

MAGELLAN MIDSTREAM PARTNERS LP

Form 424B2

October 04, 2013

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File pursuant to Rule 424(b)(2)

Registration No. 333-183013

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price	Registration Fee(1)
5.15% Senior Notes Due 2043	\$300,000,000	\$38,640

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

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Prospectus supplement

To prospectus dated August 2, 2012

\$300,000,000

5.15% Senior Notes due 2043

This is an offering by Magellan Midstream Partners, L.P. of \$300 million aggregate principal amount of 5.15% Senior Notes due 2043. Interest will be payable on the notes on April 15 and October 15 of each year. The notes will mature on October 15, 2043. Interest on the notes will accrue from October 10, 2013, and the first interest payment on the notes will be due on April 15, 2014.

We may redeem some or all of the notes at any time or from time to time at the applicable redemption prices described in this prospectus supplement under the caption "Description of notes - Optional redemption."

The notes will be our senior unsecured obligations and will rank equally with all of our existing and future unsecured senior debt, including borrowings under our revolving credit facility, and senior to any future subordinated debt that we may incur.

Investing in the notes involves risks that are described in the "Risk factors" section beginning on page S-8 of this prospectus supplement and on page 3 of the accompanying base prospectus, as well as the risk factors discussed in our Annual Report on Form 10-K for the year ended December 31, 2012 and our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2013 and June 30, 2013.

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

			Proceeds, Before
	Public Offering price(1)	Underwriting Discount	Expenses, to Magellan(1)
Per note	99.560%	0.875%	98.685%
Total	\$298,680,000	\$2,625,000	\$296,055,000

(1) Plus accrued interest from October 10, 2013, if settlement occurs after that date.

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

The notes will be ready for delivery in book-entry form only through the facilities of The Depository Trust Company for the accounts of its participants on or about October 10, 2013.

Joint book-running managers

J.P. Morgan

BofA Merrill Lynch

Co-managers

Citigroup

RBC Capital Markets

Barclays

Mitsubishi UFJ Securities

Morgan Stanley

SMBC Nikko

SunTrust Robinson Humphrey

UBS Investment Bank

Wells Fargo Securities

The date of this prospectus supplement is October 3, 2013

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About this prospectus supplement

This document is in two parts. The first part is this prospectus supplement, which describes the terms of this offering of notes. The second part is the accompanying base prospectus, which gives more general information about the securities we may offer from time to time. Generally when we refer only to the prospectus, we are referring to both parts combined.

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

You should rely only on the information contained or incorporated by reference in this prospectus supplement, the accompanying base prospectus and any free writing prospectus filed by us with the Securities and Exchange Commission (the SEC). Neither we nor the underwriters have authorized anyone to provide you with different or additional information. We and the underwriters are not making an offer of these securities in any jurisdiction where the offer is not permitted. You should not assume that the information contained in this prospectus supplement, the accompanying base prospectus and any free writing prospectus is accurate as of any date other than the dates shown in those documents or that any information we have incorporated by reference is accurate as of any date other than the date of the document incorporated by reference. Our business, financial condition, results of operations and prospects may have changed since such dates.

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

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

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*This summary highlights information contained elsewhere in this prospectus supplement and the accompanying base prospectus. It does not contain all of the information that you should consider before making an investment decision. You should read the entire prospectus supplement, the accompanying base prospectus, the documents incorporated by reference and the other documents to which we refer for a more complete understanding of this offering. Please read *Risk factors* beginning on page S-8 of this prospectus supplement and on page 3 of the accompanying base prospectus, as well as the risk factors discussed in our Annual Report on Form 10-K for the year ended December 31, 2012 and our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2013 and June 30, 2013, respectively, for more information about important factors that you should consider before purchasing notes in this offering.*

Magellan Midstream Partners, L.P.

We were formed as a limited partnership under the laws of the State of Delaware in August 2000 to own, operate and acquire a diversified portfolio of complementary energy assets. We are principally engaged in the transportation, storage and distribution of refined petroleum products and crude oil. As of June 30, 2013, our three operating segments included:

our refined products segment, including our 8,800-mile refined products pipeline system with 49 terminals as well as 27 independent terminals not connected to our pipeline system and our 1,100-mile ammonia pipeline system;

our crude oil segment, comprised of approximately 800 miles of crude oil pipelines and storage facilities with an aggregate storage capacity of approximately 15 million barrels; and

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

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

Partnership structure and management

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

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

Ownership of Magellan Midstream Partners, L.P.	Percentage interest
Public common units	99.7%
Officer and director common units	0.3%
General partner interest	0.0%
Total	100.0%

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The offering

Issuer	Magellan Midstream Partners, L.P.
Securities	\$300 million aggregate principal amount of 5.15% Senior Notes due 2043.
Maturity date	October 15, 2043.
Interest payment dates	April 15 and October 15 of each year, beginning April 15, 2014. Interest will accrue from October 10, 2013.
Use of proceeds	We intend to use the net proceeds from this offering to repay borrowings outstanding under our revolving credit facility and for general partnership purposes, which may include capital expenditures. Pending application of the net proceeds, we may make investments in interest bearing securities or accounts. See Use of proceeds in this prospectus supplement.
Optional redemption	We may redeem some or all of the notes at any time or from time to time prior to maturity. If we elect to redeem the notes prior to April 15, 2043 (the date that is six months prior to the maturity date of the notes), we will pay an amount equal to the greater of 100% of the principal amount of the notes to be redeemed and the sum of the present values of the remaining scheduled payments of principal and interest on the notes, plus a make-whole premium. If we elect to redeem the notes on or after April 15, 2043 (the date that is six months prior to the maturity date of the notes), we will pay an amount equal to 100% of the principal amount of the notes to be redeemed. We will pay accrued and unpaid interest, if any, on the notes redeemed to the redemption date. See Description of notes Optional redemption.
Subsidiary guarantees	Our subsidiaries will not initially guarantee the notes. In the future, however, we will cause any of our subsidiaries that subsequently guarantee or become a co-obligor in respect of any of our funded debt to equally and ratably guarantee the notes offered hereby.
Ranking	<p>The notes will be our senior unsecured obligations and will rank equally with all of our other existing and future unsecured senior debt, including borrowings under our revolving credit facility, and senior to any future subordinated debt that we may incur.</p> <p>We conduct substantially all of our business through our subsidiaries. The notes will be structurally subordinated to all existing and future debt and other liabilities, including trade payables, of any of our non-guarantor subsidiaries. As of June 30, 2013, our subsidiaries had no debt for borrowed money owing to any unaffiliated third parties.</p>

