

PLAINS ALL AMERICAN PIPELINE LP

Form S-4/A

November 25, 2013

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As filed with the Securities and Exchange Commission on November 25, 2013

Registration No. 333-192249

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**Amendment No. 1**

to

**Form S-4  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933**

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**Plains All American Pipeline, L.P.**

(Exact name of registrant as specified in its charter)

---

**Delaware**  
(State or other jurisdiction  
of incorporation or organization)

**4610**  
(Primary Standard Industrial  
Classification Code Number)  
**333 Clay Street, Suite 1600**  
**Houston, Texas 77002**  
**(713) 646-4100**

**76-0582150**  
(IRS Employer  
Identification Number)

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

---

**Richard K. McGee**  
**Executive Vice President**  
**and General Counsel**  
**333 Clay Street, Suite 1600**  
**Houston, Texas 77002**  
**(713) 646-4100**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Copies to:

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Sarah K. Morgan  
Vinson & Elkins L.L.P.  
First City Tower  
1001 Fannin Street, Suite 2500  
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Srinivas M. Raju  
Richards Layton & Finger, P.A.  
One Rodney Square  
920 North King Street  
Wilmington, Delaware 19801  
302-651-7748

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**Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable after this registration statement becomes effective and upon consummation of the merger described in the enclosed proxy statement/prospectus.**

If the securities being registered on this Form are to be offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

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

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

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company)

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer)

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer)

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

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**PRELIMINARY PROXY STATEMENT/PROSPECTUS SUBJECT TO COMPLETION  
DATED NOVEMBER 25, 2013**

**The information in this preliminary proxy statement/prospectus is not complete and may be changed. Plains All American Pipeline, L.P. may not distribute or issue the securities being registered pursuant to this registration statement until the registration statement, as filed with the Securities and Exchange Commission (of which this preliminary proxy statement/prospectus is a part), is effective. This preliminary proxy statement/prospectus is not an offer to sell nor should it be considered a solicitation of an offer to buy the securities described herein in any state where the offer or sale is not permitted.**

**MERGER PROPOSAL YOUR VOTE IS VERY IMPORTANT**

On October 21, 2013, Plains All American Pipeline, L.P. ("PAA"), PAA Acquisition Company LLC ("MergerCo"), a wholly-owned subsidiary of PAA, PAA Natural Gas Storage, L.P. ("PNG") and PNGS GP LLC ("PNG GP"), a wholly-owned subsidiary of PAA and the general partner of PNG, entered into a merger agreement (as such agreement may be amended from time to time, the "merger agreement"). Pursuant to the merger agreement, MergerCo will merge with and into PNG (the "merger"), with PNG surviving the merger as a wholly-owned subsidiary of PAA, and all common units representing limited partner interests in PNG ("PNG common units") issued and outstanding immediately prior to the effective time of the merger and not owned by PAA or any of its subsidiaries will be converted into the right to receive common units representing limited partner interests in PAA ("PAA common units") based on an exchange ratio of 0.445 PAA common units per PNG common unit. No fractional PAA common units will be issued in the merger. PNG common unitholders will receive cash in lieu of receiving any fractional PAA common units to which any PNG common unitholder would otherwise have been entitled. PAA unitholders will continue to own their existing PAA common units.

Based on the estimated number of PAA common units and the estimated number of PNG common units that will be outstanding immediately before the closing of the merger (other than PNG common units owned by PAA or any of its subsidiaries), we estimate that, upon the closing, the number of PAA common units issued in exchange for PNG common units will represent approximately 4.1% of PAA common units outstanding.

The merger agreement requires that, prior to the closing date, the merger agreement and the transactions contemplated thereby (the "merger transactions") be approved by the affirmative vote of PNG unitholders, as of the record date for the PNG special meeting, holding a majority of the outstanding PNG common units, voting as a class, and the holders of a majority of the outstanding PNG subordinated units, voting as a class. PNG will hold a special meeting of its common unitholders in connection with the proposed merger. At the special meeting of PNG common unitholders, PNG common unitholders will be asked to vote on the proposal to approve the merger agreement and the merger transactions, including the merger (the "merger proposal"). The merger proposal will be approved by the requisite vote of the PNG common unitholders if the holders, as of the record date of the PNG special meeting, of a majority of the outstanding PNG common units vote in favor of the merger proposal at the PNG special meeting. Pursuant to the merger agreement, PAA has agreed to vote the PNG common units and the PNG subordinated units owned beneficially or of record by it or any of its subsidiaries in favor of the merger agreement and the merger transactions, including the 28,155,526 PNG common units currently held by PAA and the 25,434,351 PNG subordinated units currently held by PAA, which units represent approximately 46% of the outstanding PNG common units and 100% of the outstanding PNG subordinated units, respectively. It is anticipated that PAA, as the holder of all of the PNG subordinated units, will execute a written consent approving the merger agreement and the merger transactions on the date of the special meeting of PNG common unitholders, which consent will satisfy the voting requirement with respect to the holders of the PNG subordinated units.

**The conflicts committee (the "PNG Conflicts Committee") of the PNG GP board of directors (the "PNG GP Board") approved and declared the advisability of entering into the merger agreement and the merger transactions and determined that the merger agreement and the merger transactions are fair and reasonable to and in, or not opposed to, the best interest of, PNG and the holders of PNG common units who are unaffiliated with PAA and its subsidiaries and affiliates (the "PNG unaffiliated unitholders"). The PNG Conflicts Committee's determination that the merger agreement and the merger transactions are fair and reasonable to PNG constitutes "Special Approval," as such term is defined by the PNG partnership agreement. The PNG Conflicts Committee has caused PNG GP to approve the merger agreement and the merger transactions and directed that the merger agreement and the merger transactions be submitted to the PNG common unitholders at the PNG special meeting for approval. The PNG Conflicts Committee recommends that the PNG common unitholders vote in favor of the merger proposal.**

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This proxy statement/prospectus provides you with detailed information about the merger agreement, the proposed merger and related matters. We encourage you to read the entire document carefully. **In particular, please read "Risk Factors" beginning on page 22 of this proxy statement/prospectus for a discussion of risks related to the merger, PNG's business and common units if the merger does not occur and United States federal income tax consequences of the merger.**

PAA's common units are listed on the New York Stock Exchange ("NYSE") under the symbol "PAA," and PNG's common units are listed on the NYSE under the symbol "PNG." The last reported sale price of PAA's common units on the NYSE on November 22, 2013, was \$51.95. The last reported sale price of PNG's common units on the NYSE on November 22, 2013, was \$23.12.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued under this proxy statement/prospectus or has determined if this proxy statement/prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

All information in this proxy statement/prospectus concerning PAA has been furnished by PAA. All information in this proxy statement/prospectus concerning PNG has been furnished by PNG.

This proxy statement/prospectus is dated \_\_\_\_\_, 2013, and is being first mailed to PNG common unitholders on or about \_\_\_\_\_, 2013.

On behalf of the PNG Conflicts Committee,

Arthur L. Smith  
*Chairman of the Conflicts Committee of the Board of Directors of  
PNGS GP LLC*

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Houston, Texas  
, 2013

**Notice of Special Meeting of Unitholders**

To the Unitholders of PAA Natural Gas Storage, L.P.:

A special meeting of common unitholders of PAA Natural Gas Storage, L.P. ("PNG") will be held on December 31, 2013 at 9:00 a.m., Central Time, in The Senate Room, located on the 12th Floor of Two Allen Center, 1200 Smith Street, Houston, Texas 77002, for the following purposes:

To consider and vote on a proposal to approve the Agreement and Plan of Merger dated as of October 21, 2013, by and among Plains All American Pipeline, L.P. ("PAA"), PAA Acquisition Company LLC ("MergerCo"), a wholly-owned subsidiary of PAA, PNG and PNGS GP LLC ("PNG GP"), a wholly-owned subsidiary of PAA and the general partner of PNG, as it may be amended from time to time (the "merger agreement"), and the transactions contemplated thereby (the "merger transactions"), including the merger (the "merger proposal"); and

To consider and vote on a proposal by PNG GP to adjourn the PNG special meeting for any reason (the "adjournment proposal").

PNG will transact no other business at the special meeting except such business as may properly be brought before the special meeting or any adjournments or postponements thereof. At this time, PNG knows of no other matters that will be presented for the consideration of its common unitholders at the special meeting.

The merger proposal will be approved by the requisite vote of the PNG common unitholders if the holders, as of the record date of the PNG special meeting, of a majority of the outstanding PNG common units vote in favor of the merger proposal. Failures to vote and abstentions will have the same effect as a vote against the merger proposal. Pursuant to the merger agreement, PAA has agreed to vote the PNG common units and PNG subordinated units owned beneficially or of record by it or any of its subsidiaries in favor of the approval of the merger agreement and the merger transactions, including the 28,155,526 PNG common units currently held by PAA and the 25,434,351 PNG subordinated units currently held by PAA, which units represent approximately 46% of the outstanding PNG common units and 100% of the outstanding PNG subordinated units, respectively. It is anticipated that PAA, as the holder of all of the PNG subordinated units, will execute a written consent approving the merger agreement and the merger transactions on the date of the special meeting of PNG common unitholders, which consent will satisfy the voting requirement with respect to the holders of the PNG subordinated units.

**The conflicts committee (the "PNG Conflicts Committee") of the PNG GP board of directors (the "PNG GP Board") approved and declared the advisability of entering into the merger agreement and the merger transactions and determined that the merger agreement and the merger transactions are fair and reasonable to and in, or not opposed to, the best interest of, PNG and the holders of PNG common units who are unaffiliated with PAA and its subsidiaries and affiliates (the "PNG unaffiliated unitholders"). The PNG Conflicts Committee's determination that the merger agreement and the merger transactions are fair and reasonable to PNG constitutes "Special Approval," as such term is defined by the PNG partnership agreement. The PNG Conflicts Committee has caused PNG GP to approve the merger agreement and the merger transactions and directed that the merger agreement and the merger transactions be submitted to the PNG common unitholders at the PNG special meeting for approval. The PNG Conflicts Committee recommends that the PNG common unitholders vote in favor of the merger proposal.**

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Only PNG common unitholders of record as of the close of business on November 25, 2013, are entitled to notice of and to vote at the special meeting and any adjournments of the special meeting. A list of PNG common unitholders entitled to vote at the special meeting will be available for inspection at PNG's offices in Houston, Texas, for any purpose relevant to the special meeting during normal business hours for a period of ten days before the special meeting and at the special meeting.

**YOUR VOTE IS IMPORTANT. WHETHER OR NOT YOU EXPECT TO ATTEND THE SPECIAL MEETING, PLEASE CAUSE YOUR UNITS TO BE VOTED IN ONE OF THE FOLLOWING WAYS:**

If you hold your units in the name of a bank, broker or other nominee, you should follow the instructions provided by your bank, broker or nominee to provide voting instructions for your PNG common units.

If you hold your units in your own name, you may submit a proxy for your units by:

using the toll-free telephone number shown on the proxy card;

using the internet website shown on the proxy card; or

marking, signing, dating and promptly returning the enclosed proxy card in the postage-paid envelope, which requires no postage if mailed in the United States.

The enclosed proxy statement/prospectus provides a detailed description of the merger and the merger agreement as well as a description of the issuance of PAA common units to PNG common unitholders pursuant to the merger agreement. We urge you to read this proxy statement/prospectus, including any documents incorporated by reference and the Annexes, carefully and in its entirety. If you have any questions concerning the merger or this proxy statement/prospectus, would like additional copies, or need help voting your PNG common units, please contact PNG's proxy solicitor, Georgeson Inc., toll-free at 1-888-666-2594.

By order of the Conflicts Committee of PNGS GP LLC, as the general partner of PAA Natural Gas Storage, L.P.,

Greg L. Armstrong  
Chairman of the Board and Chief Executive Officer  
PNGS GP LLC

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**IMPORTANT NOTE ABOUT THIS PROXY STATEMENT/PROSPECTUS**

This proxy statement/prospectus, which forms part of a registration statement on Form S-4 filed with the Securities and Exchange Commission (the "SEC"), constitutes a proxy statement of PNG under the Securities Exchange Act of 1934 (the "Exchange Act") with respect to the solicitation of proxies for the special meeting of PNG common unitholders to, among other things, approve the merger proposal. This proxy statement/prospectus is also a prospectus of PAA under the Securities Act of 1933 (the "Securities Act") for PAA common units that will be issued to PNG common unitholders in the merger pursuant to the merger agreement.

As permitted under the rules of the SEC, this proxy statement/prospectus incorporates by reference important business and financial information about PAA and PNG from other documents filed with the SEC that are not included in or delivered with this proxy statement/prospectus. Please read "Where You Can Find More Information" beginning on page 139. You can obtain any of the documents incorporated by reference into this proxy statement/prospectus from the SEC's website at [www.sec.gov](http://www.sec.gov). This information is also available to you without charge upon your request in writing or by telephone from PAA and PNG at the following address and telephone number:

Plains All American Pipeline, L.P.  
PAA Natural Gas Storage, L.P.  
333 Clay Street, Suite 1500  
Houston, Texas 77002  
Attention: Investor Relations  
Telephone: (713) 646-4222

Please note that copies of the documents provided to you will not include exhibits, unless the exhibits are specifically incorporated by reference into those documents or this proxy statement/prospectus.

You may obtain certain of these documents at PAA's website, [www.paalp.com](http://www.paalp.com), by selecting "Investor Relations" and then selecting "SEC Filings," and at PNG's website, [www.pnglp.com](http://www.pnglp.com), by selecting "Investor Relations" and then selecting "SEC Filings." Information contained on PAA's or PNG's website is expressly not incorporated by reference into this proxy statement/prospectus.

**In order to receive timely delivery of requested documents in advance of the PNG special meeting, your request should be received no later than December 23, 2013. If you request any documents, PAA or PNG will mail them to you by first class mail or another equally prompt means within one business day after receipt of your request.**

PAA and PNG have not authorized anyone to give any information or make any representation about the merger, PAA or PNG that is different from, or in addition to, the information contained in this proxy statement/prospectus or in any of the materials that have been incorporated by reference into this proxy statement/prospectus. Therefore, if anyone distributes any such information, you should not rely on it. If you are in a jurisdiction where offers to exchange or sell or solicitations of offers to exchange or purchase the securities offered by this proxy statement/prospectus or the solicitation of proxies is unlawful, or if you are a person to whom it is unlawful to direct these types of activities, then the offer presented in this proxy statement/prospectus does not extend to you. The information contained in this proxy statement/prospectus speaks only as of the date of this proxy statement/prospectus or, in the case of information in a document incorporated by reference, as of the date of such document, unless the information specifically indicates that another date applies. All information in this proxy statement/prospectus concerning PAA has been furnished by PAA. All information in this proxy statement/prospectus concerning PNG has been furnished by PNG.

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**DEFINITIONS**

The following terms have the meanings set forth below for purposes of this proxy statement/prospectus, unless the context otherwise indicates:

"adjournment proposal" means the proposal by PNG GP to adjourn the PNG special meeting for any reason.

"Evercore" means Evercore Group L.L.C., financial advisor to the PNG Conflicts Committee.

"Exchange Act" means the Securities Exchange Act of 1934.

"exchange ratio" means 0.445 PAA common units per PNG common unit to be converted in the merger, the consideration for the merger.

"GAAP" means accounting principles that are generally accepted in the United States of America.

"merger" means, as contemplated by the merger agreement, the proposed merger of MergerCo with and into PNG, with PNG surviving the merger as a wholly-owned subsidiary of PAA, and all PNG common units outstanding at the effective time of the merger and not owned by PAA or any of its subsidiaries being converted into the right to receive 0.445 PAA common units per PNG common unit.

"merger agreement" means that certain Agreement and Plan of Merger dated as of October 21, 2013, by and among PAA, MergerCo, PNG and PNG GP, as it may be amended from time to time, according to which the parties thereto have agreed to consummate the merger transactions.

"merger proposal" means the proposal to approve the merger agreement and the merger transactions, to be considered for a vote of the PNG common unitholders at the PNG special meeting.

"merger transactions" means the transactions contemplated by the merger agreement, including the merger.

"MergerCo" means PAA Acquisition Company LLC, a wholly-owned subsidiary of PAA.

"NGL" means natural gas liquid, including ethane and natural gasoline products as well as propane and butane, products which are also commonly referred to as liquefied petroleum gas.

"NYSE" means the New York Stock Exchange.

"PAA" means Plains All American Pipeline, L.P.

"PAA common units" or "PAA's common units" means the common units of PAA representing limited partner interests in PAA having the rights and obligations specified with respect to "Common Units" as set forth in PAA's partnership

agreement.

"PAA GP" means Plains All American GP LLC, a Delaware limited liability company and the general partner of Plains AAP, L.P., a Delaware limited partnership and the sole member of PAA GP LLC, a Delaware limited liability company and the general partner of PAA.

"PAA GP Board" means the board of directors of PAA GP.

"PAA officers" or "officers of PAA" means the officers of PAA GP.

"PAA's partnership agreement" or the "PAA partnership agreement" means the Fourth Amended and Restated Agreement of Limited Partnership of PAA, dated as of May 17, 2012, as

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amended by that certain Amendment No. 1, dated as of October 1, 2012, and as further amended from time to time.

"PNG" means PAA Natural Gas Storage, L.P.

"PNG common unitholders" means the holders of PNG common units.

"PNG common units" or "PNG's common units" means the common units of PNG representing limited partner interests in PNG having the rights and obligations specified with respect to "Common Units" as set forth in PNG's partnership agreement.

"PNG Conflicts Committee" means the conflicts committee of the PNG GP Board.

"PNG IDRs" mean the limited partner interests in PNG having the rights and obligations specified with respect to "Incentive Distribution Rights" in PNG's partnership agreement.

"PNG GP" means PNGS GP LLC, the general partner of PNG and a wholly-owned subsidiary of PAA.

"PNG GP Board" means the board of directors of PNG GP.

"PNG's partnership agreement" or the "PNG partnership agreement" means the Second Amended and Restated Agreement of Limited Partnership of PNG dated as of August 16, 2010, as amended from time to time.

"PNG Series A Subordinated Units" means the limited partner interests in PNG having the rights and obligations specified with respect to "Series A Subordinated Units" in PNG's partnership agreement.

"PNG Series B Subordinated Units" means the limited partner interests in PNG having the rights and obligations specified with respect to "Series B Subordinated Units" in PNG's partnership agreement.

"PNG special meeting" or "special meeting" means the special meeting of PNG common unitholders described in this proxy statement/prospectus at which the PNG common unitholders will vote on the merger proposal.

"PNG subordinated units" means the PNG Series A Subordinated Units and the PNG Series B Subordinated Units.

"PNG unaffiliated unitholders" means the PNG common unitholders other than PAA and its subsidiaries and other affiliates (as such term is defined in Rule 405 of the Securities Act).

"PNG unitholder approval" means approval of the merger transactions by the holders, as of the record date of the PNG special meeting, of a majority of the outstanding PNG common units, voting as a class, and a majority of the outstanding PNG subordinated units, voting as a class.

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"Richards Layton" means the law firm of Richards, Layton & Finger, P.A., counsel to the PNG Conflicts Committee.

"SEC" means the United States Securities and Exchange Commission.

"Securities Act" means the Securities Act of 1933.

"U.S." means the United States.

"Vinson & Elkins" means the law firm of Vinson & Elkins L.L.P., counsel to PAA.

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**QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE PNG SPECIAL MEETING**

**Important Information and Risks.** *The following are brief answers to some questions that you may have regarding the merger proposal being considered at the PNG special meeting. You should read and consider carefully the remainder of this proxy statement/prospectus, including the "Risk Factors" beginning on page 22 and the attached Annexes, because the information in this section does not provide all of the information that might be important to you. Additional important information and risk factors are also contained in the documents incorporated by reference into this proxy statement/prospectus. Please read "Where You Can Find More Information" beginning on page 139.*

**Q: What is the proposed transaction?**

A:

PAA and PNG have agreed that PAA will acquire PNG by merging MergerCo, a wholly-owned subsidiary of PAA, with and into PNG, with PNG surviving the merger, under the terms of the merger agreement that is described in this proxy statement/prospectus and attached as Annex A to this proxy statement/prospectus. As a result of the merger, each outstanding PNG common unit, other than those owned by PAA or any of its subsidiaries, will be converted into the right to receive 0.445 PAA common units. The PNG common units and the PNG subordinated units owned by PAA or its subsidiaries will not be converted in the merger and will remain outstanding as the only limited partner interests in PNG following the merger. The general partner interest in PNG and the PNG IDRs owned by PNG GP will remain outstanding, and PNG GP will continue as the general partner of PNG.

The merger will become effective on the date and at the time that the certificate of merger is filed with the Secretary of State of the State of Delaware, or a later date and time if set forth in the certificate of merger. Throughout this proxy statement/prospectus, this is referred to as the "effective time" of the merger.

**Q: Why am I receiving these materials?**

A:

The proposed merger cannot be completed without the approval of PNG unitholders, as of the record date of the PNG special meeting, holding a majority of the outstanding PNG common units, voting as a class, and the holders of a majority of the outstanding PNG subordinated units, voting as a class. PNG is holding a special meeting of its common unitholders to approve the merger proposal and this proxy statement/prospectus contains important information about the proposed merger and the merger agreement. You should carefully read this proxy statement/prospectus, including any documents incorporated by reference and the Annexes, in its entirety before voting on the merger proposal.

**Q: Why are PAA and PNG proposing the merger?**

A:

PAA and PNG believe that the merger will benefit both PAA and PNG because PAA will, relative to PNG remaining as a stand alone public entity, be able to more effectively manage PNG's business during the next several years, during which it is anticipated that overall market conditions for natural gas storage will remain depressed and perhaps deteriorate further. It is likely that such market conditions will adversely impact PNG's cash flow, which, absent the merger, would in turn impact PNG's ability to maintain its distribution levels, borrowing capacity and debt covenant compliance. Due to PAA's stronger balance sheet, the merger will enable PNG to more effectively fund its capital expenditures during the next several years and continue pursuing acquisition opportunities. The merger will also allow PNG common unitholders to receive an exchange ratio of 0.445 PAA common units for each publicly held common unit of PNG, which represents a premium of 8.5% above the closing price of PNG common units on August 27, 2013 based on the closing price of PAA common units on that same day (the last trading day before PAA announced its proposal to acquire all PNG common units owned by the public).

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**Q: What will happen to PNG as a result of the merger?**

A: As a result of the merger, MergerCo will merge with and into PNG, and PNG will survive as a wholly-owned subsidiary of PAA.

**Q: What will PNG common unitholders receive in the merger?**

A: If the merger is completed, PNG common unitholders, other than PAA and its subsidiaries, will be entitled to receive 0.445 PAA common units in exchange for each PNG common unit owned. The exchange ratio is fixed and will not be adjusted on account of any change in price of either PAA common units or PNG common units prior to completion of the merger. If the exchange ratio would result in a PNG common unitholder's being entitled to receive a fraction of a PAA common unit, that PNG common unitholder will not receive any fractional PAA common units. PNG common unitholders will receive cash in lieu of receiving any fractional PAA common units to which any PNG common unitholder would otherwise have been entitled in an amount equal to such fractional interest multiplied by the average of the closing price of PAA common units for the ten consecutive NYSE full trading days ending at the closing of the last NYSE full trading day immediately preceding the day the merger closes. For additional information regarding exchange procedures, please read "The Merger Agreement Exchange of Certificates; No Fractional Units."

**Q: Where will PAA common units and PNG common units trade after the merger?**

A: PAA common units will continue to trade on the NYSE under the symbol "PAA." PNG common units will no longer be publicly traded.

**Q: What will PAA common unitholders receive in the merger?**

A: PAA common unitholders will simply retain the PAA common units they currently own. They will not receive any additional PAA common units or any other consideration in the merger.

**Q: What will happen to future distributions on my PNG common units?**

A: Prior to the termination of the merger agreement or the effective time of the merger, it is expected that PNG common unitholders will continue to receive regular quarterly distributions on their PNG common units consistent with past practice, provided that the record date for such quarterly distribution occurs prior to the effective time of the merger. If the merger agreement terminates, and current market conditions persist as it is assumed through 2016, PNG would experience meaningful degradation of its earnings and distributable cash flow through 2018 relative to forecasted levels for 2013. This may, in turn, force PNG to issue additional equity, borrow additional money or reduce its distribution levels.

Once the merger is completed and PNG common units are exchanged for PAA common units, when distributions are approved and declared by PAA GP and paid by PAA, former PNG common unitholders will receive distributions on PAA common units they receive in the merger in accordance with PAA's partnership agreement to the extent such unitholders continue to hold such PAA common units as of the applicable record date for such distribution. Assuming that the merger closes during December 2013, PNG common unitholders will receive distributions on their PNG common units for the quarter ended September 30, 2013, and will receive distributions on PAA common units they receive in the merger for the quarter ended December 31, 2013 to be declared and paid during the first quarter of 2014 to the extent such unitholders continue to hold such PAA common units as of the applicable record date for such distribution. PNG common unitholders will not receive distributions from both PNG and PAA for the same quarter. For additional information, please read "Summary Market Prices and Distribution Information."

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Current PAA common unitholders will continue to receive distributions on their common units in accordance with PAA's partnership agreement. For a description of the distribution provisions of PAA's partnership agreement, please read "Comparison of the Rights of PAA Unitholders and PNG Unitholders."

The current annualized distribution rate per PNG common unit is \$1.43 (based on the quarterly distribution rate of \$0.3575 per PNG common unit paid on November 14, 2013 with respect to the third quarter of 2013). Based on the exchange ratio, the annualized distribution rate for each PNG common unit exchanged for 0.445 PAA common units would be approximately \$1.07 (based on the quarterly distribution rate of \$0.60 per PAA common unit paid on November 14, 2013 with respect to the third quarter of 2013). Accordingly, based on current distribution rates and the 0.445x exchange ratio, a PNG common unitholder would initially receive approximately 25.2% less in quarterly cash distributions on an annualized basis after giving effect to the merger. For additional information, please read "Summary Comparative Per Unit Information" and "Summary Market Prices and Distribution Information." In connection with the closing of the merger, the owners of PAA's general partner have agreed to reduce their incentive distribution rights under PAA's partnership agreement by \$12 million in each of 2014 and 2015, \$10 million in 2016 and \$5 million per year thereafter.

**Q: When and where will the PNG special meeting be held?**

A:

The special meeting of PNG common unitholders will be held in The Senate Room, located on the 12th Floor of Two Allen Center, 1200 Smith Street, Houston, Texas 77002, on December 31, 2013, at 9:00 a.m., Central Time.

**Q: Who is entitled to vote at the PNG special meeting?**

A:

The record date for the PNG special meeting is November 25, 2013. Only PNG common unitholders of record as of the close of business on the record date are entitled to notice of, and to vote at, the PNG special meeting or any adjournment of the PNG special meeting.

**Q: What is the vote required to approve the merger proposal and the adjournment proposal?**

A:

The merger proposal will be approved if the holders, as of the record date of the PNG special meeting, of a majority of the outstanding PNG common units vote in favor of the merger proposal at the PNG special meeting, and the holders of a majority of the outstanding PNG subordinated units vote in favor of the merger agreement and the merger transactions. Failures to vote and abstentions will have the same effect as a vote against the merger proposal. Pursuant to the merger agreement, PAA has agreed to vote the PNG common units and PNG subordinated units owned beneficially or of record by it or any of its subsidiaries in favor of the merger agreement and the merger transactions, including the 28,155,526 PNG common units currently held by PAA and the 25,434,351 PNG subordinated units currently held by PAA, which units represent approximately 46% of the outstanding PNG common units and 100% of the outstanding PNG subordinated units, respectively. It is anticipated that PAA, as the holder of all of the PNG subordinated units, will execute a written consent approving the merger agreement and the merger transactions on the date of the special meeting of PNG common unitholders, which consent will satisfy the voting requirement with respect to the holders of the PNG subordinated units.

The adjournment proposal will be approved if the holders, as of the record date of the PNG special meeting, of a majority of the outstanding PNG common units present in person or represented by proxy and entitled to vote at such meeting vote in favor of the adjournment proposal at the PNG special meeting. Abstentions will have the same effect as a vote against this proposal.



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**Q: What constitutes a quorum at the PNG special meeting?**

A:

The presence in person or by proxy at the PNG special meeting of the holders of a majority of PNG's outstanding common units on the record date will constitute a quorum and will permit PNG to conduct the proposed business at the special meeting. Units held in your name will be counted as present at the special meeting if you:

are present in person at the meeting; or

have submitted a properly executed proxy card or properly submitted your proxy by telephone or internet.

Proxies received but marked as abstentions will be counted as units that are present and entitled to vote for purposes of determining the presence of a quorum. Because the only proposals for consideration at the PNG special meeting are non-discretionary proposals, there will not be any broker non-votes at the PNG special meeting.

**Q: How do I vote my PNG common units if I hold my units in my own name?**

A:

After you have read this proxy statement/prospectus carefully, please respond by completing, signing and dating your proxy card and returning it in the enclosed postage-paid envelope, or by submitting your proxy by telephone or through the internet as soon as possible in accordance with the instructions provided under "The PNG Special Meeting Voting Procedures" beginning on page 29.

