

Shell Midstream Partners, L.P.
Form 424B5
March 25, 2016
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Filed pursuant to Rule 424(b)(5)
Registration No. 333-207759

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Aggregate Offering Price per Unit	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee(1)
Common units representing limited partner interests	12,650,000	\$31.75	\$401,637,500	\$40,444.90

- (1) A filing fee of \$40,444.90, calculated in accordance with Rule 457(r) under the Securities Act of 1933, as amended, has been transmitted to the U.S. Securities and Exchange Commission in connection with the securities offered by means of this prospectus supplement.

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PROSPECTUS SUPPLEMENT

(To Prospectus dated November 2, 2015)

11,000,000 Common Units
Representing Limited Partner Interests

We are offering 11,000,000 common units representing limited partner interests in Shell Midstream Partners, L.P.

Our common units are listed on the New York Stock Exchange under the symbol SHLX. On March 22, 2016, the last reported sale price of our common units on the New York Stock Exchange was \$34.03 per common unit.

Investing in our common units involves risks. Before buying any common units, you should carefully read Risk Factors on page S-4 of this prospectus supplement, page 3 of the accompanying base prospectus and in the documents incorporated by reference into this prospectus supplement.

	Per Common Unit	Total
Price to the public	\$ 31.75	\$ 349,250,000
Underwriting discounts and commissions	\$ 0.50	\$ 5,500,000
Proceeds to Shell Midstream Partners, L.P. (before expenses)	\$ 31.25	\$ 343,750,000

We have granted the underwriter a 30-day option to purchase up to an additional 1,650,000 common units from us on the same terms and conditions as set forth above.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying base prospectus. Any representation to the contrary is a criminal offense.

Barclays expects to deliver the common units on or about March 29, 2016.

Barclays

Prospectus Supplement dated March 23, 2016.

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This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering of common units. The second part is the accompanying base prospectus, which gives more general information, some of which may not apply to this offering of common units. Generally, when we refer only to the prospectus, we are referring to both this prospectus supplement and the accompanying base prospectus combined. If the information relating to the offering varies between this prospectus supplement and the accompanying base prospectus, you should rely on the information in this prospectus supplement.

Any statement made in this prospectus supplement, the accompanying base prospectus or in a document incorporated or deemed to be incorporated by reference into this prospectus supplement will be deemed to be modified or superseded for purposes of this prospectus supplement to the extent that a statement contained in this prospectus supplement, the accompanying base prospectus or in any other subsequently filed document that is also incorporated by reference into this prospectus supplement modifies or supersedes that statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus supplement.

We have not, and the underwriter has not, authorized anyone to provide any information or to make any representations other than those contained or incorporated by reference in this prospectus supplement, the accompanying base prospectus and any free writing prospectuses we have prepared. We and the underwriter take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may

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give you. This prospectus supplement and the accompanying base prospectus do not constitute an offer to sell or the solicitation of an offer to buy securities other than the securities described in this prospectus supplement or an offer to sell or the solicitation of an offer to buy any securities in any circumstances in which such offer or solicitation is unlawful. Neither the delivery of this prospectus supplement or the accompanying base prospectus nor any sale made under this prospectus supplement or the accompanying base prospectus shall, under any circumstances, create any implication that there has been no change in the affairs of Shell Midstream Partners, L.P. since the date of this prospectus supplement or that the information contained or incorporated by reference in this prospectus supplement or the accompanying base prospectus is correct as of any time subsequent to the date of such information.

Unless the context otherwise requires, references in this prospectus to Shell Midstream Partners, the Partnership, us, our, we, or similar expressions for time periods from November 3, 2014, the closing date of our Initial Public Offering (IPO), refer to Shell Midstream Partners, L.P. and its subsidiaries. References to the Partnership or other expressions defined above for time periods prior to our IPO refer to our predecessor for accounting purposes. The predecessor's financial results included in our condensed consolidated statements of income and condensed consolidated statements of cash flows contain the financial results of the following entities for the time periods indicated below.

