating to the tax treatment of short sales of partnership interests. Please also read [Disposition of Common Units](#) [Recognition of Gain or Loss](#).

#### **Alternative Minimum Tax**

Each unitholder will be required to take into account his distributive share of any items of our income, gain, loss or deduction for purposes of the alternative minimum tax. The current minimum tax rate for noncorporate taxpayers is 26.0% on the first \$175,000 of alternative minimum taxable income in excess of the exemption amount and 28.0% on any additional alternative minimum taxable income. Prospective unitholders are urged to consult with their tax advisors as to the impact of an investment in units on their liability for the alternative minimum tax.

#### **Tax Rates**

Under current law, the highest marginal U.S. federal income tax rate applicable to ordinary income of individuals is 35.0% and the highest marginal U.S. federal income tax rate applicable to long-term capital gains (generally, capital gains on certain assets held for more than twelve months) of individuals is 15.0%. These rates are scheduled to sunset after December 31, 2012, and thereafter, absent new legislation, the U.S. federal income tax rates on both ordinary income and long-term capital gains will increase. Further, such rates are subject to change by new legislation at any time.

The Patient Protection and Affordable Care Act of 2010, as amended by the Health Care and Education Reconciliation Act of 2010 is scheduled to impose a 3.8% Medicare tax on certain net investment income earned by individuals, estates and trusts for taxable years beginning after December 31, 2012. For these purposes, net investment income generally includes a unitholder's allocable share of our income and gain realized by a unitholder from a sale of units. In the case of an individual, the tax will be imposed on the lesser of (1) the unitholder's net investment income and (2) the amount by which the unitholder's modified adjusted gross income exceeds \$250,000 (if the unitholder is married and filing jointly or a surviving spouse), \$125,000 (if the unitholder is married and filing separately) or \$200,000 (in any other case). In the case of an estate or trust, the tax will be imposed on the lesser of (1) undistributed net investment income and (2) the excess adjusted gross income over the dollar amount at which the highest income tax bracket applicable to an estate or trust begins.



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### **Material federal income tax consequences**

#### **Section 754 Election**

We will make the election permitted by Section 754 of the Internal Revenue Code. That election is irrevocable without the consent of the IRS unless there is a constructive termination of the partnership. Please read **Disposition of Common Units** **Constructive Termination**. The election will generally permit us to adjust a common unit purchaser's tax basis in our assets ( **inside basis** ) under Section 743(b) of the Internal Revenue Code to reflect his purchase price. This election does not apply with respect to a person who purchases common units directly from us. The Section 743(b) adjustment belongs to the purchaser and not to other unitholders. For purposes of this discussion, the inside basis in our assets with respect to a unitholder will be considered to have two components: (i) his share of our tax basis in our assets ( **common basis** ) and (ii) his Section 743(b) adjustment to that basis.

We will adopt the remedial allocation method as to all our properties. Where the remedial allocation method is adopted, the Treasury Regulations under Section 743 of the Internal Revenue Code require a portion of the Section 743(b) adjustment that is attributable to recovery property that is subject to depreciation under Section 168 of the Internal Revenue Code and whose book basis is in excess of its tax basis to be depreciated over the remaining cost recovery period for the property's unamortized Book-Tax Disparity. Under Treasury Regulation Section 1.167(c)-1(a)(6), a Section 743(b) adjustment attributable to property subject to depreciation under Section 167 of the Internal Revenue Code, rather than cost recovery deductions under Section 168, is generally required to be depreciated using either the straight-line method or the 150.0% declining balance method. Under our partnership agreement, our general partner is authorized to take a position to preserve the uniformity of units even if that position is not consistent with these and any other Treasury Regulations. Please read **Uniformity of Units**.

We intend to depreciate the portion of a Section 743(b) adjustment attributable to unrealized appreciation in the value of Contributed Property, to the extent of any unamortized Book-Tax Disparity, using a rate of depreciation or amortization derived from the depreciation or amortization method and useful life applied to the property's unamortized Book-Tax Disparity, or treat that portion as non-amortizable to the extent attributable to property which is not amortizable. This method is consistent with the methods employed by other publicly traded partnerships but is arguably inconsistent with Treasury Regulation Section 1.167(c)-1(a)(6), which is not expected to directly apply to a material portion of our assets. To the extent this Section 743(b) adjustment is attributable to appreciation in value in excess of the unamortized Book-Tax Disparity, we will apply the rules described in the Treasury Regulations and legislative history. If we determine that this position cannot reasonably be taken, we may take a depreciation or amortization position under which all purchasers acquiring units in the same month would receive depreciation or amortization, whether attributable to common basis or a Section 743(b) adjustment, based upon the same applicable rate as if they had purchased a direct interest in our assets. This kind of aggregate approach may result in lower annual depreciation or amortization deductions than would otherwise be allowable to some unitholders. Please read **Uniformity of Units**. A unitholder's tax basis for his common units is reduced by his share of our deductions (whether or not such deductions were claimed on an individual's income tax return) so that any position we take that understates deductions will overstate the common unitholder's basis in his common units, which may cause the unitholder to understate gain or overstate loss on any sale of such units. Please read **Disposition of Common Units** **Recognition of Gain or Loss**. Latham & Watkins LLP is unable to opine as to whether our method for taking into account Section 743 adjustments is sustainable for property subject to depreciation under Section 167 of the Internal Revenue Code or if we use an aggregate approach as described above, as there is no direct or indirect controlling authority addressing the validity of these positions. Moreover, the IRS may challenge our position with respect to depreciating or amortizing the Section 743(b) adjustment we take to preserve the uniformity of the units. If such a



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### **Material federal income tax consequences**

challenge were sustained, the gain from the sale of units might be increased without the benefit of additional deductions.

A Section 754 election is advantageous if the transferee's tax basis in his units is higher than the units' share of the aggregate tax basis of our assets immediately prior to the transfer. In that case, as a result of the election, the transferee would have, among other items, a greater amount of depreciation deductions and his share of any gain or loss on a sale of our assets would be less. Conversely, a Section 754 election is disadvantageous if the transferee's tax basis in his units is lower than those units' share of the aggregate tax basis of our assets immediately prior to the transfer. Thus, the fair market value of the units may be affected either favorably or unfavorably by the election. A basis adjustment is required regardless of whether a Section 754 election is made in the case of a transfer of an interest in us if we have a substantial built-in loss immediately after the transfer, or if we distribute property and have a substantial basis reduction. Generally, a built-in loss or a basis reduction is substantial if it exceeds \$250,000.

The calculations involved in the Section 754 election are complex and will be made on the basis of assumptions as to the value of our assets and other matters. For example, the allocation of the Section 743(b) adjustment among our assets must be made in accordance with the Internal Revenue Code. The IRS could seek to reallocate some or all of any Section 743(b) adjustment allocated by us to our tangible assets to goodwill instead. Goodwill, as an intangible asset, is generally nonamortizable or amortizable over a longer period of time or under a less accelerated method than our tangible assets. We cannot assure you that the determinations we make will not be successfully challenged by the IRS and that the deductions resulting from them will not be reduced or disallowed altogether. Should the IRS require a different basis adjustment to be made, and should, in our opinion, the expense of compliance exceed the benefit of the election, we may seek permission from the IRS to revoke our Section 754 election. If permission is granted, a subsequent purchaser of units may be allocated more income than he would have been allocated had the election not been revoked.

### **TAX TREATMENT OF OPERATIONS**

#### **Accounting Method and Taxable Year**

We use the year ending December 31 as our taxable year and the accrual method of accounting for federal income tax purposes. Each unitholder will be required to include in income his or her share of our income, gain, loss and deduction for our taxable year ending within or with his or her taxable year. In addition, a unitholder who has a taxable year ending on a date other than December 31 and who disposes of all of his or her units following the close of our taxable year but before the close of his or her taxable year must include his or her share of our income, gain, loss and deduction in income for his or her taxable year, with the result that he or she will be required to include in income for his or her taxable year his or her share of more than twelve months of our income, gain, loss and deduction. Please read [Disposition of Common Units](#) [Allocations Between Transferors and Transferees](#).

#### **Deduction for U.S. Production Activities**

Subject to the limitations on the deductibility of losses discussed in this disclosure and the limitation discussed below, our unitholders may be entitled to a deduction, herein referred to as the Section 199 deduction, equal to a percentage of such unitholders' qualified production activities income, but not to exceed 50% of the Form W-2 wages actually or deemed paid by the unitholder during the taxable year.

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and allocable to domestic production gross receipts. We do not believe we are currently engaged in activities generating qualified production activities income, but we may engage in such activities in the future.