**Q: If my PNG common units are held in "street name" by my broker or other nominee, will my broker or other nominee vote my units for me?**

A:

Not unless you tell them how to vote. Absent specific instructions from you, your broker is not allowed to vote your PNG common units on any of the proposals. To instruct your broker or other nominee how to vote, you should follow the directions that your broker or other nominee provides to you.

Please note that you may not vote your PNG common units held in "street name" by returning a proxy card directly to PNG or by voting in person at the PNG special meeting unless you provide a "legal proxy," which you must obtain from your broker or other nominee. If you do not instruct your broker or other nominee on how to vote your PNG common units, your broker or other nominee may not vote your PNG common units, which will have the same effect as a vote against the approval of the merger proposal. You should therefore provide your broker or other nominee with instructions as to how to vote your PNG common units.

**Q: When do you expect the merger to be completed?**

A:

A number of conditions must be satisfied before PAA and PNG can complete the merger, including the approval of the merger proposal by the PNG common unitholders. For more information about these conditions, please read "The Merger Agreement Conditions to the Merger." Although PAA and PNG cannot be sure when all of the conditions to the merger will be satisfied, PAA and PNG expect to complete the merger as soon as practicable following the PNG special meeting.

**Q: How does the PNG Conflicts Committee recommend that the PNG common unitholders vote?**

A:

The PNG Conflicts Committee recommends that PNG common unitholders vote FOR the merger proposal.

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On October 21, 2013, the PNG Conflicts Committee approved and declared the advisability of entering into the merger agreement and the merger transactions and determined that the merger agreement and the merger transactions are fair and reasonable to and in, or not opposed to, the best interest of, PNG and the PNG unaffiliated unitholders. The PNG Conflicts Committee's determination that the merger agreement and the merger transactions are fair and reasonable to PNG constitutes "Special Approval," as such term is defined by the PNG partnership agreement. The PNG Conflicts Committee has caused PNG GP to approve the merger agreement and the merger transactions and directed that the merger agreement and the merger transactions be submitted to the PNG common unitholders at the PNG special meeting for approval. The PNG Conflicts Committee recommends that the PNG common unitholders vote in favor of the merger proposal.

**Q: What are the expected U.S. federal income tax consequences to a PNG common unitholder as a result of the transactions contemplated by the merger agreement?**

A:

It is anticipated that no gain or loss will be recognized by the holders of PNG common units as a result of the merger, other than gain resulting from either (i) any decrease in partnership liabilities pursuant to Section 752 of the Internal Revenue Code, or (ii) any cash paid in lieu of fractional PAA common units.

Please read "Risk Factors Tax Risks Related to the Merger" and "Material U.S. Federal Income Tax Consequences of the Merger."

**Q: What are the expected U.S. federal income tax consequences for a PNG common unitholder of the ownership of PAA common units after the merger is completed?**

A:

Each PNG common unitholder who becomes a PAA common unitholder as a result of the merger will, as is the case for existing PAA common unitholders, be allocated such unitholder's distributive share of PAA's income, gains, losses, deductions and credits. In addition to U.S. federal income taxes, such a holder will be subject to other taxes, including state and local income taxes, unincorporated business taxes, and estate, inheritance or intangibles taxes that may be imposed by the various jurisdictions in which PAA conducts business or owns property or in which the unitholder is resident. Please read "Material U.S. Federal Income Tax Consequences of Ownership of PAA Common Units."

**Q: Assuming the merger closes before December 31, 2013, how many Schedule K-1s will I receive if I am a PNG common unitholder?**

A:

You will receive one Schedule K-1 from PNG, which will describe your share of PNG's income, gain, loss and deduction for the portion of the tax year that you held PNG common units prior to the effective time of the merger. You will receive one Schedule K-1 from PAA, which will describe your share of PAA's income, gain, loss and deduction for the portion of the tax year that you hold PAA common units following the effective time of the merger. If the merger is completed on December 31, 2013, you will receive only one Schedule K-1 for the tax year ended December 31, 2013 relating solely to your interest in PNG.

**Q: Are PNG common unitholders entitled to appraisal rights?**

A:

No. PNG common unitholders are not entitled to appraisal rights under Delaware or other applicable law or contractual appraisal rights under PNG's partnership agreement or the merger agreement.

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**Q: What if I do not vote?**

A:

If you do not vote in person or by proxy or if you abstain from voting, it will have the same effect as a vote against the merger proposal. If you are a record holder and you sign and return your proxy card but do not indicate how you want to vote, your proxy will be counted as a vote in favor of the merger proposal and the adjournment proposal.

**Q: If I am planning to attend the PNG special meeting in person, should I still submit my proxy?**

A:

Yes. Whether or not you plan to attend the PNG special meeting, you should submit a proxy. Your PNG common units will not be voted if you do not submit your proxy or do not vote in person at the PNG special meeting.

**Q: Can I revoke or change my vote after I have submitted my proxy?**

A:

Yes. If you own your units in your own name, you may revoke or change your proxy at any time prior to its exercise by:

giving written notice of revocation to the secretary of PNG GP at or before the PNG special meeting;

appearing and actually voting in person at the PNG special meeting;

timely submitting a later-dated proxy by telephone or internet no later than 5:00 p.m. Houston, Texas time on the day before the date of the PNG special meeting; or

properly completing and executing a later-dated proxy and delivering it to the secretary of PNG GP at or before the PNG special meeting.

Your presence without voting at the PNG special meeting will not automatically revoke your proxy. Beneficial holders who hold their PNG common units in "street name" by a broker or other nominee may revoke their proxy by following the instructions provided by such broker or nominee.

**Q: What should I do if I receive more than one set of voting materials for the PNG special meeting?**

A:

You may receive more than one set of voting materials for the PNG special meeting, and the materials may include multiple proxy cards or voting instruction cards. For example, you will receive a separate voting instruction card for each brokerage account in which you hold units. Additionally, if you are a holder of record registered in more than one name, you will receive more than one proxy card. Please complete, sign, date and return each proxy card and voting instruction card that you receive according to the instructions on it.

**Q: If I am a holder of PNG common units represented by a unit certificate, should I send in my certificate representing PNG common units now?**

A:

No. Please do not send in your certificates representing PNG common units with your proxy card. After the merger is completed, PNG common unitholders who hold their units in certificated form will receive written instructions for exchanging their certificates representing PNG common units. If you own PNG common units in "street name," you will need to follow the instructions provided by your broker or other nominee before the merger consideration will be credited to your account by your broker or other nominee following the closing of the merger.



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**Q: What will happen to PNG if the merger does not occur?**

A:

If the merger does not occur, PNG expects that it will continue to operate its business; however, based on currently available information, PAA believes that it is clear that the next several years will be challenging for PNG on a stand-alone basis. If current market conditions persist as it is assumed through 2016, PNG would experience meaningful degradation of its earnings and distributable cash flow through 2018 relative to forecasted levels for 2013, which in turn would negatively impact PNG's ability to maintain its distribution levels, borrowing capacity and debt covenant compliance or its ability to make acquisitions or engage in organic growth projects. See "Risk Factors Risks Related to PNG's Business and Common Units if the Merger Does Not Occur."

**Q: Who do I call if I have further questions about voting, the PNG special meeting or the merger?**

A:

PNG common unitholders who have questions about the merger, including the procedures for voting their PNG common units, or who desire additional copies of this proxy statement/prospectus or additional proxy cards, should contact PNG's proxy solicitor, Georgeson Inc., toll-free at 1-888-666-2594.

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**SUMMARY**

*This summary highlights some of the information in this proxy statement/prospectus. It may not contain all of the information that is important to you. To understand the merger fully and for a more complete description of the terms of the merger agreement, you should read carefully this proxy statement/prospectus, the documents incorporated by reference and the Annexes to this proxy statement/prospectus, including the full text of the merger agreement included as Annex A. Please also read "Where You Can Find More Information" on page 139.*

**The Merger Parties' Businesses**

***Plains All American Pipeline, L.P.***

PAA is a Delaware limited partnership formed in 1998. PAA engages in the transportation, storage, terminalling and marketing of crude oil and refined products, as well as in the processing, transportation, fractionation, storage and marketing of NGLs. PAA's operations are conducted directly and indirectly through, and its operating assets are owned by, its primary operating subsidiaries. PAA GP has ultimate responsibility for conducting PAA's business and managing its operations.

PAA's assets include approximately 18,800 miles of pipelines, approximately 119 million barrels of storage capacity, and a significant fleet of trucks, trailers, tugs, barges and railcars. Through its transportation, storage and commercial activities, on an average daily basis, PAA transports in excess of 3.5 million barrels of crude oil and NGLs on its pipelines.

PAA's principal business strategy is to provide competitive and efficient midstream transportation, terminalling, storage, processing, fractionation and supply and logistics services to its producer, refiner and other customers. Toward this end, PAA endeavors to address regional supply and demand imbalances for crude oil, NGL, natural gas and refined products in the United States and Canada by combining the strategic location and capabilities of its transportation, terminalling, storage, processing and fractionation assets with its extensive supply, logistics and distribution expertise.

For the year ended December 31, 2012, PAA had net income attributable to PAA of \$1.1 billion, or \$2.40 per diluted common unit, and revenues of \$37.8 billion. For the nine months ended September 30, 2013, PAA had net income attributable to PAA of \$1.1 billion, or \$2.22 per diluted common unit, and revenues of \$31.6 billion.

PAA's executive offices are located at 333 Clay Street, Suite 1600, Houston, Texas 77002. PAA's telephone number is (713) 646-4100, and its internet website address is [www.paalp.com](http://www.paalp.com). Information contained on or available through PAA's website is not incorporated into or otherwise a part of this proxy statement/prospectus.

***PAA Natural Gas Storage, L.P.***

PNG is a Delaware limited partnership that was formed by PAA in 2010. PNG's operations are conducted through its primary operating subsidiaries. PNG GP has ultimate responsibility for conducting PNG's business and managing its operations.

PNG's business consists of the acquisition, development, ownership, operation and commercial management of natural gas storage facilities. As of December 31, 2012, PNG owned and operated three natural gas storage facilities located in Louisiana, Mississippi and Michigan. PNG also leases storage capacity and pipeline transportation capacity from third parties from time to time in order to increase its operational flexibility and enhance the services it offers to its customers.

PNG provides natural gas storage services to a broad mix of customers, including local gas distribution companies, electric utilities, pipelines, direct industrial users, electric power generators, marketers, producers, LNG exporters and affiliates of such entities.

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For the year ended December 31, 2012, PNG had net income of \$73.3 million, or \$0.99 per common unit, and total revenues of \$387.7 million. For the nine months ended September 30, 2013, PNG had net income of \$46.7 million, or \$0.62 per common unit, and total revenues of \$300.0 million.

PNG's executive offices are located at 333 Clay Street, Suite 1500, Houston, Texas 77002. PNG's telephone number is (713) 646-4100, and its internet website address is [www.pnglp.com](http://www.pnglp.com). Information contained on or available through PNG's website is not incorporated into or otherwise a part of this proxy statement/prospectus.

### **Relationship of PAA and PNG**

PAA and PNG are closely related. PAA formed PNG in 2010, and PNG completed its initial public offering later that year. The operations and activities of PNG are managed by its general partner, PNG GP, a wholly-owned subsidiary of PAA. PAA owns approximately 46% of the outstanding PNG common units and 100% of the outstanding PNG subordinated units, and, indirectly through PNG GP, the 2% general partner interest and the PNG IDRs. PNG, its operating subsidiaries and PNG GP have no employees. PNG, PNG GP and PAA have entered into an omnibus agreement pursuant to which PAA provides PNG with certain general and administrative services and employees to operate PNG's business. For more information regarding the omnibus agreement, please see "Certain Relationships; Interests of Certain Persons in the Merger Relationship of PAA and PNG Agreements Between PAA and PNG."

Each of the officers of PNG GP is employed by PAA GP. Certain of PNG's officers devote a substantial portion of their time to managing PNG's business, while other officers have responsibilities for both PNG and PAA. For information about the common executive officers of PAA GP and PNG GP and the resulting interests of PAA GP and PNG GP directors and executive officers in the merger, please read "Certain Relationships; Interests of Certain Persons in the Merger."

In addition, since PNG's initial public offering in 2010, PAA has entered into a number of other transactions with PNG, including the following:

PAA provided \$430 million of capital to support the purchase by PNG of the Southern Pines storage facility in February 2011 through PAA's purchase of 10.2 million PNG common units and the issuance of a \$200 million loan to PNG;

During 2011, PAA began providing guarantees of PNG's trade obligations in exchange for a minimum quarterly fee of \$12,500; and

PAA leased 20 Bcf of storage capacity at PPEC in March 2013 for total minimum payments of \$49 million (10 Bcf for 2 years; 10 Bcf for 3 years).

For more information regarding these and other transactions between PAA and PNG, please see "Certain Relationships; Interests of Certain Persons in the Merger Relationship of PAA and PNG Agreements Between PAA and PNG."

### **Structure of the Merger**

Pursuant to the merger agreement, at the effective time of the merger, MergerCo, a direct wholly-owned subsidiary of PAA, will merge with and into PNG with PNG surviving the merger as a wholly-owned subsidiary of PAA, and each outstanding PNG common unit, other than those PNG common units owned by PAA or any of its subsidiaries, will be converted into the right to receive 0.445 PAA common units. This merger consideration represents an 8.5% premium to the closing price of the PNG common units based on the closing prices of the PNG common units and PAA common units on August 27, 2013, the last trading day before PAA announced its proposal to acquire all of the PNG common units owned by the public.

If the exchange ratio results in a PNG common unitholder being entitled to receive a fraction of a PAA common unit, that PNG common unitholder will receive cash in lieu of receiving any fractional





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PAA common unit to which any PNG common unitholder would otherwise have been entitled in an amount equal to such fractional interest multiplied by the average of the closing price of PAA common units for the ten consecutive NYSE full trading days ending at the closing of the last NYSE full trading day immediately preceding the day the merger closes.

Once the merger is completed, former PNG common unitholders who surrender their PNG common units in accordance with the merger agreement will be eligible, in their capacity as PAA unitholders, to receive distributions declared by the PAA GP Board on PAA common units in accordance with PAA's partnership agreement to the extent such unitholders continue to hold such PAA common units as of the applicable record date for such distribution. For a description of the distribution provisions of PAA's partnership agreement, please read "Comparison of the Rights of PAA Unitholders and PNG Unitholders."

Based on the 33,003,173 PNG common units outstanding on October 31, 2013, and eligible to be converted into PAA common units pursuant to the merger agreement (which number does not include the PNG common units owned by PAA or any of its subsidiaries), PAA expects to issue approximately 14.7 million PAA common units in connection with the merger. This number will represent approximately 4.1% of PAA's outstanding common units after the merger, based on the 342,950,166 PAA common units outstanding as of October 31, 2013. In connection with the closing of the merger, the owners of PAA's general partner have agreed to reduce their incentive distribution rights under PAA's partnership agreement by \$12 million in each of 2014 and 2015, \$10 million in 2016 and \$5 million per year thereafter.

**PAA's Obligation to Vote Its PNG Common Units and PNG Subordinated Units under the Merger Agreement**

Pursuant to the merger agreement, PAA has agreed to vote the PNG common units and PNG subordinated units owned beneficially or of record by it or any of its subsidiaries in favor of the merger agreement and the merger transactions, including the 28,155,526 PNG common units currently held by PAA and the 25,434,351 PNG subordinated units currently held by PAA, which units represent approximately 46% of the outstanding PNG common units and 100% of the outstanding PNG subordinated units, respectively. PAA's obligations will terminate upon the earliest of (i) the effective date of the merger and (ii) the termination of the merger agreement.

**Directors and Executive Officers of PAA Following the Merger**

The directors and executive officers of each of PAA GP and PNG GP prior to the merger are expected to continue as the directors and executive officers of PAA GP and PNG GP, respectively, following the merger, with the exception of the three independent directors of PNG GP.

**Market Prices of PAA Common Units and PNG Common Units Before Announcement of the Proposed Merger**

PAA's common units are traded on the NYSE under the ticker symbol "PAA." PNG's common units are traded on the NYSE under the ticker symbol "PNG." The closing price of PAA common units on August 27, 2013 (the last full trading day before PAA announced its proposal to acquire all of the PNG common units owned by the public) was \$51.44, and the closing price of PNG common units on August 27, 2013 was \$21.09.

**PNG Special Meeting**

***Where and When***

The PNG special meeting will take place in The Senate Room, located on the 12th Floor of Two Allen Center, 1200 Smith Street, Houston, Texas 77002, on December 31, 2013, at 9:00 a.m., Central Time.

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***What You Are Being Asked to Vote On***

At the PNG special meeting, PNG common unitholders will be asked to consider and vote upon the merger proposal and may be asked to consider and vote upon the adjournment proposal.

***Who May Vote***

You may vote at the PNG special meeting if you owned PNG common units at the close of business on the record date, November 25, 2013. On that date, there were 61,158,699 PNG common units outstanding. You may cast one vote for each outstanding PNG common unit that you owned on the record date.

***What Vote is Needed***

The merger proposal will be approved if the holders, as of the record date of the PNG special meeting, of a majority of the outstanding PNG common units vote in favor of the merger proposal at the PNG special meeting and the holders of a majority of the outstanding PNG subordinated units vote in favor of the merger agreement and the merger transactions. Failures to vote and abstentions will have the same effect as a vote against the merger proposal. Pursuant to the merger agreement, PAA has agreed to vote the PNG common units and PNG subordinated units owned beneficially or of record by it or any of its subsidiaries in favor of the merger agreement and the merger transactions, including the 28,155,526 PNG common units currently held by PAA and the 25,434,351 PNG subordinated units currently held by PAA, which units represent approximately 46% of the outstanding PNG common units and 100% of the outstanding PNG subordinated units, respectively. It is anticipated that PAA, as the holder of all of the PNG subordinated units, will execute a written consent approving the merger agreement and the merger transactions on the date of the special meeting of PNG common unitholders, which consent will satisfy the voting requirement with respect to the holders of the PNG subordinated units.

The adjournment proposal will be approved if the holders, as of the record date of the PNG special meeting, of a majority of the outstanding PNG common units present in person or represented by proxy and entitled to vote at such meeting vote in favor of the adjournment proposal at the PNG special meeting. Abstentions will have the same effect as a vote against this proposal.

Of the PNG common units entitled to vote on the proposals at the PNG special meeting, 2.16% of such PNG common units are held, and eligible to be voted, by certain executive officers and directors, and their affiliates, of PAA or PNG.

**Recommendation to PNG Common Unitholders**

The members of the PNG Conflicts Committee considered the benefits of the merger agreement and the merger transactions as well as the associated risks and approved and declared the advisability of entering into the merger agreement and the merger transactions and determined that the merger agreement and the merger transactions are fair and reasonable to and in, or not opposed to, the best interest of, PNG and the PNG unaffiliated unitholders. The PNG Conflicts Committee's determination that the merger agreement and the merger transactions are fair and reasonable to PNG constitutes "Special Approval," as such term is defined by the PNG partnership agreement. The PNG Conflicts Committee has caused PNG GP to approve the merger agreement and the merger transactions and directed that the merger agreement and the merger transactions be submitted to the PNG common unitholders at the PNG special meeting for approval. The PNG Conflicts Committee recommends that the PNG common unitholders vote in favor of the merger proposal.

PNG common unitholders are urged to review carefully the background and reasons for the merger described under "The Merger" and the risks associated with the merger described under "Risk Factors."

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**PNG's Reasons for the Merger**

The PNG Conflicts Committee considered many factors in determining that the merger agreement and the merger transactions are fair and reasonable to and in, or not opposed to, the best interests of PNG and the PNG unaffiliated unitholders. For a discussion of those factors, please read "The Merger Recommendation of the PNG Conflicts Committee and Reasons for the Merger."

**Opinion of the Financial Advisor to the PNG Conflicts Committee**

In connection with the transaction, Evercore delivered to the PNG Conflicts Committee its oral opinion, subsequently confirmed by delivery of a written opinion, that, as of October 21, 2013 and based upon and subject to the factors, procedures, assumptions, qualifications and limitations set forth in its opinion, the exchange ratio is fair, from a financial point of view, to the PNG unaffiliated unitholders.

The full text of the written opinion of Evercore, dated as of October 21, 2013, which sets forth, among other things, the procedures followed, assumptions made, matters considered and qualifications and limitations on the scope of review undertaken in rendering its opinion, is attached as Annex B to this proxy statement/prospectus and is incorporated by reference in its entirety into this proxy statement/prospectus.

**Evercore's opinion was addressed to, and provided for the information and benefit of, the PNG Conflicts Committee (in its capacity as such) in connection with its evaluation of the fairness of the exchange ratio to be received by the PNG unaffiliated unitholders from a financial point of view, and did not address any other aspects or implications of the merger. Evercore's opinion should not be construed as creating any fiduciary duty on Evercore's part to any party and such opinion is not intended to be, and does not constitute, a recommendation to the PNG Conflicts Committee or to any other persons in respect of the merger, including as to how any PNG common unitholder should act or vote in respect of the merger. Evercore's opinion did not address the relative merits of the merger as compared to other business or financial strategies that might be available to PNG, nor did it address the underlying business decision of PNG to engage in the merger. Evercore expressed no opinion as to the price at which PNG common units or PAA common units will trade at any time.**

**Certain Relationships; Interests of Certain Persons in the Merger**

In considering the recommendations of the PNG Conflicts Committee with respect to the merger, PNG common unitholders should be aware that certain of the directors and executive officers of PAA GP and PNG GP have interests in the transaction that may differ from, or may be in addition to, the interests of PNG common unitholders generally, including:

each of the officers of PAA that are officers of both PAA and PNG GP are expected to continue to serve as officers of PAA following the merger;

each outstanding phantom unit issued pursuant to the PNG LTIP held by officers or directors of PNG GP will be converted in the merger into an equivalent number of PAA phantom units, with adjustments in the number of phantom units to reflect the exchange ratio and the adjustment of performance-based vesting targets to reflect the merger, but otherwise pursuant to the same terms that were in effect prior to the merger. In addition, any such phantom units held by the three independent directors of PNG GP will become non-forfeitable upon the termination of such director's service with PNG GP and will fully vest on the next date that would otherwise be a distribution date for PNG;

certain outstanding PAA phantom units held by officers of PNG GP have vesting conditions relating to PNG performance criteria, and such performance criteria may be adjusted to reflect the merger;

the officers of PAA and PNG GP that hold certain phantom subordinated PNG units issued by PAA (and that were not issued pursuant to the PNG LTIP), which had vesting conditions related



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to PNG and were payable in common or subordinated PNG units held by PAA (the "Transaction Grants"), have agreed to unilaterally surrender such Transaction Grants upon consummation of the merger; and

all of the directors and officers of PNG GP have the right to indemnification under the organizational documents of PNG GP, the PNG partnership agreement and the merger agreement. In addition, all of the directors of PAA and all of the officers of PNG GP have the right to indemnification under the organizational documents of PAA or PNG.

### **The Merger Agreement**

The merger agreement is attached to this proxy statement/prospectus as Annex A and is incorporated by reference into this proxy statement/prospectus. You are encouraged to read the merger agreement in its entirety because it is the legal document that governs the merger.

### ***What Needs to Be Done to Complete the Merger***

PAA and PNG will complete the merger only if the conditions set forth in the merger agreement are satisfied or, in some cases, waived. The obligations of PAA and PNG to complete the merger are subject to, among other things, the following conditions:

the merger agreement and the merger transactions will have been approved by the affirmative vote of the PNG unitholders, as of the record date for the PNG special meeting, holding a majority of the outstanding PNG common units, voting as a class, and the holders of a majority of the outstanding PNG subordinated units, voting as a class;

all filings required to be made prior to the effective time with, and all other consents, approvals, permits and authorizations required to be obtained prior to the effective time from, any governmental authority in connection with the execution and delivery of the merger agreement and the consummation of the merger transactions by the parties thereto or their affiliates must have been made or obtained, except where the failure to obtain such consents, approvals, permits and authorizations could not be reasonably likely to result in a material adverse effect with respect to PAA or PNG; provided, however, that, prior to invoking this condition, the invoking party must have used its commercially reasonable efforts to make all required filings and to obtain all required consents, approvals, permits and authorizations as required under the merger agreement;

no order, decree or injunction of any court or agency of competent jurisdiction shall be in effect, and no law shall have been enacted or adopted, that enjoins, prohibits or makes illegal consummation of any of the merger transactions, and no action, proceeding or investigation by any governmental authority with respect to the merger or the other merger transactions may be pending that seeks to restrain, enjoin, prohibit or delay consummation of the merger or such other merger transaction or to impose any material restrictions or requirements thereon or on PAA or PNG with respect thereto; provided, however, that, prior to invoking this condition, the invoking party must have used its reasonable best efforts in good faith to consummate the merger as required under the merger agreement;

the registration statement of which this proxy statement/prospectus is a part will have become effective under the Securities Act and no stop order suspending the effectiveness of the registration statement may have been issued and no proceedings for that purpose may have been initiated or threatened by the SEC;

the PAA common units to be issued in the merger will have been approved for listing on the NYSE, subject to official notice of issuance; and

PAA must have received an opinion from Vinson & Elkins L.L.P. (and provided a copy of such opinion to the PNG Conflicts Committee) (i) to the effect that (a) no gain or loss should be recognized by the holders of PNG common units as a result of the merger, other than gain



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resulting from either (1) any decrease in partnership liabilities pursuant to Section 752 of the Internal Revenue Code, or (2) any cash paid in lieu of fractional PAA common units, and (b) no gain or loss should be recognized by the holders of PAA common units as a result of the merger, other than gain resulting from any decrease in partnership liabilities pursuant to Section 752 of the Internal Revenue Code and (ii) that shall provide specifically that the PNG Conflicts Committee may rely on such opinion. Such opinion will be based on customary representations from PAA, PNG and PNG GP regarding certain factual matters.

The obligation of PAA to effect the merger is further subject to the satisfaction by PNG, on or prior to the closing date of the merger, of each of the following conditions, or the waiver thereof by PAA:

each of the representations and warranties of PNG and PNG GP contained in the merger agreement qualified as to materiality or material adverse effect must be true and correct in all respects and those not so qualified must be true and correct in all material respects, in each case, as of the date of the merger agreement and upon the closing date with the same effect as though all such representations and warranties had been made on the closing date (in either case, except for any such representations and warranties made as of a specified date, in which case as of such date); provided, however, that no representations and warranties will be deemed to be untrue or incorrect to the extent that PAA or MergerCo had knowledge of such inaccuracy as of the date of the merger agreement; provided, further, however, that the immediately preceding proviso will not apply if any member of the PNG Conflicts Committee had actual knowledge of any such inaccuracy at the date hereof;

each and all of the agreements and covenants of PNG and PNG GP to be performed and complied with pursuant to the merger agreement on or prior to the effective time must have been duly performed and complied with in all material respects;

PAA will have received a certificate signed by the chief executive officer, president or chief financial officer of PNG GP, dated as of the closing date, to the effect that the conditions described in the first two bullet points immediately above have been satisfied; and

there must not have occurred a material adverse effect (as defined in the merger agreement) with respect to PNG between the signing of the merger agreement and the closing date.

The obligation of PNG to effect the merger is further subject to the satisfaction by PAA, on or prior to the closing date of the merger, of each of the following conditions, or the waiver thereof by PNG:

each of the representations and warranties of PAA and MergerCo contained in the merger agreement qualified as to materiality or material adverse effect must be true and correct in all respects and those not so qualified must be true and correct in all material respects, in each case, as of the date of the merger agreement and upon the closing date with the same effect as though all such representations and warranties had been made on the closing date (in either case, except for any such representations and warranties made as of a specified date, in which case as of such date); provided, however, that no representations and warranties will be deemed to be untrue or incorrect to the extent that any member of the PNG Conflicts Committee or its representatives had actual knowledge of such inaccuracy at the date hereof; provided, further, however, that the immediately preceding proviso will not apply if any executive officer or director of PAA or MergerCo had knowledge of any such inaccuracy at the date of the merger agreement;

each and all of the agreements and covenants of PAA and MergerCo to be performed and complied with pursuant to the merger agreement on or prior to the closing date must have been duly performed and complied with in all material respects;

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PNG must have received a certificate signed by the chief executive officer, president or chief financial officer of PAA, dated as of the closing date, to the effect that the conditions described in the first two bullet points immediately above have been satisfied; and

there must not have occurred a material adverse effect (as defined in the merger agreement) with respect to PAA between the date of the merger agreement and the closing date.

The merger agreement provides that the PNG common unitholder voting condition may not be waived. Each of PAA and PNG (with the consent of the PNG Conflicts Committee, in the case of PNG) may choose to complete the merger even though any other condition to its obligation has not been satisfied if the necessary PNG common unitholder approval has been obtained and the law allows it to do so.