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Certain covenants

We will issue the notes under an indenture, as supplemented by a third supplemental indenture, with U.S. Bank National Association, as trustee. The indenture does not limit the amount of unsecured debt we may incur. The indenture contains limitations on, among other things, our ability to:

incur debt secured by certain liens;
engage in certain sale-leaseback transactions; and
consolidate, merge or dispose of all or substantially all of our assets.

Additional issuances

We may, at any time, without the consent of the holders of the notes, issue additional notes having the same interest rate, maturity and other terms as the notes offered hereby (except for the issue date, the public offering price and, if applicable, the first interest payment date). Any additional notes having such similar terms, together with the notes offered hereby, will constitute a single series under the indenture.

Risk factors

Please read **Risk factors** beginning on page S-8 of this prospectus supplement and on page 3 of the accompanying base prospectus, as well as the risk factors discussed in our Annual Report on Form 10-K for the year ended December 31, 2012 and our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2013 and June 30, 2013, for a discussion of factors you should carefully consider before investing in the notes.

Governing law

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

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Summary financial and operating data

The following table sets forth our summary financial and operating data as of and for the years ended December 31, 2010, 2011 and 2012 and as of and for the six months ended June 30, 2012 and 2013. This financial data was derived from our audited consolidated financial statements and related notes included in our Current Report on Form 8-K filed with the SEC on April 30, 2013 and from our unaudited consolidated financial statements and related notes included in our Quarterly Report on Form 10-Q for the six months ended June 30, 2013. The financial data set forth below should be read in conjunction with those consolidated financial statements and the notes thereto, which are incorporated by reference into this prospectus supplement and the accompanying base prospectus and have been filed with the SEC. All other data have been derived from our financial records.

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

We define distributable cash flow and adjusted EBITDA, which are non-GAAP measures, in the following table. Our partnership agreement requires that all of our available cash, less amounts reserved by our general partner's board of directors, be distributed to our limited partners. Management uses distributable cash flow and adjusted EBITDA to determine the amount of available cash our operations generated that is available for distribution to our limited partners. A reconciliation of distributable cash flow and adjusted EBITDA to net income, the most directly comparable GAAP measure, is included in the following table.

In addition to distributable cash flow and adjusted EBITDA, the non-GAAP measure of operating margin (in the aggregate and by segment) is presented in the Income statement data and Other data sections of the following table. We compute the components of operating margin by using amounts that are determined in accordance with GAAP. A reconciliation of total operating margin to operating profit, which is its nearest comparable GAAP financial measure, is included in the following table. A reconciliation of segment operating margin to segment operating profit is included in our Current Report on Form 8-K filed with the SEC on March 12, 2013 and our Quarterly Report on Form 10-Q for the six months ended June 30, 2013. Operating margin is an important measure of the economic performance of our core operations. This measure forms the basis of our internal financial reporting and is used by our management in deciding how to allocate capital resources between segments. Operating profit, alternatively, includes expense items, such as depreciation and amortization and general and administrative expenses, which our management does not consider when evaluating the core profitability of an operation.

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(Dollars in thousands, except per unit amounts and operating statistics)	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
Income statement data:					
Transportation and terminals revenues	\$ 793,599	\$ 893,369	\$ 970,744	\$ 466,315	\$ 509,733
Product sales revenues	763,090	854,528	799,382	476,298	359,633
Affiliate management fee revenues	758	770	1,948	397	6,967
Total revenues	1,557,447	1,748,667	1,772,074	943,010	876,333
Operating expenses	282,212	306,415	328,454	150,778	142,596
Product purchases	668,585	706,270	657,108	393,110	275,726
Earnings of non-controlled entities	(5,732)	(6,763)	(2,961)	(3,126)	(2,787)
Operating margin	612,382	742,745	789,473	402,248	460,798
Depreciation and amortization expense	108,668	121,179	128,012	62,996	70,518
General and administrative expense	95,316	98,669	109,403	49,158	63,318
Operating profit	408,398	522,897	552,058	290,094	326,962
Interest expense, net	93,296	105,634	111,679	56,285	56,714
Debt placement fee amortization	1,401	1,831	2,087	1,037	1,080
Other expense, net	750				
Income before provision for income taxes	312,951	415,432	438,292	232,772	269,168
Provision for income taxes	1,371	1,866	2,622	1,427	2,561
Net income	\$ 311,580	\$ 413,566	\$ 435,670	\$ 231,345	\$ 266,607
Net income allocation:					
Limited partner interests	\$ 311,977	\$ 413,629	\$ 435,670	\$ 231,345	\$ 266,607
Non-controlling owners interest	(397)	(63)			
Net income	\$ 311,580	\$ 413,566	\$ 435,670	\$ 231,345	\$ 266,607
Basic and diluted net income per limited partner unit	\$ 1.42	\$ 1.83	\$ 1.92	\$ 1.02	\$ 1.18
Balance sheet data:					
Working capital (deficit)(a)	\$ 109,536	\$ 301,135	\$ 307,658	\$ 292,577	\$ (115,042)
Total assets	3,717,900	4,045,001	4,420,067	4,074,989	4,388,068
Long-term debt(a)	1,906,148	2,151,775	2,393,408	2,148,432	2,140,083
Owners equity	1,469,571	1,463,403	1,515,702	1,511,083	1,555,315
Cash distribution data:					
Cash distributions declared per unit(b)	\$ 1.48	\$ 1.59	\$ 1.88	\$ 0.89	\$ 1.04
Cash distributions paid per unit(b)	\$ 1.45	\$ 1.56	\$ 1.78	\$ 0.83	\$ 1.01