Qualified production activities income is generally equal to gross receipts from domestic production activities reduced by cost of goods sold allocable to those receipts, other expenses directly associated with those receipts, and a share of other deductions, expenses, and losses that are not directly allocable to those receipts or to another class of income. The products produced must be manufactured, produced, grown, or extracted in whole or in significant part by the taxpayer in the United States.

For a partnership, the Section 199 deduction, if any, is determined at the partner level. To determine his or her Section 199 deduction, each unitholder will aggregate his or her share of the qualified production activities income allocated to him from us with the unitholder's qualified production activities income from other sources. Each unitholder must take into account his distributive share of the expenses allocated to him from our qualified production activities regardless of whether we otherwise have taxable income. However, our expenses that otherwise would be taken into account for purposes of computing the Section 199 deduction, if any, are taken into account only if and to the extent the unitholder's share of losses and deductions from all of our activities is not disallowed by the tax basis rules, the at-risk rules, or the passive activity loss rules. Please read **Tax Consequences of Unit Ownership Limitations on Deductibility of Losses**.

The amount of a unitholder's Section 199 deduction for each year, if any, is limited to 50% of the IRS Form W-2 wages actually or deemed paid by the unitholder during the calendar year that are deducted in arriving at qualified production activities income. Each unitholder is treated as having been allocated IRS Form W-2 wages from us equal to the unitholder's allocable share of our wages that are deducted in arriving at qualified production activities income for that taxable year. It is not anticipated that we or our operating subsidiaries will pay material wages that will be allocated to our unitholders, and thus a unitholder's ability to claim the Section 199 deduction, if any, may be limited.

This discussion of the Section 199 deduction does not purport to be a complete analysis of the complex legislation and Treasury authority relating to the calculation of domestic production gross receipts, qualified production activities income, or IRS Form W-2 wages, or how such items are allocated by us to unitholders. Further, because the Section 199 deduction is required to be computed separately by each unitholder, no assurance can be given, and Latham and Watkins is unable to express any opinion, as to the availability or extent of the Section 199 deduction, if any, to our unitholders. Each prospective unitholder is encouraged to consult his tax advisor to determine whether any Section 199 deduction would be available to him.

### **Initial Tax Basis, Depreciation and Amortization**

The tax basis of our assets will be used for purposes of computing depreciation and cost recovery deductions and, ultimately, gain or loss on the disposition of these assets. The federal income tax burden associated with the difference between the fair market value of our assets and their tax basis immediately prior to (i) this offering will be borne by our general partner and its affiliates, and (ii) any other offering will be borne by our general partner and all of our unitholders as of that time. Please read **Tax Consequences of Unit Ownership Allocation of Income, Gain, Loss and Deduction**.

To the extent allowable, we may elect to use the depreciation and cost recovery methods, including bonus depreciation to the extent available, that will result in the largest deductions being taken in the early years after assets subject to these allowances are placed in service. Please read **Uniformity of**

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Units. Property we subsequently acquire or construct may be depreciated using accelerated methods permitted by the Internal Revenue Code.

If we dispose of depreciable property by sale, foreclosure or otherwise, all or a portion of any gain, determined by reference to the amount of depreciation previously deducted and the nature of the property, may be subject to the recapture rules and taxed as ordinary income rather than capital gain. Similarly, a unitholder who has taken cost recovery or depreciation deductions with respect to property we own will likely be required to recapture some or all of those deductions as ordinary income upon a sale of his interest in us. Please read **Tax Consequences of Unit Ownership Allocation of Income, Gain, Loss and Deduction** and **Disposition of Common Units Recognition of Gain or Loss**.

The costs we incur in selling our units (called **syndication expenses**) must be capitalized and cannot be deducted currently, ratably or upon our termination. There are uncertainties regarding the classification of costs as organization expenses, which may be amortized by us, and as syndication expenses, which may not be amortized by us. The underwriting discounts and commissions we incur will be treated as syndication expenses.

### **Valuation and Tax Basis of Our Properties**

The federal income tax consequences of the ownership and disposition of units will depend in part on our estimates of the relative fair market values, and the initial tax bases, of our assets. Although we may from time to time consult with professional appraisers regarding valuation matters, we will make many of the relative fair market value estimates ourselves. These estimates and determinations of basis are subject to challenge and will not be binding on the IRS or the courts. If the estimates of fair market value or basis are later found to be incorrect, the character and amount of items of income, gain, loss or deductions previously reported by unitholders might change, and unitholders might be required to adjust their tax liability for prior years and incur interest and penalties with respect to those adjustments.

## **DISPOSITION OF COMMON UNITS**

### **Recognition of Gain or Loss**

Gain or loss will be recognized on a sale of units equal to the difference between the amount realized and the unitholder's tax basis for the units sold. A unitholder's amount realized will be measured by the sum of the cash or the fair market value of other property received by him or her plus his or her share of our nonrecourse liabilities. Because the amount realized includes a unitholder's share of our nonrecourse liabilities, the gain recognized on the sale of units could result in a tax liability in excess of any cash received from the sale.

Prior distributions from us that in the aggregate were in excess of cumulative net taxable income for a common unit and, therefore, decreased a unitholder's tax basis in that common unit will, in effect, become taxable income if the common unit is sold at a price greater than the unitholder's tax basis in that common unit, even if the price received is less than his original cost.

Except as noted below, gain or loss recognized by a unitholder, other than a **dealer** in units, on the sale or exchange of a unit will generally be taxable as capital gain or loss. Capital gain recognized by an individual on the sale of units held for more than twelve months will generally be taxed at the U.S. federal income tax rate applicable to long-term capital gains. However, a portion of this gain or loss, which will likely be substantial, will be separately computed and taxed as ordinary income or loss under Section 751 of the Internal Revenue Code to the extent attributable to assets giving rise to depreciation

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recapture or other unrealized receivables or to inventory items we own. The term unrealized receivables includes potential recapture items, including depreciation recapture. Ordinary income attributable to unrealized receivables, inventory items and depreciation recapture may exceed net taxable gain realized upon the sale of a unit and may be recognized even if there is a net taxable loss realized on the sale of a unit. Thus, a unitholder may recognize both ordinary income and a capital loss upon a sale of units. Capital losses may offset capital gains and no more than \$3,000 of ordinary income, in the case of individuals, and may only be used to offset capital gains in the case of corporations.

The IRS has ruled that a partner who acquires interests in a partnership in separate transactions must combine those interests and maintain a single adjusted tax basis for all those interests. Upon a sale or other disposition of less than all of those interests, a portion of that tax basis must be allocated to the interests sold using an equitable apportionment method, which generally means that the tax basis allocated to the interest sold equals an amount that bears the same relation to the partner's tax basis in his entire interest in the partnership as the value of the interest sold bears to the value of the partner's entire interest in the partnership. Treasury Regulations under Section 1223 of the Internal Revenue Code allow a selling unitholder who can identify common units transferred with an ascertainable holding period to elect to use the actual holding period of the common units transferred. Thus, according to the ruling discussed above, a common unitholder will be unable to select high or low basis common units to sell as would be the case with corporate stock, but, according to the Treasury Regulations, he may designate specific common units sold for purposes of determining the holding period of units transferred. A unitholder electing to use the actual holding period of common units transferred must consistently use that identification method for all subsequent sales or exchanges of common units. A unitholder considering the purchase of additional units or a sale of common units purchased in separate transactions is urged to consult his tax advisor as to the possible consequences of this ruling and application of the Treasury Regulations.

Specific provisions of the Internal Revenue Code affect the taxation of some financial products and securities, including partnership interests, by treating a taxpayer as having sold an appreciated partnership interest, one in which gain would be recognized if it were sold, assigned or terminated at its fair market value, if the taxpayer or related persons enter(s) into:

Ø a short sale;

Ø an offsetting notional principal contract; or

Ø a futures or forward contract;

in each case, with respect to the partnership interest or substantially identical property.

Moreover, if a taxpayer has previously entered into a short sale, an offsetting notional principal contract or a futures or forward contract with respect to the partnership interest, the taxpayer will be treated as having sold that position if the taxpayer or a related person then acquires the partnership interest or substantially identical property. The Secretary of the Treasury is also authorized to issue regulations that treat a taxpayer that enters into transactions or positions that have substantially the same effect as the preceding transactions as having constructively sold the financial position.

### **Allocations Between Transferors and Transferees**

In general, our taxable income and losses will be determined annually, will be prorated on a monthly basis and will be subsequently apportioned among the unitholders in proportion to the number of units owned by each of them as of the opening of the applicable exchange on the first business day of the month, which we refer to in this prospectus as the Allocation Date. However, gain or loss realized on



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a sale or other disposition of our assets other than in the ordinary course of business will be allocated among the unitholders on the Allocation Date in the month in which that gain or loss is recognized. As a result, a unitholder transferring units may be allocated income, gain, loss and deduction realized after the date of transfer.