For the accounting periods prior to June 30, 2014, the predecessor's financial results are those of the crude oil pipeline system from Houston, Texas to Houma, Louisiana (Ho-Ho) wholly owned by Shell Pipeline Company LP (SPLC), and the retrospectively adjusted financial results of the Shell Auger and Lockport Operations. On July 1, 2014, SPLC formed a wholly owned subsidiary, Zydeco Pipeline Company LLC (Zydeco), to receive the fixed assets and certain agreements of Ho-Ho and other related fixed assets of SPLC. For the accounting periods between July 1, 2014 and November 2, 2014, the predecessor's financial results are those of Zydeco and the retrospectively adjusted financial results of the Shell Auger and Lockport Operations. The periods described above have not been adjusted to give effect to our acquisitions of additional equity interests in Zydeco and Colonial Pipeline Company (Colonial) effective April 1, 2015 and an equity interest in Poseidon Oil Pipeline Company, L.L.C. (Poseidon) effective July 1, 2015.

Our general partner, Shell Midstream Partners GP LLC, is a Delaware limited liability company and has ultimate responsibility for conducting our business and managing our operations.

References to Shell refer collectively to Royal Dutch Shell plc and its controlled affiliates, other than us, our subsidiaries and our general partner.

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PROSPECTUS SUPPLEMENT SUMMARY

*This summary highlights information included or incorporated by reference in this prospectus supplement and the accompanying base prospectus. It does not contain all of the information that you should consider before investing in the common units. You should read carefully the entire prospectus supplement, the accompanying base prospectus and the documents incorporated by reference herein and therein for a more complete understanding of this offering. Please read **Risk Factors** on page S-5 of this prospectus supplement, on page 3 of the accompanying base prospectus and in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015 and our other filings with the SEC, which are incorporated by reference herein, for information regarding risks you should consider before making a decision to purchase any common units in this offering. Unless otherwise specifically stated, the information presented in this prospectus supplement assumes that the underwriter has not exercised its option to purchase additional common units.*

Shell Midstream Partners, L.P.

Shell Midstream Partners, L.P. (NYSE: SHLX) is a fee-based, growth-oriented master limited partnership formed by Shell to own, operate, develop and acquire pipelines and other midstream assets. Our assets consist of interests in entities that own crude oil and refined products pipelines and a crude tank storage and terminal system. Our pipelines and crude tank storage and terminal system serve as key infrastructure to transport and store onshore and offshore crude oil production to Gulf Coast and Midwest refining markets and to deliver refined products from Gulf Coast markets to major demand centers. We generate the majority of our revenue under long-term agreements by charging fees for the transportation or storage of crude oil and refined products through our pipelines and crude tank storage and terminal system. We do not engage in the marketing and trading of any commodities. Our operations comprise one reportable segment containing our portfolio of pipelines and other midstream assets.

We own interests in four crude oil pipeline systems, two refined products systems and a crude tank storage and terminal system. The crude oil pipeline systems, which are held by Zydeco, Mars Oil Pipeline Company, Poseidon and Pecten Midstream, LLC (Pecten), are strategically located along the Texas and Louisiana Gulf Coast and in the Gulf of Mexico. These systems link major onshore and offshore production areas with key refining markets. The refined products pipeline systems, which are held by Bengal Pipeline Company LLC and Colonial, connect Gulf Coast and southeastern U.S. refineries to major demand centers from Alabama to New York. The Lockport crude tank storage and terminal system, which is held by Pecten, is located southwest of Chicago, receives Canadian crude from the Enbridge pipeline and serves as a distribution point for movements originating on the Mustang pipeline system.

Our Principal Executive Offices

Our principal executive offices are located at One Shell Plaza, 910 Louisiana Street, Houston, Texas 77002, and our telephone number is (713) 241-6161.