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(Dollars in thousands, except per unit amounts and operating statistics)	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
Other data:					
Operating margin:					
Refined products	\$ 491,290	\$ 574,030	\$ 592,828	\$ 302,433	\$ 337,997
Crude oil	28,517	74,225	91,367	46,711	63,135
Marine storage	89,566	91,571	102,323	51,700	58,144
Allocated partnership depreciation costs(c)	3,009	2,919			

The charter of the Compensation Committee requires that this Committee consist of no fewer than two Board members who satisfy the requirements of the Nasdaq Stock Market, the “non-employee director” requirements of Section 16b-3 of the Securities Exchange Act of 1934, and the “outside director” requirements of Section 162(m) of the Internal Revenue Code. Each member of our Compensation Committee meets these requirements. A copy of the current charter of the Compensation Committee is available within the “Investor Relations” section of our website at www.clearfieldconnection.com.

The current members of the Compensation Committee are Ronald G. Roth (Chair), John G. Reddan and Stephen L. Zuckerman, M.D. During fiscal year 2013, the Compensation Committee met four times, including in executive session without management present.

Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee is charged with the responsibility of identifying, evaluating and approving qualified candidates to serve as directors of our company, ensuring that our Board and governance policies are appropriately structured, developing and recommending a set of corporate governance guidelines, overseeing Board orientation, training and evaluation, and establishing an evaluation process for the Chief Executive Officer. The Nominating and Corporate Governance Committee is also responsible for the leadership structure of our Board, including the composition of the Board and its committees, and an annual review of the position of Chairman of the Board. As part of its annual review, the Nominating and Corporate Governance Committee is responsible for identifying individuals qualified to serve as Chairman and making recommendation to the Board of Directors for any changes in such position. The Nominating and Corporate Governance Committee also has responsibility for overseeing our annual process of self-evaluation by members of the committees and the Board of Directors as a whole.

The charter of the Nominating and Corporate Governance Committee requires that this Committee consist of no fewer than two Board members who satisfy the “independence” requirements of the Nasdaq Stock Market. Each member of our Nominating and Corporate Governance Committee meets these requirements. A copy of the current charter of the Nominating and Corporate Governance Committee is available within the “Investor Relations” section of our website at www.clearfieldconnection.com. A copy of our current Governance Guidelines is also available within the “Investor Relations” section of our website. The current members of the Nominating and Corporate Governance Committee are Donald R. Hayward (Chair), John G. Reddan and Stephen L. Zuckerman, M.D. During fiscal year 2013, the Nominating and Corporate Governance Committee met three times.

Audit Committee. The Audit Committee assists the Board by reviewing the integrity of our financial reporting processes and controls; the qualifications, independence and performance of the independent auditors; and compliance by us with certain legal and regulatory requirements. The Audit Committee has the sole authority to retain, compensate, oversee and terminate the independent auditors. The Audit Committee reviews our annual audited financial statements, quarterly financial statements and filings with the Securities and Exchange Commission. The Audit Committee reviews reports on various matters, including our critical accounting policies, significant changes in our selection or application of accounting principles and our internal control processes. Under its charter, the Audit Committee exercises oversight of significant risks relating to financial reporting and internal control over financial reporting, including discussing these risks with management and the independent auditor and assessing the steps management has taken to minimize these risks. The Audit Committee also pre-approves all audit and non-audit services performed by the independent auditor.

The Audit Committee operates under a written charter and a copy of the current Audit Committee charter is available within the “Investor Relations” section of our website at www.clearfieldconnection.com. Our Audit Committee presently consists of three directors: Charles N. Hayssen (Chair), Donald R. Hayward, and John G. Reddan. During fiscal year 2013, the Audit Committee met four times, including in executive session without management present.

The Board of Directors has determined that all members of the Audit Committee are “independent” directors under the rules of the Nasdaq Stock Market and the rules of the Securities and Exchange Commission. Our Board of Directors has reviewed the education, experience and other qualifications of each of the members of its Audit Committee. After review, the Board of Directors has determined that Mr. Hayssen meets the Securities and Exchange Commission definition of an “audit committee financial expert.” The members of the Audit Committee also meet the Nasdaq Stock Market requirements regarding the financial sophistication and the financial literacy of members of the audit committee. A report of the Audit Committee is set forth below.

Board Leadership Structure

The Board consists of a non-executive Chairman of the Board and three standing committees that are each led by a chair. The members of each committee are “independent directors” under the Nasdaq Listing Rules and meet the other similar independence requirements applicable to that committee. Our Chief Executive Officer is a director, but she does not serve as chair of the Board and does not serve on any committee.