Although simplifying conventions are contemplated by the Internal Revenue Code and most publicly traded partnerships use similar simplifying conventions, the use of this method may not be permitted under existing Treasury Regulations as there is no direct or indirect controlling authority on this issue. Recently, the Department of the Treasury and the IRS issued proposed Treasury Regulations that provide a safe harbor pursuant to which a publicly traded partnership may use a similar monthly simplifying convention to allocate tax items among transferor and transferee unitholders, although such tax items must be prorated on a daily basis. Existing publicly traded partnerships are entitled to rely on these proposed Treasury Regulations; however, they are not binding on the IRS and are subject to change until final Treasury Regulations are issued. Accordingly, Latham & Watkins LLP is unable to opine on the validity of this method of allocating income and deductions between transferor and transferee unitholders because the issue has not been finally resolved by the IRS or the courts. If this method is not allowed under the Treasury Regulations, or only applies to transfers of less than all of the unitholder's interest, our taxable income or losses might be reallocated among the unitholders. We are authorized to revise our method of allocation between transferor and transferee unitholders, as well as unitholders whose interests vary during a taxable year, to conform to a method permitted under future Treasury Regulations. A unitholder who owns units at any time during a quarter and who disposes of them prior to the record date set for a cash distribution for that quarter will be allocated items of our income, gain, loss and deductions attributable to that quarter but will not be entitled to receive that cash distribution.

### **Notification Requirements**

A unitholder who sells any of his units is generally required to notify us in writing of that sale within 30 days after the sale (or, if earlier, January 15 of the year following the sale). A purchaser of units who purchases units from another unitholder is also generally required to notify us in writing of that purchase within 30 days after the purchase. Upon receiving such notifications, we are required to notify the IRS of that transaction and to furnish specified information to the transferor and transferee. Failure to notify us of a purchase may, in some cases, lead to the imposition of penalties. However, these reporting requirements do not apply to a sale by an individual who is a citizen of the U.S. and who effects the sale or exchange through a broker who will satisfy such requirements.

### **Constructive Termination**

We will be considered to have been terminated for tax purposes if there are sales or exchanges which, in the aggregate, constitute 50.0% or more of the total interests in our capital and profits within a twelve-month period. For purposes of measuring whether the 50.0% threshold is reached, multiple sales of the same interest are counted only once. A constructive termination results in the closing of our taxable year for all unitholders. In the case of a unitholder reporting on a taxable year other than a fiscal year ending December 31, the closing of our taxable year may result in more than twelve months of our taxable income or loss being includable in his taxable income for the year of termination. A constructive termination occurring on a date other than December 31 will result in us filing two tax returns (and unitholders could receive two Schedules K-1 if the relief discussed below is not available) for one fiscal year and the cost of the preparation of these returns will be borne by all common unitholders. We would be required to make new tax elections after a termination, including a new election under Section 754 of the Internal Revenue Code, and a termination would result in a deferral of our deductions for depreciation. A termination could also result in penalties if we were unable to determine that the

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termination had occurred. Moreover, a termination might either accelerate the application of, or subject us to, any tax legislation enacted before the termination. The IRS has recently announced a publicly traded partnership technical termination relief procedure whereby if a publicly traded partnership that has technically terminated requests publicly traded partnership technical termination relief and the IRS grants such relief, among other things, the partnership will only have to provide one Schedule K-1 to unitholders for the year notwithstanding two partnership tax years.

### **UNIFORMITY OF UNITS**

Because we cannot match transferors and transferees of units, we must maintain uniformity of the economic and tax characteristics of the units to a purchaser of these units. In the absence of uniformity, we may be unable to completely comply with a number of federal income tax requirements, both statutory and regulatory. A lack of uniformity can result from a literal application of Treasury Regulation Section 1.167(c)-1(a)(6). Any non-uniformity could have a negative impact on the value of the units. Please read [Tax Consequences of Unit Ownership](#) Section 754 Election. We intend to depreciate the portion of a Section 743(b) adjustment attributable to unrealized appreciation in the value of Contributed Property, to the extent of any unamortized Book-Tax Disparity, using a rate of depreciation or amortization derived from the depreciation or amortization method and useful life applied to the property's unamortized Book-Tax Disparity, or treat that portion as nonamortizable, to the extent attributable to property the common basis of which is not amortizable, consistent with the regulations under Section 743 of the Internal Revenue Code, even though that position may be inconsistent with Treasury Regulation Section 1.167(c)-1(a)(6), which is not expected to directly apply to a material portion of our assets.

Please read [Tax Consequences of Unit Ownership](#) Section 754 Election. To the extent that the Section 743(b) adjustment is attributable to appreciation in value in excess of the unamortized Book-Tax Disparity, we will apply the rules described in the Treasury Regulations and legislative history. If we determine that this position cannot reasonably be taken, we may adopt a depreciation and amortization position under which all purchasers acquiring units in the same month would receive depreciation and amortization deductions, whether attributable to common basis or a Section 743(b) adjustment, based upon the same applicable rate as if they had purchased a direct interest in our assets. If this position is adopted, it may result in lower annual depreciation and amortization deductions than would otherwise be allowable to some unitholders and risk the loss of depreciation and amortization deductions not taken in the year that these deductions are otherwise allowable. This position will not be adopted if we determine that the loss of depreciation and amortization deductions will have a material adverse effect on the unitholders. If we choose not to utilize this aggregate method, we may use any other reasonable depreciation and amortization method to preserve the uniformity of the intrinsic tax characteristics of any units that would not have a material adverse effect on the unitholders. In either case, and as stated above under [Tax Consequences of Unit Ownership](#) Section 754 Election, Latham & Watkins LLP has not rendered an opinion with respect to these methods. Moreover, the IRS may challenge any method of depreciating the Section 743(b) adjustment described in this paragraph. If this challenge were sustained, the uniformity of units might be affected, and the gain from the sale of units might be increased without the benefit of additional deductions. Please read [Disposition of Common Units](#) Recognition of Gain or Loss.

### **TAX-EXEMPT ORGANIZATIONS AND OTHER INVESTORS**

Ownership of units by employee benefit plans, other tax-exempt organizations, non-resident aliens, foreign corporations and other foreign persons raises issues unique to those investors and, as described

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### **Material federal income tax consequences**

below to a limited extent, may have substantially adverse tax consequences to them. If you are a tax-exempt entity or a non-U.S. person, you should consult your tax advisor before investing in our common units. Employee benefit plans and most other organizations exempt from federal income tax, including individual retirement accounts and other retirement plans, are subject to federal income tax on unrelated business taxable income. Virtually all of our income allocated to a unitholder that is a tax-exempt organization will be unrelated business taxable income and will be taxable to it.

Non-resident aliens and foreign corporations, trusts or estates that own units will be considered to be engaged in business in the U.S. because of the ownership of units. As a consequence, they will be required to file federal tax returns to report their share of our income, gain, loss or deduction and pay federal income tax at regular rates on their share of our net income or gain. Moreover, under rules applicable to publicly traded partnerships, our quarterly distribution to foreign unitholders will be subject to withholding at the highest applicable effective tax rate. Each foreign unitholder must obtain a taxpayer identification number from the IRS and submit that number to our transfer agent on a Form W-8BEN or applicable substitute form in order to obtain credit for these withholding taxes. A change in applicable law may require us to change these procedures.

In addition, because a foreign corporation that owns units will be treated as engaged in a U.S. trade or business, that corporation may be subject to the U.S. branch profits tax at a rate of 30.0%, in addition to regular federal income tax, on its share of our earnings and profits, as adjusted for changes in the foreign corporation's U.S. net equity, that is effectively connected with the conduct of a U.S. trade or business. That tax may be reduced or eliminated by an income tax treaty between the U.S. and the country in which the foreign corporate unitholder is a qualified resident. In addition, this type of unitholder is subject to special information reporting requirements under Section 6038C of the Internal Revenue Code.

A foreign unitholder who sells or otherwise disposes of a common unit will be subject to U.S. federal income tax on gain realized from the sale or disposition of that unit to the extent the gain is effectively connected with a U.S. trade or business of the foreign unitholder. Under a ruling published by the IRS, interpreting the scope of effectively connected income, a foreign unitholder would be considered to be engaged in a trade or business in the U.S. by virtue of the U.S. activities of the partnership, and part or all of that unitholder's gain would be effectively connected with that unitholder's indirect U.S. trade or business. Moreover, under the Foreign Investment in Real Property Tax Act, a foreign common unitholder generally will be subject to U.S. federal income tax upon the sale or disposition of a common unit if (i) he owned (directly or constructively applying certain attribution rules) more than 5.0% of our common units at any time during the five-year period ending on the date of such disposition and (ii) 50.0% or more of the fair market value of all of our assets consisted of U.S. real property interests at any time during the shorter of the period during which such unitholder held the common units or the five-year period ending on the date of disposition. Currently, more than 50.0% of our assets consist of U.S. real property interests and we do not expect that to change in the foreseeable future. Therefore, foreign unitholders may be subject to federal income tax on gain from the sale or disposition of their units.