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The Offering

Common units offered by us	11,000,000 common units, or 12,650,000 common units if the underwriter exercises in full its option to purchase an additional 1,650,000 common units.
Units outstanding after this offering	96,117,376 common units, or 97,767,376 common units if the underwriter exercises in full its option to purchase an additional 1,650,000 common units.
Use of proceeds	67,475,068 subordinated units.
Cash distributions	<p>The net proceeds from this offering are approximately \$343.2 million, or \$394.7 million if the underwriter exercises its option to purchase additional common units in full, in each case after deducting the underwriting discount and estimated offering expenses payable by us. We intend to use the net proceeds from this offering and from our general partner's proportionate capital contribution to repay borrowings outstanding under our revolving credit facilities and for general partnership purposes, which may include, among other things, funding working capital, capital expenditures or acquisitions. We may re-borrow any amounts repaid under our revolving credit facilities, subject to the terms of the facilities, for general partnership purposes, which may include, among other things, funding working capital, capital expenditures or acquisitions.</p> <p>Our partnership agreement requires that, within 60 days after the end of each quarter, we distribute all of our available cash to unitholders of record on the applicable record date. Available cash is defined in our partnership agreement and includes all of our cash on hand at the end of each quarter, less reserves established by our general partner.</p> <p>Our partnership agreement requires us to distribute all of our available cash each quarter in the following manner:</p> <p style="padding-left: 40px;">first, 98% to the holders of common units and 2% to our general partner, until each common unit has received a minimum quarterly distribution of \$0.1625 plus any arrearages from prior quarters;</p> <p style="padding-left: 40px;">second, 98% to the holders of subordinated units and 2% to our general partner, until each subordinated unit has received a minimum quarterly distribution of \$0.1625; and</p> <p style="padding-left: 40px;">third, 98% to all unitholders, pro rata, and 2% to our general partner, until each unit has received a distribution of \$0.186875.</p> <p>If cash distributions to our unitholders exceed \$0.186875 per unit in any quarter, our general partner will receive, in addition to distributions on its 2% general partner interest, increasing percentages, up to 48%, of the cash we distribute in excess of that amount. We</p>

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refer to these distributions as incentive distributions because they incentivize our general partner to increase distributions to our unitholders. In certain circumstances, our general partner, as

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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 **Cash Distribution Policy** in the accompanying base prospectus.

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 **Description of Our Partnership Agreement Issuance of Additional Partnership Interests** in the accompanying base prospectus.

Limited voting rights

Our general partner manages and operates 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 2/3% of the outstanding common and subordinated units, including any common and subordinated units owned by our general partner and its affiliates, voting together as a single class. Please read **Description of Our Partnership Agreement Voting Rights** in the accompanying base prospectus.

Estimated ratio of taxable income to distributions

We estimate that a purchaser of common units in this offering who owns common units from the date of closing of this offering through the record date for distributions for the period ending December 31, 2018, will be allocated, on a cumulative basis, an amount of federal taxable income for that period that will be 20% or less of the cash distributed to you with respect to that period. For example, if you receive an annual distribution of \$0.6500 per unit, we estimate that your average allocable federal taxable income per year will be no more than approximately \$0.1300 per unit. Thereafter, the ratio of allocable taxable income to cash distributions to you could substantially increase. Please read **Material U.S. Federal Income Tax Consequences Ratio of Taxable Income to Distributions** for the basis of this estimate.

Material U.S. tax consequences

For a discussion of the material U.S. federal income tax consequences that may be relevant to prospective unitholders who are individual citizens or residents of the United States, please read **Material U.S. Federal Income Tax Consequences** in this prospectus supplement and **Material U.S. Federal Income Tax Consequences** in the accompanying base prospectus.

New York Stock Exchange symbol

SHLX.

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RISK FACTORS

Our business is subject to uncertainties and risks. Before making an investment in our common units, you should carefully consider the risk factors included in Part I, Item 1A. Risk Factors of our Annual Report on Form 10-K for the year ended December 31, 2015 and our other filings with the SEC, which are incorporated by reference herein, together with the other information contained in this prospectus supplement, the accompanying base prospectus and the documents we have incorporated by reference. If any of the events or circumstances discussed in the foregoing documents actually occurs, our business, financial condition, results of operations, liquidity or ability to make distributions to our unitholders could suffer and you could lose all or part of your investment. Please also read Forward-Looking Statements.

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USE OF PROCEEDS

The net proceeds from this offering are approximately \$343.2 million, or \$394.7 million if the underwriter exercises its option to purchase additional common units in full, in each case after deducting the underwriting discount and estimated offering expenses payable by us. We intend to use the net proceeds from this offering and from our general partner's proportionate capital contribution to repay borrowings outstanding under our revolving credit facilities and for general partnership purposes, which may include, among other things, funding working capital, capital expenditures or acquisitions. We may re-borrow any amounts repaid under our revolving credit facilities, subject to the terms of the facilities, for general partnership purposes, which may include, among other things, funding working capital, capital expenditures or acquisitions.