We believe that the current Board leadership structure is appropriate for Clearfield at this time because it allows the Board and its committees to fulfill their responsibilities, draws upon the experience and talents of all directors, encourages management accountability to the Board, and helps maintain good communication among Board members and with management. In particular, we believe that having our Chief Executive Officer serve as a member of the Board and having a separate individual serve as Chairman of the Board allows the independent directors and the Chief Executive Officer to contribute their different perspectives and roles to our strategy development. Our current Board leadership structure is part of the policies reflected in our Governance Guidelines and the Nominating and Corporate Governance Committee is empowered through its charter to consider and make changes to the structure if necessary.

Board’s Role in Risk Oversight

We face a number of risks, including financial, technological, operational, regulatory, strategic and competitive risks. Management is responsible for the day-to-day management of risks we face, while the Board has responsibility for the oversight of risk management. In its risk oversight role, the Board of Directors ensures that the processes for identification, management and mitigation of risk by our management are adequate and functioning as designed.

Our Board exercises its oversight both through the full Board and through the three standing committees of the Board: the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee. The

three standing committees exercise oversight of the risks within their areas of responsibility, as disclosed in the descriptions of each of the committees above and in the charters of each of the committees.

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The Board and the three committees receive information used in fulfilling their oversight responsibilities through our executive officers and advisors, including our outside legal counsel and our independent registered public accounting firm. At meetings of the Board, management makes presentations to the Board regarding our business strategy, operations, financial performance, fiscal year budgets, technology, quality, regulatory, and other matters. Many of these presentations include information relating to the challenges and risks to our business and the Board and management engage in discussion on these topics. Each of the committees also receives reports from management regarding matters relevant to the work of that committee. These management reports are supplemented by information relating to risk from our advisors. Additionally, following committee meetings, the Board receives reports by each committee chair regarding the committee's considerations and actions. In this way, the Board also receives additional information regarding the risk oversight functions performed by each of these committees.

Director Nominations

The Nominating and Corporate Governance Committee will consider candidates for Board membership suggested by its members, other Board members, as well as management and shareholders. Shareholders who wish to recommend a prospective nominee should follow the procedures set forth in Section 2.14 of our bylaws as described in the section of this proxy statement entitled "Shareholder Proposals for Nominees." The Nominating and Corporate Governance Committee has not adopted a formal policy for increasing or decreasing the size of the Board of Directors. Our Governance Guidelines provides that the Board should generally have between five and seven directors. The Nominating and Corporate Governance Committee believes that a six person Board of Directors is appropriate. At six directors, the Board of Directors has a diversity of talent and experience to draw upon, is able to appropriately staff the committees of the Board and engage the directors in Board and committee service, all while maintaining efficient function and communication among members. If appropriate, the Board may determine to increase or decrease its size, including in order to accommodate the availability of an outstanding candidate.

Criteria for Nomination to the Board; Diversity Considerations. The Nominating and Corporate Governance Committee is responsible for identifying, evaluating and approving qualified candidates for nomination as directors. The Nominating and Corporate Governance Committee has not adopted minimum qualifications that nominees must meet in order for the Nominating and Corporate Governance Committee to recommend them to the Board of Directors, as the Nominating and Corporate Governance Committee believes that each nominee should be evaluated based on his or her merits as an individual, taking into account the needs of Clearfield and the Board of Directors. In November 2009, the Nominating and Corporate Governance Committee determined that it would evaluate each prospective nominee against the following standards and qualifications:

- Background, including demonstrated high personal and professional ethics and integrity;
- The ability to exercise good business judgment and enhance the Board's ability to manage and direct the affairs and business of Clearfield;
- Commitment, including the willingness to devote adequate time to the work of the Board and its committees;
- The ability to represent the interests of all shareholders and not a particular interest group;
- The skills needed by the Board, within the context of the existing composition of the Board, including knowledge of our industry and business or experience in business, finance, law, education, research or government;
- The candidate's qualification as "independent" under Nasdaq or other standards and qualification to serve on Board committees; and
- Diversity, in terms of knowledge, experience, skills, expertise, and other demographics which contribute to the Board's diversity.

The Nominating and Corporate Governance Committee does not have a formal policy with respect to diversity. However, as part of the nominee selection process for this Annual Meeting, the Nominating and Corporate Governance Committee reviewed the knowledge, experience, skills, expertise, and other characteristics of each director nominee. Based upon that review, the Nominating and Corporate Governance Committee believes that each

director contributes to the Board's diversity in terms of knowledge, experience, skills, expertise, and other demographics that particular director brings to the Board.

In reviewing prospective nominees, the Nominating and Corporate Governance Committee reviews the number of public-company boards on which a director nominee serves to determine if the nominee will have the ability to devote adequate time to the work of our Board and its committees. Our Governance Guidelines provide that non-employee directors should serve on no more than four boards of other publicly-held companies, subject to Board waiver with respect to this guideline on a case-by-case basis.

The Nominating and Corporate Governance Committee also considers such other relevant factors as it deems appropriate. The Nominating and Corporate Governance Committee will consider persons recommended by the shareholders using the same standards used for other nominees.

Process for Identifying and Evaluating Nominees. The process for identifying and evaluating nominees to the Board of Directors is initiated by identifying a slate of candidates who meet the criteria for selection as a nominee and have the specific qualities or skills being sought based on input from members of the Board and, if the Nominating and Corporate Governance Committee deems appropriate, a third-party search firm. The Nominating and Corporate Governance Committee evaluates these candidates by reviewing the candidates' biographical information and qualifications and checking the candidates' references. One or more Nominating and Corporate Governance Committee members may interview the prospective nominees in person or by telephone. After completing the evaluation, the Nominating and Corporate Governance Committee makes a recommendation to the full Board of the nominees to be presented for the approval of the shareholders or for election to fill a vacancy.