***Unitholder Approval; Acquisition Proposal; Change in Recommendation***

Subject to the terms and conditions of the merger agreement, and except as described further in "The Merger Agreement Covenants Unitholder Approval," PNG will take, in accordance with applicable law, applicable stock exchange rules and PNG's partnership agreement, all action necessary to call, hold and convene the PNG special meeting to consider and vote upon the approval of the merger proposal, as promptly as practicable after the registration statement of which this proxy statement/prospectus is a part is declared effective. Subject to the terms and conditions of the merger agreement, the PNG Conflicts Committee will recommend approval of the merger proposal to the PNG common unitholders, and PNG will take all reasonable lawful action to solicit such approval by the PNG common unitholders. Except under certain conditions described in the following paragraph and in "The Merger Agreement Covenants Unitholder Approval," neither the PNG Conflicts Committee nor the PNG GP Board will (i) withdraw, modify or qualify in any manner adverse to PAA the recommendation of the PNG Conflicts Committee and the PNG GP Board or (ii) publicly approve, adopt or recommend, or publicly propose to approve, adopt or recommend, any "acquisition proposal" (defined and described more fully under "The Merger Agreement Covenants Acquisition Proposals"). The actions described in the preceding sentence are referred to in this proxy statement/prospectus as a "PNG Change in Recommendation." None of PNG GP, PNG or any of their subsidiaries will execute or enter into any letter of intent, memorandum or understanding, agreement in principle, merger agreement, acquisition agreement, option agreement, joint venture agreement, partnership agreement or other similar contract providing for any acquisition proposal.

Notwithstanding the above paragraph, at any time prior to obtaining the PNG unitholder approval, the PNG Conflicts Committee or the PNG GP Board may make a PNG Change in Recommendation if it has determined in good faith, after consultation with its outside legal counsel and financial advisors, that failure to make a PNG Change in Recommendation would be inconsistent with its duties under PNG's partnership agreement or applicable law; provided, however, that neither the PNG Conflicts Committee nor the PNG GP Board will be entitled to exercise its right to make a PNG Change in Recommendation unless (i) PNG has provided to PAA three business days prior written notice, advising PAA that the PNG Conflicts Committee or the PNG GP Board intends to take such action, specifying the reasons for taking such action in reasonable detail and if such action is in response to an acquisition proposal (defined and described more fully under "The Merger Agreement Covenants Acquisition Proposals"), such acquisition proposal is not the result of a material breach of the merger agreement and the written notice specifies the material terms and conditions of such acquisition proposal, the identity of the person making such acquisition proposal and affirmatively states that the PNG Conflicts Committee has determined that such proposal constitutes a superior proposal (defined and described more fully under "The Merger Agreement Covenants Superior Proposals"), (ii) each of PNG and the PNG Conflicts Committee has negotiated, and has used its commercially reasonable efforts to cause its representatives to negotiate, in good faith with PAA during such notice period to enable PAA to revise the terms of the merger agreement such that it would obviate the need for making the PNG Change in Recommendation, and (iii) following the end of such notice period, the



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PNG Conflicts Committee will have considered in good faith any changes to the merger agreement proposed by PAA and will have determined that the failure to make a PNG Change in Recommendation would continue to be inconsistent with its duties under PNG's partnership agreement or applicable law even if such revisions proposed by PAA were to be given effect. Any such PNG Change in Recommendation will not invalidate the approval of the merger agreement or any other approval of the PNG Conflicts Committee, including in any respect that would have the effect of causing any state (including Delaware) takeover statute or other similar statute to be applicable to the merger transactions.

PNG GP and PNG will, and they will cause the subsidiaries and representatives of PNG GP and PNG to, immediately cease and terminate any solicitation, encouragement, discussions or negotiations with any person that may be ongoing with respect to or that may reasonably be expected to lead to an acquisition proposal.

Neither the PNG GP nor PNG will, and they use their commercially reasonable efforts to cause the subsidiaries and the representatives of PNG GP and PNG not to, directly or indirectly, (i) initiate, solicit, knowingly encourage or knowingly facilitate (including by way of furnishing information) any inquiries regarding, or the making or submission of any proposal or offer that constitutes, or may reasonably be expected to lead to, an acquisition proposal, (ii) conduct or participate in any discussions or negotiations regarding any acquisition proposal, or (iii) furnish to any person any non-public information or data relating to PNG or any of its subsidiaries. Notwithstanding the foregoing, at any time prior to obtaining the PNG unitholder approval, the PNG Conflicts Committee may take the actions described in clauses (ii) and (iii) above with respect to any person that makes a bona fide written acquisition proposal that did not result from a material breach of the provisions of the merger agreement described in this paragraph, if (a) the PNG Conflicts Committee, after consultation with its outside legal counsel and financial advisors, determines in good faith that such acquisition proposal constitutes or is could reasonably be expected to result in a superior proposal and that the failure to take such action would be inconsistent with duties under PNG's partnership agreement or applicable law, and (b) prior to furnishing any such non-public information to such person, PNG receives from such person an executed confidentiality agreement with reasonable and customary terms as to the treatment of confidential information.

***Termination of the Merger Agreement***

PAA and PNG can agree to terminate the merger agreement by mutual written consent at any time without completing the merger, even after the PNG common unitholders have approved the merger proposal. In addition, either party may terminate the merger agreement on its own upon written notice to the other without completing the merger if:

the merger is not completed on or before April 30, 2014; provided, however, that the right to terminate the merger agreement due to the failure to complete the merger on or before April 30, 2014 will not be available to a party whose failure to fulfill any material obligation under the merger agreement or other material breach of the merger agreement has been the primary cause of, or resulted in, the failure of the merger to have been consummated on or before April 30, 2014;

any governmental authority has issued a final and non-appealable statute, rule, order, decree or regulation or taken any other action that permanently restrains, enjoins or prohibits the consummation of the merger, or makes the merger illegal, so long as the terminating party is not then in material breach of the merger agreement;

there has been a material breach of or any material inaccuracy in any of the representations or warranties set forth in the merger agreement on the part of any of the other parties, which breach is not cured within 30 days following receipt by the breaching party of written notice of its breach from the terminating party, or which breach, by its nature, cannot be cured prior to

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April 30, 2014, provided in any such case that the terminating party is not then in material breach of any representation, warranty, covenant or other agreement contained in the merger agreement. No party will have the right, however, to terminate the merger agreement pursuant to the provision summarized in this bullet point unless the breach of a representation or warranty, together with all other such breaches, would entitle the party receiving such representation not to consummate the transactions contemplated by the merger agreement because the closing conditions described in the first bullet point under "The Merger Agreement Conditions to the Merger Additional Conditions to the Obligations of PAA" or "The Merger Agreement Conditions to the Merger Additional Conditions to the Obligations of PNG," as applicable, have not been met;

there has been a material breach of any of the covenants or agreements set forth in the merger agreement on the part of any of the other parties to the merger agreement, and the breach has not been cured within 30 days following receipt by the breaching party of written notice of such breach from the terminating party, or which breach, by its nature, cannot be cured prior to April 30, 2014, so long as the terminating party itself is not then in material breach of any representation, warranty, covenant or other agreement contained in the merger agreement. In no event, however, will any party have the right to terminate the merger agreement pursuant to the provision summarized in this bullet point unless the breach of covenants or agreements, together with all other such breaches, would entitle the party receiving the benefit of such covenants or agreements not to consummate the transactions contemplated by the merger agreement because the closing conditions described in the first bullet point under "The Merger Agreement Conditions to the Merger Additional Conditions to the Obligations of PAA" or "The Merger Agreement Conditions to the Merger Additional Conditions to the Obligations of PNG," as applicable, have not been met;

PNG does not obtain the PNG unitholder approval at the PNG special meeting; provided, however, that the right to terminate the merger agreement under the provision described in this bullet point will not be available to the terminating party where the failure to obtain the PNG unitholder approval has been caused by the action or failure to act of the terminating party and such action or failure to act constitutes a material breach by the terminating party of the merger agreement; or

a PNG Change in Recommendation has occurred.

**Federal Income Tax Consequences of the Merger**

Tax matters associated with the merger are complicated. The U.S. federal income tax consequences of the merger to a PNG common unitholder will depend on such common unitholder's own personal tax situation. The tax discussions contained herein focus on the U.S. federal income tax consequences generally applicable to individuals who are residents or citizens of the United States that hold their PNG common units as capital assets, and these discussions have only limited application to other unitholders, including those subject to special tax treatment. PNG common unitholders are urged to consult their tax advisors for a full understanding of the U.S. federal, state, local and foreign tax consequences of the merger that will be applicable to them.

In connection with the merger, PAA will receive an opinion from Vinson & Elkins L.L.P. to the effect that no gain or loss should be recognized by the holders of PNG common units as a result of the merger, other than gain resulting from either (i) any decrease in partnership liabilities pursuant to Section 752 of the Internal Revenue Code, or (ii) any cash paid in lieu of fractional PAA common units.

Please read "Material U.S. Federal Income Tax Consequences of the Merger" beginning on page 120 for a more complete discussion of the U.S. federal income tax consequences of the merger.

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**Other Information Related to the Merger**

***No Appraisal Rights***

PNG common unitholders do not have appraisal rights under PNG's partnership agreement, the merger agreement or Delaware or other applicable law.

***Antitrust and Regulatory Matters***

No antitrust or other regulatory clearances are required as a condition to the consummation of the merger.

***Listing of PAA Common Units to be Issued in the Merger; Delisting and Deregistration of PNG Common Units***

PAA expects to obtain approval to list on the NYSE the PAA common units to be issued pursuant to the merger agreement, which approval (subject to official notice of issuance) is a condition to the merger. Upon completion of the merger, PNG common units currently listed on the NYSE will cease to be listed on the NYSE and will be subsequently deregistered under the Exchange Act.

***Accounting Treatment***

The merger will be accounted for in accordance with Financial Accounting Standards Board Accounting Standards Codification 810, *Consolidations Overall Changes in Parent's Ownership Interest in a Subsidiary*, which is referred to as ASC 810. As PAA will control PNG before and after the merger, the changes in PAA's ownership interest in PNG will be accounted for as an equity transaction and no gain or loss on the merger will be recognized in PAA's consolidated statements of operations.

***Comparison of the Rights of PAA Unitholders and PNG Unitholders***

PNG common unitholders will own PAA common units following the completion of the merger, and their rights associated with PAA common units will be different from their rights as PNG common unitholders due to the differences between the governing documents of PAA and PNG. See "Comparison of the Rights of PAA Unitholders and PNG Unitholders" beginning on page 100 of this proxy statement/prospectus.

***Pending Litigation***

Following the announcement of PAA's August 27, 2013 transaction proposal and the October 22, 2013 announcement of the definitive merger agreement, purported PNG common unitholders filed lawsuits in Delaware and Texas asserting claims relating to the initial proposal and the definitive merger agreement.

Stephen Ellman, a purported unitholder of PNG, filed a class action complaint on behalf of the PNG common unitholders in the Delaware Court of Chancery (the "Ellman Lawsuit") on September 17, 2013. On November 21, 2013, the plaintiff in such lawsuit filed an amended complaint. The lawsuit names as defendants PAA, PNG, PNG GP, PAA GP LLC, Plains AAP, L.P., Plains All American GP LLC and the PNG GP Board. The Ellman Lawsuit alleges that (i) PNG's partnership agreement fails to alter or eliminate defendants' common law fiduciary duties owed to PNG common unitholders in the context of the proposed merger; (ii) PAA, as a controlling unitholder, failed to fulfill its fiduciary duties in connection with the proposed merger because it purportedly cannot establish that the proposed merger is the result of a fair process that will return a fair price to PNG common unitholders; (iii) the director defendants breached their fiduciary duties of loyalty, good faith, due care, and full and fair disclosure by engaging in an unfair process and failing to maximize the value of PNG; (iv) the director defendants breached their duty of disclosure by disseminating a materially misleading and incomplete registration statement and (v) the non-director defendants aided and abetted the director defendants in their purported breach of fiduciary duties.

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Robert and Teresa Vicars, purported unitholders of PNG, filed a class action petition on behalf of the PNG common unitholders and a derivative suit on behalf of PNG against PAA, PNG, PNG GP and the PNG GP Board, in the 152nd Judicial District Court of Harris County, Texas (the "Vicars Lawsuit") on September 9, 2013, and on October 31, 2013, plaintiffs filed an amended petition. The allegations and claims in the Vicars Lawsuit are similar to those in the Ellman Lawsuit. The Vicars Lawsuit specifically alleges that the director defendants: (i) engaged in self-dealing, failed to act in good faith toward PNG and breached their duties owed to PNG; (ii) failed to properly value PNG and its various assets and operations and ignored or failed to protect against numerous conflicts of interest arising out of the proposed transaction; and (iii) breached the implied covenant of good faith and fair dealing by engaging in a flawed merger process. The Vicars Lawsuit also alleges that PAA and PNG GP aided and abetted the director defendants in their purported breach of duties.

On November 14, 2013, a similar class action and derivate lawsuit was filed against the same defendants as named in the Vicars Lawsuit in the 129th Judicial District of Harris County, Texas by purported unitholder Thomas Barbee (the "Barbee Lawsuit"). The Barbee Lawsuit asserts claims and allegations that are similar to those asserted in the Vicars Lawsuit.

On October 29, 2013, the DuckPond CRT UTD 2/14/2003, another purported unitholder of PNG, filed a class action complaint in the United States District Court for the Southern District of Texas Houston Division (the "DuckPond Lawsuit") against the same defendants as in the Ellman Lawsuit. The DuckPond Lawsuit also names MergerCo as a defendant. In DuckPond, the complaint alleges, among other things, that the implied price per unit materially undervalues PNG and is unfair to its unitholders. The DuckPond plaintiff further alleges that the defendants who are directors and officers of PNG GP have breached their fiduciary duties of loyalty and care and the other defendants have aided and abetted in these alleged breaches. On November 12, 2013, plaintiff in the DuckPond Lawsuit filed a voluntary notice of dismissal, and the court issued an order dismissing the DuckPond Lawsuit that same day.

On November 15, 2013, a similar class action complaint for breach of fiduciary duties was filed against the same defendants as in the Ellman Lawsuit and MergerCo in the United States District Court for the Southern District of Texas Houston Division by purported unitholder Robert Evans, on behalf of himself and all others similarly situated (the "Evans Lawsuit"). The Evans Lawsuit asserts claims and allegations that are similar to those asserted in the DuckPond Lawsuit, and further alleges that the named defendants violated Sections 14(a) and 20(a) of the Securities Exchange Act of 1934 and Rule 14a-9 promulgated thereunder by disseminating a false and materially misleading proxy statement in connection with the merger.

On November 22, 2013, Barbara Wolfson, another purported PNG unitholder, filed a class action complaint against the same defendants in the Evans Lawsuit (with the exception of PAA GP LLC) in the same court as the Evans Lawsuit (the "Wolfson Lawsuit"). The Wolfson Lawsuit asserts claims and allegations that are similar to those asserted in the Evans Lawsuit. The Wolfson Lawsuit also asserts a claim for breach of the implied covenant of good faith and fair dealing against the director defendants.

Plaintiffs in the Ellman, Vicars, Barbee, Evans and Wolfson Lawsuits seek to enjoin defendants from proceeding with or consummating the proposed merger. To the extent that the merger is implemented before relief is granted, the plaintiffs seek to have the merger rescinded. The plaintiffs also seek money damages and attorneys' fees.

Each of these lawsuits is at a preliminary stage. PAA and PNG cannot predict the outcome of these or any other lawsuits that might be filed, nor can PAA and PNG predict the amount of time and expense that will be required to resolve these lawsuits. PAA, PNG and the other defendants named in the lawsuits intend to defend vigorously against these and any other actions.

**Summary of Risk Factors**

You should consider carefully all of the risk factors together with all of the other information included in this proxy statement/prospectus before deciding how to vote. The risks related to the merger transactions, PAA's business following the merger, PAA's common units and PNG's business and common units if the merger does not occur, and tax related risks are described under the caption "Risk Factors" beginning on page 22 of this proxy statement/prospectus.

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**Organizational Chart**

*Before the Merger*

- (1) Represents direct ownership of approximately 10.7 million PAA common units by certain investors and management as of September 30, 2013, based on information provided by such investors and management.

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*After the Merger*

The following diagram depicts the organizational structure of PAA and PNG immediately after giving effect to the merger and the other merger transactions (based on ownership interests as of November 25, 2013).

- (1) Represents direct ownership of approximately 10.7 million PAA common units by certain investors and management as of September 30, 2013, based on information provided by such investors and management.



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The following tables set forth, for the periods and at the dates indicated, summary historical financial and operating information for PAA and PNG. The summary historical financial data as of and for each of the years ended December 31, 2008, 2009, 2010, 2011 and 2012, are derived from and should be read in conjunction with the audited financial statements and accompanying footnotes of PAA and PNG, respectively. The summary historical financial data as of and for the nine-month periods ended September 30, 2012 and 2013, are derived from and should be read in conjunction with the unaudited financial statements and accompanying footnotes of PAA and PNG, respectively. PAA's and PNG's consolidated balance sheets as of December 31, 2011 and 2012, and as of September 30, 2013, and the related consolidated statements of operations, comprehensive income, cash flows and partners' capital for each of the three years in the period ended December 31, 2012, and the nine months ended September 30, 2013, are incorporated by reference into this proxy statement/prospectus from PAA's and PNG's respective Annual Reports on Form 10-K for the year ended December 31, 2012, and their respective Quarterly Reports on Form 10-Q for the nine months ended September 30, 2013.

	Consolidated Historical for Plains All American Pipeline, L.P.						Nine Months Ended	
	2008	Year Ended December 31,				September 30,		2013
	2009	2010	2011	2012	2012			
(in millions, except per unit amounts)								
<b>Statement of operations data:</b>								
Total revenues	\$ 30,061	\$ 18,520	\$ 25,893	\$ 34,275	\$ 37,797	\$ 28,358	\$ 31,617	
Net income	\$ 437	\$ 580	\$ 514	\$ 994	\$ 1,127	\$ 797	\$ 1,074	
Net income attributable to PAA	\$ 437	\$ 579	\$ 505	\$ 966	\$ 1,094	\$ 774	\$ 1,052	
<b>Per unit data:</b>								
Basic net income per limited partner unit	\$ 1.33	\$ 1.67	\$ 1.21	\$ 2.46	\$ 2.41	\$ 1.71	\$ 2.23	
Diluted net income per limited partner unit	\$ 1.32	\$ 1.66	\$ 1.20	\$ 2.44	\$ 2.40	\$ 1.70	\$ 2.22	
Declared distributions per limited partner unit(1)	\$ 1.75	\$ 1.81	\$ 1.88	\$ 1.95	\$ 2.11	\$ 1.57	\$ 1.73	
<b>Balance sheet data (at end of period):</b>								
Total assets	\$ 10,032	\$ 12,358	\$ 13,703	\$ 15,381	\$ 19,235	\$ 18,187	\$ 20,267	
Long-term debt	\$ 3,259	\$ 4,142	\$ 4,631	\$ 4,520	\$ 6,320	\$ 5,811	\$ 7,018	
Total debt	\$ 4,286	\$ 5,216	\$ 5,957	\$ 5,199	\$ 7,406	\$ 6,645	\$ 7,637	
Partners' capital	\$ 3,552	\$ 4,159	\$ 4,573	\$ 5,974	\$ 7,146	\$ 6,925	\$ 7,684	
<b>Other financial data:</b>								
Net cash provided by operating activities	\$ 857	\$ 365	\$ 259	\$ 2,365	\$ 1,240	\$ 880	\$ 1,594	
Net cash used in investing activities	\$ (1,339)	\$ (686)	\$ (851)	\$ (2,020)	\$ (3,392)	\$ (2,376)	\$ (1,340)	
Net cash provided by/(used in) financing activities	\$ 464	\$ 338	\$ 604	\$ (345)	\$ 2,151	\$ 1,501	\$ (242)	

- (1) Represents cash distributions declared and paid during the year presented. PAA's general partner is entitled, directly or indirectly, to receive 2% proportional distributions, as well as incentive distributions of the amount PAA distributes with respect to any quarter that exceed levels specified in PAA's partnership agreement.

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### Consolidated Historical for PAA Natural Gas Storage, L.P.

	Predecessor			Successor			Nine Months Ended		
	Year Ended December 31, 2008	January 1, 2009 through September 2, 2009	September 3, 2009 through December 31, 2009 (Unaudited)	Pro forma(1) Year Ended December 31, 2009	Year Ended December 31, 2010	Year Ended December 31, 2011	Year Ended December 31, 2012	September 30, 2012	September 30, 2013
(in millions, except per unit amounts)									
<b>Statement of operations data:</b>									
Total revenues	\$ 49	\$ 47	\$ 25	\$ 72	\$ 100	\$ 343	\$ 388	\$ 275	\$ 300
Net income	\$ 20	\$ 16	\$ 2	\$ 14	\$ 30	\$ 60	\$ 73	\$ 51	\$ 47
<b>Per unit data:</b>									
Basic net income per limited partner unit(2)	n/a	n/a	n/a	n/a	\$ 0.54	\$ 0.85	\$ 0.99	\$ 0.69	\$ 0.62
Diluted net income per limited partner unit(2)	n/a	n/a	n/a	n/a	\$ 0.54	\$ 0.85	\$ 0.99	\$ 0.69	\$ 0.62
Declared distribution per limited partner unit(3)	n/a	n/a	n/a	n/a	\$ 0.89	\$ 1.41	\$ 1.43	\$ 1.07	\$ 1.07
<b>Balance sheet data (at end of period):</b>									
Total assets	\$ 811	\$ 900	\$ 999	\$ 1,850	\$ 1,869	\$ 1,846	\$ 1,864	\$ 1,846	\$ 1,864
Long-term debt(4)	\$ 415	\$ 451	\$ 260	\$ 454	\$ 505	\$ 495	\$ 503	\$ 495	\$ 503
Total debt	\$ 418	\$ 451	\$ 260	\$ 522	\$ 582	\$ 575	\$ 550	\$ 575	\$ 550
Members'/partners' capital	\$ 363	\$ 433	\$ 723	\$ 1,286	\$ 1,251	\$ 1,242	\$ 1,273	\$ 1,242	\$ 1,273
<b>Other financial data:</b>									
Net cash provided by/(used in) operating activities	\$ 22	\$ 23	\$ 15	\$ 44	\$ 44	\$ 104	\$ 69	\$ 109	\$ 109
Net cash provided by/(used in) investing activities	\$ (119)	\$ (59)	\$ (10)	\$ (104)	\$ (810)	\$ (60)	\$ (44)	\$ (36)	\$ (36)
Net cash provided by/(used in) financing activities	\$ 122	\$ 24	\$ (23)	\$ 56	\$ 767	\$ (45)	\$ (25)	\$ (72)	\$ (72)

- (1) In September 2009, Plains All American Pipeline, L.P. became the sole owner of a predecessor of PNG by acquiring an additional 50% interest in that predecessor. Application of push-down accounting in conjunction with this transaction resulted in financial information for periods prior to and subsequent to this transaction being prepared under a different basis of accounting. For comparison purposes, the pro forma presentation places the 2009 period on the same basis of accounting as the most recent period. The following items were impacted by the adjustment: General and administrative expenses, Depreciation, depletion, and amortization, and Interest expense. The net impact of the pro forma adjustments was a \$4.0 million decrease to Net income and Adjusted Net Income and a \$1.2 million decrease in EBITDA and Adjusted EBITDA for the year ended December 31, 2009.
- (2) Reflective of general and limited partner interest in net income since closing of PNG's initial public offering.
- (3) Amount represents distributions per limited partner unit attributable to the fiscal period. Cash distributions for a fiscal quarter are declared and paid in the following calendar quarter. No distributions were declared for any periods prior to May 5, 2010, the closing of PNG's initial public offering. The PNG Series B Subordinated Units were not entitled to receive distributions for any of the periods presented.
- (4) Excludes approximately \$76.7 million and \$68.0 million of borrowings under PNG's senior unsecured credit agreement as of December 31, 2012 and 2011, respectively. Such borrowings, which are related to a portion of PNG's funded hedged natural gas inventory, have been designated as working capital borrowings and must be repaid within one year.

### Comparative Per Unit Information

The following table sets forth (i) historical per share information for PAA, (ii) the unaudited pro forma per share information of PAA after giving effect to the proposed merger and other merger transactions, including PAA's issuance of 0.445 PAA common units for each outstanding PNG common unit (other than the PNG common units owned by PAA), and (iii) the historical and equivalent pro forma per unit information for PNG.

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You should read this information in conjunction with (i) the summary historical financial information included elsewhere in this proxy statement/prospectus and the (ii) the historical consolidated financial statements of PAA and PNG and related notes that are incorporated by reference into this proxy statement/prospectus. The unaudited pro forma per unit information does not purport to represent what the actual results of operations of PAA and PNG would have been had the

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proposed merger been completed in another period or to project PAA's and PNG's results of operations that may be achieved if the proposed merger is completed.

	<b>Year Ended December 31, 2012</b>			
	<b>PAA</b>		<b>PNG</b>	
	<b>Historical</b>	<b>Pro Forma</b>	<b>Historical</b>	<b>Equivalent Pro Forma(1)</b>
<b>Net income per unit:</b>				
Basic net income per limited partner unit	\$ 2.41	\$ 2.40	\$ 0.99	\$ 1.07
Diluted net income per limited partner unit	\$ 2.40	\$ 2.38	\$ 0.99	\$ 1.06
Declared distributions per limited partner unit	\$ 2.11(2)	\$ 2.11	\$ 1.43(2)	\$ 0.94
Book value per unit	\$ 19.05(3)	N/A	\$ 14.44(4)	N/A

	<b>Nine Months Ended September 30, 2013</b>			
	<b>PAA</b>		<b>PNG</b>	
	<b>Historical</b>	<b>Pro Forma</b>	<b>Historical</b>	<b>Equivalent Pro Forma(1)</b>
<b>Net income per unit:</b>				
Basic net income per limited partner unit	\$ 2.23	\$ 2.20	\$ 0.62	\$ 0.98
Diluted net income per limited partner unit	\$ 2.22	\$ 2.19	\$ 0.62	\$ 0.97
Declared distributions per limited partner unit	\$ 1.73(2)	\$ 1.73	\$ 1.07(2)	\$ 0.77
Book value per unit	\$ 20.04(3)	\$ 20.55	\$ 14.36(4)	\$ 9.15

- (1) PNG's equivalent pro forma earnings, book value, and cash distribution amounts have been calculated by multiplying PAA's pro forma per share amounts by the exchange ratio noted above.
- (2) Represents cash distributions declared and paid during the year presented.
- (3) PAA's book value per unit for each respective period has been calculated by dividing the portion of equity attributable to the limited partnership interest by the common units outstanding at each respective balance sheet date.
- (4) PNG's book value per unit for each respective period has been calculated by dividing the portion of equity attributable to the common and subordinated unitholders by the outstanding common and subordinated units at each respective balance sheet date.

### **Market Prices and Distribution Information**

Common units of Plains All American Pipeline, L.P. trade on the NYSE under the ticker symbol "PAA," and common units of PAA Natural Gas Storage, L.P. trade on the NYSE under the ticker symbol "PNG." The following table sets forth, for the periods indicated, the range of high and low sales prices per unit for PAA common units and PNG common units, on the NYSE composite tape, as well as information concerning quarterly cash distributions declared and paid on these units.

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	PAA common units			PNG common units		
	High(2)	Low(2)	Distributions(1)(2)	High	Low	Distributions(1)
<b>2010</b>						
First Quarter	\$ 28.56	\$ 24.91	\$ 0.4675			
Second Quarter(3)	\$ 30.03	\$ 22.06	\$ 0.4713	\$ 26.00	\$ 22.25	\$ 0.2114
Third Quarter	\$ 32.11	\$ 28.67	\$ 0.4750	\$ 26.65	\$ 22.61	\$ 0.3375
Fourth Quarter	\$ 32.60	\$ 30.46	\$ 0.4788	\$ 25.75	\$ 22.61	\$ 0.3450
<b>2011</b>						
First Quarter	\$ 32.98	\$ 30.11	\$ 0.4850	\$ 25.50	\$ 22.73	\$ 0.3450
Second Quarter	\$ 32.85	\$ 28.90	\$ 0.4913	\$ 24.92	\$ 20.75	\$ 0.3450
Third Quarter	\$ 32.49	\$ 28.21	\$ 0.4975	\$ 23.72	\$ 15.91	\$ 0.3575
Fourth Quarter	\$ 36.78	\$ 27.45	\$ 0.5125	\$ 18.99	\$ 15.51	\$ 0.3575
<b>2012</b>						
First Quarter	\$ 42.24	\$ 34.74	\$ 0.5225	\$ 19.48	\$ 17.64	\$ 0.3575
Second Quarter	\$ 41.23	\$ 37.59	\$ 0.5325	\$ 19.48	\$ 16.51	\$ 0.3575
Third Quarter	\$ 45.57	\$ 40.18	\$ 0.5425	\$ 20.32	\$ 17.70	\$ 0.3575
Fourth Quarter	\$ 47.14	\$ 42.60	\$ 0.5625	\$ 20.79	\$ 17.95	\$ 0.3575
<b>2013</b>						
First Quarter	\$ 57.17	\$ 45.95	\$ 0.5750	\$ 21.82	\$ 19.05	\$ 0.3575
Second Quarter	\$ 59.52	\$ 50.15	\$ 0.5875	\$ 23.10	\$ 18.65	\$ 0.3575
Third Quarter	\$ 57.72	\$ 48.86	\$ 0.6000	\$ 23.59	\$ 20.21	\$ 0.3575
Fourth Quarter (through November 22, 2013)	\$ 53.74	\$ 49.72	(4)	\$ 24.05	\$ 21.99	(4)

- (1) Represents cash distributions per common unit declared with respect to the quarter presented and paid in the following quarter.
- (2) On October 1, 2012, PAA completed a two-for-one split of PAA common units, which has been retroactively applied to all unit and per-unit amounts presented for periods prior to October 1, 2012 to reflect the two-for-one unit split.
- (3) PNG's distribution paid for the second quarter of 2010 represents PNG's minimum quarterly distribution prorated for the period from May 5, 2010 (the date of closing of PNG's initial public offering) through June 30, 2010
- (4) PAA cash distributions with respect to the fourth quarter of 2013 are expected to be declared in January 2014 and paid in February 2014. PNG cash distributions with respect to the fourth quarter of 2013 would normally be declared in January 2014 and would be paid in February 2014; however, no such distribution will be paid if the merger is consummated prior to the record date for such distribution.