At December 31, 2015, we had \$458.2 million outstanding borrowings under our revolving credit facilities. Borrowings under such facilities bear interest at the three-month LIBOR rate plus a margin. Our weighted average interest rate for the year ended December 31, 2015 was 1.7%, including drawn and undrawn interest fees. The five-year revolving credit facility and 364-day revolving credit facility have maturity dates of October 31, 2019 and March 1, 2017, respectively. Substantially all of the borrowings were used to fund acquisitions.

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The following table sets forth our cash and cash equivalents and our capitalization as of December 31, 2015:

on a historical basis; and

as adjusted to give effect to the issuance and sale of the common units offered hereby and the application of the net proceeds therefrom and from our general partner's proportionate capital contribution, each as described under "Use of Proceeds," net of offering expenses (assuming the underwriter does not exercise its option to purchase additional common units).

You should read this table in conjunction with our historical financial statements and notes that are incorporated by reference into this prospectus for additional information about our capital structure.

(in millions)	As of December 31, 2015	
	Historical	As Adjusted
Cash and cash equivalents	\$ 93.0	\$ 93.0
Long-term debt:		
Five year revolving credit facility (1)	\$ 320.8	\$ 107.9
364 day revolving credit facility (2)	137.4	
Zydeco revolving credit facility		
Equity:		
Held by public:		
Common units	1,637.5	1,980.7
Held by Shell:		
Common units	(130.4)	(130.4)
Subordinated units	(409.8)	(409.8)
General partner units	(998.6)	(991.5)
Total partners' capital	98.7	449.0
Noncontrolling interest in consolidated subsidiary (3)	108.4	108.4
Total equity	\$ 207.1	\$ 557.4

- (1) As of March 21, 2016, we had \$320.8 million outstanding under our five year revolving credit facility.
- (2) As of March 21, 2016, we had \$137.4 million outstanding under our 364-day revolving credit facility.
- (3) Represents the 37.5% ownership interest in Zydeco held by SPLC.

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Our common units trade on the NYSE under the symbol SHLX. The following table shows the high and low sales prices per common unit, as reported by the New York Stock Exchange, and cash distributions paid per common unit for the periods indicated.

Quarter Ended	High	Low	Distribution per Common Unit
2016			
First Quarter (through March 22, 2016)	\$ 42.29	\$ 30.05	(1)
2015			
Fourth Quarter	\$ 41.86	\$ 29.11	\$ 0.2200
Third Quarter	\$ 48.39	\$ 25.13	\$ 0.2050
Second Quarter	\$ 49.77	\$ 36.27	\$ 0.1900
First Quarter	\$ 42.83	\$ 35.00	\$ 0.1750
2014			
Fourth Quarter (2)	\$ 41.46	\$ 31.50	\$ 0.1042

- (1) Distributions with respect to the quarter ending March 31, 2016 have not yet been declared or paid. We expect to declare and pay a cash distribution within 60 days following the end of the quarter.
- (2) The quarterly distribution for the three months ended December 31, 2014 was prorated for the period beginning on the date on which our units began trading on the NYSE, October 29, 2014, through December 31, 2014.

On March 22, 2016, the last sales price of the common units as reported on the NYSE was \$34.03 per common unit. As of March 21, 2016, there were approximately 4 record holders of our common units.

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MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES

The tax consequences to you of an investment in our common units will depend in part on your own tax circumstances. Although this section updates and adds information related to certain tax considerations, it should be read in conjunction with the risk factors included under the caption **Risk Factors** in our Annual Report on Form 10-K for the year ended December 31, 2015, as updated by our other filings with the SEC incorporated by reference herein, and with **Risk Factors** and **Material U.S. Federal Income Tax Consequences** in the accompanying base prospectus, which provide a discussion of the principal federal income tax considerations associated with our operations and the purchase, ownership and disposition of our common units. The following discussion is limited as described under the caption **Material U.S. Federal Income Tax Consequences** in the accompanying base prospectus. You are urged to consult with your own tax advisor about the federal, state, local and foreign tax consequences particular to your circumstances.

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, 2018, will be allocated, on a cumulative basis, an amount of federal taxable income for that period that will be 20% or less of the cash distributed to you with respect to that period. However, the ratio of taxable income to distributions for any single year in the projection period may be higher or lower. Thereafter, we anticipate that the ratio of 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.