Board Nominees for the 2014 Annual Meeting. The nominees for the Annual Meeting were selected by the Nominating and Corporate Governance Committee in November 2013. All nominees were elected by shareholders at the 2013 Annual Meeting of Shareholders. We have not engaged a third-party search firm to assist us in identifying potential director candidates, but the Nominating and Corporate Governance Committee may choose to do so in the future.

Shareholder Proposals for Nominees. The Nominating and Corporate Governance Committee will consider written proposals from shareholders for nominees for director. Any such nominations should be submitted to the Nominating and Corporate Governance Committee c/o the Secretary of Clearfield, Inc. and should include the following information: (a) the name of the nominee and all information relating to such nominee that is required to be disclosed pursuant to Regulation 14A under the Securities Exchange Act of 1934 (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (b) the name and record address of the shareholder making the nomination, and (c) the class and number of shares of the corporation beneficially owned by the shareholder. To be considered, the written notice must be submitted in the time frame described in our bylaws and in the section of this proxy statement entitled "Shareholder Proposals and Shareholder Nominees for 2015 Annual Meeting."

Board Attendance at Board, Committee and Annual Shareholder Meetings

During fiscal year 2013, the Board of Directors met five times. Each nominee for director attended at least 75% of the meetings of the Board and committees on which he or she served during fiscal year 2013. The Board of Directors regularly meets in executive session without the presence of members of management, including the Chief Executive Officer. We do not have a formal policy on attendance at meetings of our shareholders. However, we encourage all Board members to attend all meetings, including the annual meeting of shareholders. All directors then serving attended the 2013 Annual Meeting of Shareholders.

Communications with Directors

Shareholders may communicate with the Board of Directors as a group, the chair of any committee of the Board of Directors, or any individual director by sending an e-mail to board@clfd.net or by directing the communication in care of the Secretary of Clearfield, to the address set forth on the front page of this proxy statement. Shareholders making a communication in this manner will receive a confirmation of receipt of the communication if the Secretary is provided with an address for that purpose and the shareholder does not otherwise request that no confirmation be sent.

All communications that are not excluded for the reasons stated below will be forwarded unaltered to the director(s) to which the communication is addressed or to the other appropriate director(s). Communications received from shareholders will be forwarded as part of the materials sent before the next regularly scheduled Board or committee meeting, although the Board has authorized the Secretary, in his or her discretion, to forward communications on a more expedited basis if circumstances warrant.

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The Board of Directors has authorized the Secretary to exclude a communication on matters that are unrelated to the duties and responsibilities of the Board, such as:

- Product inquiries, complaints or suggestions
- New product suggestions
- Resumes and other forms of job inquiries
- Surveys
- Business solicitations or advertisements

In addition, material that is unduly hostile, threatening, illegal or similarly unsuitable will be excluded. Any excluded communication will be made available to the Board of Directors upon request of any director.

If shareholders have a communication that is a proposal for a nominee for director or is a proposal for shareholder action to be included in our proxy statement, the communication must be directed to Secretary and must conform to the requirements of Clearfield's bylaws. For more information, please review our bylaws and the sections of this proxy statement entitled "Director Nominations – Shareholder Proposals for Nominees" and "Shareholder Proposals and Shareholder Nominees for 2015 Annual Meeting."

Code of Ethics

We have adopted a code of ethics that applies to all directors, officers and employees, including our principal executive officer, principal financial officer and controller. This code of ethics is included in our Code of Ethics and Business Conduct which is publicly available by following the link to "Code of Ethics and Business Conduct" in the "Investor Relations" section of our website at www.clearfieldconnection.com. To the extent permitted, we intend to disclose any amendments to, or waivers from, the code of ethics applicable to our principal executive officer, principal financial officer, principal accounting officer or persons performing similar functions or with respect to the required elements of the code of ethics on our website at www.clearfieldconnection.com by following the "Code of Ethics and Business Conduct" link in the "Investor Relations" section.

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

The following report of the Audit Committee shall not be deemed to be "soliciting material" or to be "filed" with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the 1934 Securities Exchange Act, as amended, except to the extent that we specifically incorporate it by reference in such filing.

In accordance with its charter, the Audit Committee reviewed and discussed the audited financial statements with management and Grant Thornton LLP, our independent registered public accounting firm. The discussions with Grant Thornton LLP also included the matters required by Statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1, AU Section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T.

Grant Thornton LLP provided to the Audit Committee the written disclosures and the letter regarding its independence as required by the Public Company Accounting Oversight Board. This information was discussed with Grant Thornton LLP.

Based on the review and discussions referred to above, the Audit Committee recommended to our Board that our audited financial statements be included in our Annual Report on Form 10-K for the fiscal year ending September 30, 2013.

BY: THE AUDIT COMMITTEE
Charles N. Hayssen (Chair)
Donald R. Hayward
John G. Reddan

EXECUTIVE OFFICERS

Set forth below is biographical and other information for our current executive officers. Information about Ms. Cheryl P. Beranek, our President and Chief Executive Officer, may be found in this proxy statement under the heading “Election of Directors.”

John P. Hill, 48, was appointed as our Chief Operating Officer effective October 30, 2008. Prior to being appointed in this position, Mr. Hill had been our Vice President of Engineering and Product Management since 2007. He also served as our Vice President of Product Management and Development from 2004 to 2007 and was our first Vice President of Sales from 2003 to 2004. Mr. Hill attended Macalester College and the University of Minnesota.

Daniel R. Herzog, 49, has been Chief Financial Officer since August 25, 2011 and served as Interim Chief Financial Officer from February 19, 2011 until his appointment in August 2011. He served as Clearfield’s Vice President of Administration from June, 2009, until his appointment as Interim Chief Financial Officer, which also includes the duties of Vice President of Administration. Mr. Herzog previously served as the Company’s Comptroller and principal accounting officer from September, 2003 through February, 2006. Mr. Herzog held positions of Controller and Chief Financial Officer in his 13 years at Americable, which was acquired by the Company in 2003. Mr. Herzog received his Bachelors of Arts degree in Accounting in 1986 from Gustavus Adolphus College in St. Peter, Minnesota.