The last reported sale price of PNG common units on the NYSE on August 27, 2013, the last trading day before PAA announced its proposal to acquire all of the PNG common units owned by the public, was \$21.09. The last reported sale price of PAA common units on the NYSE on August 27, 2013, was \$51.44. The last reported sale price of PNG common units on the NYSE on November 22, 2013, the latest practicable date prior to the printing of this proxy statement/prospectus, was \$23.12. The last reported sale price of PAA common units on the NYSE on November 22, 2013, was \$51.95.

As of November 25, 2013, PAA had 343,438,985 common units outstanding held by approximately 212,000 holders of record. PAA's partnership agreement requires it to distribute all of its "available cash," as determined by PAA GP in accordance with PAA's partnership agreement, within 45 days after the end of each quarter. The payment of quarterly cash distributions of PAA in the future, therefore, will depend on the amount of its "available cash" at the end of the quarter. For additional information

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with respect to the calculation of "available cash" under PAA's partnership agreement, see "Comparison of the Rights of PAA Unitholders and PNG Unitholders Distribution of Available Cash."

As of November 25, 2013, the record date for the PNG special meeting, PNG had 61,158,699 outstanding common units held by approximately 14,800 holders of record. PNG's partnership agreement requires it to distribute all of its "available cash," as determined by PNG GP in accordance with PNG's partnership agreement, within 45 days after the end of each quarter. Prior to the termination of the merger agreement or the effective time of the merger, it is expected that PNG common unitholders will continue to receive quarterly distributions on their PNG common units consistent with past practice, provided that the record date for such quarterly distribution occurs prior to the effective time of the merger. If the merger agreement terminates and current market conditions persist as it is assumed through 2016, PNG would experience meaningful degradation of its earnings and distributable cash flow through 2018 relative to forecasted levels for 2013. This may, in turn, force PNG to issue additional equity, borrow additional money or reduce its distribution levels.

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**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This proxy statement/prospectus and the documents PAA and PNG have incorporated herein by reference contain various forward-looking statements and information that reflects PAA's and/or PNG's current beliefs, expectations or intentions regarding future events. These forward-looking statements may be identified by the use of words such as "may," "will," "could," "should," "would," "expect," "plan," "project," "intend," "anticipate," "believe," "estimate," "forecast," "predict," "potential," "pursue," "target," "continue," "contemplate" and similar expressions that contemplate future events. These statements appear in a number of places in this proxy statement/prospectus and in the documents incorporated by reference.

All statements other than statements of historical fact included or incorporated by reference in this proxy statement/prospectus, including statements regarding PAA's and/or PNG's financial position, business strategy and other plans and objectives for future operations or transactions, and including statements regarding the approval of the merger agreement and the merger transactions, the satisfaction of the closing conditions to the merger, the timing of the completion of the merger, expected U.S. federal income tax consequences, expectations and intentions regarding outstanding litigation, expectations with respect to the synergies, costs and other anticipated effects of the merger and expectations regarding PNG's business and common units if the merger does not occur, are forward-looking statements.

Although PAA and PNG believe that such forward-looking statements are based on reasonable assumptions, neither PAA nor PNG gives any assurance that such expectations will in fact occur. Certain factors could cause actual results to differ materially from those in the forward-looking statements. Such factors include, but are not limited to:

the possibility that the merger transactions are not consummated in a timely manner or at all;

the diversion of management in connection with the merger and PAA's ability to realize fully or at all the anticipated benefits of the merger;

failure to implement or capitalize, or delays in implementing or capitalizing, on planned internal growth projects;

unanticipated changes in crude oil market structure, grade differentials and volatility (or lack thereof);

the availability of, and PAA's ability to consummate, acquisition or combination opportunities;

the successful integration and future performance of acquired assets or businesses and the risks associated with operating in lines of business that are distinct and separate from PAA's historical operations;

the occurrence of a natural disaster, catastrophe, terrorist attack or other event, including attacks on PAA's electronic and computer systems;

tightened capital markets or other factors that increase PAA's cost of capital or limit PAA's access to capital;

maintenance of PAA's credit rating and ability to receive open credit from PAA's suppliers and trade counterparties;

continued creditworthiness of, and performance by, PAA's counterparties, including financial institutions and trading companies with which PAA does business;

the effectiveness of PAA's risk management activities;





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environmental liabilities or events that are not covered by an indemnity, insurance or existing reserves;

declines in the volume of crude oil, refined product and NGL shipped, processed, purchased, stored, fractionated and/or gathered at or through the use of PAA's facilities, whether due to declines in production from existing oil and gas reserves, failure to develop or slowdown in the development of additional oil and gas reserves or other factors;

shortages or cost increases of supplies, materials or labor;

fluctuations in refinery capacity in areas supplied by PAA's mainlines and other factors affecting demand for various grades of crude oil, refined products and natural gas and resulting changes in pricing conditions or transportation throughput requirements;

PAA's ability to obtain debt or equity financing on satisfactory terms to fund additional acquisitions, expansion projects, working capital requirements and the repayment or refinancing of indebtedness;

the impact of current and future laws, rulings, governmental regulations, accounting standards and statements, and related interpretations;

non-utilization of PAA's assets and facilities;

the effects of competition;

interruptions in service on third-party pipelines;

increased costs or lack of availability of insurance;

fluctuations in the debt and equity markets, including the price of PAA's units at the time of vesting under PAA's long-term incentive plans;

the currency exchange rate of the Canadian dollar;

weather interference with business operations or project construction;

risks related to the development and operation of PAA's facilities;

factors affecting demand for natural gas and natural gas storage services and rates;

general economic, market or business conditions and the amplification of other risks caused by volatile financial markets, capital constraints and pervasive liquidity concerns;

other factors and uncertainties inherent in the transportation, storage, terminalling and marketing of crude oil and refined products, as well as in the storage of natural gas and the processing, transportation, fractionation, storage and marketing of natural gas liquids; and

other factors and uncertainties inherent in the ownership, development and operation of natural gas storage facilities.

PAA and PNG caution that the foregoing list of factors is not exclusive. Additional information concerning these and other risk factors is contained in PAA's and PNG's most recently filed Annual Reports on Form 10-K, subsequent Quarterly Reports on Form 10-Q, recent Current Reports on Form 8-K, and other SEC filings. In addition, PAA and PNG may be subject to currently unforeseen risks that may have a materially adverse effect on them. All subsequent written and oral forward-looking statements concerning PAA, PNG, the proposed merger or other matters and attributable to PAA or PNG or any person acting on their behalf are expressly qualified in their entirety by the cautionary statements above. The forward-looking statements speak only as of the date made and, other than as required by law, neither PAA nor PNG undertakes any obligation to update publicly or revise any of these forward-looking statements, whether as a result of new information, future events or otherwise.

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**RISK FACTORS**

*An investment in PAA common units involves risks. You should consider carefully the following risk factors, together with all of the other information included in, or incorporated by reference into, this proxy statement/prospectus before deciding how to vote. In addition, you should read and consider the risks associated with the businesses of PAA and PNG. In particular, please read Part I, Item 1A. "Risk Factors," in the Annual Reports on Form 10-K for the year ended December 31, 2012, for each of PAA and PNG, and Part II, Item 1A. "Risk Factors," in the Quarterly Reports on Form 10-Q for the quarter ended September 30, 2013, for each of PAA and PNG, incorporated by reference herein. This proxy statement/prospectus also contains forward-looking statements that involve risks and uncertainties. Please read "Special Note Regarding Forward-Looking Statements."*

**Risks Related to the Merger**

*The exchange ratio is fixed and will not be adjusted in the event of any change in either the price of PAA common units or the price of PNG common units.*

If the merger is completed, each PNG common unit outstanding as of immediately prior to the effective time of the merger will be converted into the right to receive 0.445 PAA common units. This exchange ratio was fixed in the merger agreement and will not be adjusted for changes in the market price of either PAA common units or PNG common units. Changes in the price of PAA common units prior to the effective time will affect the market value of the merger consideration that PNG common unitholders will receive in the merger.

The market price of PAA common units has historically varied greatly. For example, during the period beginning on January 1, 2012, and ending on September 30, 2013, PAA common units traded as high as \$59.52 and as low as \$34.74 per unit. The market price of PAA common units is likely to continue to be volatile because of numerous factors, which may include:

quarterly fluctuations in PAA's operating results and those of PAA's competitors;

changes in stock market analysts' estimates of PAA's future performance and the future performance of PAA's competitors;

purchases and sales of a high volume of PAA common units by PAA unitholders;

events affecting other companies that the market deems comparable to PAA;

general conditions in the industry in which PAA operates;

general economic conditions in the United States and other countries;

federal, state and local legislation, governmental regulation and legal developments in the industry in which PAA operates;  
and

changes in market assessments of the likelihood that the merger will be completed.

The price of a PAA common unit at the effective time of the merger may vary from its price on the date the merger agreement was executed or on the date of the PNG special meeting. As a result, the market value represented by the exchange ratio will also vary. For example, based on the range of closing prices of PAA common units during the period from August 27, 2013, the last trading day before public announcement of the merger, through November 22, 2013, the final negotiated exchange ratio of 0.445 represented a market value ranging from a low of \$22.15 to a high of \$23.86 for each PNG common unit.

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If the price of PAA common units declines between the date the merger agreement was executed and the effective time of the merger, including for any of the reasons described above, PNG common unitholders will receive PAA common units that have a market value upon completion of the merger

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that is less than the market value calculated pursuant to the exchange ratio on the date the merger agreement was executed. Therefore, while the number of PAA common units to be issued in the merger is fixed, PNG common unitholders cannot be sure of the market value of the PAA common units they will receive upon completion of the merger or the market value of PAA common units at any time after the completion of the merger.

For historical and current market prices of PAA common units and PNG common units, please read "Summary Market Prices and Distribution Information" in this proxy statement/prospectus.

***The merger transactions may not be consummated even if PNG common unitholders approve the merger proposal.***

The merger agreement contains conditions, some of which are beyond the parties' control, that, if not satisfied or waived, may prevent, delay or otherwise result in the merger not occurring, even though PNG common unitholders may have voted to approve the merger proposal. PAA and PNG cannot predict with certainty whether and when any of the conditions to the completion of the merger will be satisfied. Any delay in completing the merger could cause PAA not to realize, or delay the realization of, some or all of the benefits that PAA expects to achieve from the merger. In addition, PAA and PNG can agree not to consummate the merger even if the PNG common unitholders approve the merger proposal and the conditions to the closing of the merger are otherwise satisfied.

***Financial projections by PAA and PNG may not prove accurate.***

In performing its financial analyses and rendering its opinion regarding the fairness, from a financial point of view, of the exchange ratio to the PNG unaffiliated unitholders, the financial advisor to the PNG Conflicts Committee reviewed and relied on, among other things, internal financial analyses and forecasts for PNG prepared by PNG management and publicly available projected financial information related to PAA. These financial projections include assumptions regarding future production, commodities pricing, operating cash flows, capital expenditures and distributable income of PNG. They speak only as of the date made and will not be updated. These financial projections were not provided with a view to public disclosure, are subject to significant economic, competitive, industry and other uncertainties, and may not be achieved in full, at all or within projected timeframes. The financial projections on which PNG's financial advisor based its opinion could turn out to be inaccurate.

***While the merger agreement is in effect, PNG may lose opportunities to enter into different business combination transactions with other parties on more favorable terms, and may be limited in its ability to pursue other attractive business opportunities.***

While the merger agreement is in effect, PNG is prohibited from, directly or indirectly, initiating, soliciting, knowingly encouraging or facilitating any inquiries regarding, or the making or submission of any proposal or offer that constitutes or may reasonably be expected to lead to, a proposal or offer to acquire 20% or more of the assets (by book value or monthly revenues) or equity securities of PNG, or a proposal or offer to enter into certain transactions such as a merger, consolidation, business combination, reorganization, liquidation, dissolution or similar transaction, with any other person, subject to limited exceptions. As a result of these provisions in the merger agreement, PNG may lose opportunities to enter into more favorable transactions.

PAA is interested only in acquiring the outstanding publicly held PNG common units and is not interested in selling the PNG equity interests held by PAA or PAA's interest in PNG GP. Therefore, even if a proposal or offer to acquire the assets or equity interests of PNG were to materialize, PAA, which owns a majority of the outstanding PNG equity interests, would likely decide not to vote or tender its PNG equity interests in favor of any such transaction.

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PNG has also agreed to refrain from taking certain actions with respect to its business and financial affairs pending completion of the merger or termination of the merger agreement. These restrictions and the non-solicitation provisions described above could be in effect for an extended period of time if completion of the merger is delayed and the parties agree to extend the April 30, 2014 termination date.

In addition to the economic costs associated with pursuing a merger, PNG GP's management continues to devote substantial time and other resources to the proposed transaction and related matters, which could limit PNG's ability to pursue other attractive business opportunities, including potential joint ventures, standalone projects and other transactions. If PNG is unable to pursue such other attractive business opportunities, its growth prospects and the long-term strategic position of its business could be adversely affected.

***If the merger does not occur, PAA and PNG will not benefit from the expenses they have incurred in the pursuit of the merger.***

The merger may not be completed. If the merger is not completed, PAA and PNG will have incurred substantial expenses for which no ultimate benefit will have been received by either company. The parties currently expect to incur merger-related expenses of approximately \$5 million, consisting of independent advisory, legal and accounting fees, and financial printing and other related charges, much of which may be incurred even if the merger is not completed. In addition, if the merger agreement is terminated under specified circumstances, either PAA or PNG will be required to pay certain expenses of the other party. See "The Merger Agreement Fees and Expenses."

***PAA, PNG GP and their directors and officers may have interests that differ from your interests, and these interests may have influenced their decision to propose and to approve the merger agreement and the merger transactions.***

The nature of the respective businesses of PNG and PAA and its affiliates may give rise to conflicts of interest between PNG and PAA. The interests of PAA, PNG GP, and their directors and officers may differ from your interests as a result of the relationships among them. A conflict could be perceived to exist, for example, in connection with the number of PAA common units offered as the merger consideration, particularly where three of the seven directors on the PNG GP Board are executive officers of PAA. Unlike the strict duty of a fiduciary who must act solely in the best interests of the beneficiary in resolving conflicts of interest, PNG's partnership agreement permits PNG GP to consider the relative interest of each party to a potential conflict situation and the benefits and burdens relating to such interests which, under certain circumstances, could include the interest of PNG GP and its affiliates.

Furthermore, PNG's partnership agreement provides that whenever a conflict of interest arises between PNG GP or any of its affiliates, on the one hand, and PNG or any partner of PNG, on the other, any resolution or course of action by PNG GP or its affiliates in respect of such conflict of interest shall not constitute a breach of PNG's partnership agreement or a breach of any duty otherwise stated or implied by law or equity so long as the resolution or course of action is approved by a majority of the members of the PNG Conflicts Committee (after due inquiry) based on a subjective belief that the course of action or determination that is the subject of such approval is fair and reasonable to PNG.

In addition, certain directors and executive officers of PAA are also directors and executive officers of PNG GP. See "Certain Relationships; Interests of Certain Persons in the Merger."

In considering the recommendation of the PNG Conflicts Committee to approve the merger proposal, you should consider that the directors and executive officers of PAA and PNG GP may have

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interests that differ from, or are in addition to, the interests of PNG common unitholders generally. These interests include the following:

each of the officers of PAA that are officers of both PAA and PNG GP are expected to continue to serve as officers of PAA following the merger;

each outstanding phantom unit issued pursuant to the PNG LTIP held by officers or directors of PNG GP will be converted in the merger into an equivalent number of PAA phantom units, with adjustments in the number of phantom units to reflect the exchange ratio and the adjustment of performance-based vesting targets to reflect the merger, but otherwise pursuant to the same terms that were in effect prior to the merger. In addition, any such phantom units held by the three independent directors of PNG GP will become non-forfeitable upon the termination of such director's service with PNG GP and will fully vest on the next date that would otherwise be a distribution date for PNG;

certain outstanding PAA phantom units held by officers of PNG GP have vesting conditions relating to PNG performance criteria, and such performance criteria may be adjusted to reflect the merger;

the officers of PAA and PNG GP that hold Transaction Grants, have agreed to unilaterally surrender such Transaction Grants upon consummation of the merger; and

all of the directors and officers of PNG GP have the right to indemnification under the organizational documents of PNG GP, the PNG partnership agreement and the merger agreement. In addition, all of the directors of PAA and all of the officers of PNG GP have the right to indemnification under the organizational documents of PAA or PNG.

See "Certain Relationships; Interests of Certain Persons in the Merger Interests of Directors and Executive Officers in the Merger."

***Lawsuits have been filed against PAA, PNG, PNG GP, and the directors and certain officers of PNG GP challenging the merger, and any injunctive relief or adverse judgment for monetary damages could prevent the merger from occurring or could have a material adverse effect on PAA following the merger.***

PAA, PNG, PNG GP, and the directors and certain officers of PNG GP are named defendants in a purported class action and derivative lawsuit brought by a purported PNG common unitholder in Harris County, Texas, generally alleging claims of breach of duties under PNG's partnership agreement, breach of the implied covenant of good faith and fair dealing in connection with the merger transactions, self-dealing and aiding and abetting arising out of the defendants' pursuit of the merger by way of an allegedly conflicted and unfair process. A similar lawsuit has been filed in the Delaware Court of Chancery against the same defendants and certain other affiliates of PAA. A third lawsuit has been filed in the United States District Court for the Southern District of Texas Houston Division against the same defendants and certain affiliates of PAA. Certain of the plaintiffs seek to enjoin the defendants from proceeding with or consummating the merger and, to the extent that the merger is implemented before relief is granted, plaintiffs seek to have the merger rescinded. Plaintiffs also seek money damages and attorneys' fees. One of the conditions to the completion of the merger is that no order, decree or injunction of any court or agency of competent jurisdiction shall be in effect, and no law shall have been enacted or adopted, that enjoins, prohibits or makes illegal consummation of any of the transactions contemplated by the merger agreement. A preliminary injunction could delay or jeopardize the completion of the merger, and an adverse judgment granting permanent injunctive relief could indefinitely enjoin completion of the merger. An adverse judgment for rescission or for monetary damages could have a material adverse effect on PAA following the merger.

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**Risks Related to PNG's Business and Common Units if the Merger Does Not Occur**

*If the merger does not occur and market conditions for the natural gas storage industry do not improve, it will likely have an adverse impact on PNG's cash flow, which, would in turn impact PNG's ability to maintain its distribution levels, borrowing capacity and debt covenant compliance.*

If the merger does not occur, PNG will continue to operate its business. However, market conditions for natural gas storage in the United States weakened progressively in the second half of 2010, generally remained weak throughout 2011 and 2012, and based on currently available information, PAA management believes that it is clear that the next several years will be challenging for PNG on a stand-alone basis. If current market conditions persist as it is assumed through 2016, PNG may not be able to replace or extend its existing contracts on favorable terms or enter into favorable contracts with respect to incremental working capacity, which could have a material adverse effect on PNG's business, financial condition, and results of operations. PNG would also experience meaningful degradation of its earnings and distributable cash flow through 2018 relative to forecasted levels for 2013. This in turn would negatively impact PNG's ability to maintain its distribution levels, borrowing capacity and debt covenant compliance or its ability to make acquisitions or engage in organic growth projects.

*If the merger does not occur, PNG may be unable to maintain current levels of distributions on its common units without incurring additional debt.*

If the merger agreement is terminated and the merger does not occur, based on currently available information, PAA management believes that it is clear that the next several years will be challenging for PNG. If current market conditions persist as it is assumed through 2016, PNG would experience meaningful degradation of its earnings and distributable cash flow through 2018 relative to forecasted levels for 2013. This may, in turn, force PNG to issue additional equity, borrow additional money or reduce its distribution levels.

**Tax Risks Related to the Merger**

*The intended U.S. federal income tax consequences of the merger are dependent upon PAA being treated as a partnership for U.S. federal income tax purposes.*

The treatment of the merger as nontaxable to PNG common unitholders is dependent upon PAA being treated as a partnership for U.S. federal income tax purposes. If PAA were treated as a corporation for U.S. federal income tax purposes, the consequences of the merger would be materially different and the merger would likely be a fully taxable transaction to a PNG common unitholder.

*PNG common unitholders could recognize taxable income or gain for U.S. federal income tax purposes as a result of the merger.*

As a result of the merger, PNG common unitholders who receive PAA common units will become partners of PAA for U.S. federal income tax purposes and will be allocated a share of PAA's nonrecourse liabilities. Each PNG common unitholder will be treated as receiving a deemed cash distribution equal to the excess, if any, of such common unitholder's share of nonrecourse liabilities of PNG immediately before the merger over such common unitholder's share of nonrecourse liabilities of PAA immediately following the merger. If the amount of any deemed cash distribution received by a PNG common unitholder exceeds the common unitholder's basis in his common units (reduced by any cash received in lieu of fractional PAA common units) such common unitholder will recognize gain in an amount equal to such excess. PAA and PNG do not expect any PNG common unitholders to recognize gain in this manner.



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***A PNG common unitholder's holding period for PAA common units received in the merger may be shorter than such holder's holding period in the surrendered PNG common units.***

As a result of the merger, PNG will be treated as if it contributed its assets to PAA in exchange for PAA common units (and cash in lieu of fractional PAA common units), followed by a liquidation of PNG in which PAA common units (and cash in lieu of fractional PAA common units) are distributed to PNG common unitholders. Accordingly, a PNG common unitholder's holding period in the PAA common units received in the merger will not be determined by reference to its holding period in the surrendered PNG common units. Instead, a PNG common unitholder's holding period in the PAA common units received in the merger that are attributable to PNG's capital assets or assets used in its business as defined in Section 1231 of the Internal Revenue Code will include PNG's holding period in those assets. The holding period for PAA common units received by a PNG common unitholder attributable to other assets of PNG, such as inventory and receivables will begin on the day following the merger.

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**THE PNG SPECIAL MEETING**

**General Information About the PNG Special Meeting**

***Time, Place and Date***

The special meeting of PNG common unitholders will be held in The Senate Room, located on the 12th Floor of Two Allen Center, 1200 Smith Street, Houston, Texas 77002, on December 31, 2013, at 9:00 a.m., Central Time.

***Purposes***

The purposes of the special meeting are:

to consider and vote on the merger proposal; and

to consider and vote on the adjournment proposal.

Only PNG GP can introduce new matters for a vote at the PNG special meeting. At this time, PNG GP does not plan on bringing any additional matters before the PNG special meeting for a vote.

***Quorum***

The presence in person or by proxy at the PNG special meeting of the holders of a majority of the outstanding PNG common units on the record date will constitute a quorum and will permit PNG to conduct the proposed business at the PNG special meeting. PNG common units held in your name will be counted as present at the special meeting if you:

are present in person at the meeting; or

have submitted a properly executed proxy card or properly submitted your proxy by telephone or internet.

Proxies received but marked as abstentions will be counted as units that are present and entitled to vote for purposes of determining the presence of a quorum. Because the only proposals for consideration at the PNG special meeting are non-discretionary proposals, there will not be any broker non-votes at the PNG special meeting.

***Record Date***

The record date for the PNG special meeting is the close of business on November 25, 2013.

***Units Entitled to Vote***

PNG common unitholders may vote at the special meeting if they owned PNG common units at the close of business on the record date. PNG common unitholders may cast one vote for each PNG common unit owned on the record date.

***Votes Required***

The merger proposal will be approved if the holders, as of the record date of the PNG special meeting, of a majority of the outstanding PNG common units vote in favor of the merger proposal at the PNG special meeting, and the holders of a majority of the outstanding PNG subordinated units vote in favor of the merger agreement and the merger transactions. Failures to vote and abstentions will have the same effect as a vote against the merger proposal. Pursuant to the merger agreement discussed elsewhere in the proxy statement/prospectus, PAA has agreed to vote the PNG common units and PNG subordinated units owned beneficially or of record by it or any of its subsidiaries in favor of the merger

agreement and the merger transactions, including the 28,155,526 PNG common units

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currently held by PAA and the 25,434,351 PNG subordinated units currently held by PAA, which units represent approximately 46% of the outstanding PNG common units and 100% of the outstanding PNG subordinated units, respectively. It is anticipated that PAA, as the holder of all of the PNG subordinated units, will execute a written consent approving the merger agreement and the merger transactions on the date of the special meeting of PNG common unitholders, which consent will satisfy the voting requirement with respect to the holders of the PNG subordinated units.

The adjournment proposal will be approved if the holders, as of the record date of the PNG special meeting, of a majority of the outstanding PNG common units present in person or represented by proxy and entitled to vote at such meeting vote in favor of the adjournment proposal at the PNG special meeting. Abstentions will have the same effect as a vote against this proposal.

Of the PNG common units entitled to vote on the proposals at the PNG special meeting, 2.16% of such PNG common units are held, and eligible to be voted, by certain executive officers and directors, and their affiliates, of PAA or PNG.

### ***Common Units Outstanding***

As of the record date, there were 61,158,699 PNG common units outstanding.

### **Voting Procedures**

#### ***Voting by PNG Common Unitholders of Record***

PNG common unitholders who hold units in their own name may vote using any of the following methods:

call the toll-free telephone number listed on your proxy card and follow the recorded instructions;

go to the internet website listed on your proxy card and follow the instructions provided;

complete, sign and mail your proxy card in the postage-paid envelope; or

attend the PNG special meeting and vote in person.

If you have timely and properly submitted your proxy, clearly indicated your vote and have not revoked your proxy, your PNG common units will be voted as indicated. If you have timely and properly submitted your proxy but have not clearly indicated your vote, your PNG common units will be voted FOR approval of the merger proposal and FOR the approval of the adjournment proposal.

### ***Revocation***

If you hold your PNG common units in your own name, you may revoke or change your proxy at any time prior to its exercise by:

giving written notice of revocation to the secretary of PNG GP at or before the special meeting;

appearing and actually voting in person at the special meeting;

timely submitting a later-dated proxy by telephone or internet no later than 5:00 p.m. Houston, Texas time on the day before the date of the PNG special meeting; or

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properly completing and executing a later-dated proxy and delivering it to the secretary of PNG GP at or before the PNG special meeting.

Your presence without voting at the special meeting will not automatically revoke your proxy.

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***Units Held in Street Name***

If you hold PNG common units in the name of a bank, broker or other nominee, you should follow the instructions provided by your bank, broker or nominee when voting your PNG common units or when granting or revoking a proxy.

Absent specific instructions from you, your broker is not allowed to vote your PNG common units on any proposal on which your broker, bank or other nominee does not have discretionary authority. The only proposals for consideration at the PNG special meeting are the merger proposal and the adjournment proposal, which are matters for which brokers and other nominees do not have discretionary authority to vote. To instruct your broker or other nominee how to vote, you should follow the directions that your broker or other nominee provides to you.

Please note that you may not vote your PNG common units held in "street name" by returning a proxy card directly to PNG or by voting in person at the PNG special meeting unless you provide a "legal proxy," which you must obtain from your broker or other nominee. If you do not instruct your broker or other nominee on how to vote your PNG common units, your broker or other nominee may not vote your PNG common units, which will have the same effect as a vote against the merger proposal and the adjournment proposal. You should therefore provide your broker or other nominee with instructions as to how to vote your PNG common units.

***Validity***

The inspector of election will determine all questions as to the validity, form, eligibility (including time of receipt) and acceptance of proxies. Its determination will be final and binding. The PNG GP Board has the right to waive any irregularities or conditions as to the manner of voting. PNG may accept your proxy by any form of communication permitted by Delaware law so long as PNG is reasonably assured that the communication is authorized by you.

***Solicitation of Proxies***

The accompanying proxy is being solicited by PNG GP on behalf of the PNG GP Board. The expenses of such solicitation, including the expenses of preparing, printing and mailing the proxy and materials used in the solicitation, will be borne 50% by PAA and 50% by PNG.