The actual ratio of taxable income to cash distributions 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 taxable income to cash distributions to a purchaser of common units in this offering will be higher, and perhaps substantially higher, than our estimate with respect to the period described above if:

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

we make a future offering of common units, use the proceeds of this offering or use other cash in a manner that does not produce substantial additional deductions during the period described above, such as repaying indebtedness outstanding or acquiring 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.

Entity-level Audits and Adjustments

Pursuant to the Bipartisan Budget Act of 2015, if the IRS makes audit adjustments to our income tax returns for tax years beginning after 2017, it (and some states) may collect any resulting taxes (including any applicable penalties and interest) directly from us. We will generally have the ability to shift any such tax liability to our general partner and our unitholders in accordance with their interests in us during the year under audit, but there can be no assurance that we will be able to do so (or will choose to do so) under all circumstances, or that we will be able to (or choose to) effect corresponding shifts in state income or similar tax liability resulting from the IRS adjustment in states in which we do business in the year under audit or in the adjustment year. If we make payments of taxes, penalties and interest resulting from audit adjustments, our cash available for distribution to our unitholders might be substantially reduced.

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Pursuant to this new legislation, we will designate a person (our general partner) to act as the partnership representative who shall have the sole authority to act on behalf of the partnership with respect to dealings with the IRS under these new audit procedures.

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 non-corporate taxpayers is 26% on the first \$186,300 of alternative minimum taxable income in excess of the exemption amount and 28% 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.

Allocations Between Transferors and Transferees

In general, our taxable income or loss 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 a sale or other disposition of our assets or, in the discretion of the general partner, any other extraordinary item of income, gain, loss or deduction will be allocated among the unitholders on the Allocation Date in the month in which such income, gain, loss or deduction is recognized. As a result, a unitholder transferring units may be allocated income, gain, loss and deduction realized after the date of transfer.

Simplifying conventions are contemplated by the Code and most publicly traded partnerships use similar simplifying conventions. The U.S. Department of the Treasury recently adopted final Treasury Regulations allowing a similar monthly simplifying convention for taxable years beginning on or after August 3, 2015. However, such final regulations do not specifically authorize the use of the proration method we have adopted. Accordingly, Baker Botts L.L.P. is unable to opine on the validity of this method of allocating income and deductions between transferee and transferor unitholders. If this method is not allowed under the final Treasury Regulations, or only applies to transfers of less than all of the unitholder's interest, our taxable income or losses could be reallocated among our unitholders. We are authorized to revise our method of allocation between transferee and transferor unitholders, as well as among unitholders whose interests vary during a taxable year, to conform to a method permitted under future Treasury Regulations.

A unitholder who disposes of units prior to the record date set for a cash distribution for that quarter will be allocated items of our income, gain, loss and deduction attributable to the month of disposition but will not be entitled to receive a cash distribution for that period.

Tax-exempt organizations and other investors

Ownership of common units by tax-exempt entities, including employee benefit plans and individual retirement accounts, and foreign investors raises issues unique to such persons. The relevant rules are complex, and the discussions herein and in the accompanying base prospectus do not address tax considerations applicable to tax-exempt entities and foreign investors, except as specifically set forth in the accompanying base prospectus. Please read Material U.S. Federal Income Tax Consequences Tax-Exempt Organizations and Other Investors in the accompanying base prospectus.

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UNDERWRITING

Barclays Capital Inc. is acting as the sole underwriter of this offering. Under the terms of an underwriting agreement, which will be filed as an exhibit to the registration statement, the underwriter has agreed to purchase from us 11,000,000 common units at a public offering price less the underwriting discounts and commissions set forth on the cover page of this prospectus.

The underwriting agreement provides that the underwriter's obligation to purchase common units depends on the satisfaction of the conditions contained in the underwriting agreement including:

the obligation to purchase all of the common units offered hereby (other than those common units covered by its option to purchase additional common units as described below), if any of the common units are purchased;

the representations and warranties made by us to the underwriter are true;

there is no material change in our business or the financial markets; and

we deliver customary closing documents to the underwriter.

Commissions and Expenses

The following table summarizes the underwriting discounts and commissions we will pay to the underwriter. These amounts are shown assuming both no exercise and full exercise of the underwriter's option to purchase additional common units. The underwriting fee is the difference between the initial price to the public and the amount the underwriter pays to us for the common units.