EXECUTIVE COMPENSATION

Explanation of Compensation

The following discussion of executive compensation describes various aspects of our compensation policies and practices as applied to the following executive officers who are referred to in this proxy statement as the “named executive officers”:

- Cheryl P. Beranek, our Chief Executive Officer
- Daniel R. Herzog, our Chief Financial Officer
- John P. Hill, our Chief Operating Officer

This section is intended to provide a framework within which to understand the actual compensation awarded to, earned or held by each named executive officer during fiscal year 2013, as reported in the compensation tables and accompanying narrative sections appearing on pages 17 to 20 of this proxy statement.

Overview of the Executive Compensation Process

The responsibility of the Compensation Committee is to review and approve the compensation and other terms of employment of our Chief Executive Officer and our other executive officers. Among its other duties, the Compensation Committee oversees all significant aspects of our compensation plans and benefit programs, including succession plans for executive officers other than the Chief Executive Officer. The Board of Directors is responsible for, and regularly reviews, the succession plan for our Chief Executive Officer. The Compensation Committee annually reviews and approves corporate goals and objectives for the Chief Executive Officer’s compensation and evaluates the Chief Executive Officer’s performance in light of those goals and objectives. The Compensation Committee has also been appointed by the Board of Directors to administer our equity compensation plans, which for fiscal year 2013 consisted of the 2007 Stock Compensation Plan (the “2007 Plan”).

In carrying out its duties, the Compensation Committee participates in the design and implementation and ultimately reviews and approves specific compensation programs. On November 6, 2012, the Compensation Committee recommended and the Board of Directors approved the establishment of a cash incentive compensation program for fiscal year 2013 (the “2013 Bonus Plan”) for certain of our employees including executive officers. As part of the establishment of the 2013 Bonus Plan, the Board also approved the target and maximum goals under the 2013 Bonus Plan and the cash bonuses that executive officers may earn under the 2013 Bonus Plan based upon percentages of their respective salaries based upon the recommendation of the Compensation Committee.

Use of Compensation Consultant and Role of Management

Under the Compensation Committee's charter, the Compensation Committee has the authority to retain, at our expense, such independent counsel or other advisers as it deems necessary to carry out its responsibilities. For fiscal year 2013, the Compensation Committee did not retain a compensation consultant. Instead, the Compensation Committee relied upon certain aspects of our historical compensation practices, published reports and surveys, and other information against which it measured the competitiveness of our compensation of the named executive officers in fiscal year 2013.

In determining compensation for named executive officers, other than the Chief Executive Officer, the Compensation Committee solicits input from the Chief Executive Officer regarding the duties and responsibilities of the other executive officers and the results of performance reviews. The Chief Executive Officer also recommends to the Compensation Committee the base salary for all named executive officers, the awards under the cash incentive compensation program such as the 2013 Bonus Plan, and equity awards. The Chief Executive Officer also recommended to the Compensation Committee the financial performance goals under the 2013 Bonus Plan. No named executive officer, other than the Chief Executive Officer, has a role in establishing executive compensation. From time to time, the named executive officers are invited to attend meetings of the Compensation Committee. However, no named executive officer attends any executive session of the Compensation Committee or is present during deliberations or determination of such named executive officer's compensation.

2013 Compensation for Named Executive Officers

For the named executive officers, annual compensation consists of base salary, a cash bonus based on achievement of goals determined by the Compensation Committee, and long-term equity compensation. Ms. Beranek, who is both a director and a named executive officer, receives no compensation for her service as a Board member.

Base Salaries

On November 20, 2012, the Board of Directors approved fiscal year 2013 base salaries for the named executive officers based upon the recommendation of the Compensation Committee. The base salaries for the named executives officers for fiscal year 2013 were not changed from fiscal year 2012 and accordingly remained as follows: Ms. Beranek, \$263,925 per year; Mr. Herzog, \$150,000 per year; and Mr. Hill, \$250,000 per year.

In determining the base salaries, the Compensation Committee reviewed and discussed survey data and public information relating to base salaries of executive officers at other companies. The Compensation Committee also reviewed the historical base salary information for each named executive officer, as well as the total cash compensation the named executive officers may earn from the 2013 Bonus Plan. The Compensation Committee also considered our overall performance in fiscal year 2012 and expected performance in fiscal year 2013, the duties of the named executive officer, the named executive officer's performance, and with respect to the named executive officers other than the Chief Executive Officer, the recommendations of the Chief Executive Officer.

Design of and Payouts under the 2013 Bonus Plan

Consistent with its compensation philosophy and the objectives of annual cash incentive programs generally, the Compensation Committee adopted the 2013 Bonus Plan as our performance based compensation program.

Under the 2013 Bonus Plan, the named executive officers are eligible for cash bonuses depending upon our achievement of fiscal year 2013 net income from continuing operations, excluding taxes, interest income or expense, and any bonus amount ("ICO") and depending on position. The level of ICO determines the pool from which bonuses are paid to all participants in the 2013 Bonus Plan, including the named executive officers. The table below under the

2013 Cash Bonus Plan shows the bonus amounts as a percentage of salary that would have been earned by the named executive officers under the 2013 Bonus Plan upon Clearfield's achievement of the target and maximum goals relating to ICO. Achievement of the performance goals at less than target level will result in a decreasing bonus until the achievement fails to meet the minimum performance goals, at which point the named executive officer is entitled to no bonus.