Recent changes in law may affect certain foreign unitholders. Please read [Administrative Matters](#) [Additional Withholding Requirements](#).



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### **Material federal income tax consequences**

## **ADMINISTRATIVE MATTERS**

### **Information Returns and Audit Procedures**

We intend to furnish to each unitholder, within 90 days after the close of each calendar year, specific tax information, including a Schedule K-1, which describes his share of our income, gain, loss and deduction for our preceding taxable year. In preparing this information, which will not be reviewed by counsel, we will take various accounting and reporting positions, some of which have been mentioned earlier, to determine each unitholder's share of income, gain, loss and deduction. We cannot assure you that those positions will yield a result that conforms to the requirements of the Internal Revenue Code, Treasury Regulations or administrative interpretations of the IRS. Neither we nor Latham & Watkins LLP can assure prospective unitholders that the IRS will not successfully contend in court that those positions are impermissible. Any challenge by the IRS could negatively affect the value of the units.

The IRS may audit our federal income tax information returns. Adjustments resulting from an IRS audit may require each unitholder to adjust a prior year's tax liability, and possibly may result in an audit of his return. Any audit of a unitholder's return could result in adjustments not related to our returns as well as those related to our returns.

Partnerships generally are treated as separate entities for purposes of federal tax audits, judicial review of administrative adjustments by the IRS and tax settlement proceedings. The tax treatment of partnership items of income, gain, loss and deduction are determined in a partnership proceeding rather than in separate proceedings with the partners. The Internal Revenue Code requires that one partner be designated as the Tax Matters Partner for these purposes. Our partnership agreement names our general partner as our Tax Matters Partner.

The Tax Matters Partner has made and will make some elections on our behalf and on behalf of unitholders. In addition, the Tax Matters Partner can extend the statute of limitations for assessment of tax deficiencies against unitholders for items in our returns. The Tax Matters Partner may bind a unitholder with less than a 1.0% profits interest in us to a settlement with the IRS unless that unitholder elects, by filing a statement with the IRS, not to give that authority to the Tax Matters Partner. The Tax Matters Partner may seek judicial review, by which all the unitholders are bound, of a final partnership administrative adjustment and, if the Tax Matters Partner fails to seek judicial review, judicial review may be sought by any unitholder having at least a 1.0% interest in profits or by any group of unitholders having in the aggregate at least a 5.0% interest in profits. However, only one action for judicial review will go forward, and each unitholder with an interest in the outcome may participate. The Tax Matters Partner may select the forum for judicial review, and if the Tax Matters Partner selects the Court of Federal Claims or a District Court, rather than the Tax Court, partners may be required to pay any deficiency asserted by the IRS before judicial review is available.

A unitholder must file a statement with the IRS identifying the treatment of any item on his federal income tax return that is not consistent with the treatment of the item on our return. Intentional or negligent disregard of this consistency requirement may subject a unitholder to substantial penalties.

### **Additional Withholding Requirements**

Withholding taxes may apply to certain types of payments made to foreign financial institutions (as specially defined in the Internal Revenue Code) and certain other non-U.S. entities. Specifically, a 30% withholding tax may be imposed on interest, dividends and other fixed or determinable annual or periodical gains, profits and income from sources within the United States (FDAP Income), or gross proceeds from the sale or other disposition of any property of a type which can produce interest or dividends from sources within the United States paid to a foreign financial institution or to a



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### **Material federal income tax consequences**

non-financial foreign entity, unless (i) the foreign financial institution undertakes certain diligence and reporting, (ii) the non-financial foreign entity either certifies it does not have any substantial U.S. owners or furnishes identifying information regarding each substantial U.S. owner or (iii) the foreign financial institution or non-financial foreign entity otherwise qualifies for an exemption from these rules. If the payee is a foreign financial institution and is subject to the diligence and reporting requirements in clause (i) above, it must enter into an agreement with the U.S. Treasury requiring, among other things, that it undertake to identify accounts held by certain U.S. persons or U.S.-owned foreign entities, annually report certain information about such accounts, and withhold 30% on payments to noncompliant foreign financial institutions and certain other account holders.

Although these rules currently apply to applicable payments made after December 31, 2012, the IRS has issued proposed Treasury Regulations providing that the withholding provisions described above will generally apply to payments of FDAP Income made on or after January 1, 2014 and to payments of relevant gross proceeds made on or after January 1, 2015.

The proposed Treasury Regulations described above will not be effective until they are issued in their final form, and as of the date of this prospectus, it is not possible to determine whether the proposed regulations will be finalized in their current form or at all. Each prospective unitholder should consult his own tax advisor regarding the applicability of these withholding provisions to an investment in our common units.

### **Nominee Reporting**

Persons who hold an interest in us as a nominee for another person are required to furnish to us:

Ø the name, address and taxpayer identification number of the beneficial owner and the nominee;

Ø whether the beneficial owner is:

a person that is not a U.S. person;

a foreign government, an international organization or any wholly owned agency or instrumentality of either of the foregoing; or

a tax-exempt entity;

Ø the amount and description of units held, acquired or transferred for the beneficial owner; and

Ø specific information including the dates of acquisitions and transfers, means of acquisitions and transfers, and acquisition cost for purchases, as well as the amount of net proceeds from dispositions.

Brokers and financial institutions are required to furnish additional information, including whether they are U.S. persons and specific information on units they acquire, hold or transfer for their own account. A penalty of \$100 per failure, up to a maximum of \$1,500,000 per calendar year, is imposed by the Internal Revenue Code for failure to report that information to us. The nominee is required to supply the beneficial owner of the units with the information furnished to us.

**Accuracy-Related Penalties**

An additional tax equal to 20.0% of the amount of any portion of an underpayment of tax that is attributable to one or more specified causes, including negligence or disregard of rules or regulations, substantial understatements of income tax and substantial valuation misstatements, is imposed by the Internal Revenue Code. No penalty will be imposed, however, for any portion of an underpayment if it is shown that there was a reasonable cause for that portion and that the taxpayer acted in good faith regarding that portion.

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### **Material federal income tax consequences**

For individuals, a substantial understatement of income tax in any taxable year exists if the amount of the understatement exceeds the greater of 10.0% of the tax required to be shown on the return for the taxable year or \$5,000 (\$10,000 for most corporations). The amount of any understatement subject to penalty generally is reduced if any portion is attributable to a position adopted on the return:

Ø for which there is, or was, substantial authority ; or

Ø as to which there is a reasonable basis and the pertinent facts of that position are disclosed on the return.

If any item of income, gain, loss or deduction included in the distributive shares of unitholders might result in that kind of an understatement of income for which no substantial authority exists, we must disclose the pertinent facts on our return. In addition, we will make a reasonable effort to furnish sufficient information for unitholders to make adequate disclosure on their returns and to take other actions as may be appropriate to permit unitholders to avoid liability for this penalty. More stringent rules apply to tax shelters, which we do not believe includes us, or any of our investments, plans or arrangements.

A substantial valuation misstatement exists if (a) the value of any property, or the adjusted basis of any property, claimed on a tax return is 150.0% or more of the amount determined to be the correct amount of the valuation or adjusted basis, (b) the price for any property or services (or for the use of property) claimed on any such return with respect to any transaction between persons described in Internal Revenue Code Section 482 is 200.0% or more (or 50.0% or less) of the amount determined under Section 482 to be the correct amount of such price, or (c) the net Internal Revenue Code Section 482 transfer price adjustment for the taxable year exceeds the lesser of \$5 million or 10.0% of the taxpayer's gross receipts. No penalty is imposed unless the portion of the underpayment attributable to a substantial valuation misstatement exceeds \$5,000 (\$10,000 for most corporations). If the valuation claimed on a return is 200.0% or more than the correct valuation or certain other thresholds are met, the penalty imposed increases to 40.0%. We do not anticipate making any valuation misstatements.

In addition, the 20.0% accuracy-related penalty also applies to any portion of an underpayment of tax that is attributable to transactions lacking economic substance. To the extent that such transactions are not disclosed, the penalty imposed is increased to 40.0%. Additionally, there is no reasonable cause defense to the imposition of this penalty to such transactions.