	No Exercise	Full Exercise
Per Common Unit	\$ 0.50	\$ 0.50
Total	\$ 5,500,000	\$ 6,325,000

We have agreed to reimburse the underwriter for up to \$25,000 of reasonable fees and expenses of counsel related to the review by the Financial Industry Regulatory Authority, Inc., or FINRA, of the terms of sale of the common units offered hereby.

The underwriter has advised us that it proposes to offer the common units directly to the public at the public offering price on the cover of this prospectus supplement and to selected dealers at such offering price less a selling concession not in excess of \$0.10 per common unit. After the offering, the underwriter may change the offering price and other selling terms. The offering of the common units by the underwriter is subject to receipt and acceptance and subject to the underwriter's right to reject an order in whole or in part.

The expenses of the offering that are payable by us are estimated to be approximately \$600,000 (excluding underwriting discounts and commissions).

Option to Purchase Additional Common Units

We have granted the underwriter an option exercisable for 30 days after the date of this prospectus supplement to purchase, from time to time, in whole or in part, up to an aggregate of 1,650,000 common units from us at the public offering price less underwriting discounts and commissions. This option may be exercised to the extent the underwriter sells more than 11,000,000 common units in connection with this offering. To the extent that this option is exercised, the underwriter will be obligated, subject to certain conditions, to purchase the additional common units.

Lock-Up Agreements

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Our general partner's executive officers and directors, our general partner, and we have agreed that, for a period of 45 days after the date of this prospectus supplement, we will not directly or indirectly, without the prior

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written consent of Barclays Capital Inc. (1) offer for sale, sell, pledge, or otherwise dispose of (or enter into any transaction or device that is designed to, or could be expected to, result in the disposition by any person at any time in the future of) any of our common units (including, without limitation, common units that may be deemed to be beneficially owned by us in accordance with the rules and regulations of the SEC and common units that may be issued upon exercise of any options or warrants) or securities convertible into or exercisable or exchangeable for common units (other than common units issued pursuant to employee benefit plans, qualified option plans, or other employee compensation plans existing on the date of this prospectus supplement), or sell or grant options, rights or warrants with respect to securities convertible into or exchangeable for common units (other than the grant of options pursuant to option plans existing on the date of this prospectus supplement), (2) enter into any swap or other derivatives transaction that transfers to another, in whole or in part, any of the economic benefits or risks of ownership of common units, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of common units or other securities, in cash or otherwise, (3) make any demand for or exercise any right or file or cause to be filed a registration statement, including any amendments thereto, with respect to the registration of any common units or securities convertible, exercisable or exchangeable into common units or any of our other securities (other than any registration statement on Form S-8), or (4) publicly disclose the intention to do any of the foregoing.

Barclays Capital Inc., in its sole discretion, may release the common units and other securities subject to the lock-up agreements described above in whole or in part at any time. When determining whether or not to release common units and other securities from lock-up agreements, Barclays Capital Inc. will consider, among other factors, the holder's reasons for requesting the release, the number of common units and other securities for which the release is being requested and market conditions at the time.

Indemnification

We have agreed to indemnify the underwriter against certain liabilities, including liabilities under the Securities Act, and to contribute to payments that the underwriter may be required to make for these liabilities.

Stabilization, Short Positions and Penalty Bids

The underwriter may engage in stabilizing transactions, short sales and purchases to cover positions created by short sales, and penalty bids or purchases for the purpose of pegging, fixing or maintaining the price of the common units, in accordance with Regulation M under the Exchange Act:

Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.

A short position involves a sale by the underwriter of common units in excess of the number of common units the underwriter is obligated to purchase in the offering, which creates the syndicate short position. This short position may be either a covered short position or a naked short position. In a covered short position, the number of common units involved in the sales made by the underwriter in excess of the number of common units it is obligated to purchase is not greater than the number of common units that it may purchase by exercising its option to purchase additional common units. In a naked short position, the number of common units involved is greater than the number of common units in its option to purchase additional common units. The underwriter may close out any short position by either exercising its option to purchase additional common units and/or purchasing common units in the open market. In determining the source of common units to close out the short position, the underwriter will consider, among other things, the price of common units available for purchase in the open market as compared to the price at which it may purchase common units through its option to purchase additional common units. A naked short position is more likely to be created if the underwriter is concerned that there could be downward pressure on the price of the common units in the open market after pricing that could adversely affect investors who purchase in the offering.