Name of Executive	2013 Cash Bonus Plan	
	% of Salary For FY 2013 Target ICO	% of Salary For FY 2013 Maximum ICO
Cheryl P. Beranek	60%	150%
John P. Hill	60%	150%
Daniel R. Herzog	20%	50%

The Compensation Committee established the fiscal year 2013 ICO target goal at a level designed to encourage improvements in financial performance and growth in our business over the prior fiscal year. For fiscal year 2013, our ICO met the maximum amount. On November 5, 2013, the Compensation Committee approved the following payouts to the named executive officers from the bonus pool calculated based upon our fiscal year 2013 ICO: Ms. Beranek, \$500,000; Mr. Hill, \$500,000 and Mr. Herzog, \$90,000. The Compensation Committee exercised its discretion to increase the bonuses to the named executive officers above the maximum amounts for which they were eligible under the 2013 Bonus Plan in order to reward management for the Company's financial performance and help ensure the retention of the management team.

Long-Term Equity Compensation

The Compensation Committee may from time to time grant equity awards to executive officers for their performance during a fiscal year or on a case-by-case basis to reward particular aspects of performance during a fiscal year. The Compensation Committee's policy is to grant all equity awards under shareholder approved equity compensation plans, such as the 2007 Plan, except in limited and special circumstances.

The Compensation Committee did not grant any equity awards to the named executive officer during or in respect of fiscal year 2013.

In August 2009, the Compensation Committee delegated its authority to the Chief Executive Officer under the 2007 Plan to make grants of options to purchase our common stock to newly hired non-executive employees who are hired between scheduled meetings of the Compensation Committee. Further, the Chief Executive Officer's authority is limited to grants to any individual of an option to purchase no more than 5,000 shares and she must advise the Compensation Committee at its next meeting of the terms of any such grant. In all other respects, options granted pursuant to the Chief Executive Officer's delegated authority shall have the terms and conditions applicable to incentive stock options specified in the 2007 Plan and consistent with the new-hire option awards previously approved by the Committee. During fiscal year 2013, the Chief Executive Officer did not authorize any shares under this delegation.

Employment Arrangements with Named Executive Officers and Post-Employment Compensation

Cheryl P. Beranek was appointed as our President and Chief Executive Officer effective June 28, 2007. Daniel R. Herzog was appointed our Interim Chief Financial Officer on February 18, 2011 and effective August 25, 2011, Mr. Herzog became our Chief Financial Officer on a full-time basis. John P. Hill was appointed as our Chief Operating Officer effective October 30, 2008.

On December 16, 2008, we entered into employment agreements with Ms. Beranek and with Mr. Hill (each, an "Executive"). The employment agreements have a term ending on December 16, 2011 except that the employment agreements will automatically renew for successive one year periods unless either the Executive or we elect not to extend the term by at least sixty days' written notice. The employment agreements with the Executives are described below. On November 18, 2010, we entered into the Code 280G Tax Gross Up Payment Plan (the "Tax Gross Up Plan") with each of the Executives, which is also described below.

Mr. Herzog's employment with us is "at will" and we do not have any agreement or other arrangement with Mr. Herzog relating to his employment or post-termination compensation.

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In addition to the provision of the employment agreements described below for Ms. Beranek and Mr. Hill, the 2007 Plan also provides that all stock options granted under the 2007 Plan will become fully exercisable and vested in the event of a "Change in Control" and will terminate 60 days thereafter, unless otherwise determined by the Board of Directors prior to the change in control. The restricted stock award agreement under the 2007 Plan also provides that all restrictions on the restricted stock will lapse upon a "Change in Control." All outstanding options and awards of restricted stock granted to the named executive officers were granted pursuant to the 2007 Plan.

Description of Beranek and Hill Agreements

Pursuant to the employment agreement with Ms. Beranek, she will serve as our President and Chief Executive Officer for a base salary of \$220,000, subject to increase or decrease (but not below the initial base salary of \$220,000) pursuant to our normal practices for our executives. In addition to the base salary, Ms. Beranek is eligible to earn, for each fiscal year during the period of her employment, an annual cash performance bonus with the amount of the annual bonus and the target performance goals applicable to the annual bonus determined in accordance with the terms and conditions of the bonus plan as in effect from time to time. However, Ms. Beranek's target annual bonus must be 60% of her base salary for that year, and her maximum annual bonus must be 150% of base salary for that year. Ms. Beranek is also entitled to participate in our welfare benefit plans, fringe benefit plans and is entitled to receive paid vacation in accordance with the policies applicable to our senior executives.

Pursuant to the employment agreement with Mr. Hill, he will serve as our Chief Operating Officer for a base salary of \$170,000, subject to increase or decrease (but not below the initial base salary of \$170,000) pursuant to our normal practices for our executives. In addition to the base salary, Mr. Hill is eligible to earn, for each fiscal year of during the period of his employment, an annual cash performance bonus with the amount of the annual bonus and the target performance goals applicable to the annual bonus determined in accordance with the terms and conditions of the bonus plan as in effect from time to time. However, Mr. Hill's target annual bonus must be 40% of his base salary for that year, and his maximum annual bonus must be 150% of base salary for that year. Mr. Hill is also entitled to participate in our welfare benefit plans, fringe benefit plans and is entitled to receive paid vacation in accordance with the policies applicable to our senior executives.

We may terminate either executive's employment for cause or without cause. We must provide the executive with a notice of termination for cause specifying the facts providing a basis for the termination and the date of termination, which may not be less than thirty days from the date notice is provided. The executive may terminate her or his employment for good reason or without good reason. The executive must provide us with a notice of the occurrence of the event constituting a good reason within ninety days of such event and may only terminate her or his employment if we fail to remedy the event within thirty days of our receipt of the notice.