### **Reportable Transactions**

If we were to engage in a reportable transaction, we (and possibly you and others) would be required to make a detailed disclosure of the transaction to the IRS. A transaction may be a reportable transaction based upon any of several factors, including the fact that it is a type of tax avoidance transaction publicly identified by the IRS as a listed transaction or that it produces certain kinds of losses for partnerships, individuals, S corporations, and trusts in excess of \$2.0 million in any single year, or \$4.0 million in any combination of six successive tax years. Our participation in a reportable transaction could increase the likelihood that our federal income tax information return (and possibly your tax return) would be audited by the IRS. Please read Administrative Matters Information Returns and Audit Procedures.

Moreover, if we were to participate in a reportable transaction with a significant purpose to avoid or evade tax, or in any listed transaction, you may be subject to the following additional consequences:

Ø accuracy-related penalties with a broader scope, significantly narrower exceptions, and potentially greater amounts than described above at Administrative Matters Accuracy-Related Penalties ;



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### **Material federal income tax consequences**

Ø for those persons otherwise entitled to deduct interest on federal tax deficiencies, nondeductibility of interest on any resulting tax liability; and

Ø in the case of a listed transaction, an extended statute of limitations.  
We do not expect to engage in any reportable transactions.

### **RECENT LEGISLATIVE DEVELOPMENTS**

The present federal income tax treatment of publicly traded partnerships, including us, or an investment in our common units may be modified by administrative, legislative or judicial interpretation at any time. For example, from time to time, members of Congress propose and consider substantive changes to the existing federal income tax laws that affect publicly traded partnerships. Currently, one such legislative proposal would eliminate the qualifying income exception upon which we rely for our treatment as a partnership for U.S. federal income tax purposes. Please read Partnership Status . We are unable to predict whether any such changes will ultimately be enacted. However, it is possible that a change in law could affect us and may be applied retroactively. Any such changes could negatively impact the value of an investment in our units.

### **STATE, LOCAL, FOREIGN AND OTHER TAX CONSIDERATIONS**

In addition to federal income taxes, you likely will be subject to other taxes, such as state, local and foreign income taxes, unincorporated business taxes, and estate, inheritance or intangible taxes that may be imposed by the various jurisdictions in which we do business or own property or in which you are a resident. Although an analysis of those various taxes is not presented here, each prospective unitholder should consider their potential impact on his investment in us. We will initially own property or do business in Illinois, Indiana, Kentucky, Louisiana, Michigan, Ohio, Pennsylvania, Texas and West Virginia. Each of those states imposes an income tax on corporations and other entities. Each of those states (other than Texas) also imposes a personal income tax on individuals. We may also own property or do business in other jurisdictions in the future. Although you may not be required to file a return and pay taxes in some jurisdictions because your income from that jurisdiction falls below the filing and payment requirement, you will be required to file income tax returns and to pay income taxes in many of these jurisdictions in which we do business or own property and may be subject to penalties for failure to comply with those requirements. In some jurisdictions, tax losses may not produce a tax benefit in the year incurred and may not be available to offset income in subsequent taxable years. Some of the jurisdictions may require us, or we may elect, to withhold a percentage of income from amounts to be distributed to a unitholder who is not a resident of the jurisdiction. Withholding, the amount of which may be greater or less than a particular unitholder's income tax liability to the jurisdiction, generally does not relieve a nonresident unitholder from the obligation to file an income tax return. Amounts withheld will be treated as if distributed to unitholders for purposes of determining the amounts distributed by us. Please read Tax Consequences of Unit Ownership Entity-Level Collections. Based on current law and our estimate of our future operations, our general partner anticipates that any amounts required to be withheld will not be material.

It is the responsibility of each unitholder to investigate the legal and tax consequences, under the laws of pertinent states, localities and foreign jurisdictions, of his investment in us. Accordingly, each prospective unitholder is urged to consult his own tax counsel or other advisor with regard to those matters. Further, it is the responsibility of each unitholder to file all state, local and foreign, as well as U.S. federal tax returns, that may be required of him. Latham & Watkins LLP has not rendered an opinion on the state, local or foreign tax consequences of an investment in us.





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## Investment in MPLX LP by employee benefit plans

An investment in us by an employee benefit plan is subject to additional considerations because the investments of these plans are subject to the fiduciary responsibility and prohibited transaction provisions of ERISA and the restrictions imposed by Section 4975 of the Internal Revenue Code and provisions under any federal, state, local, non-U.S. or other laws or regulations that are similar to such provisions of the Internal Revenue Code or ERISA, collectively, Similar Laws. For these purposes the term employee benefit plan includes, but is not limited to, qualified pension, profit-sharing and stock bonus plans, Keogh plans, simplified employee pension plans and tax deferred annuities or IRAs or annuities established or maintained by an employer or employee organization, and entities whose underlying assets are considered to include plan assets of such plans, accounts and arrangements, collectively, Employee Benefit Plans. Among other things, consideration should be given to:

- Ø whether the investment is prudent under Section 404(a)(1)(B) of ERISA and any other applicable Similar Laws;
- Ø whether in making the investment, the plan will satisfy the diversification requirements of Section 404(a)(1)(C) of ERISA and any other applicable Similar Laws;
- Ø whether the investment will result in recognition of unrelated business taxable income by the plan and, if so, the potential after-tax investment return. Please read Material Federal Income Tax Consequences Tax-Exempt Organizations and Other Investors ; and
- Ø whether making such an investment will comply with the delegation of control and prohibited transaction provisions of ERISA, the Internal Revenue Code and any other applicable Similar Laws.

The person with investment discretion with respect to the assets of an Employee Benefit Plan, often called a fiduciary, should determine whether an investment in us is authorized by the appropriate governing instrument and is a proper investment for the plan.

Section 406 of ERISA and Section 4975 of the Internal Revenue Code prohibit Employee Benefit Plans from engaging, either directly or indirectly, in specified transactions involving plan assets with parties that, with respect to the Employee Benefit Plan, are parties in interest under ERISA or disqualified persons under the Internal Revenue Code unless an exemption is available. A party in interest or disqualified person who engages in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Internal Revenue Code. In addition, the fiduciary of the ERISA plan that engaged in such a non-exempt prohibited transaction may be subject to penalties and liabilities under ERISA and the Internal Revenue Code.

In addition to considering whether the purchase of common units is a prohibited transaction, a fiduciary should consider whether the Employee Benefit Plan will, by investing in us, be deemed to own an undivided interest in our assets, with the result that our general partner would also be a fiduciary of such Employee Benefit Plan and our operations would be subject to the regulatory restrictions of ERISA, including its prohibited transaction rules, as well as the prohibited transaction rules of the Internal Revenue Code, ERISA and any other applicable Similar Laws.

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### **Investment in MPLX LP by employee benefit plans**

The Department of Labor regulations and Section 3(42) of ERISA provide guidance with respect to whether, in certain circumstances, the assets of an entity in which Employee Benefit Plans acquire equity interests would be deemed plan assets. Under these rules, an entity's assets would not be considered to be plan assets if, among other things:

- (a) the equity interests acquired by the Employee Benefit Plan are publicly offered securities i.e., the equity interests are widely held by 100 or more investors independent of the issuer and each other, are freely transferable and are registered under certain provisions of the federal securities laws;
- (b) the entity is an operating company, i.e., it is primarily engaged in the production or sale of a product or service, other than the investment of capital, either directly or through a majority-owned subsidiary or subsidiaries; or
- (c) there is no significant investment by benefit plan investors, which is defined to mean that less than 25.0% of the value of each class of equity interest, disregarding any such interests held by our general partner, its affiliates and some other persons, is held generally by Employee Benefit Plans.

Our assets should not be considered plan assets under these regulations because it is expected that the investment will satisfy the requirements in (a) and (b) above. The foregoing discussion of issues arising for employee benefit plan investments under ERISA and the Internal Revenue Code is general in nature and is not intended to be all inclusive, nor should it be construed as legal advice. In light of the serious penalties imposed on persons who engage in prohibited transactions or other violations, plan fiduciaries contemplating a purchase of common units should consult with their own counsel regarding the consequences under ERISA, the Internal Revenue Code and other Similar Laws.

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## Underwriting

We are offering the common units described in this prospectus through the underwriters named below. UBS Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Morgan Stanley & Co. LLC are the representatives of the underwriters and UBS Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. LLC, Citigroup Global Markets Inc. and J.P. Morgan Securities LLC are acting as joint book-running managers of this offering. We have entered into an underwriting agreement with the representatives. Subject to the terms and conditions of the underwriting agreement, each of the underwriters has severally agreed to purchase the number of common units listed next to its name in the following table.

<b>Underwriters</b>	<b>Number of common units</b>
UBS Securities LLC	
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Morgan Stanley & Co. LLC	
Citigroup Global Markets Inc	
J.P. Morgan Securities LLC	
Barclays Capital Inc.	
Deutsche Bank Securities Inc	
Wells Fargo Securities, LLC	
<b>Total</b>	

The underwriting agreement provides that the underwriters must buy all of the common units if they buy any of them. However, the underwriters are not required to take or pay for the common units covered by the underwriters' option to purchase additional common units described below.