Georgeson, Inc. has been retained by PNG to aid in the solicitation of proxies for a fee of \$7,000, a per call fee and the reimbursement of out-of-pocket expenses. In addition to the mailing of this proxy statement/prospectus, proxies may also be solicited from PNG common unitholders by personal interview, telephone, fax or other electronic means by directors and officers of PNG GP and employees of PAA and its affiliates who provide services to PNG, who will not receive additional compensation for performing that service. Arrangements also will be made with brokerage houses and other custodians, nominees and fiduciaries for the forwarding of proxy materials to the beneficial owners of PNG common units held by those persons, and PNG will reimburse them for any reasonable expenses that they incur.

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**THE MERGER**

The discussion in this proxy statement/prospectus of the merger and the material terms of the merger agreement is subject to, and is qualified in its entirety by reference to, the merger agreement, a copy of which is attached as Annex A to this proxy statement/prospectus and incorporated by reference herein.

**General Description of the Merger**

Pursuant to the merger agreement, at the effective time of the merger, MergerCo, a direct wholly-owned subsidiary of PAA, will merge with and into PNG with PNG surviving the merger as a wholly-owned subsidiary of PAA, and each outstanding PNG common unit, other than those PNG common units owned by PAA or any of its subsidiaries, will be converted into the right to receive 0.445 PAA common units. Applying the original exchange ratio proposed by PAA of 0.435, the merger consideration originally proposed represented a 6.1% premium to the closing price of the PNG common units based on the closing prices of the PNG common units and PAA common units on August 27, 2013, the last trading day before PAA announced its proposal to acquire all of the PNG common units owned by the public. Applying the final exchange ratio agreed upon by the parties of 0.445, the merger consideration represents an 8.5% premium to the closing price of the PNG common units based on the closing price of the PNG common units on August 27, 2013, and a 0.2% premium to the closing price of PNG common units on October 21, 2013, the day the merger agreement was signed.

If the exchange ratio would result in a PNG common unitholder's being entitled to receive a fraction of a PAA common unit, that PNG common unitholder will not receive any fractional PAA common unit. PNG common unitholders will receive cash in lieu of receiving any fractional PAA common unit to which any PNG common unitholder would otherwise have been entitled in an amount equal to such fractional interest multiplied by the average of the closing price of PAA common units for the ten consecutive NYSE full trading days ending at the closing of the last NYSE full trading day immediately preceding the day the merger closes.

Once the merger is completed, former PNG common unitholders who surrender their PNG common units in accordance with the merger agreement will be eligible, in their capacity as PAA unitholders, to receive distributions declared by the PAA GP Board on PAA common units, if any, after the effective time of the merger to the extent such unitholders hold PAA common units as of the applicable record date for such distributions. For a description of PAA's distribution policy, please read "Comparison of the Rights of PAA Unitholders and PNG Unitholders."

Based on the 33,003,173 PNG common units outstanding on October 31, 2013, and eligible to be converted into PAA common units pursuant to the merger agreement (which number does not include the PNG common units owned by PAA or any of its subsidiaries), PAA expects to issue approximately 14.7 million PAA common units in connection with the merger. This number will represent approximately 4.1% of PAA's outstanding common units after the merger, based on the 342,950,166 PAA common units outstanding as of October 31, 2013. In connection with the closing of the merger, the owners of PAA's general partner have agreed to reduce their incentive distribution rights under PAA's partnership agreement by \$12 million in each of 2014 and 2015, \$10 million in 2016 and \$5 million per year thereafter.

The directors and executive officers of each of PAA and PNG GP prior to the merger are expected to continue as the directors and executive officers of PAA and PNG GP, respectively, following the merger, with the exception of the three independent directors of PNG GP. Information about the current PAA directors and executive officers can be found in PAA's Annual Report on Form 10-K for the year ended December 31, 2012, which is incorporated by reference into this proxy statement/prospectus. Information about the current PNG GP directors and executive officers can be

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found in PNG's Annual Report on Form 10-K for the year ended December 31, 2012, which is also incorporated by reference into this proxy statement/prospectus. See "Where You Can Find More Information."

**Background of the Merger**

*Formation of PNG*

PNG is a master limited partnership formed by PAA in January 2010 to own, operate and grow the natural gas storage business of PAA. PNG completed its initial public offering ("IPO") of PNG common units to the public in May of 2010. Prior to PNG's IPO, PAA owned all of the equity interests in PNG. In connection with PNG's IPO, PAA contributed to PNG two natural gas storage facilities and leases of storage capacity and pipeline transportation capacity from third parties in exchange for PNG common units, PNG Series A Subordinated Units, PNG Series B Subordinated Units, a 2% general partner interest and the PNG IDRs. The PNG Series B Subordinated Units were designed to compensate PAA for certain capital expenditures (and any return thereon) made by PAA prior to the IPO in connection with ongoing storage capacity expansions. The PNG Series B Subordinated Units are not entitled to participate in quarterly distributions until they convert into PNG Series A Subordinated Units or PNG common units and conversion is based on achieving certain benchmarks tied to the amount of storage capacity placed in service at PNG's Pine Prairie Energy Center and achieving certain earnings and distribution thresholds at PNG.

Since PNG's IPO in 2010, PNG's strategy has been to capitalize on the anticipated long-term growth in demand for natural gas storage services in North America and increase the amount of its earnings, cash flow and cash distributions to its unitholders by owning and operating high quality natural gas storage facilities and providing reliable, competitive and flexible natural gas storage and related services. PNG's plan for executing this strategy includes optimizing the performance and profitability of its existing natural gas storage facilities, engaging in commercial marketing activities to enhance its margins, organically expanding its existing natural gas storage facilities, pursuing strategic and accretive acquisition or development projects and leasing storage capacity and transportation services from third parties to enhance operational flexibility.

*Deteriorating Market Conditions for Natural Gas Storage Industry and PAA Support of PNG*

Market conditions for natural gas storage weakened progressively in the second half of 2010, generally remained weak throughout 2011 and 2012 and deteriorated further during 2013. During this approximate three year period, seasonal spreads (October to January), which are a proxy for the current intrinsic value of storage, have trended lower, generally staying in the low end of a five year range of \$0.27 to \$2.32 per MMBtu for the period October 2008-September 2013. In addition, during this same period, volatility levels, which have a meaningful impact on the value PNG is able to realize on a short term basis from its hub service and merchant storage activities, have generally been low relative to the levels experienced during the five-year period preceding the IPO of PNG. While there are a variety of factors that have contributed to these softer market conditions, the key drivers have been (i) relatively flat natural gas consumption, (ii) increased natural gas supplies due to production from shale resources, (iii) net increases in storage capacity, and (iv) lower basis differentials due to expansion of natural gas transportation infrastructure in the U.S..

During the first nine months of 2013, overall market conditions for natural gas storage continued to experience further significant deterioration. During the second and third quarters of 2013, rolling seasonal spreads (October to January), which provide a proxy for the current intrinsic value of storage as described above, ranged from \$0.27 to \$0.41 per MMBtu, reaching a ten year low during the second quarter that was less than half of the levels experienced during the second quarter of 2012, which ranged from \$0.60 to \$0.81 per MMBtu. Volatility levels, which impact the value PNG is able to realize



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on a short-term basis from its hub service and merchant storage activities, also decreased during the second and third quarters of 2013 relative to the second and third quarters of 2012.

Throughout this period of deteriorating market conditions, PAA took a variety of actions that have benefited PNG and its common unitholders. On two separate occasions PAA voluntarily restructured its equity holdings in PNG, which reduced and/or deferred the distribution amounts PNG would have otherwise been required to pay PAA. In August 2010, PAA restructured its equity holdings in PNG by (i) converting 2 million PNG Series A Subordinated Units, which participate in distributions, into PNG Series B Subordinated Units, which do not participate in distributions prior to their conversion into PNG Series A Subordinated Units or PNG common units, thus reducing the amount of cash distributions required to be paid by PNG to PAA by approximately \$2.7 million per year (based on the minimum annualized quarterly distribution rate of \$1.35 per PNG common unit), and (ii) extending the conversion period of the PNG Series B Subordinated Units by increasing the number of conversion tranches from three to five and increasing the operating and financial performance benchmarks required for conversion of approximately one-third of the then outstanding PNG Series B Subordinated Units. Additionally, in February 2012, PAA unilaterally modified the terms of the first three tranches of the PNG Series B Subordinated Units to increase the distribution thresholds required for conversion to an annualized amount of \$1.71 per PNG common unit, compared to the pre-amendment annualized distribution thresholds required for conversion for these three tranches of \$1.44, \$1.53 and \$1.63 per PNG common unit, respectively. The February 2012 amendment had the effect of deferring for the foreseeable future the conversion of 7.5 million PNG Series B Subordinated Units into PNG Series A Subordinated Units or PNG common units.

In addition, PAA also entered into a number of other transactions to provide additional financial support to PNG, including the following:

in February 2011, PAA provided \$430 million of capital to support the purchase by PNG of the Southern Pines storage facility through PAA's purchase of 10.2 million PNG common units for \$218 million, PAA's funding of the corresponding \$12 million matching contribution by PNG GP and PAA's funding of a \$200 million loan to PNG for 3 years with an interest rate of 5.25% per annum;

during 2011, PAA began providing guarantees of PNG's trade obligations in exchange for a minimum quarterly fee of \$12,500;

in June 2012, PAA extended the maturity of the \$200 million loan related to the Southern Pines acquisition by approximately 15 months and decreased the interest rate from 5.25% to 4.0% per annum; and

in March 2013, PAA leased 20 Bcf of storage capacity at PPEC for total minimum payments of \$49 million (10 Bcf for 2 years; 10 Bcf for 3 years), which is equivalent to a weighted average storage rate of approximately \$0.08 per MMBTU per month.

***Consideration of Strategic Alternatives***

In light of the fact that PNG has a significant amount of storage capacity that will need to be recontracted in the coming years due to the expiration of existing contracts, PAA management recognized that a continuation of current depressed market conditions would begin to adversely impact PNG's cash flow and ultimately its ability to maintain its distribution levels, borrowing capacity and debt covenant compliance. Accordingly, in late 2012 and early 2013 and as a supplement to its ongoing effort to identify and pursue accretive acquisition opportunities, PAA management began to explore strategic alternatives that might better position PNG for an extended period of weak natural gas storage market conditions. A variety of alternative transactions were considered, including combinations

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with third parties that were interested in using PNG as a public entity platform into which assets could be contributed and the potential purchase by PAA of the publicly held PNG common units.

With respect to potential third party transactions, during the period from March 2013 through August 2013, PAA signed confidentiality agreements and entered into preliminary confidential discussions with three separate third parties regarding potential strategic transactions involving PNG. In each instance, the third party was interested in using PNG as a public entity platform and contributing significant assets to PNG. Discussions with two of the interested parties did not progress meaningfully beyond exploratory discussions and by August it became clear to PAA management that the discussions with such parties were not going to result in a transaction. Discussions with the other third party, which began in July, developed to the point where preliminary due diligence information was exchanged and preliminary terms for a potential transaction were discussed, but this third party terminated discussions in mid-August after concluding that a strategic transaction with PNG was not as attractive as the other alternatives available to that party.

During the July and August time period when these discussions with third parties were taking place, PAA was also evaluating the potential acquisition by PAA of all of the publicly held PNG common units. In mid-July, members of PAA management contacted Vinson & Elkins, and engaged Vinson & Elkins as counsel for PAA in connection with a potential third party transaction or a possible purchase by PAA of the publicly held PNG common units.

On August 8, 2013, at a regular meeting of the PNG GP Board, PAA and PNG management discussed overall market conditions for natural gas storage, noting that (i) both spreads and volatility were low relative to prior periods and that the outlook for spreads over the next few years was directionally similar to the challenging conditions then being experienced and (ii) the intermediate to long term outlook for natural gas storage was encouraging, but that predicting the timing and extent of a recovery in market conditions was very difficult. PAA and PNG management also reviewed with the PNG GP Board an illustrative forecast for 2014-2018, a summary of which is included herein in the section entitled "The Merger Unaudited Financial Projections of PNG" (the "Illustrative Forecast"), that was based on various assumptions, including the assumption that firm storage recontracting rates would remain depressed through 2016 followed by a recovery period in 2017. PAA and PNG management noted that the Illustrative Forecast and the associated recontracting rate sensitivity cases indicated that if current market conditions persisted as assumed through 2016, PNG would experience meaningful degradation of its earnings and distributable cash flow through 2018 relative to forecasted levels for 2013, which in turn would negatively impact PNG's ability to maintain its distribution levels, borrowing capacity and debt covenant compliance. The independent directors of the PNG GP Board were also informed that PAA management was exploring strategic alternatives for PNG, that no decision had been made regarding a particular transaction and that PAA management would be discussing potential alternatives with the PAA GP Board at its upcoming regular meeting scheduled for August 22, 2013.

As referenced above, following the PNG GP Board meeting on August 8, 2013, but prior to the PAA GP Board meeting on August 22, 2013, the third party with whom PAA management had been discussing a potential strategic transaction involving PNG notified PAA management that it was terminating discussions regarding such transaction.

On August 22, 2013, during the executive session of the regularly scheduled quarterly meeting of the PAA GP Board, John Rutherford, Executive Vice President of PAA, reviewed PAA management's views regarding current and projected natural gas storage market conditions, the status of management's efforts to identify a strategic transaction involving PNG, and PAA management's analysis of and rationale for a potential purchase by PAA of all of the publicly held PNG common units. The PAA GP Board authorized PAA management to make a non-binding proposal to the independent directors of the PNG GP Board regarding the acquisition by PAA of all of the publicly held PNG

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common units on terms discussed at the meeting, subject to final approval of the definitive terms of any such acquisition by the PAA GP Board.

On August 27, 2013, PAA delivered a proposal (the "Proposal") to Victor Burk, Bobby S. Shackouls and Arthur L. Smith, the Independent Directors of the PNG GP Board, to acquire the publicly held PNG common units. The Proposal proposed a merger of PNG with a wholly owned subsidiary of PAA in which unaffiliated PNG common unitholders would receive 0.435 PAA common units for each issued and outstanding PNG common unit held by them. The proposed consideration represented a value per PNG common unit of \$22.74 based on the trailing 10-day average closing price of PAA's common units through August 26, 2013. The Proposal stated that PAA had assumed that a regular quarterly PNG common unit distribution of \$0.3575 per PNG common unit would be declared in October with respect to the third quarter of 2013 and paid in November. The Proposal assumed the execution of definitive agreements on or before September 27, 2013 and also assumed that the transaction would close prior to the end of 2013. Finally, the Proposal detailed the opinion of PAA management that, while PAA shared PNG's positive view about the intermediate to long term outlook for natural gas storage, based on a number of market factors, PAA believed the current challenging market conditions for natural gas storage conditions would persist for 2014 and potentially beyond. PAA also noted in its Proposal that continuation of current market conditions would adversely impact PNG's cash flow, which would in turn impact PNG's ability to maintain its distribution levels, borrowing capacity and debt covenant compliance. PAA further stated that, while it is difficult to predict the timing and extent of a recovery in natural gas storage market conditions, based on currently available information, PAA believed that it is clear that the next several years will be challenging for PNG on a stand-alone basis. The Proposal stated that PAA believed that the Proposal is an attractive opportunity for PNG's common unitholders to realize a value that reflects an appropriate balance between the intermediate to long term value of PNG's storage business and the uncertainty associated with a near term challenging environment. The Proposal also stated that it was non-binding and subject to final approval by the PAA GP Board and the negotiation of definitive agreements, as well as approval by the PNG Conflicts Committee and PNG's unitholders.

After the closing of trading on the NYSE on August 27, 2013, PAA and PNG each issued press releases announcing the Proposal. On August 28, 2013, PAA filed an amendment to its Schedule 13D relating to its ownership of the PNG common units and PNG subordinated units.

On August 29, 2013, a special meeting of the PNG GP Board was held in order to establish the PNG Conflicts Committee and make appropriate delegations to the PNG Conflicts Committee regarding the Proposal. The members of the PNG GP Board discussed the role of, and the criteria for membership on, the PNG Conflicts Committee. Richard K. McGee, Executive Vice President, General Counsel and Secretary of PNG GP, led a discussion regarding the establishment of the PNG Conflicts Committee, which included: (a) a review of the requirements under the PNG partnership agreement; and (b) confirmation of pertinent information relating to the independence of each of the independent directors of PNG GP. In particular, Mr. McGee noted that under the PNG partnership agreement, the PNG Conflicts Committee must be composed of two or more members of the PNG GP Board, each of whom must:

not be (i) an officer or employee of PNG, or (ii) an officer, director or employee of any affiliate of PNG or any associate of such affiliate;

not be a holder of any ownership interest in PNG or its affiliates (other than (i) PNG common units, (ii) other awards of interests in PNG that are granted to such director under a long-term incentive plan and (iii) ownership of PAA common units and indirect interests in PNG's general partner unless the Board determines that such ownership adversely impacts independence); and

meet the independence standards established by SEC and NYSE rules and regulations with respect to directors who serve on an audit committee of a board of directors.

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Mr. McGee then reviewed the independence standards required to serve on an audit committee as set forth in SEC and NYSE rules and regulations, including the requirement under the NYSE rules that in order for a director to qualify as independent, the board must affirmatively determine that such director has no material relationship with the listed company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the company) (where "listed company" and "company" are understood to include any parent or subsidiary in a consolidated group with the listed company). Mr. McGee then reviewed the information previously provided by the independent directors to establish their independence and asked Messrs. Burk, Shackouls and Smith if any information previously provided had changed or if any new information should be considered.

Following this discussion and consideration of the information provided by Messrs. Burk, Shackouls and Smith in the context of the requirements for independence and service on the PNG Conflicts Committee, the PNG GP Board affirmatively confirmed that (i) none of Messrs. Burk, Shackouls or Smith has any material relationship with PNG, PAA or any of their Affiliates within the meaning of the applicable SEC and NYSE rules, or any other relationship or interest that would otherwise interfere with the exercise of his independent judgment in carrying out the responsibilities of a member of the PNG Conflicts Committee, (ii) the ownership of PAA units by Messrs. Burk, Shackouls and Smith will not adversely impact their ability to act in an independent manner with respect to the matter submitted to the PNG Conflicts Committee, and (iii) each of Messrs. Burk, Shackouls and Smith meets the requirements for service as a member of the PNG Conflicts Committee under the PNG partnership agreement. The PNG GP Board appointed each of Messrs. Burk, Shackouls and Smith as members of the PNG Conflicts Committee, with Mr. Smith being appointed chairman of the PNG Conflicts Committee.

Following the confirmation of the independence of Messrs. Burk, Shackouls and Smith, the PNG GP Board unanimously resolved to delegate full power and authority of the PNG GP Board to the PNG Conflicts Committee to, among other things:

review and evaluate the Proposal, together with any other agreements or arrangements necessary to effect the potential transaction or incidental thereto, or any alternative transaction, on behalf of PNG GP, PNG and the PNG unaffiliated unitholders;

negotiate, or delegate to any person or persons the ability to negotiate, the terms and conditions of any proposed transaction;

determine whether or not to grant Special Approval pursuant to Section 7.9 of the PNG partnership agreement with respect to any proposed transaction;

make any recommendation to the PNG unaffiliated unitholders regarding what action, if any, should be taken by the PNG unaffiliated unitholders with respect to any proposed transaction; and

if applicable and as appropriate, exercise the full authority of the PNG GP Board with respect to the approval of any potential transaction, including the authorization of the execution and delivery of any documents, instruments or agreements with respect the proposed transaction.

The PNG GP Board further resolved that the members of the PNG Conflicts Committee would not have any duty to consider the interests of any person (including, without limitation, the interests of PAA and its affiliates, other than PNG), other than PNG and the PNG common unitholders that are unaffiliated with PAA, and that any action taken by the PNG Conflicts Committee in accordance with the powers granted to it by the PNG GP Board will be deemed to be the due and proper actions of the PNG GP Board, with the same effect as if the PNG GP Board had taken such actions or done or caused such things to be done. The PNG Conflicts Committee was authorized to select and retain its own legal and financial advisors.

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On August 29, 2013, the PNG Conflicts Committee held an in person meeting. At the meeting, the PNG Conflicts Committee interviewed four law firms to potentially serve as independent counsel to the PNG Conflicts Committee. Following such interviews, the PNG Conflicts Committee determined to engage Richards Layton as its legal advisor. At this meeting the PNG Conflicts Committee also discussed potential financial advisors and authorized Mr. Smith to schedule interviews of candidates for the consideration of the PNG Conflicts Committee. The PNG Conflicts Committee also discussed the terms of the Proposal with Mr. Greg Armstrong, Chairman of the Board and Chief Executive Officer of PAA, and Mr. McGee, including the timing contemplated by the Proposal.

On September 3, 2013, the PNG Conflicts Committee entered into an engagement letter with Richards Layton detailing the terms of its engagement.

On September 10, 2013, Mr. McGee, in order to clarify PAA's current intentions with respect to its ownership interest in PNG, called Mr. Smith and informed him that PAA did not have any current interest in selling its common units or other equity interests in PNG. Mr. McGee sent a follow-up e-mail to Mr. Smith on September 10, 2013 confirming the substance of his phone call.

On September 11, 2013, the PNG Conflicts Committee held an in person meeting. Representatives of Richards Layton were present at the meeting. Mr. Smith's election as chairman of the PNG Conflicts Committee and the PNG Conflicts Committee's retention of Richards Layton were confirmed. At the meeting, the PNG Conflicts Committee interviewed four financial advisors to potentially serve as independent financial advisor to the PNG Conflicts Committee. Following such interviews, the PNG Conflicts Committee directed Mr. Smith to explore the engagement of Evercore Group L.L.C. ("Evercore"). Subsequently, a formal engagement letter dated September 24, 2013 was executed.

On September 12, 2013, PAA and PNG, acting pursuant to the authority delegated to the PNG Conflicts Committee, entered into a confidentiality agreement. The confidentiality agreement generally requires the PNG Conflicts Committee to maintain the confidentiality of any evaluation materials related to PAA and PNG provided to the PNG Conflicts Committee by or on behalf of PAA for the PNG Conflict Committee's use in connection with the evaluation of the Proposal.

During the four-day period from September 13-16, (i) the PNG Conflicts Committee hired Evercore to act as its financial advisor in connection with any proposed transaction (subject to the finalizing of an engagement letter), (ii) Evercore entered into a secrecy agreement pursuant to which it agreed to abide by the terms of the September 12, 2013 confidentiality agreement between PAA and PNG, (iii) Evercore provided a due diligence request list to PAA and PNG and began preliminary due diligence and valuation work, and (iv) PAA provided Evercore and the PNG Conflicts Committee some initial due diligence materials. On September 16, 2013, the PNG Conflicts Committee held a telephone meeting at which the committee members discussed the terms of Evercore's engagement and the September 17, 2013 due diligence meeting. Present at the meeting were representatives of Richards Layton.

On September 17, 2013, Mr. Dean Liollo (President of PNG GP), Mr. Benjamin J. Reese (Senior Vice President, Commercial of PNG GP), Mr. Patrick Diamond (Vice President of PAA GP), Mr. Rabinowitz, Mr. McGee and Mr. Al Swanson (Executive Vice President and CFO of PAA GP and PNG GP) met with Mr. Smith from the PNG Conflicts Committee and representatives of Richards Layton and representatives of Evercore to (i) review and discuss information provided by PAA and PNG management that was responsive to the due diligence list provided by Evercore, including, among other matters, PNG's business and operations, business plans, financial statements and financial forecasts and (ii) answer additional questions asked by Richards Layton and Evercore's representatives regarding PNG. The key topics discussed at such meeting included the views of PNG management regarding current and projected market conditions for natural gas storage, the related outlook for PNG in terms of its financial performance for the period through 2018 and any issues associated with such financial performance outlook, including the potential need to issue equity, the impact of the potential conversion of PNG's Series A Subordinated Units, future distribution levels and debt covenant

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compliance issues. During such meeting, a representative of PAA indicated that PAA was not interested in selling (or considering a sale of) its stake in PNG.

On September 19, 2013, the PNG Conflicts Committee held a telephonic meeting at which the committee members received an update on the September 17, 2013 due diligence meeting and discussed PNG's business operations, debt covenants and potential alternative transactions, as well as the assumptions underlying PNG's financial projections. Present at the meeting were representatives of Evercore and representatives of Richards Layton.

Also, on September 19, 2013, Mr. Smith, Mr. Burk, Mr. Shackouls, Mr. Rutherford, Mr. Jeremy Goebel (Managing Director of Business Development for PAA GP), Mr. Diamond, Mr. Swanson, Mr. Rabinowitz and representatives of Richards Layton and representatives of Evercore met (with some participants participating by conference telephone) to discuss Evercore's due diligence request list as it related to PAA. At the meeting, the parties reviewed and discussed various matters relating to PAA, including (i) the ownership of PAA; (ii) business models; (iii) financial statements; (iv) reporting segments; (v) financial projections; (vi) financial growth strategy; (vii) asset base and positioning; (viii) capital projects; (ix) investment considerations; (x) an overview of each of PAA's business segments and activities; (xi) an overview of certain leases; (xii) an overview of the marketing process; (xiii) recent financing activities; and (xiv) non-GAAP reconciliations. Mr. Rutherford also generally reviewed the efforts that had been taken by PAA to explore strategic alternatives for PNG, noting that confidentiality obligations prevented him from discussing the specifics of certain third-party discussions. At this meeting, Mr. Rutherford was asked to share PAA's valuation model behind the 0.435 PAA common unit exchange ratio. Mr. Rutherford declined to share this information.

On September 24, 2013, the PNG Conflicts Committee held a telephonic committee meeting at which representatives of Richards Layton were present. The representatives of Richards Layton reviewed with the committee members their duties and obligations under Delaware law and the PNG partnership agreement. Representatives of Richards Layton also reviewed with the PNG Conflicts Committee certain process issues.

On September 25, 2013, a representative of PAA acknowledged to Richards Layton that the September 27, 2013 date set forth in the Proposal was no longer feasible, but that PAA hoped that the PNG Conflicts Committee could provide a substantive update by that time.

On or about September 26, 2013, acting by unanimous written consent and following discussions between and among representatives of Richards Layton, Mr. McGee and Mr. Smith during the preceding two weeks, the PNG GP Board adopted resolutions finalizing the compensation to be paid to the members of the PNG Conflicts Committee with respect to any proposed transaction. The compensation, which is in addition to the regular compensation payable to the members of the PNG Conflicts Committee in their capacity as directors of the PNG GP Board, was set as follows: (i) \$20,000 per month (plus an additional \$5,000 per month for the chairman) payable monthly in arrears beginning September 1, 2013, and continuing until the filing of PAA's registration statement on Form S-4; (ii) \$7,500 per month (plus an additional \$2,500 per month for the chairman) payable monthly in arrears thereafter until closing of the merger; and (iii) if litigation continues after closing, a fee of \$750 per hour for time actually spent in connection with such litigation. The final terms also provided that any such fees would cease accruing upon the cessation of discussions relating to any proposed transaction.

On September 26, 2013, the PNG Conflicts Committee held an in person meeting. Present at the meeting were representatives of Evercore and representatives of Richards Layton. At the meeting, representatives of Evercore provided an overview of the Proposal and discussed with the PNG Conflicts Committee certain issues regarding the Proposal, including (i) general issues and observations regarding PNG and the natural gas storage sector, (ii) an overview of the primary assets of PNG, (iii) financial projections for PNG, (iv) sensitivities to the financial projections for PNG, (v) potential standalone alternatives for PNG, (vi) a preliminary valuation analysis of common units of PNG, (vii) a valuation

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analysis of the PAA common units, (viii) a contribution analysis of a combination of PNG and PAA on a pro forma basis, (ix) the pro forma effects of the Proposal on PNG and its unitholders, (x) an accretion/dilution analysis with respect to both projected distributions and projected distributable cash flow for unitholders of PNG, (xi) an analysis of the proposed exchange ratio, and (xii) various potential transaction considerations. The PNG Conflicts Committee also discussed the risks and merits of a potential transaction with PAA, and other potential alternative transactions available to PNG. At the conclusion of the meeting, the Committee instructed Evercore to communicate to PAA during the late morning on September 27<sup>th</sup> that, subject to the negotiation of a mutually satisfactory form of merger agreement, the PNG Conflicts Committee was willing to support a transaction by which PAA would acquire all of the publicly held units of PNG if (i) the exchange ratio were increased to 0.475 PAA common units for each publicly held unit of PNG and (ii) the consummation of the transaction was conditioned on receiving the approval of a majority of PNG common units held by unaffiliated holders.

On September 27, 2013, representatives of Evercore contacted Mr. Diamond by telephone and communicated that, subject to the negotiation of a mutually satisfactory form of merger agreement, the PNG Conflicts Committee was willing to support a transaction by which PAA would acquire all of the publicly held units of PNG if (i) the exchange ratio were increased to 0.475 PAA common units for each publicly held unit of PNG and (ii) the consummation of the transaction was conditioned on receiving the approval of a majority of PNG common units held by unaffiliated holders.