If the executive's employment is terminated by us for cause or by the executive without good reason, we will have no further obligations to the executive under the employment agreement other than the obligation to pay to the executive the accrued base salary, any pro-rated annual bonus required to be paid to the executive, and to provide the other welfare plan or fringe benefits in accordance with the provisions of the applicable plan. In the event of death or disability, we will be obligated to pay to the executive's estate or beneficiaries or the executive, the accrued base salary in a lump sum within twenty days following the termination date, any pro-rated annual bonus required to be paid to the executive at the time when annual bonuses are paid to our other senior executive, and if any of the executive's qualified beneficiaries makes an election to continue in our group health plans, we will pay the premium for the coverage for the earlier of one year from the date of termination or the date on which the qualified beneficiary is no longer eligible for such coverage.

If the executive's employment is terminated by us without cause or by the executive for good reason, or if we elect to extend the term of the employment agreement, the executive will be entitled to the following severance payments and benefits:

- In two lump sum payments, the executive's earned but unpaid base salary and accrued but unpaid vacation through the date of termination and any prorated annual bonus required to be paid for the fiscal year that ends on or before the date of termination to the extent not previously paid and an amount equal to two times the sum of the executive's annual base salary in effect of the date of termination plus average bonus over the prior three years;
- The executive's prorated annual bonus for the year in which the termination occurs, payable at the time bonuses are paid to the other senior executives;

- We will pay premiums for the executive's continuing coverage until the earlier of one year from the date of termination or the date on which the executive is no longer eligible for such coverage;
- Any unvested stock options shall become vested in full; and
- We will timely pay or provide any vested benefits or other amounts or benefits required to be paid or provided that the executive is eligible to receive on the date of termination under any plan, contract or agreement.

If a change in control occurs during the employment period, we will pay to the executive a lump sum payment in the amount of the executive's base salary in effect on the date of the change in control. If the executive's employment is terminated by us without cause or by the executive for good reason or without good reason within one year after the effective date of the change in control, then the executive will also be entitled to receive the payments and benefits outlined in the five bullet points above. In addition, in the event of termination of the executive's employment, all outstanding stock options, restricted stock and other equity awards granted to the executive under any of our equity compensation plans (or substitute awards covering the securities of the successor company) will become immediately vested and exercisable in full.

Further, in the event it is determined that any payment to the executive under the employment agreement would be subject to an excise tax, then the executive may be entitled to receive an additional payment under the excise tax gross-up payment plan provided to our senior executives. Further, to the extent any payment or commencement of a payment under the employment agreement and other payment or benefits would result in accelerated or additional tax under Section 409A of the Internal Revenue Code, as amended, we will defer such payments until the earlier of the first day of the seventh month following the date of termination of the executive's employment or the executive's death and such deferred payments will be paid in one lump sum, without interest, at such time.

Each of the employment agreements contains provisions relating to non-competition, non-solicitation, protection of our confidential information and assignment of inventions. The terms "disability," "cause," "good reason," and "change in control" are defined in the employment agreements.

On November 18, 2010, the Compensation Committee recommended, and the Board of Directors approved, the Tax Gross Up Plan in order to fulfill our obligation under the employment agreements with Ms. Beranek and Mr. Hill relating to an excise tax gross-up payment plan. The Tax Gross Up Plan requires us to reimburse the executive, on an after-tax basis, for any excise taxes payable by the executive pursuant to Section 4999 of the Internal Revenue Code with respect to any payments under the employment agreements or any other agreement or plan between the Company and the executive officer that is triggered upon a change in control. The Tax Gross Up Plan also sets out procedures for determining the amount of the tax gross-up payment and resolving any disputes relating to the payment or payment obligation, as well the process and timing for any payments required by the Tax Gross Up Plan.

The Tax Gross Up Plan may be amended from time to time by the Board of Directors. However, no amendment that adversely affects any executive whose employment agreement provides for a tax gross-up payment governed by the Tax Gross Up Plan will be effective unless each such executive consents in writing to such amendment. The Tax Gross Up Plan will terminate at such time as all employment agreements between us and any executive that provides for a tax gross-up payment governed by the Tax Gross Up Plan terminate or expire in accordance with their respective terms without further liability for the tax gross-up payment.

Summary Compensation Table

The following table shows information concerning compensation earned for services in all capacities during the last two fiscal years for (i) Cheryl P. Beranek, our President and Chief Executive Officer; (ii) Daniel R. Herzog, our Chief Financial Officer; and (iii) the one other executive officer of our company, John P. Hill, our Chief Operating Officer (together referred to as our “named executive officers”). For the named executive officers, amounts reflect compensation in all positions for the fiscal years noted.

Name and Position	Year	Salary (\$)	Bonus (\$)(1)	Stock Awards (\$)(2)	Non- Equity Incentive Plan Compen- sation (\$)(3)	All Other Compen- sation (\$)(4)	Total (\$)
Cheryl P. Beranek	2013	\$ 263,925	\$ 104,112	—	\$ 395,888	\$ 16,060	\$ 779,985
President and Chief Executive Officer	2012	263,726	—	\$ 403,155	200,000	11,564	878,445
Daniel R. Herzog	2013	\$ 150,000	\$ 15,000	—	\$ 75,000	\$ 9,959	\$ 249,959
Chief Financial Officer	2012	149,615	—	\$ 142,290	40,000	6,697	338,602
John P. Hill	2013	\$ 251,200	\$ 125,000	—	\$ 375,000	\$ 17,060	\$ 768,260
Chief Operating Officer	2012	248,364	—	\$ 403,155	185,000	14,047	