Our common units are offered subject to a number of conditions, including:

Ø receipt and acceptance of our common units by the underwriters; and

Ø the underwriters' right to reject orders in whole or in part.

We have been advised by the representatives that the underwriters intend to make a market in our common units but that they are not obligated to do so and may discontinue making a market at any time without notice.

In connection with this offering, certain of the underwriters or securities dealers may distribute prospectuses electronically.

### **OVER-ALLOTMENT OPTION**

We have granted the underwriters an option to buy up to an aggregate of \_\_\_\_\_ additional common units. The underwriters may exercise this option solely for the purpose of covering over-allotments, if any, made in connection with this offering. The underwriters have 30 days from the date of this prospectus to exercise this option. If the underwriters exercise this option, they will each purchase additional common units

approximately in proportion to the amounts specified in the table above.

**Table of Contents****Underwriting****COMMISSIONS AND DISCOUNTS**

Common units sold by the underwriters to the public will initially be offered at the initial offering price set forth on the cover of this prospectus. Any common units sold by the underwriters to securities dealers may be sold at a discount of up to \$ \_\_\_\_\_ per common unit from the initial public offering price. Any of these securities dealers may resell any common units purchased from the underwriters to other brokers or dealers at a discount of up to \$ \_\_\_\_\_ per common unit from the initial public offering price. Sales of common units made outside the US may be made by affiliates of the underwriters. If all the common units are not sold at the initial public offering price, the representatives may change the offering price and the other selling terms. Upon execution of the underwriting agreement, the underwriters will be obligated to purchase the common units at the prices and upon the terms stated therein and, as a result, will thereafter bear any risk associated with changing the offering price to the public or other selling terms. The representatives of the underwriters have informed us that they do not expect to sell more than an aggregate of \_\_\_\_\_ common units to accounts over which such representatives exercise discretionary authority.

The following table shows the per common unit and total underwriting discounts and commissions we will pay to the underwriters assuming both no exercise and full exercise of the underwriters' option to purchase up to an additional \_\_\_\_\_ common units.

	<b>No exercise</b>	<b>Full exercise</b>
Per common unit	\$ _____	\$ _____
Total	\$ _____	\$ _____
We will pay UBS Securities LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated an aggregate structuring fee equal to _____ % of the gross proceeds of this offering for evaluation, analysis and structuring of our partnership.		

We estimate that the total expenses of the offering incurred by us, not including the underwriting discounts and commissions and structuring fees, will be approximately \$ \_\_\_\_\_ million. The underwriters have agreed to reimburse us for up to \$ \_\_\_\_\_ in expenses incurred by us in connection with this offering.

**NO SALES OF SIMILAR SECURITIES**

We, our general partner's executive officers and directors, our general partner and MPC have entered into lock-up agreements with the underwriters. Under these agreements, subject to certain exceptions, we and each of these persons may not, without the prior written approval of the representatives, offer, sell, contract to sell or otherwise dispose of, directly or indirectly, or hedge our common units or securities convertible into or exchangeable or exercisable for our common units. These restrictions will be in effect for a period of 180 days after the date of this prospectus. At any time and without public notice, the representatives may, in their sole discretion, release some or all of the securities from these lock-up agreements.

**INDEMNIFICATION**

We have agreed to indemnify the several underwriters against certain liabilities, including certain liabilities under the Securities Act. If we are unable to provide this indemnification, we have agreed to contribute to payments the underwriters may be required to make in respect of those liabilities.



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### **Underwriting**

#### **NEW YORK STOCK EXCHANGE**

We have applied to list our common units on the New York Stock Exchange under the trading symbol **MPLX**.

#### **PRICE STABILIZATION, SHORT POSITIONS**

In connection with this offering, the underwriters may engage in activities that stabilize, maintain or otherwise affect the price of our common units, including:

Ø stabilizing transactions;

Ø short sales;

Ø purchases to cover positions created by short sales;

Ø imposition of penalty bids; and

Ø syndicate covering transactions.

Stabilizing transactions consist of bids or purchases made for the purpose of preventing or retarding a decline in the market price of our common units while this offering is in progress. These transactions may also include making short sales of our common units, which involve the sale by the underwriters of a greater number of common units than they are required to purchase in this offering and purchasing common units on the open market to cover positions created by short sales. Short sales may be cover short sales, which are short positions in an amount not greater than the underwriters' over-allotment option referred to above, or may be naked short sales, which are short positions in excess of that amount.

The underwriters may close out any covered short position by either exercising their over-allotment option, in whole or in part, or by purchasing common units in the open market. In making this determination, the underwriters will consider, among other things, the price of common units available for purchase in the open market as compared to the price at which they may purchase common units through the over-allotment option.

Naked short sales are in excess of the over-allotment option. The underwriters must close out any naked short position by purchasing common units in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common units in the open market that could adversely affect investors who purchased in this offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased common units sold by or for the account of that underwriter in stabilizing or short covering transactions.

As a result of these activities, the price of our common units may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the underwriters at any time. The underwriters may carry out these transactions on the New York Stock Exchange, in the over-the-counter market or otherwise.

#### **DETERMINATION OF OFFERING PRICE**

## Edgar Filing: MPLX LP - Form S-1/A

Prior to this offering, there is no public market for our common units. The initial public offering price will be determined by negotiation by us and the representatives of the underwriters. The principal factors to be considered in determining the initial public offering price include:

Ø the information set forth in this prospectus and otherwise available to the representatives;



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### **Underwriting**

- Ø our history and prospects and the history and prospects for the industry in which we compete;
- Ø our past and present financial performance and an assessment of the management of our general partner;
- Ø our prospects for future earnings and the present state of our development;
- Ø the general condition of the securities markets at the time of this offering; and
- Ø the recent market prices of, and demand for, publicly traded securities of generally comparable entities.

### **AFFILIATIONS (CONFLICTS OF INTEREST)**

The underwriters and their respective affiliates are full service institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. The underwriters and their affiliates may from time to time in the future engage with us and our affiliates and perform services for us and our affiliates in the ordinary course of their business for which they will receive customary fees and expenses. In the ordinary course of their various business activities, the underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of us or our affiliates. The underwriters and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of these securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in these securities and instruments.

Specifically, UBS Securities LLC has issued a standby letter of credit to a supplier of MPC upon the request of MPC. Banc of America, N.A., an affiliate of Merrill Lynch, Pierce, Fenner & Smith Incorporated, is a committed lender and letter of credit issuer under MPC's revolving credit facility and acts as a committed purchaser, managing agent and a letter of credit issuer under MPC's accounts receivable securitization facility. In addition, Morgan Stanley & Co. LLC, Citigroup Global Markets Inc., J.P. Morgan Securities, LLC, Deutsche Bank Securities Inc. and Wells Fargo Securities, LLC are also committed lenders under MPC's revolving credit facility. Affiliates of UBS Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. LLC, Citigroup Global Markets Inc., J.P. Morgan Securities LLC, Barclays Capital Inc. and Wells Fargo Securities, LLC will be lenders under our new credit facility.

### **FINRA**

Because the Financial Industry Regulatory Authority, Inc., or FINRA, is expected to view the common units offered hereby as interests in a direct participation program, the offering is being made in compliance with Rule 2310 of the FINRA Rules. Investor suitability with respect to the common units should be judged similarly to the suitability with respect to other securities that are listed for trading on a national securities exchange.

### **DIRECTED UNIT PROGRAM**

At our request, the underwriters have reserved up to 5.0% of the common units being offered by this prospectus for sale at the initial public offering price to directors and executive officers of our general partner and MPC and certain other employees and consultants of MPC. The sale will be made by UBS



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### **Underwriting**

Financial Services Inc., a selected dealer affiliated with UBS Securities LLC, an underwriter of this offering, through a directed unit program. We do not know if these persons will choose to purchase all or any portion of these reserved common units, but any purchases they do make will reduce the number of common units available to the general public. Any reserved common units not so purchased will be offered by the underwriters to the general public on the same terms as the other common units. Participants in the directed unit program who purchase \$100,000 or more of common units under the program will be subject to a 25-day lock-up period with respect to any common units sold to them under the program. This lock-up will have similar restrictions to the lock-up agreements described above. Any common units sold in the directed unit program to directors and executive officers of our general partner and MPC will be subject to the 180-day lock-up agreements described above.