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

Penalty bids permit the representative to reclaim a selling concession from a syndicate member when the common units originally sold by the syndicate member are purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions. These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of our common units or preventing or retarding a decline in the market price of the common units. As a result, the price of the common units may be higher than the price that might otherwise exist in the open market. These transactions may be effected on the NYSE or otherwise and, if commenced, may be discontinued at any time.

Neither we nor the underwriter make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the common units. In addition, neither we nor the underwriter make any representation that the representative will engage in these stabilizing transactions or that any transaction, once commenced, will not be discontinued without notice.

Electronic Distribution

A prospectus supplement in electronic format may be made available on the Internet sites or through other online services maintained by the underwriter and/or selling group members participating in this offering, or by their affiliates. In those cases, prospective investors may view offering terms online and, depending upon the particular underwriter or selling group member, prospective investors may be allowed to place orders online. The underwriter may agree with us to allocate a specific number of common units for sale to online brokerage account holders. Any such allocation for online distributions will be made by the representative on the same basis as other allocations.

Other than the prospectus supplement in electronic format, the information on any underwriter's or selling group member's web site and any information contained in any other web site maintained by an underwriter or selling group member is not part of the prospectus supplement or the registration statement of which this prospectus supplement forms a part, has not been approved and/or endorsed by us or any underwriter or selling group member in its capacity as underwriter or selling group member and should not be relied upon by investors.

Listing on the NYSE

Our common units are listed on the NYSE under the symbol `SHLX`.

Stamp Taxes

If you purchase common units offered in this prospectus supplement, you may be required to pay stamp taxes and other charges under the laws and practices of the country of purchase, in addition to the offering price listed on the cover page of this prospectus supplement.

Other Relationships

The underwriter and certain of its affiliates are full service financial 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 underwriter and certain of its affiliates have, from time to time, performed, and may in the future perform, various commercial and investment banking and financial advisory services for the issuer and its affiliates, for which they received or may in the future receive customary fees and expenses. In connection with these services, Barclays Capital Inc. or its affiliates have received or may receive customary fees and reimbursement of expenses.

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In the ordinary course of their various business activities, the underwriter and certain of its 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 the issuer or its affiliates. If the underwriter or its affiliates have a lending relationship with us, the underwriter or its affiliates may hedge their credit exposure to us consistent with their customary risk management policies. Typically, the underwriter and its affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities or the securities of our affiliates, including potentially the common units offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the common units offered hereby. The underwriter and certain of its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Direct Participation Program Requirements

Because FINRA views the common units offered hereby as interests in a direct participation program, the offering is being made in compliance with FINRA Rule 2310. 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.

Selling Restrictions

This prospectus supplement does not constitute an offer to sell to, or a solicitation of an offer to buy from, anyone in any country or jurisdiction (i) in which such an offer or solicitation is not authorized, (ii) in which any person making such offer or solicitation is not qualified to do so or (iii) in which any such offer or solicitation would otherwise be unlawful. No action has been taken that would, or is intended to, permit a public offer of the common units or possession or distribution of this prospectus supplement or any other offering or publicity material relating to the common units in any country or jurisdiction (other than the United States) where any such action for that purpose is required. Accordingly, each underwriter has undertaken that it will not, directly or indirectly, offer or sell any common units or have in its possession, distribute or publish any prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of common units by it will be made on the same terms.

Notice to Prospective Investors in Hong Kong

Our common units may not be offered or sold in Hong Kong by means of this prospectus supplement or any other document other than to (a) professional investors as defined in the Securities and Futures Ordinance of Hong Kong (Cap. 571, Laws of Hong Kong) (SFO) and any rules made under the SFO or (b) in other circumstances which do not result in this prospectus supplement being deemed to be a prospectus, as defined in the Companies Ordinance of Hong Kong (Cap. 32, Laws of Hong Kong) (CO), or which do not constitute an offer to the public within the meaning of the CO or the SFO; and no person has issued or had in possession for the purposes of issue, or will issue or has in possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to our common units which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to our common units which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors as defined in the SFO.

Notice to Prospective Investors in Singapore

This prospectus supplement has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale,

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or invitation for subscription or purchase, of the units may not be circulated or distributed, nor may the units be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the units are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is no