Also on September 27, 2013, Jeffery Floyd, a partner at Vinson & Elkins, sent an initial draft of proposed form of merger agreement to Richards Layton via email. The draft of the merger agreement was consistent with the Proposal dated August 27, 2013, and included an exchange ratio of 0.435 PAA common units for each outstanding PNG common unit held by unitholders not affiliated with PAA.

On September 30, 2013, Mr. Rutherford contacted Mr. Smith to discuss the PNG Conflicts Committee's position. They discussed PNG's distributions to holders of common units, unitholder distribution dilution resulting from a transaction and the ability of PNG to make distributions in the future. Mr. Rutherford indicated that he believed the Proposal was reasonable and fair.

On October 1, 2013, the PNG Conflicts Committee held a telephonic meeting. Representatives of Evercore and Richards Layton were present at the meeting. The discussions with Messrs. Diamond and Rutherford were summarized and discussed. The PNG Conflicts Committee considered the Proposal and the potential dilution in unitholder distributions resulting from PAA's proposal. The PNG Conflicts Committee determined not to move from its proposed exchange ratio of 0.475 until PAA provided a counterproposal. Representatives of Richards Layton reviewed with the PNG Conflicts Committee the terms of the draft merger agreement. The PNG Conflicts Committee discussed the terms of the merger agreement and instructed Richards Layton to send a revised draft merger agreement to Vinson & Elkins. The PNG Conflicts Committee also discussed certain tax issues relating to a transaction with PAA, including the need to confirm that a merger would be a tax free exchange for PNG's unitholders.

On October 1, 2013, Mr. Floyd spoke telephonically with representatives of Richards Layton. During this call, representatives of Richards Layton requested information regarding any analysis done on the potential tax implications of the Proposal on PNG's common unitholders and PNG's outstanding long term incentive plans and awards, including the treatment proposed by PAA for outstanding awards. Regarding the draft merger agreement, representatives of Richards Layton also provided initial feedback regarding the proposed terms, which feedback included a reiteration of the PNG Conflicts Committee's request that the merger agreement include a condition that the merger be approved by the holders of a majority of the PNG common units excluding the PNG common units held by PAA, in addition to requests to broaden certain representations, warranties and covenants of PAA, add a provision that would allow the PNG Conflicts Committee to change its recommendation to the PNG common unitholders if it felt that doing so was necessary to comply with its duties, and eliminate any "deal protection" provisions in favor of PAA (including the \$15 million termination fee requested by PAA and the "no shop" provision prohibiting the PNG Conflicts Committee from soliciting third party

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offers). On October 2, 2013, Richards Layton provided Mr. Floyd with a marked-up copy of the draft merger agreement reflecting these and other comments to the agreement, including the previously communicated request of the PNG Conflicts Committee to increase the proposed exchange ratio from 0.435 to 0.475.

On October 4, 2013, Messrs. Floyd, McGee and Diamond had a conference call with representatives of Evercore and representatives of Richards Layton, to discuss PAA's response to the PNG Conflict Committee's September 27, 2013 counteroffer and the proposed revisions to the terms of the merger agreement reflected in the draft merger agreement delivered by Richards Layton to Mr. Floyd on October 2, 2013. Mr. Floyd first addressed PAA's response to the proposed non-economic terms in the merger agreement noting that: (i) PAA would agree to expand the representations, warranties and covenants of PAA as proposed by the PNG Conflicts Committee; (ii) PAA would agree to add a provision allowing the PNG Conflicts Committee to change its recommendation to the PNG common unitholders if it believed its duties required such a change; (iii) PAA would agree to forego a termination fee, provided that PNG would be obligated to pay for PAA's expenses if the merger agreement was terminated due to a change by the PNG Conflicts Committee of its recommendation to the PNG common unitholders; (iv) PAA was not willing to agree to the elimination of the "no shop" provision prohibiting the solicitation by the PNG Conflicts Committee of proposals from third parties following the execution of the merger agreement; and (v) PAA was not willing to condition the transaction on approval of the holders of a majority of the PNG common units not held by PAA and its affiliates, but was willing to agree to vote its PNG common units and PNG subordinated units in favor of the transaction. Mr. Diamond then addressed the economic terms of the counter offer and reiterated PAA's view that its initial offer of an exchange ratio equal to 0.435 represented a compelling offer, especially considering the potential earnings and cash flow challenges facing PNG in the coming years given the depressed market conditions for natural gas storage, as well as anticipated difficulties maintaining distribution levels and compliance with applicable debt covenants. Mr. Diamond then stated that PAA was nonetheless willing to increase the exchange ratio from 0.435 to 0.445. Later that day, Mr. Floyd sent a revised draft of the merger agreement to Richards Layton reflecting the terms discussed on the call.

On October 7, 2013, the PNG Conflicts Committee held a telephonic meeting and discussed the proposed increase to the exchange ratio and certain financial information relating to the proposed transaction that had been circulated by Evercore.

On October 8, 2013, the PNG Conflicts Committee held a telephonic meeting. Representatives of Richards Layton and Evercore were present at the meeting. At the meeting, the discussions with PAA and Vinson & Elkins were summarized and discussed. Also, representatives of Evercore reviewed with the PNG Conflicts Committee certain financial information related to the proposed transaction, including the historical exchange ratio between PNG and PAA and a review of the implied transaction price of the proposed transaction. The PNG Conflicts Committee also reviewed with the representatives of Evercore the potential dilutive effect the proposed transaction could have on the distributions to PNG common unitholders on a going forward basis. Representatives of Evercore also reviewed with the PNG Conflicts Committee alternative transaction structures that were designed to capture additional value for the public unitholders of PNG in the event PAA was not willing to increase the exchange ratio. These alternative transaction structures included the issuance of a mandatorily convertible security paying a higher distribution for a period of time or a security with a "put" right. The PNG Conflicts Committee also discussed conditioning the consummation of the transaction on receiving the approval of a majority of PNG units held by unaffiliated holders. The PNG Conflicts Committee determined to counter PAA's revised proposal with (i) an exchange ratio of 0.465 PAA common units for each publicly held PNG unit and (ii) an offer to drop the majority of the unaffiliated unitholder vote condition if the 0.465 exchange ratio was accepted. The PNG Conflicts Committee further directed Evercore to describe the alternative transaction structures with PAA as an alternative means by which any remaining gap in the two sides' respective positions on the exchange ratio could be



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bridged. During the meeting, representatives of Richards Layton reviewed with the PNG Conflicts Committee the terms of the revised draft merger agreement received from Vinson & Elkins on October 4<sup>th</sup>. The PNG Conflicts Committee discussed the terms of the merger agreement and instructed Richards Layton to send a revised draft merger agreement to Vinson & Elkins.

Following the meeting, Mr. Floyd and representatives of Richards Layton met telephonically to discuss the PNG Conflicts Committee's comments to the revised merger agreement provided to its counsel on October 4<sup>th</sup>. Representatives of Richards Layton indicated that the PNG Conflicts Committee still desired to eliminate the "no shop" provision and retain the ability to solicit proposals from third parties after the signing of the merger agreement. Representatives of Richards Layton also indicated that the PNG Conflicts Committee would agree to reimburse PAA for its expenses in connection with a termination of the merger agreement due to a change to its recommendation to the PNG common unitholders, so long as such expense reimbursement was capped at \$5 million. Representatives of Richards Layton also requested a meeting with an officer of PNG and PAA to allow appropriate diligence regarding the representations and warranties, and covenants, of PNG and PAA, respectively, contained in the merger agreement.

Also following the meeting, Mr. Diamond spoke telephonically with representatives of Evercore. The Evercore representatives indicated that the PNG Conflicts Committee requested that the exchange ratio be increased to 0.465 and that if PAA agreed to increase the exchange rate to 0.465, the PNG Conflicts Committee would withdraw its request that the merger be approved by the holders of a majority of the unaffiliated PNG common units.

On October 9, Mr. Rutherford called Mr. Smith to indicate that PAA was not willing to increase its proposed exchange ratio to 0.465 as requested by the PNG Conflicts Committee through representatives of Evercore on October 8. Mr. Rutherford also communicated to Mr. Smith that PAA's October 4<sup>th</sup> offer of a 0.445 exchange ratio coupled with a vote of all of the PNG unitholders was PAA's "best and final offer." Mr. Smith countered by proposing that in lieu of increasing the exchange ratio to 0.465, the PNG Conflicts Committee would accept the 0.445 exchange ratio provided that PAA agrees to make a one-time distribution to the PNG common unitholders of approximately \$0.53 per unit as part of the transaction. Mr. Rutherford indicated that PAA's management had discussed the concept of a one-time distribution at closing and that PAA was not willing to agree to such a payment because it had the same economic impact as an increase in the exchange ratio.

On October 9, 2013, Mr. Floyd spoke telephonically with a representative of Richards Layton and advised that the \$5 million cap on expense reimbursements was acceptable and that PAA and PNG officers would be available for a discussion involving the representations and warranties, and covenants, contained in the merger agreement and would be prepared to sign a closing certificate related to the representations and warranties, and covenants, at closing. Mr. Floyd indicated, however, that PAA was not willing to agree to the removal of the "no shop" provision. Later on October 9<sup>th</sup>, Richards Layton provided a revised merger agreement to Mr. Floyd by email which, among other things, indicated that the PNG Conflicts Committee was willing to agree to the inclusion of the "no shop" provision, provided that PAA agreed to allow additional flexibility regarding the ability of the PNG Conflicts Committee to respond to unsolicited third party acquisition proposals.

On October 10, 2013 the PNG Conflicts Committee held a telephonic meeting. Representatives of Richards Layton and Evercore were present at the meeting. At the meeting, Mr. Smith reviewed with the PNG Conflicts Committee PAA's response to the committee's counterproposal. The PNG Conflicts Committee considered whether it is advisable to continue to seek a more favorable exchange ratio and also considered whether to again raise the alternative transaction structures or even a special cash distribution. During the meeting, representatives of Richards Layton updated the PNG Conflicts Committee on the recent negotiations regarding the merger agreement. The PNG Conflicts Committee determined to continue to negotiate with PAA to obtain a more favorable exchange ratio and/or a cash distribution.

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On October 10, 2013, Mr. McGee emailed previously requested summary information regarding the long term incentive plans and related awards to representatives of Richards Layton. Later that day, representatives of Richards Layton spoke telephonically with Mr. McGee, Mr. Goebel, Ms. Ann Gullion (internal legal counsel of PAA GP) and Mr. Rabinowitz regarding PNG's representations, warranties and covenants contained in the merger agreement and PNG's long term incentive plans and related awards.

On October 11, 2013, Mr. Smith contacted Mr. Rutherford and requested a conference call among the full PNG Conflicts Committee and Mr. Rutherford, Mr. McGee and Mr. Diamond to discuss the call between Mr. Rutherford and Mr. Smith that occurred on October 9. Also on October 11, 2013, Mr. Floyd met telephonically with representatives of Richards Layton to review the proposed changes to the merger agreement reflected in Richards Layton's October 9, 2013 draft of the agreement. After discussion and resolution of most of the proposed changes, Mr. Floyd noted that in addition to the exchange ratio and the issue of whether the PNG unitholder vote would include PAA's PNG common units, the remaining open items in the merger agreement related to the definition of acquisition proposal and superior proposal as used in the "no shop" and change in recommendation provisions, the addition of a tax opinion from Vinson & Elkins as a condition to closing and the termination date under the merger agreement.

On October 14, 2013, the PNG Conflicts Committee held a telephonic meeting. Representatives of Richards Layton and Evercore were present at the meeting. At the meeting the PNG Conflicts Committee discussed the negotiation strategy for the PNG Conflicts Committee's upcoming call with representatives of PAA and considered the continuation of PNG as a public entity. Representatives of Richards Layton updated the PNG Conflicts Committee on the results of Richards Layton's diligence call with Mr. McGee. Representatives of Richards Layton also reviewed certain terms of the draft merger agreement with the PNG Conflicts Committee and the discussion with Vinson & Elkins with respect to the draft merger agreement.

Following the meeting of the PNG Conflicts Committee, the members of the PNG Conflicts Committee had a call with Mr. Rutherford and Mr. McGee to negotiate the terms of the proposed transaction. During such call, Mr. Smith communicated that the PNG Conflicts Committee had determined that it would forego the condition that the transaction be approved by the holders of a majority of the PNG common units excluding the PNG common units held by PAA and its affiliates if PAA would agree to either (i) the 0.445 exchange ratio proposed by PAA, coupled with a one-time cash payment to the PNG unaffiliated unitholders in the amount of \$0.53 per PNG common unit or (ii) an exchange ratio of 0.455. Mr. Rutherford, on behalf of PAA, refused to increase the proposed exchange ratio or include a cash distribution in the proposed transaction. Mr. Rutherford also expressed the view during the call that the PAA proposal was fair and generous in light of industry conditions that will likely have a negative impact on PNG's earnings, cash flow and ability to make distributions to its unitholders and that it represented PAA's best and final offer. On behalf of the PNG Conflicts Committee, Mr. Smith indicated that the PNG Conflicts Committee wanted to deliberate further regarding the matter and requested a follow-up meeting with PNG senior management and Mr. Swanson to review further their assessment of market conditions and PNG's prospects. Following the call with Mr. Rutherford, the PNG Conflicts Committee reconvened the earlier meeting of the PNG Conflicts Committee. Representatives of Evercore and Richards Layton were present at the reconvened meeting. At the reconvened meeting the PNG Conflicts Committee discussed PNG's prospects for continuing as a public entity and potential alternative transactions that may be available to PNG. The PNG Conflicts Committee further considered whether the merger should be conditioned on the approval of a majority of the unaffiliated unitholders of PNG.

On October 15, 2013, the PNG Conflicts Committee held a telephonic meeting. Representatives of Richards Layton and Evercore were present at the meeting. Representatives of Richards Layton updated the PNG Conflicts Committee on the terms of the draft merger agreement. The PNG Conflicts Committee discussed whether the merger should be conditioned on a vote of a majority of

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the unaffiliated unitholders of PNG. The PNG Conflicts Committee directed Mr. Smith to again approach Mr. Rutherford to indicate that the PNG Conflicts Committee understood and was willing to accept PAA's perspective on value, but that the PNG Conflicts Committee's prior indication of willingness to forego a majority of the unaffiliated vote was premised on a higher exchange ratio and that, given PAA's unwillingness to meet that request, the PNG Conflicts Committee believed that the transactions should be subject to the approval of the affirmative vote of a majority of the votes cast by the unaffiliated unitholders of PNG. The PNG Conflicts Committee also discussed the merits of a face-to-face meeting with members of PNG management to allow the PNG Conflicts Committee members directly to ask questions and discuss issues with PNG management regarding the proposed transaction and the prospects for PNG if it were to continue as a public entity.

On October 15, Mr. Smith requested a meeting or call with Mr. Rutherford and they agreed to an in-person meeting on the morning of October 16 at Mr. Smith's office.

Also on October 15, 2013, Mr. Floyd contacted representatives of Richards Layton to propose compromises on the remaining open merger agreement provisions other than the exchange ratio and then provided Richards Layton with a revised draft of the merger agreement responding to the remaining non-economic points, the most significant of which was the addition of a condition requiring issuance of an opinion of Vinson & Elkins to the effect that the proposed transaction would not be subject to U.S. federal income tax for PNG common unitholders.

On October 16, 2013, Mr. Smith held a meeting with Mr. Rutherford in which Mr. Smith conveyed that the PNG Conflicts Committee was willing to accept the 0.445 exchange ratio subject to the resolution of the open terms of the draft merger agreement and the inclusion of a condition that the merger be approved by a majority of the units voted by unaffiliated unitholders of PNG at the meeting. During the discussion, Mr. Rutherford stated that PAA was unwilling to improve the economic terms of the transaction.

Also on October 16, 2013, representatives of Richards Layton had a conference call with representatives of Vinson & Elkins to discuss the terms of the draft merger agreement and the inclusion of a condition that the merger be approved by a majority of the units voted by unaffiliated unitholders of PNG at the meeting.

Additionally, on October 16, 2013, the PNG Conflicts Committee had a telephonic committee meeting. Representatives of Richards Layton and Evercore were present at the meeting. At the meeting, Mr. Smith reviewed his meeting earlier in the day with Mr. Rutherford. The committee discussed certain process issues, including a future meeting with PNG management. Representatives of Richards Layton also updated the Conflict Committee on the terms of the draft merger agreement. The Committee also further considered the pros and cons of a condition that the merger be approved by a majority of the units voted by unaffiliated unitholders at the meeting.

On October 16, 2013, Mr. Smith had a telephonic discussion with Mr. Rutherford later in the day in which Mr. Rutherford reiterated that PAA was unwilling to change the economics of the transaction, PAA was unwilling to agree to condition the transaction on the approval of a majority of the units voted by unaffiliated unitholders at the meeting and that its last proposal was PAA's best and final offer.

On October 18, 2013, Mr. Smith called Mr. Rutherford and asked for a meeting with Mr. Rutherford and Mr. Armstrong following the due diligence meeting with the PNG management team on October 21, 2013.

On October 21, 2013, the PNG Conflicts Committee members met with Dean Liollo, Al Swanson and Ben Reese, members of PNG's senior management team, to discuss potential alternatives for PNG remaining as a separate, public entity, including the current and expected market conditions for natural gas storage as well as the projected financial performance and related implications for PNG.

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During the meeting, the representatives of senior management expressed their belief to the PNG Conflicts Committee that the proposed transaction was the best alternative available for the public common unitholders of PNG. Following the meeting with Messrs. Liollo, Swanson and Reese, the PNG Conflicts Committee had a separate meeting with Mr. Armstrong and Mr. Rutherford during which the PNG Conflicts Committee tried to gain an increase in the consideration payable to the public unitholders of PNG. Mr. Smith also reiterated the PNG Conflict Committee's request for a PNG unitholder vote that excluded the PNG common units held by PAA. Messrs. Armstrong and Rutherford rejected those proposals and stated that PAA's offer was its best and final offer.

On October 21, 2013, the PNG Conflicts Committee convened an in person meeting. Representatives of Evercore and Richards Layton were present at the meeting.

The representatives from Evercore provided an overview of the terms of the proposed transaction, as well as the history of the negotiations between PAA and the PNG Conflicts Committee. Representatives of Evercore discussed with the PNG Conflicts Committee, among other things, the valuation analysis of the common units of PNG (based both upon PNG projections and an upside sensitivity case), the valuation analysis of the PAA common units, a contribution analysis of PNG and PAA, and an accretion/dilution analysis.

Evercore made a detailed presentation on the financial analyses performed and the assumptions underlying those analyses. The PNG Conflicts Committee and Evercore discussed the challenges PNG is facing and the risks and merits of a potential transaction with PAA. Evercore then rendered its oral opinion that, the exchange ratio of 0.445 PAA common units for each publicly held common unit of PNG is fair, from a financial point of view, to the holders of PNG common units (other than PAA, the merger subsidiary and their affiliates).

Following this, representatives from Richards Layton gave a detailed presentation regarding the terms of the proposed merger agreement.

After discussion, the PNG Conflicts Committee unanimously (i) approved the merger and the execution of the merger agreement, which constitutes Special Approval (as defined in, and pursuant to Section 7.9 of PNG's partnership agreement) and (ii) determined to recommend that PNG's common unitholders vote in favor of the merger agreement at a special meeting of PNG's unitholders.

At 4:00 p.m. on October 21, 2013, the PAA GP Board held a special telephonic meeting and approved the proposed merger and the proposed form of merger agreement, with an exchange ratio of 0.445, and authorized the officers of PAA to execute the merger agreement and take any other actions necessary to consummate the merger.

Following such Board meeting, authorized officers of each of PAA and PNG executed and delivered the merger agreement.

On the morning of October 22, 2013 prior to the opening of trading on the NYSE, both PAA and PNG issued press releases announcing the execution of the definitive merger agreement.

**Recommendation of the PNG Conflicts Committee and Reasons for the Merger**

On October 21, 2013, the PNG Conflicts Committee approved and declared the advisability of entering into the merger agreement and the merger transactions and determined that the merger agreement and the merger transactions are fair and reasonable to and in, or not opposed to, the best interests of, PNG and the PNG unaffiliated unitholders. The PNG Conflicts Committee's determination that the merger agreement and the merger transactions are fair and reasonable to the PNG constitutes "Special Approval," as such term is defined by the PNG partnership agreement. The PNG Conflicts Committee has caused PNG GP to approve the merger agreement and the merger transaction and directed that the merger agreement and the merger transactions be submitted to the PNG common

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unitholders at the PNG special meeting for approval. The PNG Conflicts Committee recommends that the PNG common unitholders vote in favor of the merger proposal at the PNG special meeting.

The PNG Conflicts Committee considered many factors in making its determination, Special Approval and recommendation. The PNG Conflicts Committee consulted with its financial and legal advisors and viewed the following factors as being generally positive or favorable in coming to its determination and related recommendation:

The exchange ratio of 0.445 PAA common units for each publicly held PNG common unit represents a 2.3% improvement from PAA's originally offered exchange ratio of 0.435 PAA common units for each publicly held PNG common unit.

The exchange ratio of 0.445 PAA common units for each publicly held PNG common unit represents a premium of approximately 8.5% above the closing price of PNG common units on August 27, 2013 based on the closing price of PAA common units on August 27, 2013 (the last trading day before PAA announced its proposal to acquire all publicly owned PNG common units).

The terms and conditions of the merger were determined through arm's-length negotiations between PAA and the PNG Conflicts Committee and their respective representatives and advisors, and the PNG Conflicts Committee believes that the exchange ratio represents the highest price per unit that PAA was willing to agree to pay at the time of the PNG Conflicts Committee approval.

The exchange ratio is fixed and therefore the value of the merger consideration payable to PNG common unitholders will increase in the event that the market price of PAA common units increases prior to the closing.

The valuation analyses of the PNG common units prepared by Evercore, including analyses based on a discounted cash flow analysis, a precedent transactions analysis, a peer group trading analysis, a premiums paid analysis and an analysis of research analyst price targets, indicate that the value being provided in the merger as implied by the exchange ratio is attractive to the PNG unaffiliated unitholders.

In the merger, PNG common unitholders will be entitled to receive PAA common units which have substantially more liquidity than PNG common units because of the significantly larger average daily trading volume of PAA common units and because PAA has a broader investor base and a larger public float.

The PNG Conflicts Committee believes that the current and prospective environment and growth prospects for PNG if it continues as a standalone entity are limited as compared to the asset base, financial condition and growth prospects of PAA following the merger.

PAA has a much stronger balance sheet and credit profile than PNG.

Evercore rendered its opinion to the PNG Conflicts Committee that, as of October 21, 2013, and based upon and subject to the factors, procedures, assumptions, qualifications and limitations set forth in its opinion, the exchange ratio was fair, from a financial point of view, to PNG unaffiliated unitholders.

The PNG Conflicts Committee believes that the merger presents the best opportunity to maximize value for PNG common unitholders and is superior to PNG remaining as a standalone public entity, seeking to reduce capital expenditures, seeking debt covenant relief, seeking to reduce financial leverage (by raising equity or otherwise) or seeking to make an acquisition.

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The PNG Conflicts Committee has the ability to enter into discussions with another party in response to a written offer not resulting from a breach of its non-solicitation obligations if the PNG Conflicts Committee, after consultation with its outside legal counsel and financial advisor,

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determines in good faith (a) that the written offer constitutes or could reasonably be expected to result in a superior proposal, and (b) that the failure to take that action would be inconsistent with its duties under PNG's partnership agreement or applicable law.

The terms of the merger agreement permit the PNG Conflicts Committee or the PNG GP Board to change its recommendation and terminate the merger agreement without payment of a termination fee (but with payment of certain of PAA's expenses) if it has determined in good faith, after consultation with its outside legal counsel and financial advisors, that the failure to make such a change in recommendation would be inconsistent with its duties under PNG's partnership agreement or applicable law, provided that if the change in its recommendation is made in response to an acquisition proposal, the PNG Conflicts Committee must determine the acquisition proposal constitutes a superior proposal.

The PNG Conflicts Committee understands and has reviewed the overall current market conditions and the outlook for the natural gas storage industry as they relate to PNG's competitive position, financial condition, future distributions and growth prospects, and has determined that, in light of these factors, the timing of this transaction is favorable to PNG.

The merger is structured as a non-taxable exchange of PAA common units for PNG common units.

The PNG Conflicts Committee has reviewed with its financial and legal advisors the financial and other terms of the merger agreement and related documents, including the conditions to the parties' respective obligations and the termination provisions. In particular, the PNG Conflicts Committee has the ability to prevent closing of the merger if it shall not have received an opinion from Vinson & Elkins L.L.P. on which it can rely to the effect that no gain or loss should be recognized by the holders of PNG common units as a result of the merger, other than gain resulting from either (a) any decrease in partnership liabilities pursuant to Section 752 of the Internal Revenue Code, or (b) any cash paid in lieu of fractional PAA common units.

The PNG Conflicts Committee is familiar with, and understands, the businesses, assets, liabilities, results of operations, financial condition and competitive positions and prospects of PNG.

The PNG Conflicts Committee, in connection with evaluating the merits of the merger, has become familiar with and has gained an understanding of the businesses, assets, liabilities, results of operations, financial condition and competitive positions and prospects of PAA.

PNG and PAA each have a strong commitment to complete the merger on the anticipated schedule.

The results of the due diligence investigation of PAA by the PNG Conflicts Committee's advisors were consistent with the expectations of the PNG Conflicts Committee with respect to the strategic and financial benefits of the merger.

The PNG Conflicts Committee retained independent financial and legal advisors with knowledge and experience with respect to public merger and acquisition transactions, PNG's and PAA's industry generally, and PNG and PAA particularly, as well as substantial experience advising publicly traded limited partnerships and other companies with respect to transactions similar to the proposed transaction.

The PNG Conflicts Committee considered the following factors to be generally negative or unfavorable in making its determination and recommendation:

The exchange ratio is fixed and there is a possibility that the price of PAA common units could decline prior to closing, reducing the value of the securities received by PNG common unitholders in the exchange.





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Following the merger, it is anticipated that (based on analysis prepared by Evercore) the distributions to be received by former PNG common unitholders through 2016 will be lower than the distributions that they would have received from their PNG common units if one were to assume that PNG would be able to maintain its current distribution level for PNG common units.

PNG common unitholders are not entitled to appraisal rights under the merger agreement, PNG's partnership agreement or Delaware law.

PAA has indicated to the PNG Conflicts Committee that PAA is interested only in acquiring PNG common units it does not already own and that it is not interested in disposing of its interest in PNG or PNG GP at this time. It is therefore highly unlikely that an unsolicited third party acquisition proposal or offer for the assets or common units of PNG will be made, and it is unlikely that the PNG Conflicts Committee could conduct a meaningful auction for the acquisition of PNG. Furthermore, even if such a third party proposal or offer were made, PNG is limited under the merger agreement in its ability to consider unsolicited offers from third parties.

The PNG Conflicts Committee did not conduct an auction process or other solicitation of interest from third parties for the acquisition of PNG or of the publicly held PNG common units.

Because the merger agreement can be approved by holders of a majority of the outstanding PNG common units, and PAA already owns approximately 46% of the outstanding PNG common units and has agreed to vote in favor of the merger proposal, it is likely that unitholder approval of the merger proposal will be achieved even if a large majority of the PNG unaffiliated unitholders vote against the merger proposal.

There is risk that the potential benefits sought in the merger might not be fully realized.

There is risk that the merger might not be completed in a timely manner, or that the merger might not be consummated at all as a result of a failure to satisfy the conditions contained in the merger agreement, and a failure to complete the merger could negatively affect the trading price of PNG common units.

Certain members of PNG management and the PNG GP Board may have interests that are different from those of the PNG unaffiliated unitholders.

The foregoing discussion of the information and factors considered by the PNG Conflicts Committee is not intended to be exhaustive, but includes the material factors the PNG Conflicts Committee considered. In view of the variety of factors considered in connection with its evaluation of the merger, the PNG Conflicts Committee did not find it practicable to quantify or otherwise assign specific weights to the factors considered in reaching its approval and determination and recommendation. In addition, each of the members of the PNG Conflicts Committee may have given differing weights to different factors. On balance, the PNG Conflicts Committee believed that the advantages of the merger outweighed the negative factors it considered.

**PAA's Reasons for the Merger**

The PAA GP Board consulted with management and PAA's outside legal counsel and considered many factors in approving the merger, including the following:

The merger will simplify PAA's organizational structure resulting from PAA's ownership of 100% of the units in PNG, which will reduce complexity and enhance transparency for investors.

As part of the simplified structure, PAA believes it will obtain the following synergies: general and administrative expense savings (including some public company costs), management time

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savings, a reduction of non-intercompany debt, a positive impact on firm storage service rates, and an avoidance of the increased capital costs that PNG would likely experience on a standalone basis.

The merger will allow PNG to better pursue acquisitions given PAA's stronger balance sheet and credit profile.

The merger will maintain PAA's financial flexibility as result of engaging in a unit-for-unit exchange versus a cash transaction.