### **NOTICE TO INVESTORS**

#### **Notice to Prospective Investors in the European Economic Area**

In relation to each member state of the European Economic Area that has implemented the Prospectus Directive (each, a relevant member state), other than Germany, with effect from and including the date on which the Prospectus Directive is implemented in that relevant member state, an offer of securities described in this prospectus may not be made to the public in that relevant member state other than:

Ø to any legal entity which is a qualified investor as defined in the Prospectus Directive;

Ø to fewer than 100 or, if the relevant member state has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant dealer or dealers nominated by the issuer for any such offer; or

Ø in any other circumstances falling within Article 3(2) of the Prospectus Directive; provided that no such offer of securities shall require us or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For purposes of this provision, the expression an offer of securities to the public in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase or subscribe for the securities, as the expression may be varied in that member state by any measure implementing the Prospectus Directive in that member state, and the expression Prospectus Directive means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the relevant member state), and includes any relevant implementing measure in each relevant member state. The expression 2010 PD Amending Directive means Directive 2010/73/EU.

We have not authorized and do not authorize the making of any offer of securities through any financial intermediary on their behalf, other than offers made by the underwriters with a view to the final placement of the securities as contemplated in this prospectus. Accordingly, no purchaser of the securities, other than the underwriters, is authorized to make any further offer of the securities on behalf of us or the underwriters.



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### **Underwriting**

### **Notice to Prospective Investors in the United Kingdom**

We may constitute a collective investment scheme as defined by section 235 of the Financial Services and Markets Act 2000, or FSMA, that is not a recognized collective investment scheme for the purposes of FSMA, or CIS, and that has not been authorized or otherwise approved. As an unregulated scheme, it cannot be marketed in the United Kingdom to the general public, except in accordance with FSMA. This prospectus is only being distributed in the United Kingdom to, and is only directed at:

- (i) if we are a CIS and are marketed by a person who is an authorized person under FSMA, (a) investment professionals falling within Article 14(5) of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001, as amended, or the CIS Promotion Order, or (b) high net worth companies and other persons falling within Article 22(2)(a) to (d) of the CIS Promotion Order; or
- (ii) otherwise, if marketed by a person who is not an authorized person under FSMA, (a) persons who fall within Article 19(5) of the Financial Services and Market Act 2000 (Financial Promotion) Order 2005, as amended, or Financial Promotion Order, or (b) Article 49(2)(a) to (d) of the Financial Promotion Order; and
- (iii) in both cases (i) and (ii) to any other person to whom it may otherwise lawfully be made (all such persons together being referred to as relevant persons ).

The common units are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such common units will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this prospectus or any of its contents.

An invitation or inducement to engage in investment activity (within the meaning of Section 21 of FSMA) in connection with the issue or sale of any common units which are the subject of the offering contemplated by this prospectus will only be communicated or caused to be communicated in circumstances in which Section 21(1) of FSMA does not apply to us.

### **Notice to Prospective Investors in Switzerland**

This prospectus is being communicated in Switzerland to a small number of selected investors only. Each copy of this prospectus is addressed to a specifically named recipient and may not be copied, reproduced, distributed or passed on to third parties. The common units are not being offered to the public in Switzerland, and neither this prospectus nor any other offering materials relating to the common units may be distributed in connection with any such public offering.

We have not been registered with the Swiss Financial Market Supervisory Authority ( FINMA ) as a foreign collective investment scheme pursuant to Article 120 of the Collective Investment Schemes Act of June 23, 2006, or the CISA. Accordingly, the common units may not be offered to the public in or from Switzerland, and neither this prospectus nor any other offering materials relating to the common units may be made available through a public offering in or from Switzerland. The common units may only be offered and this prospectus may only be distributed in or from Switzerland by way of private placement exclusively to qualified investors (as this term is defined in the CISA and its implementing ordinance).

### **Notice to Prospective Investors in Germany**

This document has not been prepared in accordance with the requirements for a securities or sales prospectus under the German Securities Prospectus Act (Wertpapierprospektgesetz), the German Sales Prospectus Act (Verkaufprospektgesetz), or the German Investment Act (Investmentgesetz). Neither the



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### **Underwriting**

German Federal Financial Services Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht BaFin) nor any other German authority has been notified of the intention to distribute our common units in Germany. Consequently, our common units may not be distributed in Germany by way of public offering, public advertisement or in any similar manner and this document and any other document relating to the offering, as well as information or statements contained therein, may not be supplied to the public in Germany or used in connection with any offer for subscription of our common units to the public in Germany or any other means of public marketing. Our common units are being offered and sold in Germany only to qualified investors which are referred to in Section 3, paragraph 2 no. 1, in connection with Section 2, no. 6, of the German Securities Prospectus Act, Section 8f paragraph 2 no. 4 of the German Sales Prospectus Act, and in Section 2 paragraph 11 sentence 2 no. 1 of the German Investment Act. This document is strictly for use of the person who has received it. It may not be forwarded to other persons or published in Germany.

The offering does not constitute an offer to sell or the solicitation or an offer to buy our common units in any circumstances in which such offer or solicitation is unlawful.

### **Notice to Prospective Investors in the Netherlands**

Our common units may not be offered or sold, directly or indirectly, in the Netherlands, other than to qualified investors (gekwalficeerde beleggers) within the meaning of Article 1:1 of the Dutch Financial Supervision Act (Wet op het financieel toezicht).

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## **Validity of the common units**

The validity of our common units will be passed upon for us by Latham & Watkins LLP, Houston, Texas. Certain legal matters in connection with our common units offered hereby will be passed upon for the underwriters by Andrews Kurth LLP, Houston, Texas.

## **Experts**

The combined financial statements of MPLX LP Predecessor as of December 31, 2011 and December 31, 2010 and for each of the three years in the period ended December 31, 2011 included in this prospectus have been so included in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

The balance sheet of MPLX LP at May 31, 2012 included in this prospectus has been so included in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

## **Where you can find additional information**

We have filed with the SEC a registration statement on Form S-1 regarding our common units. This prospectus does not contain all of the information found in the registration statement. For further information regarding us and the common units offered by this prospectus, you may desire to review the full registration statement, including its exhibits and schedules, filed under the Securities Act. The registration statement of which this prospectus forms a part, including its exhibits and schedules, may be inspected and copied at the public reference room maintained by the SEC at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Copies of the materials may also be obtained from the SEC at prescribed rates by writing to the public reference room maintained by the SEC at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You may obtain information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330.

The SEC maintains a website on the internet at <http://www.sec.gov>. Our registration statement, of which this prospectus constitutes a part, can be downloaded from the SEC's website and can also be inspected and copied at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005.

Upon completion of this offering, we will file with or furnish to the SEC periodic reports and other information. These reports and other information may be inspected and copied at the public reference facilities maintained by the SEC or obtained from the SEC's website as provided above. Our website on the Internet is located at [www.mplx.com](http://www.mplx.com) and we make our periodic reports and other information filed with or furnished to the SEC available, free of charge, through our website, as soon as reasonably practicable after those reports and other information are electronically filed with or furnished to the SEC. Information on our website or any other website is not incorporated by reference into this prospectus and does not constitute a part of this prospectus.

We intend to furnish or make available to our unitholders annual reports containing our audited financial statements and furnish or make available to our unitholders quarterly reports containing our



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unaudited interim financial information, including the information required by Form 10-Q, for the first three fiscal quarters of each fiscal year.

Marathon Petroleum Corporation is subject to the information requirements of the Exchange Act, and in accordance therewith files reports and other information with the SEC. You may read Marathon Petroleum Corporation's filings on the SEC's website and at the public reference room described above. Marathon Petroleum Corporation's common stock trades on the NYSE under the symbol MPC.

## **Forward-looking statements**

Some of the information in this prospectus may contain forward-looking statements. These statements can be identified by the use of forward-looking terminology including may, believe, will, expect, anticipate, estimate, continue, or other similar words. These statements discuss future expectations, contain projections of results of operations or of financial condition, or state other forward-looking information. These forward-looking statements involve risks and uncertainties. When considering these forward-looking statements, you should keep in mind the risk factors and other cautionary statements in this prospectus. The risk factors and other factors noted throughout this prospectus could cause our actual results to differ materially from those contained in any forward-looking statement.

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**Table of Contents****Unaudited pro forma combined financial data****INTRODUCTION**

Set forth below are the unaudited pro forma combined balance sheet of MPLX LP ( we or the Partnership ) as of June 30, 2012 and the unaudited pro forma combined statements of income for the Partnership for the year ended December 31, 2011 and for the six months ended June 30, 2012. The pro forma combined financial data for the Partnership have been derived by adjusting the historical combined and the historical combined interim financial statements of MPLX LP Predecessor, our predecessor for accounting purposes (our Predecessor ). Our Predecessor consists of a 100.0% interest in all of the assets and operations of MPL and ORPL that MPC will contribute to us at the closing of this offering, as well as minority undivided interests in two crude oil pipeline systems, which we refer to as the joint interest assets, that are owned by MPL but will be transferred to other subsidiaries of Marathon Petroleum Corporation ( MPC ) and will not be contributed to us. In connection with the closing of this offering, MPC will transfer the joint interest assets from our Predecessor to other MPC subsidiaries and then contribute to us a 51.0% indirect ownership interest in MPLX Pipe Line Holdings LP ( Pipe Line Holdings ), which owns our Predecessor's assets and operations (other than the joint interest assets), and a 100.0% indirect ownership interest in our butane cavern. However, we will continue to consolidate 100.0% of the assets and operations of Pipe Line Holdings in our financial statements. In addition, we will record the contribution at historical cost, as it will be considered a reorganization of entities under common control.

The historical combined and the historical combined interim financial statements of the Predecessor are set forth elsewhere in this prospectus, and the pro forma combined financial data for the Partnership should be read in conjunction with, and are qualified in their entirety by reference to, such historical combined financial statements and the related notes contained therein. The adjustments are based upon currently available information and certain estimates and assumptions, and actual results may differ from the pro forma adjustments. However, management believes that these estimates and assumptions provide a reasonable basis for presenting the significant effects of the contemplated transactions and that the pro forma adjustments are factually supportable and give appropriate effect to those estimates and assumptions and are properly applied in the pro forma combined financial data.

The pro forma adjustments have been prepared as if the transactions to be effected at the closing of the offering had taken place on June 30, 2012, in the case of the pro forma balance sheet, and as of January 1, 2011, in the case of the pro forma income statements for the year ended December 31, 2011 and for the six months ended June 30, 2012. The pro forma combined financial data have been prepared on the assumption that we will be treated as a partnership for U.S. federal income tax purposes.

The unaudited pro forma financial data give pro forma effect to the matters described in the notes hereto, including:

- Ø MPC's transfer of the joint interest assets from our Predecessor to other MPC subsidiaries;
- Ø our Predecessor's collection of loans receivable from MPC Investment Fund, Inc. ( MPCIF ), a wholly owned subsidiary of MPC, under our Predecessor's cash management agreements with MPCIF, the distribution to MPC of most of those proceeds and the termination of the cash management agreements prior to the closing of this offering;
- Ø our establishment of an account payable with MPC to balance contributed working capital;



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**Unaudited pro forma combined financial data**

- Ø MPC's contribution to us of a 51.0% ownership interest in Pipe Line Holdings, and a 100.0% interest in the Neal, West Virginia butane cavern. As our butane cavern was not in service during any period presented, the pro forma periods reflect only minimal expenses and no revenues associated with our butane cavern;
  - Ø our entry into a new \$500.0 million revolving credit facility, which we have assumed was not drawn during the pro forma periods presented, and the amortization of the origination fees associated with the facility;
  - Ø our execution of multiple long-term transportation, storage and management services agreements with MPC and recognition of revenues and other income under those agreements that were not recognized by our Predecessor;
  - Ø our entry into an omnibus agreement and employee services agreements with MPC;
  - Ø the consummation of this offering and our issuance of common units to the public, general partner units and the incentive distribution rights to our general partner and common units and subordinated units to MPC; and
  - Ø the application of the net proceeds of this offering as described in Use of Proceeds.
- The pro forma financial data does not give effect to an estimated \$3.4 million in incremental general and administrative expenses that we expect to incur annually as a result of being a separate publicly-traded partnership.

The unaudited pro forma combined financial data may not be indicative of the results that actually would have occurred if the Partnership had assumed the operations of our Predecessor on the dates indicated or that would be obtained in the future.

**Table of Contents****MPLX LP****UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF INCOME****Year Ended December 31, 2011**

	Year Ended December 31, 2011	Predecessor Retained	Pro Forma Adjustments		
(In millions)			New Agreements	Offering Related	Total Pro Forma
<b>Revenues and other income:</b>					
Sales and other operating revenues	\$ 62.1	\$	\$	\$	\$ 62.1
Sales to related parties	334.8	(61.5)(a)	(2.8)(b)(d)		270.5
Other income	4.3	(0.3)(a)			4.0
Other income related parties	9.4		0.7(e)		10.1
Total revenues and other income	410.6	(61.8)	(2.1)		346.7
<b>Costs and expenses:</b>					
Cost of revenues (excludes items below)	164.2	(14.5)(a)	(52.9)(f)		96.8
Purchases from related parties	31.9		59.9(f)		91.8
Depreciation	36.3	(7.0)(a)			29.3
General and administrative expenses	34.3	(2.5)(a)	1.8(g)		33.6
Other taxes	11.9	(1.3)(a)	(4.6)(f)		6.0
Total costs and expenses	278.6	(25.3)	4.2		257.5
<b>Income from operations</b>	132.0	(36.5)	(6.3)		89.2
Related party interest and other financial income	2.3	(2.3)(h)			
Interest and other financial income (costs)	(0.2)			0.1(i)	(0.1)
<b>Income before income taxes</b>	134.1	(38.8)	(6.3)	0.1	89.1
Provision for income taxes	0.1				0.1
<b>Net income</b>	134.0	(38.8)	(6.3)	0.1	89.0
Less: Net income attributable to non-controlling interest in Pipe Line Holdings				43.7(k)	43.7
<b>Net income attributable to MPLX LP</b>	\$ 134.0	\$ (38.8)	\$ (6.3)	\$ (43.6)	\$ 45.3
General partner's interest in net income attributable to MPLX LP					
					\$
Limited partners' interest in net income attributable to MPLX LP					
					\$
Net income per limited partner unit (basic and diluted):					
Common units					\$
Subordinated units					\$

Weighted average number of limited partner units  
outstanding (basic and diluted):

Common units

Subordinated units

**The accompanying notes are an integral part of the unaudited pro forma combined financial data.**

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**Table of Contents****MPLX LP****UNAUDITED PRO FORMA COMBINED STATEMENT OF INCOME****Six Months Ended June 30, 2012**

	Six Months Ended June 30, 2012	Pro Forma Adjustments			
(In millions)		Predecessor Retained	New Agreements	Offering Related	Total Pro Forma
<b>Revenues and other income:</b>					
Sales and other operating revenues	\$ 33.9	\$	\$	\$	\$ 33.9
Sales to related parties	169.2	(22.7)(a)	4.2(b)(c)(d)		150.7
Gain (loss) on sale of assets	(0.3)				(0.3)
Other income	3.3	(0.1)(a)			3.2
Other income related parties	6.4		0.3(e)		6.7
Total revenues and other income	212.5	(22.8)	4.5		194.2
<b>Costs and expenses:</b>					
Cost of revenues (excludes items below)	83.1	(6.3)(a)	(25.8)(f)		51.0
Purchases from related parties	15.1		30.0(f)		45.1
Depreciation	18.4	(3.4)(a)			15.0
General and administrative expenses	24.8	(1.3)(a)	0.9(g)		24.4
Other taxes	6.7	(0.6)(a)	(3.0)(f)		3.1
Total costs and expenses	148.1	(11.6)	2.1		138.6
<b>Income from operations</b>	<b>64.4</b>	<b>(11.2)</b>	<b>2.4</b>		<b>55.6</b>
Related party interest and other financial income	0.8	(0.8)(h)			
Interest and other financial income (costs)				(i)	
<b>Income before income taxes</b>	<b>65.2</b>	<b>(12.0)</b>	<b>2.4</b>		<b>55.6</b>
Provision for income taxes	0.2			(0.2)(j)	
<b>Net income</b>	<b>65.0</b>	<b>(12.0)</b>	<b>2.4</b>	<b>0.2</b>	<b>55.6</b>
Less: Net income attributable to non-controlling interest in Pipe Line Holdings				27.4(k)	27.4
<b>Net income attributable to MPLX LP</b>	<b>\$ 65.0</b>	<b>\$ (12.0)</b>	<b>\$ 2.4</b>	<b>\$ (27.2)</b>	<b>\$ 28.2</b>
General partner's interest in net income attributable to MPLX LP					
					\$
Limited partners' interest in net income attributable to MPLX LP					
					\$
Net income per limited partner unit (basic and diluted):					
Common units					\$
Subordinated units					\$



Weighted average number of limited partner units  
outstanding (basic and diluted):

Common units

Subordinated units

**The accompanying notes are an integral part of the unaudited pro forma combined financial data.**

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**MPLX LP**

**UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET**

As of June 30, 2012

	June 30, 2012 Balance	Pro Forma Adjustments			Pro Forma Balance
(In millions)		Predecessor Retained	Assets Contributed	Offering Related	
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 0.6	\$ 5.0(l)	\$	\$ 229.4(m)	\$ 235.0