**Unaudited Financial Projections of PNG**

Neither PAA nor PNG routinely publishes projections as to long-term future financial performance or earnings. However, in light of eroding market conditions for natural gas storage, in mid-2013 PNG prepared updated financial forecasts and related sensitivities for the years 2014, 2015, 2016, 2017 and 2018 in order to frame the potential outlook for PNG's business over the next several years and facilitate PAA's evaluation of strategic alternatives with respect to its interests in PNG. These forecasts were generated using commercial and market assumptions that reflected then current market conditions together with various assumptions regarding future market conditions for natural gas storage through 2018.

As a result of the large number of uncontrollable variables impacting the natural gas storage market over the next several years and the resulting uncertainty associated with forecasts covering such period, the forecasts included various sensitivity analyses. The forecast that generally reflected a continuation of depressed market conditions through 2016 followed by gradual improvement thereafter was characterized as the "illustrative forecast" and various sensitivities were derived from the illustrative forecast based on different potential contract pricing scenarios.

These non-public, illustrative projections were discussed during the executive session of PNG GP Board's regularly scheduled quarterly meeting on August 8, 2013, presented to the PAA GP Board and used by PAA in connection with its evaluation of strategic alternatives with respect to its interests in PNG. The illustrative forecast and related sensitivities were also provided to Evercore for its use and consideration in its financial analysis and in preparation of its opinion to the PNG Conflicts Committee. A summary of the illustrative forecast is included below to provide PNG unitholders access to certain non-public unaudited projections that were made available to Evercore, the PNG GP Board and the PAA GP Board in connection with the proposed merger.

PNG cautions you that uncertainties are inherent in projections of any kind. Neither PNG nor any of its affiliates, advisors, officers, directors or representatives has made or makes any representation or can give any assurance to any PNG unitholder or any other person regarding the ultimate performance of PNG compared to the summarized information set forth below or that any projected results will be achieved.

The projections set forth below summarize the most recent projections provided to Evercore, the PNG GP Board and the PAA GP Board prior to the execution of the merger agreement. The inclusion of the following summary projections in this proxy statement/prospectus should not be regarded as an indication that PNG or its representatives considered or consider the projections to be a reliable or accurate prediction of future performance or events, and the summary projections set forth below should not be relied upon as such.

The accompanying projections were not prepared with a view toward public disclosure or toward compliance with GAAP, the published guidelines of the SEC or the guidelines established by the American Institute of Certified Public Accountants, but, in the view of PNG's management, were prepared on a reasonable basis and were reflective of the uncertain market conditions and related judgments at the time of execution of the merger agreement, subject to the uncertainties imposed by the deteriorating market conditions.

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Neither PricewaterhouseCoopers LLP nor any other independently registered public accounting firm has compiled, examined or performed any procedures with respect to the projections, nor has it expressed any opinion or any other form of assurance on such information or its achievability, and assumes no responsibility for, and disclaims any association with, the projections. The PricewaterhouseCoopers LLP reports incorporated by reference into this proxy statement/prospectus relate to historical financial information of PAA and PNG. Such reports do not extend to the projections included below and should not be read to do so.

In developing the projections, PNG management made numerous material assumptions with respect to PNG including:

1. A coverage period of calendar years 2014 through 2018.
2. Projected firm storage, merchant and hub service rates that remain at current depressed levels through 2016, followed by a recovery in 2017 and 2018.
3. Net revenue projections were comprised of projected net revenue from existing and forecasted firm storage contracts by facility, from merchant storage activities by facility, from hub storage activities and from other activities.
4. Projected operating expenses ("opex") and selling, general and administrative expenses ("SG&A") as set forth below:

	2014	2015	2016	2017	2018
	(Dollars in millions)				
Opex	\$ 15	\$ 16	\$ 16	\$ 17	\$ 17
SG&A	\$ 16	\$ 16	\$ 17	\$ 18	\$ 18

5. Projected growth capital and maintenance capital expenditures, including capitalized interest, as set forth below:

	2014	2015	2016	2017	2018
	(Dollars in millions)				
Growth Capital	\$ 32	\$ 29	\$ 20	\$ 21	\$ 7
Maintenance Capital	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1

In addition, assumptions were made with respect to the size, availability, timing and anticipated results, and cash flows from, growth capital expenditures. All of these assumptions involve variables making them difficult to predict, and most are beyond the control of PNG. Although PNG management believes that there was a reasonable basis for their projections and underlying assumptions, any assumptions for near-term projected cases remain uncertain, and the risk of inaccuracy increases with the length of the forecasted period.

### ***PNG Unaudited Financial Projections***

The following table sets forth PNG management's illustrative forecast, which assumes a continuation of depressed market conditions through 2016 followed by gradual improvement thereafter, of total net revenue, opex and SG&A, and Adjusted EBITDA for PNG for 2014 through 2018.

	2014	2015	2016	2017	2018
	(Dollars in millions)				
Total Net Revenue	\$ 139	\$ 124	\$ 121	\$ 135	\$ 145
Opex and SG&A	(31)	(32)	(33)	(35)	(35)
Adjusted EBITDA	\$ 108	\$ 92	\$ 88	\$ 101	\$ 113

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As used in the table above, Adjusted EBITDA represents earnings (total net revenue, less opex and SG&A) before interest expense, taxes, depreciation, depletion and amortization, and equity indexed compensation plan charges.

PNG DOES NOT INTEND TO UPDATE OR OTHERWISE REVISE THE ABOVE PROJECTIONS TO REFLECT CIRCUMSTANCES EXISTING AFTER THE DATE WHEN MADE OR TO REFLECT THE OCCURRENCE OF FUTURE EVENTS, EVEN IF ANY OR ALL OF THE ASSUMPTIONS UNDERLYING SUCH PROJECTIONS ARE NO LONGER APPROPRIATE.

**Opinion of the PNG Conflicts Committee's Financial Advisor**

In connection with the transaction, the PNG Conflicts Committee retained Evercore to act as financial advisor to the PNG Conflicts Committee in connection with the proposed offer by PAA to acquire all of the publicly-held PNG common units in exchange for PAA common units or any other transaction involving the acquisition of the publicly held PNG common units by a third party. The PNG Conflicts Committee engaged Evercore to act as its financial advisor based on its qualifications, experience and reputation. Evercore is an internationally recognized investment banking firm and is regularly engaged in the valuation of businesses in connection with mergers and acquisitions, leveraged buyouts, competitive biddings, private placements and valuations for corporate and other purposes. On October 21, 2013, at a meeting of the PNG Conflicts Committee, Evercore rendered its oral opinion, subsequently confirmed by delivery of a written opinion, that, as of October 21, 2013 and based upon and subject to the factors, procedures, assumptions, qualifications and limitations set forth in its opinion, the exchange ratio is fair, from a financial point of view, to the PNG unaffiliated unitholders.

**The full text of the written opinion of Evercore, dated as of October 21, 2013, which sets forth, among other things, the procedures followed, assumptions made, matters considered and qualifications and limitations on the scope of review undertaken in rendering its opinion, is attached as Annex B to this proxy statement/prospectus and is incorporated by reference in its entirety into this proxy statement/prospectus. You are urged to read Evercore's opinion carefully and in its entirety. Evercore's opinion was addressed to, and provided for the information and benefit of, the PNG Conflicts Committee (in its capacity as such) in connection with its evaluation of the fairness of the exchange ratio to be received by the PNG unaffiliated unitholders from a financial point of view, and did not address any other aspects or implications of the merger. Evercore's opinion should not be construed as creating any fiduciary duty on Evercore's part to any party and such opinion is not intended to be, and does not constitute, a recommendation to the PNG Conflicts Committee or to any other persons in respect of the merger, including as to how any PNG common unitholder should act or vote in respect of the merger. The summary of the Evercore opinion set forth herein is qualified in its entirety by reference to the full text of the opinion included as Annex B.**

In connection with rendering its opinion and performing its related financial analysis, Evercore, among other things:

Reviewed a draft of the merger agreement dated October 15, 2013;

Reviewed certain publicly available business and financial information relating to PNG and PAA that Evercore deemed to be relevant;

Reviewed certain non-public projected financial data relating to PNG that were prepared and furnished to Evercore by management of PNG;

Reviewed certain publicly available projected financial data relating to PAA prepared by Wall Street research analysts as directed by management of PAA;

Reviewed certain non-public historical and projected operating data relating to PNG prepared and furnished to Evercore by management of PNG;

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Discussed the past and current operations, financial projections and current financial condition of PNG and PAA with management of PNG and PAA (including their views on the risks and uncertainties of achieving such projections);

Reviewed the reported prices and the historical trading activity of PNG common units and PAA common units;

Performed a discounted cash flow analysis utilizing financial projections for PNG and PAA;

Compared the financial performance of PNG and PAA and the prices and trading activity of PNG common units and the PAA common units with those of certain publicly-traded partnerships and their securities that Evercore deemed relevant;

Compared the financial performance of PNG and PAA and the valuation multiples implied by the merger with those of certain other transactions that Evercore deemed relevant;

Compared the implied premium in the merger to PNG common units with other historical premiums paid in minority interest buy-out transactions and MLP buy-in transactions;

Compared the relative contribution by each of PNG and PAA of certain financial metrics Evercore deemed relevant to the pro forma entity with the relative ownership as implied by the exchange ratio;

Discussed with PNG its ability to maintain its current level of distributions while maintaining compliance with its debt covenants;

Reviewed certain Wall Street research analyst estimates of the future financial performance of PNG and PAA that Evercore deemed to be relevant; and

Performed such other analyses and examinations and considered such other factors that Evercore deemed appropriate.

For purposes of its analysis and opinion, Evercore assumed and relied upon, without undertaking any independent verification of, the accuracy and completeness of all of the information publicly available, and all of the information supplied or otherwise made available to, discussed with, or reviewed by Evercore, and Evercore assumes no liability therefor. With respect to the projected financial data relating to PNG referred to above, Evercore assumed that they have been reasonably prepared on bases reflecting the best currently available estimates and good faith judgments of management of PNG as to the future financial performance of PNG under the alternative business assumptions reflected therein. For purposes of analyzing the future financial performance of PAA and rendering its opinion, Evercore relied on projected financial data relating to PAA prepared by Wall Street research analysts. Evercore expresses no view as to any projected financial data relating to PNG or PAA or the assumptions on which they are based.

For purposes of rendering its opinion, Evercore assumed, in all respects material to Evercore's analysis, that the representations and warranties of each party contained in the merger agreement were true and correct, that each party would perform all of the covenants and agreements required to be performed by it under the merger agreement and that all conditions to the consummation of the merger would be satisfied without material waiver or modification thereof. Evercore further assumed that all governmental, regulatory or other consents, approvals or releases necessary for the consummation of the merger would be obtained without any material delay, limitation, restriction or condition that would have an adverse effect on PNG or the consummation of the merger or materially reduce the benefits of the merger to PNG or PAA. Evercore assumed that the final versions of all documents reviewed by Evercore in draft form, including the merger agreement, would conform in all material respects to the drafts reviewed by Evercore.

Evercore did not make, nor assume any responsibility for making, any independent valuation or appraisal of the assets or liabilities of PNG or PAA, nor was Evercore furnished with any such appraisals,



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nor did Evercore evaluate the solvency or fair value of PNG or PAA under any state or federal laws relating to bankruptcy, insolvency or similar matters. Evercore's opinion was necessarily based upon information made available to Evercore as of the date of the opinion and financial, economic, monetary, market, regulatory and other conditions and circumstances as they existed and as could be evaluated on the date of the opinion. It is understood that subsequent developments may affect Evercore's opinion and that Evercore does not have any obligation to update, revise or reaffirm its opinion.

Evercore was not asked to pass upon, and expressed no opinion with respect to, any matter other than the fairness of the exchange ratio, from a financial point of view, as of the date of the opinion, to the PNG unaffiliated unitholders. Evercore did not express any view on, and its opinion does not address, the fairness of the merger to, or any consideration received in connection therewith by, the holders of any other securities, or any creditors or other constituencies, of PNG, nor as to the fairness of the amount or nature of any compensation to be paid or payable to any of the officers, directors or employees of PNG or any of the other parties to the merger agreement, or any class of such persons, whether relative to the exchange ratio or otherwise. Evercore assumed that any modification to the structure of the merger will not vary in any respect material to its analysis. Evercore's opinion did not address the relative merits of the merger as compared to other business or financial strategies that might be available to PNG, nor did it address the underlying business decision of PNG to engage in the merger. In arriving at its opinion, Evercore was not authorized to solicit, and did not solicit, interest from any third party with respect to the acquisition of any or all of PNG common units or any business combination or other extraordinary transaction involving PNG. Evercore's opinion did not constitute a recommendation to the PNG Conflicts Committee or to any other persons in respect of the merger, including as to how any PNG common unitholder should vote or act in respect of the merger. Evercore expressed no opinion as to the price at which PNG common units or PAA common units will trade at any time. Evercore is not a legal, regulatory, accounting or tax expert and has assumed the accuracy and completeness of assessments by PNG and its advisors with respect to legal, regulatory, accounting and tax matters.

Set forth below is a summary of the material financial analyses performed by Evercore and reviewed with the PNG Conflicts Committee on October 21, 2013 in connection with rendering its opinion to the PNG Conflicts Committee. Each analysis was provided to the PNG Conflicts Committee. The following summary, however, does not purport to be a complete description of the analyses performed by Evercore. In connection with arriving at its opinion, Evercore considered all of its analyses as a whole, and the order of the analyses described and the results of these analyses do not represent any relative importance or particular weight given to these analyses by Evercore. Except as otherwise noted, the following quantitative information, to the extent that it is based on market data, is based on market data (including the closing prices for PNG common units and PAA common units) that existed on October 18, 2013, and is not necessarily indicative of current market conditions.

**The following summary of financial analyses includes information presented in tabular format. These tables must be read together with the text of each summary in order to fully understand the financial analyses performed by Evercore. The tables alone do not constitute a complete description of the financial analyses performed by Evercore. Considering the tables below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of Evercore's financial analyses.**



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*Analysis of PNG*

Evercore performed a series of analyses to derive an indicative valuation range for PNG common units and compared each of the resulting implied value ranges per PNG common unit to the implied value of the current offer of \$22.49 per PNG common unit ("Implied Current Offer Value") which was calculated by multiplying the exchange ratio of 0.445x times the closing price of a PAA common unit as of October 18, 2013 of \$50.55.

*Assumptions with Respect to PNG*

Evercore performed its analysis utilizing the PNG Financial Projections, described under the heading "Unaudited Financial Projections of PNG," that incorporate the following assumptions:

Total physical capacity to increase from current 97.1 billion cubic feet ("Bcf") to 123.5 Bcf in 2018.

Contracted capacity to decline, including the loss of capacity associated with expiration of the capacity contracts with PAA for a total reduction of 20.0 Bcf over a two year period, consisting of a 10.0 Bcf reduction in 2015 and another 10.0 Bcf reduction in 2016.

Contracted rates and merchant rates to increase in 2017.

Maintenance capital expenditures equal to \$0.6 million in each of 2014 through 2018.

Growth capital expenditures are financed 100.0% with debt funded on PNG's revolving credit facility.

No equity issuances.

PNG Series A Subordinated Units convert into common units on a one-for-one basis in March 2014.

PNG Series B Subordinated Units do not receive distributions and do not convert into common units.

PAA Promissory Note due June 1, 2015 is refinanced on a long-term basis at a 5.5% interest rate and a 2.0% gross spread.

No reduction in current distribution per unit of \$0.3575 per quarter or increase in distribution per unit until it reaches a target 1.20x total distribution coverage ratio.

*Discounted Cash Flow Analysis*

Evercore performed a discounted cash flow analysis of PNG by valuing the cash flows to be received by PNG for the period between September 30, 2013 and December 31, 2018 based on the following two scenarios: (i) the financial forecast received from management of (the "PNG Provided Financial Forecast") and a sensitivity financial forecast prepared by Evercore based on the PNG Provided Financial Forecast but inclusive of a \$0.05 per thousand cubic feet ("Mcf") per month increase in salt storage rates for years 2014 through 2018 ("PNG Sensitivity Financial Projections"). Evercore calculated the implied per unit value range for PNG common units by utilizing a range of discount rates with a mid-point equal to PNG's Weighted Average Cost of Capital ("WACC"), as estimated by Evercore based on the Capital Asset Pricing Model ("CAPM"), and terminal values as of December 31, 2018, based on a range of estimated earnings before interest, taxes and depreciation and amortization expense ("EBITDA") exit multiples as well as perpetuity growth rates. Evercore assumed a range of discount rates of 6.5% to 7.5%, a range of EBITDA multiples of 11.5x to 12.5x and a range of perpetuity growth rates of 1.5% to 2.0%. After adjusting for net debt and units outstanding as of September 30, 2013, Evercore determined an implied equity value per unit range of \$7.86 per unit to



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\$12.83 per unit assuming the PNG Provided Financial Forecast and an implied equity value per unit range of \$14.56 per unit to \$21.69 per unit assuming the PNG Sensitivity Financial Projections as compared to the Implied Current Offer Value of \$22.49 per PNG common unit.

#### *Precedent M&A Transaction Analysis*

Evercore reviewed selected publicly available information for natural gas storage transactions announced since July 2000 and selected 16 transactions involving assets that Evercore deemed to have certain characteristics that are similar to those of PNG:

Date Announced	Acquiror/Target (Seller)	Transaction Value (\$ MM)
10/11	Boardwalk Pipeline Partners, LP / Petal Gas Storage, L.L.C. and Hattiesburg Gas Storage Company (Enterprise Products Partners L.P.)	\$ 550
07/11	Inergy, L.P. / Seneca Lake storage facility (New York State Electric & Gas Corp.)	65
06/11	Cardinal Gas Storage Partners LLC / 70% Interest in Monroe Gas Storage Co. LLC (High Sierra Energy LP)	148
01/11	DCP Midstream Partners, LP / Propane and Butane Storage Facility (Marysville Hydrocarbon Holdings LLC)	101
12/10	PAA Natural Gas Storage, L.P. / Southern Pines Energy Center (SGR Holdings, L.L.C.)	750
09/10	Inergy, L.P. / Tres Palacios Gas Storage LLC (NGS Energy LP)	725
07/10	Spectra Energy Corp. / Bobcat Gas Storage (Haddington Energy Partners, GE Energy Financial Services)	965
07/10	Buckeye Partners / Lodi Gas Storage (ArcLight Capital Partners)	484
08/09	Plains All American Pipeline, L.P. / Remaining 50% Interest in PAA Natural Gas Storage, LLC (Vulcan Capital)	220
03/06	Riverstone (Niska) / Majority of EnCana's Gas Storage assets (EnCana Corp.)	1,515
08/05	Plains All American Pipeline, L.P. and Vulcan Capital / Energy Center Investments Corporation (Sempra Energy)	510
07/05	Inergy, L.P. / Stagecoach natural gas storage facility (eCORP, L.L.C.)	230
08/04	AGL Resources / Jefferson Island Storage (AEP)	86
08/02	Scottish Power PLC (PacifiCorp Power Marketing) / Katy Storage Assets (Aquila, Inc.)	180
08/00	Duke Energy Gas Transmission Corp. / Market Hub Partners (NiSource)	400
07/00	El Paso Energy Partners / Crystal Gas Storage (El Paso Corp.)	170

Evercore reviewed the historical EBITDA multiples paid in the selected transactions and derived a range of relevant implied multiples of Enterprise Value to EBITDA of 12.0x to 14.0x. Evercore derived its range of EBITDA multiples based on its professional judgment and taking into consideration the low, high, mean and median multiples of 6.5x, 17.0x, 12.3x and 12.2x, respectively. Evercore then applied this range of selected multiples to estimated 2013 EBITDA. Evercore also reviewed the historical multiples paid in the selected transactions on the basis of total working gas storage and derived a range of relevant implied multiples of Enterprise Value to working gas storage of \$16.0 to \$21.0 million per Bcf of working gas storage. Evercore derived its range of working gas storage multiples based on its professional judgment and taking into consideration the low, high, mean and median multiples of \$5.6 million per Bcf of working gas capacity, \$32.5 million per Bcf of working gas capacity, \$15.7 million per Bcf of working gas capacity and \$15.9 million per Bcf of working gas capacity, respectively. Evercore then applied this range to total working gas storage capacity for PNG. For the value implied by the Enterprise Value to EBITDA multiple, Evercore discounted valuations

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back to September 30, 2013 based on a 7.0% WACC as well as subtracted the present value of growth capital expenditures for the fourth quarter of 2013 based on the same 7.0% WACC. After adjusting for net debt and units outstanding as of September 30, 2013, Evercore determined an implied equity value per unit range of \$11.49 to \$19.78 per unit, as compared to the Implied Current Offer Value of \$22.49 per PNG common unit.

#### *Peer Group Trading Analysis*

Evercore performed a peer group trading analysis of PNG by reviewing and comparing the market values and trading multiples of the following six publicly traded partnerships that Evercore deemed to have certain characteristics that are similar to those of PNG, including size and asset base:

Boardwalk Pipeline Partners, LP

El Paso Pipeline Partners, L.P.

Crestwood Midstream Partners LP

Niska Gas Storage Partners LLC

Spectra Energy Partners, LP

TC Pipelines, LP

Although the peer group was compared to PNG for purposes of this analysis, no partnership used in the peer group analysis is identical or directly comparable to PNG. In order to calculate peer group trading multiples, Evercore relied on publicly available filings with the SEC and equity research analyst estimates.

For each of the peer group partnerships, Evercore calculated the following trading multiples:

Enterprise Value/2013 EBITDA, which is defined as market value of equity, plus debt and preferred stock, less cash ("Enterprise Value"), divided by estimated EBITDA for the calendar year 2013;

Enterprise Value/2014 EBITDA, which is defined as Enterprise Value divided by estimated EBITDA for the calendar year 2014, and

Enterprise Value/2015 EBITDA, which is defined as Enterprise Value divided by estimated EBITDA for the calendar year 2015.

The low, high, mean and median trading multiples are set forth below. The table also includes relevant multiple ranges selected by Evercore based on the resulting range of multiples and certain other considerations related to the specific characteristics of PNG noted by Evercore.

<b>Benchmark</b>	<b>Low</b>	<b>High</b>	<b>Mean</b>	<b>Median</b>
Enterprise Value/2013 EBITDA	10.7x	20.4x	14.7x	14.2x
Enterprise Value/2014 EBITDA	8.8x	15.4x	11.8x	12.0x
Enterprise Value/2015 EBITDA	8.0x	14.7x	11.1x	11.5x

<b>Benchmark</b>	<b>Reference Range</b>	<b>Implied Enterprise Value Range (\$ MM)</b>
Enterprise Value/2013 EBITDA	10.0x - 16.0x	\$1,200 - \$1,921
Enterprise Value/2014 EBITDA	8.5x - 10.5x	\$918 - \$1,134
Enterprise Value/2015 EBITDA	7.5x - 9.0x	\$688 - \$825

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Evercore applied the relevant multiples to PNG's 2013 EBITDA to determine a selected Enterprise Value range of \$1,375 million to \$1,775 million. Given the reduction in estimated EBITDA for 2014 and 2015 in the PNG Provided Financial Forecast, Evercore elected to solely focus on estimated 2013 EBITDA multiples. After adjusting for net debt and units outstanding as of September 30, 2013, Evercore determined an implied equity value per unit range of \$10.91 to \$16.26 per unit, as compared to the Implied Current Offer Value of \$22.49 per PNG common unit.

#### *Premiums Paid Analysis*

Evercore also reviewed selected publicly available information for certain corporate minority buy-out and all MLP buy-in transactions announced or closed since March 2009 to evaluate the premium paid based on the value of the per unit or per share consideration received in the relevant transaction relative to the closing unit or share price of the target partnership or company one-day or thirty-days prior to the announcement date of the transaction as well as the 52-week high prior to the announcement date. Each of the corporate minority buy-out transactions selected by Evercore had a minimum transaction value of \$500 million, although Evercore noted that none of the selected transactions or the selected partnerships or companies that participated in the selected transactions were directly comparable to the merger or PNG:

<b>Date Announced</b>	<b>Acquiror/Target (Seller)</b>	<b>Transaction Value (\$ MM)</b>
05/13	Pioneer Natural Resources Co / Pioneer Southwest Energy Partners	\$ 507
12/12	Sprint Nextel Corp / Clearwire Corp	2,156
11/12	GETCO Holding Co LLC / Knight Capital Group Inc.	576
11/12	Danfoss A/S / Sauer-Danfoss Inc.	693
02/11	Enterprise Products Partners LP / Duncan Energy Partners LP	1,045
08/10	Berkshire Hathaway Inc. / Wesco Financial Corp	545
04/10	CF Industries Holdings Inc. / Terra Industries Inc.	659
03/10	CONSOL Energy Inc. / CNX Gas Corp	989
09/09	Fairfax Financial Holdings Ltd / Odyssey Re Holdings Corp	1,050
07/09	Overseas Shipholding Group Inc. / OSG America LP	72
01/09	Harold Hamm / Hiland Partners LP	67
03/09	Magellan Midstream Partners LP / Magellan Midstream Holding LP	1,148

The low, high, mean and median premiums for minority interest buy-out transactions and MLP buy-in transactions are set forth below:

<b>Minority Interest Buy-Out Transactions</b>	<b>Low</b>	<b>High</b>	<b>Mean</b>	<b>Median</b>
1-Day	0.3%	48.6%	23.5%	24.0%
30-Days	-4.8%	46.0%	24.1%	24.7%
52-Week High	-80.8%	19.1%	-21.6%	-12.7%

<b>MLP Buy-in Transactions</b>	<b>Low</b>	<b>High</b>	<b>Mean</b>	<b>Median</b>
1-Day	12.7%	34.6%	20.7%	20.7%
30-Days	-4.8%	31.6%	15.0%	15.0%
52-Week High	-80.8%	8.7%	-19.4%	-19.4%

Evercore applied relevant mean merger premiums of 24.1% for a thirty-day premium and -21.6% for a 52-week high premium to PNG's closing unit price thirty-days prior to October 18, 2013 as well as PNG's 52-week high prior to October 18, 2013 to determine an implied equity value per unit of \$17.81 to \$26.41 per unit, as compared to the Implied Current Offer Value of \$22.49 per PNG common unit.

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#### *Research Analyst Price Targets*

Evercore analyzed equity research analyst estimates of potential future value for PNG common units, commonly referred to as price targets, based on publicly available equity research published with respect to PNG. Evercore observed that, as of October 18, 2013, research analyst one-year forward price targets for PNG common units ranged from \$20.00 to \$22.50 per unit, as compared to the Implied Current Offer Value of \$22.49 per PNG common unit.

#### *Analysis of PAA*

##### *Assumptions with Respect to PAA*

Evercore performed its analysis to derive an indicative valuation range for PAA utilizing financial projections based on Wall Street Research, public filings and publicly-disclosed guidance of PAA management, that incorporate the following assumptions:

No third-party acquisitions.

Distributions to PNG noncontrolling interest per the PNG Provided Financial Forecast.

Distributions to SLC Pipeline noncontrolling interest equal to 2013 projected distribution of \$4.0 million.

Growth capital expenditures are financed 100.0% with debt for the six months ending December 31, 2013 and for the year ending December 31, 2014.

Growth capital expenditures are financed 50.0% with equity and 50.0% with debt for each of 2015 through 2018.

Debt to be financed on a long-term basis at a rate equal to PAA's current 10-year debt spread to the 10-year Treasury of 120 bps applied to the relevant forward 10-year Treasury rate and a 60 bps gross spread resulting in rates between 4.5% and 5.0% in 2015 through 2018.

Equity issued to the public at an 8.0% all-in discount to the then-current projected PAA common unit price based on a 5.3% yield equal to PAA's average yield over the prior three-year period.

PAA debt with maturities in 2014 through 2018 refinanced on a long-term basis at a rate equal to PAA's current 10-year debt spread to the 10-year Treasury of 120 bps applied to the relevant forward 10-year Treasury rate and a 60 bps gross spread.

PAA does not reduce its current distribution or increase its distribution until it reaches a target total distribution coverage ratio equal to 1.18x, 1.18x, 1.13x, 1.09x and 1.05x in 2014, 2015, 2016, 2017 and 2018, respectively, consistent with Wall Street Research.

#### *Discounted Cash Flow Analysis*

Evercore performed a discounted cash flow analysis of PAA by valuing the cash flows to be received by PAA for the period between September 30, 2013 and December 31, 2018 based on certain projected financial data prepared by Wall Street research analysts that, in the judgment of management of PAA, accurately estimated the future financial performance of PAA. Evercore calculated the implied per unit value range for PAA common units by utilizing a range of discount rates with a mid-point equal to PAA's WACC, as estimated by Evercore based on the CAPM, and terminal values as of December 31, 2018, based on a range of EBITDA exit multiples as well as perpetuity growth rates. Evercore assumed a range of discount rates of 5.5% to 6.5%, a range of EBITDA multiples of 10.0x to 11.0x and a range of perpetuity growth rates of 0.75% to 1.25%. After adjusting for net debt, minority





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interest and units outstanding as of September 30, 2013, Evercore determined an implied equity value per unit range of \$57.83 per unit to \$91.12 per unit as compared to PAA's closing unit price as of October 18, 2013 of \$50.55 per unit. Evercore then utilized the exchange ratio of 0.445x to calculate the implied value to be received per unit of PNG of \$25.73 to \$40.55 per unit, as compared to the Implied Current Offer Value of \$22.49 per PNG common unit.

#### *Precedent M&A Transaction Analysis*

Evercore reviewed selected publicly available information for crude oil pipeline and crude oil storage transactions announced since July 2006 and selected 25 transactions involving assets that Evercore deemed to have certain characteristics that are similar to those of PAA:

Date Announced	Acquiror/Target (Seller)	Transaction Value (\$ MM)
08/13	Calumet Specialty Products Partners / Seven crude oil loading facilities and related assets in North Dakota (Murphy Oil USA)	NA
08/13	Spectra Energy Partners / Spectra Energy's Remaining U.S. transmission, storage and liquids assets (Spectra Energy)	\$ 12,300
07/13	Delek Logistics Partners, LP / Storage tanks and product terminal at refinery in Tyler, Texas (Delek US Holdings, Inc.)	95
05/13	Tesoro Logistics LP / First portion of logistics assets related to Tesoro's acquisition of BP's Carson assets (Tesoro Corporation)	640
05/13	Spectra Energy Partners / 50% interest in 1,717-mile Express-Platte Pipeline System extending from Hardisty, Alberta to Wood River, Illinois (Spectra Energy Corp)	823
04/13	MPLX LP / Additional 5% stake in MPLX Pipe Line Holdings (Marathon Petroleum Corporation)	100
02/13	Blueknight Energy Partners / 30% ownership in 70-mile crude oil pipeline running from Pecos, Texas to Crane, Texas (Advantage Pipeline, LLC)	NA
01/13	Rose Rock Midstream, L.P. / 17.0% interest in White Cliffs Pipeline (SemGroup Corporation)	274
12/12	Spectra Energy Corp / 100.0% interest in Express-Platte Pipeline System (Borealis Infrastructure Management Inc., Ontario Teachers' Pension Plan Board and Kinder Morgan Energy Partners, L.P.)	1,490
11/11	Enbridge Incorporated / 50% interest in Seaway Crude Pipeline System (ConocoPhillips)	1,150
10/11	Genesis Energy LP / 28% interest in Poseidon Oil Pipeline Company, LLC, 29% interest in Odyssey Pipeline LLC and 23% interest in the Eugene Island Pipeline System (Marathon Oil Corporation)	206
10/11	Plains All American Pipeline, L.P. / Velocity South Texas Gathering, LLC	NA
11/10	Genesis Energy LP / 50% interest in Cameron Highway Oil Company (Valero Energy Corporation)	330
11/10	Plains All American Pipeline, L.P. / Bakken gathering and transportation assets (Nexen Holdings U.S.A. Inc.)	210
07/10	Magellan Midstream Partners, L.P. / Crude oil storage and petroleum pipelines (BP Pipelines North America, Inc.)	289
01/10	Plains All American Pipeline, L.P. / 21% Interest in Capline Pipeline system and tankage at Patoka (Chevron, Marathon Oil, Shell)	64
10/09	Plains All American Pipeline, L.P. / Storage tanks and receiving pipelines at Tulsa Refinery (Holly Corporation)	40
07/09	Magellan Midstream Partners, L.P. / Certain assets from Longhorn Partners Pipeline, L.P. (Flying J Oil and Gas Inc.)	350

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Date Announced	Acquiror/Target (Seller)	Transaction Value (\$ MM)
06/09	TransCanada Corporation / 20.01% interest in NA Keystone Crude Oil pipeline project (ConocoPhillips)	750
08/08	Kinder Morgan Energy Partners, L.P. / Jet fuel pipeline & 1/3 interest in the Express-Platte Pipeline (Knight Inc.)	116
05/08	SemGroup Energy Partners L.P. / Eagle North Pipeline System (SemCrude L.P.)	45
11/07	Holly Energy Partners L.P. / Pipeline and tankage assets (Holly Corporation)	180
04/07	Kinder Morgan Energy Partners, L.P. / Trans Mountain pipeline (Kinder Morgan, Inc.)	550
03/07	Inter Pipeline Fund / Corridor Pipeline (Kinder Morgan Inc.)	646
07/06	Sunoco Logistics Partners, LP / Mid-Valley Pipeline Co. (55.3% interest) (Sunoco Incorporated)	65

Evercore reviewed the historical EBITDA multiples paid in the selected transactions and derived a range of relevant implied multiples of Enterprise Value to EBITDA of 10.0x to 11.5x. Evercore derived its range of EBITDA multiples based on its professional judgment and taking into consideration the low, high, mean and median multiples of 6.9x, 14.9x, 10.2x and 9.8x, respectively. Evercore then applied this range of selected multiples to estimated 2013 and 2014 EBITDA, discounting valuations back to September 30, 2013 based on a 6.0% WACC. Evercore also subtracted the present value of future growth capital expenditures based on the same 6.0% WACC. After adjusting for net debt, minority interest and units outstanding as of September 30, 2013, Evercore determined an equity per unit range for PAA of \$33.28 to \$47.27 per unit as compared to PAA's closing unit price as of October 18, 2013 of \$50.55 per unit. Evercore then utilized the exchange ratio of 0.445x to calculate the implied value to be received per unit of PNG of \$14.81 per unit to \$21.03 per unit, as compared to the Implied Current Offer Value of \$22.49 per PNG common unit.

#### *Peer Group Trading Analysis*

Evercore performed a peer group trading analysis of PAA by reviewing and comparing the market values and trading multiples of the following 18 publicly traded partnerships that Evercore deemed to have certain characteristics that are similar to those of PAA, including size and asset base:

Blueknight Energy Partners, L.P.

Buckeye Partners, L.P.

Enterprise Products Partners L.P.

Delek Logistics Partners, LP

Genesis Energy, L.P.

Global Partners LP

Holly Energy Partners, L.P.

Lehigh Gas Partners LP

Magellan Midstream Partners, L.P.

MPLX LP

NuStar Energy LP

Oiltanking Partners, L.P.

Phillips 66 Partners LP

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Rose Rock Midstream, L.P.

Sunoco Logistics Partners, L.P.

Susser Petroleum Partners LP

Tesoro Logistics LP

TransMontaigne Partners L.P.

Although the peer group was compared to PAA for purposes of this analysis, no partnership used in the peer group analysis is identical or directly comparable to PAA. In order to calculate peer group trading multiples, Evercore relied on publicly available filings with the SEC and equity research analyst estimates.

For each of the peer group partnerships, Evercore calculated the following trading multiples:

Enterprise Value/2013 EBITDA, which is defined as Enterprise Value divided by estimated EBITDA for the calendar year 2013;

Enterprise Value/2014 EBITDA, which is defined as Enterprise Value divided by estimated EBITDA for the calendar year 2014, and

Enterprise Value/2015 EBITDA, which is defined as Enterprise Value divided by estimated EBITDA for the calendar year 2015.

The low, high, mean and median trading multiples are set forth below. The table also includes relevant multiple ranges selected by Evercore based on the resulting range of multiples and certain other considerations related to the specific characteristics of PAA noted by Evercore.

<b>Benchmark</b>	<b>Low</b>	<b>High</b>	<b>Mean</b>	<b>Median</b>
Enterprise Value/2013 EBITDA	10.7x	27.7x	16.0x	14.9x
Enterprise Value/2014 EBITDA	8.6x	18.0x	12.8x	12.5x
Enterprise Value/2015 EBITDA	5.4x	15.1x	10.8x	10.6x

<b>Benchmark</b>	<b>Reference Range</b>	<b>Implied Enterprise Value Range (\$ MM)</b>
Enterprise Value/2013 EBITDA	13.5x - 15.0x	\$29,565 - \$32,850
Enterprise Value/2014 EBITDA	11.5x - 13.0x	\$25,744 - \$29,102
Enterprise Value/2015 EBITDA	10.0x - 11.5x	\$25,208 - \$28,989

Evercore applied the relevant multiples to PAA's 2013, 2014 and 2015 EBITDA to determine a selected Enterprise Value range of \$25,208 million to \$32,850 million. After adjusting for net debt, minority interest and units outstanding as of September 30, 2013, Evercore determined an implied equity value per unit range of \$48.98 per unit to \$70.83 per unit as compared to PAA's closing unit price as of October 18, 2013 of \$50.55 per unit. Evercore then utilized the exchange ratio of 0.445x to calculate the implied value to be received per unit of PNG of \$21.80 per unit to \$31.52 per unit, as compared to the Implied Current Offer Value of \$22.49 per PNG common unit.

### *Research Analyst Price Targets*

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Evercore analyzed equity research analyst estimates of potential future value for PAA's common units, commonly referred to as price targets, based on publicly available equity research published with respect to PAA. Evercore observed that, as of October 18, 2013, research analyst one-year forward price targets for PNG common units ranged from \$55.00 to \$66.00 per unit as compared to PAA's closing unit price as of October 18, 2013 of \$50.55 per unit. Evercore then utilized the exchange ratio

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of 0.445x to calculate the implied value to be received per unit of PNG of \$24.48 per unit to \$29.37 per unit, as compared to the Implied Current Offer Value of \$22.49 per PNG common unit.

*Relative Contribution Analysis*

Evercore performed a relative contribution analysis of PNG and PAA to the pro forma PAA based on 2013, 2014 and 2015 estimated EBITDA and distributable cash flow. Based on this analysis, Evercore determined an implied exchange ratio range of 0.102x to 0.324x. Evercore compared the results of the foregoing analyses to the proposed exchange ratio of 0.445 PAA common units for each outstanding PNG common unit, other than PNG common units owned by PAA and its affiliates.

*General*

The foregoing summary of certain material financial analyses does not purport to be a complete description of the analyses or data presented by Evercore. In connection with the review of the merger, Evercore performed a variety of financial and comparative analyses for purposes of rendering its opinion to the PNG Conflicts Committee. The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Selecting portions of the analyses or of the summary described above, without considering the analyses as a whole, could create an incomplete view of the processes underlying Evercore's opinion. In arriving at its fairness determination, Evercore considered the results of all the analyses and did not draw, in isolation, conclusions from or with regard to any one analysis or factor considered by it for purposes of its opinion. Rather, Evercore made its determination as to fairness on the basis of its experience and professional judgment after considering the results of all the analyses. In addition, Evercore may have given various analyses and factors more or less weight than other analyses and factors, and may have deemed various assumptions more or less probable than other assumptions. As a result, the ranges of valuations resulting from any particular analysis or combination of analyses described above should not be taken to be the view of Evercore with respect to the actual value of the PNG common units or the PAA common units. No company or partnership used in the above analyses as a comparison is directly comparable to PNG or PAA, and no precedent transaction used is directly comparable to the merger. Furthermore, Evercore's analyses involve complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the acquisition, public trading or other values of the companies, partnerships or transactions used, including judgments and assumptions with regard to industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of PNG or PAA and their respective advisors.

Evercore prepared these analyses solely for the information and benefit of the PNG Conflicts Committee and for the purpose of providing an opinion to the PNG Conflicts Committee as to the fairness of the exchange ratio, from a financial point of view, to the PNG unaffiliated unitholders. These analyses do not purport to be appraisals or to necessarily reflect the prices at which the business or securities actually may be sold. Any estimates contained in these analyses are not necessarily indicative of actual future results, which may be significantly more or less favorable than those suggested by such estimates. Accordingly, estimates used in, and the results derived from, Evercore's analyses are inherently subject to substantial uncertainty, and Evercore assumes no responsibility if future results are materially different from those forecasted in such estimates. The issuance of the opinion was approved by an opinion committee of Evercore.

Except as described above, the PNG Conflicts Committee imposed no other instruction or limitation on Evercore with respect to the investigations made or the procedures followed by Evercore in rendering its opinion. The exchange ratio was determined through arm's-length negotiations between the PNG Conflicts Committee and PAA, and the PNG Conflicts Committee approved the merger agreement and recommended the merger agreement to the PNG unitholders for approval. Evercore provided advice to the PNG Conflicts Committee during these negotiations. Evercore did not, however,

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recommend any specific merger consideration to the PNG Conflicts Committee, the PNG GP Board or PNG or recommend that any specific merger consideration constituted the only appropriate consideration for the merger. Evercore's opinion was only one of many factors considered by the PNG Conflicts Committee in its evaluation of the merger and should not be viewed as determinative of the views of the PNG Conflicts Committee with respect to the merger or the exchange ratio.

Under the terms of Evercore's engagement letter with the PNG Conflicts Committee, PNG has agreed to pay Evercore a fee of \$1,000,000 upon rendering its opinion. Evercore also received a fee of \$500,000 upon execution of its engagement letter with the PNG Conflicts Committee. If the merger is consummated, Evercore will be entitled to receive an incentive fee of \$350,000 and a closing fee of \$250,000. In addition, PNG has agreed to reimburse Evercore for its reasonable out-of-pocket expenses (including legal fees, expenses and disbursements) incurred in connection with its engagement and to indemnify Evercore and any of its members, officers, advisors, representatives, employees, agents, affiliates or controlling persons, if any, against certain liabilities and expenses arising out of its engagement, or to contribute to payments which any of such persons might be required to make with respect to such liabilities.

Evercore and its affiliates engage in a wide range of activities for their own accounts and the accounts of customers. In connection with these businesses or otherwise, Evercore and its affiliates and/or their respective employees, as well as investment funds in which any of them may have a financial interest, may at any time, directly or indirectly, hold long or short positions and may trade or otherwise effect transactions for their own accounts or the accounts of customers, in debt or equity securities, senior loans and/or derivative products relating to PNG, PAA and their respective affiliates, for their own accounts and for the accounts of their customers and, accordingly, may at any time hold a long or short position in such securities or instruments.

During the two year period prior to October 21, 2013, no material relationship existed between Evercore and its affiliates and PNG or PAA pursuant to which compensation was received by Evercore or its affiliates as a result of such a relationship. Evercore may provide financial or other services to PNG or PAA in the future and in connection with any such services Evercore may receive compensation.

**No Appraisal Rights**

PNG common unitholders do not have appraisal rights under PNG's partnership agreement, the merger agreement or Delaware or other applicable law.

**Antitrust and Regulatory Matters**

No antitrust or other regulatory clearances are required as a condition to the consummation of the merger.

**Listing of PAA Common Units to be Issued in the Merger; Delisting and Deregistration of PNG Common Units**

PAA expects to obtain approval to list on the NYSE the PAA common units to be issued pursuant to the merger agreement, which approval (subject to official notice of issuance) is a condition to the merger. Upon completion of the merger, PNG common units currently listed on the NYSE will cease to be listed on the NYSE and will be subsequently deregistered under the Exchange Act.

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**Accounting Treatment**

The merger will be accounted for in accordance with Financial Accounting Standards Board Accounting Standards Codification 810, *Consolidations Overall Changes in Parent's Ownership Interest in a Subsidiary*, which is referred to as ASC 810. As PAA will control PNG before and after the merger, the changes in PAA's ownership interest in PNG will be accounted for as an equity transaction and no gain or loss on the merger will be recognized in PAA's consolidated statements of operations.

**Pending Litigation**

Following the announcement of PAA's August 27, 2013 transaction proposal and the October 22, 2013 announcement of the definitive merger agreement, purported PNG common unitholders filed lawsuits in Delaware and Texas asserting claims relating to the initial proposal and the definitive merger agreement.

Stephen Ellman, a purported unitholder of PNG, filed a class action complaint on behalf of the PNG common unitholders in the Delaware Court of Chancery (the "Ellman Lawsuit") on September 17, 2013. On November 21, 2013, the plaintiff in such lawsuit filed an amended complaint. The lawsuit names as defendants PAA, PNG, PNG GP, PAA GP LLC, Plains AAP, L.P., Plains All American GP LLC and the PNG GP Board. The Ellman Lawsuit alleges that (i) PNG's partnership agreement fails to alter or eliminate defendants' common law fiduciary duties owed to PNG common unitholders in the context of the proposed merger; (ii) PAA, as a controlling unitholder, failed to fulfill its fiduciary duties in connection with the proposed merger because it purportedly cannot establish that the proposed merger is the result of a fair process that will return a fair price to PNG common unitholders; (iii) the director defendants breached their fiduciary duties of loyalty, good faith, due care, and full and fair disclosure by engaging in an unfair process and failing to maximize the value of PNG; (iv) the director defendants breached their duty of disclosure by disseminating a materially misleading and incomplete registration statement and (v) the non-director defendants aided and abetted the director defendants in their purported breach of fiduciary duties.

Robert and Teresa Vicars, purported unitholders of PNG, filed a class action petition on behalf of the PNG common unitholders and a derivative suit on behalf of PNG against PAA, PNG, PNG GP and the PNG GP Board, in the 152nd Judicial District Court of Harris County, Texas (the "Vicars Lawsuit") on September 9, 2013, and on October 31, 2013, plaintiffs filed an amended petition. The allegations and claims in the Vicars Lawsuit are similar to those in the Ellman Lawsuit. The Vicars Lawsuit specifically alleges that the director defendants: (i) engaged in self-dealing, failed to act in good faith toward PNG and breached their duties owed to PNG; (ii) failed to properly value PNG and its various assets and operations and ignored or failed to protect against numerous conflicts of interest arising out of the proposed transaction; and (iii) breached the implied covenant of good faith and fair dealing by engaging in a flawed merger process. The Vicars Lawsuit also alleges that PAA and PNG GP aided and abetted the director defendants in their purported breach of duties.

On November 14, 2013, a similar class action and derivate lawsuit was filed against the same defendants as named in the Vicars Lawsuit in the 129th Judicial District of Harris County, Texas by purported unitholder Thomas Barbee (the "Barbee Lawsuit"). The Barbee Lawsuit asserts claims and allegations that are similar to those asserted in the Vicars Lawsuit.

On October 29, 2013, the DuckPond CRT UTD 2/14/2003, another purported unitholder of PNG, filed a class action complaint in the United States District Court for the Southern District of Texas Houston Division (the "DuckPond Lawsuit") against the same defendants as in the Ellman Lawsuit. The DuckPond Lawsuit also names MergerCo as a defendant. In DuckPond, the complaint alleges, among other things, that the implied price per unit materially undervalues PNG and is unfair to its unitholders. The DuckPond plaintiff further alleges that the defendants who are directors and officers of PNG GP have breached their fiduciary duties of loyalty and care and the other defendants have



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aided and abetted in these alleged breaches. On November 12, 2013, plaintiff in the DuckPond Lawsuit filed a voluntary notice of dismissal, and the court issued an order dismissing the DuckPond Lawsuit that same day.

On November 15, 2013, a similar class action complaint for breach of fiduciary duties was filed against the same defendants as in the Ellman Lawsuit and MergerCo in the United States District Court for the Southern District of Texas Houston Division by purported unitholder Robert Evans, on behalf of himself and all others similarly situated (the "Evans Lawsuit"). The Evans Lawsuit asserts claims and allegations that are similar to those asserted in the DuckPond Lawsuit, and further alleges that the named defendants violated Sections 14(a) and 20(a) of the Securities Exchange Act of 1934 and Rule 14a-9 promulgated thereunder by disseminating a false and materially misleading proxy statement in connection with the merger.

On November 22, 2013, Barbara Wolfson, another purported PNG unitholder, filed a class action complaint against the same defendants in the Evans Lawsuit (with the exception of PAA GP LLC) in the same court as the Evans Lawsuit (the "Wolfson Lawsuit"). The Wolfson Lawsuit asserts claims and allegations that are similar to those asserted in the Evans Lawsuit. The Wolfson Lawsuit also asserts a claim for breach of the implied covenant of good faith and fair dealing against the director defendants.

Plaintiffs in the Ellman, Vicars, Barbee, Evans and Wolfson Lawsuits seek to enjoin defendants from proceeding with or consummating the proposed merger. To the extent that the merger is implemented before relief is granted, the plaintiffs seek to have the merger rescinded. The plaintiffs also seek money damages and attorneys' fees.

Each of these lawsuits is at a preliminary stage. PAA and PNG cannot predict the outcome of these or any other lawsuits that might be filed, nor can PAA and PNG predict the amount of time and expense that will be required to resolve these lawsuits. PAA, PNG and the other defendants named in the lawsuits intend to defend vigorously against these and any other actions.

**PAA's Obligation to Vote Its PNG Common Units and PNG Subordinated Units**

Pursuant to the merger agreement, PAA has agreed to vote the PNG common units and PNG subordinated units owned beneficially or of record by it or any of its subsidiaries in favor of the merger transactions, including the 28,155,526 PNG common units currently held by PAA and the 25,434,351 PNG subordinated units currently held by PAA, which units represent approximately 46% of the outstanding PNG common units and 100% of the outstanding PNG subordinated units, respectively. PAA's obligations will terminate upon the earliest of (i) the effective date of the merger and (ii) the termination of the merger agreement. It is anticipated that PAA, as the holder of all of the PNG subordinated units, will execute a written consent approving the merger transactions on the date of the special meeting of PNG common unitholders, which consent will satisfy the voting requirement with respect to the holders of the PNG subordinated units.

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**THE MERGER AGREEMENT**

The following is a summary of the material terms of the merger agreement and the merger transactions. The provisions of the merger agreement are extensive and not easily summarized. This summary is qualified in its entirety by reference to the merger agreement, a copy of which is attached to this proxy statement/prospectus as Annex A and is incorporated into this proxy statement/prospectus by reference. You should read the merger agreement in its entirety because it, and not this proxy statement/prospectus, is the legal document that governs the terms of the merger.

The merger agreement is included in this proxy statement/prospectus to provide you with information regarding its terms and is not intended to provide any factual information about PAA or PNG. The merger agreement contains representations and warranties by each of the parties to the merger agreement. These representations and warranties have been made solely for the benefit of the other parties to the merger agreement and:

may not be intended as statements of fact, but rather as a way of allocating risk between the parties in the event the statements therein prove to be inaccurate; and

have been qualified by disclosures in each of PAA's and PNG's SEC filed reports, which disclosures are not reflected in the merger agreement itself.

Information concerning the subject matter of the representations and warranties may have changed since the date of the merger agreement, and this information may or may not be fully reflected in PAA's and PNG's public disclosures.

In the following summary of the material terms of the merger agreement, all references to the subsidiaries of PAA do not include PNG GP or its subsidiaries (including PNG), unless explicitly stated, and all references to the affiliates of PNG GP, PNG and their subsidiaries do not include PAA, MergerCo or any of their respective subsidiaries (other than PNG GP, PNG or any of its subsidiaries) unless explicitly stated.

**Structure of the Merger and Related Transactions**

Pursuant to the Merger Agreement, MergerCo will merge with and into PNG, with PNG (referred to herein, interchangeably, as "PNG" or the "surviving entity") surviving the merger. PNG GP, which is wholly-owned by PAA, will remain the sole general partner of PNG, and PAA will become the sole limited partner of PNG. Except for the common units owned by PAA or any of its subsidiaries, all of the common units representing limited partner interests in PNG outstanding at the effective time of the merger (the "effective time") will be converted into the right to receive 0.445 PAA common units per PNG common unit. No fractional PAA common unit will be issued in the merger. PNG common unitholders will receive cash in lieu of receiving any fractional PAA common unit to which any PNG common unitholder would otherwise have been entitled in an amount equal to such fractional interest multiplied by the average of the closing price of PAA common units for the ten consecutive NYSE full trading days ending at the closing of the last NYSE full trading day immediately preceding the day the merger closes. All incentive distribution rights owned by PNG GP and all PNG common units and PNG subordinated units owned by PAA or its subsidiaries will remain outstanding.

Each of the certificate of formation of PNG GP, as filed with the Secretary of State of the State of Delaware on January 15, 2010, and the amended and restated limited liability company agreement of PNG GP dated as of May 5, 2010, each as amended from time to time, will remain unchanged at the effective time and will continue to be the certificate of formation and the limited liability company agreement, respectively, of PNG GP following completion of the merger. Each of the certificate of limited partnership of PNG, as filed with the Secretary of State of the State of Delaware on January 15, 2010, and PNG's partnership agreement, each as amended from time to time, will remain unchanged at the effective time and will continue to be the certificate of limited partnership and

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agreement of limited partnership, respectively, of the surviving entity immediately following completion of the merger.

**When the Merger Becomes Effective**

The closing of the merger will take place on either (i) the first business day after the date on which the last of the conditions set forth in the merger agreement (other than those conditions that by their nature cannot be satisfied until the closing date) have been satisfied or waived in accordance with the terms of the merger agreement, or (ii) such other date to which PAA and PNG may agree in writing. Please read "The Merger Agreement Conditions to the Merger" beginning on page 73 for a more complete description of the conditions that must be satisfied or waived prior to closing. The date on which the closing actually occurs is referred to as the "closing date."

The merger will become effective at the effective time, which will occur upon the filing of a properly executed certificate of merger with the Secretary of State of the State of Delaware or at such later date and time as may be agreed by PAA and PNG and set forth in the certificate of merger.

**Effect of Merger on Outstanding PNG Common Units and Other Interests**

At the effective time, by virtue of the merger and without any further action on the part of any of the parties to the merger agreement or any holder of PAA common units, PNG common units or PNG subordinated units, or any equity compensation award with respect to such units, the following will occur:

All of the limited liability company interests in MergerCo outstanding immediately prior to the effective time will be cancelled and no consideration will be received therefor.

The general partner interest in PNG issued and outstanding immediately prior to the effective time will be unchanged and remain issued and outstanding in the surviving entity, and PNG GP, as the holder of such general partner interest, will continue as the sole general partner of the surviving entity as set forth in PNG's partnership agreement (which will continue unchanged as the agreement of limited partnership of the surviving entity as of the effective time).

The PNG IDRs outstanding immediately prior to the effective time, which are owned by PNG GP, will be unchanged and remain outstanding as incentive distribution rights of the surviving entity, and no consideration will be delivered in respect thereof.

The PNG Series A Subordinated Units and PNG Series B Subordinated Units outstanding immediately prior to the effective time, which are owned by PAA, will be unchanged and remain issued and outstanding as PNG Series A Subordinated Units and PNG Series B Subordinated Units of the surviving entity, and no consideration will be delivered in respect thereof.

Each PNG common unit issued and outstanding immediately prior to the effective time (other than PNG common units held by PAA or its subsidiaries) will be converted into the right to receive 0.445 PAA common units.

All PNG common units owned by PAA or any of its subsidiaries immediately prior to the effective time will be unchanged and remain issued and outstanding as PNG common units of the surviving entity at the effective time; such PNG common units will, immediately after the effective time, constitute all of the issued and outstanding common units of the surviving entity, and, thereby, PAA will continue as a limited partner in the surviving entity and become the sole limited partner of the surviving entity; at the effective time, the books and records of PNG will be revised to reflect that all other limited partners of PNG cease to be limited partners of PNG pursuant to the terms of the merger agreement, and PNG will continue in existence without dissolution.



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Each award of phantom units representing the right to receive PNG common units issued under the PNG 2010 Long-Term Incentive Plan, as amended from time to time (the "PNG LTIP"), and outstanding immediately prior to the effective time will be converted into an award of phantom units representing the right to receive PAA common units, with the number of PAA phantom units subject to each converted award to be determined based on the exchange ratio, rounded down to the nearest whole PAA phantom unit, and with such other equitable adjustments to the vesting and performance conditions associated with such awards as shall be determined by the PNG GP Board or PAA GP, as applicable, in accordance with the terms of the PNG LTIP and the award agreements evidencing the PNG phantom units and such phantom units will otherwise continue to be governed, on and after the effective time, by their existing terms (subject to adjustment, as described above) and either by the PNG LTIP, if adopted by PAA or PAA GP pursuant to the merger agreement, or else by the Plains All American GP LLC 1998 Long-Term Incentive Plan, the Plains All American 2005 Long-Term Incentive Plan, and the Plains All American PPX Successor Long-Term Incentive Plan (all of which have been, subject to approval of the unitholders of PAA, amended and restated into the Plains All American 2013 Long-Term Incentive Plan), each as amended from time to time and including any successor or replacement plan or plans (collectively, the "PAA LTIP").

All PNG common units (other than those held by PAA or its subsidiaries, which will continue to be held by PAA or its subsidiaries following the effective time) will cease to be outstanding and cease to exist at the effective time of the merger. Each PNG unaffiliated unitholder will cease to be a unitholder of PNG and will cease to have any rights as a unitholder of PNG, except the right to receive 0.445 PAA common units for each outstanding PNG common unit.

Holders of PNG common units and PNG subordinated units as of the effective time will have continued rights to any distribution, without interest, with respect to such PNG common units and PNG subordinated units with a record date occurring prior to the effective time that may have been declared or made by PNG with respect to such PNG common units and PNG subordinated units in accordance with the terms of the merger agreement and which remains unpaid as of the effective time.

The holder of the general partner interest in PNG and the PNG IDRs immediately prior to the effective time will have continued rights to any distribution, without interest, with respect to such general partner interest in PNG and the PNG IDRs with a record date occurring prior to the effective time that may have been declared or made by PNG with respect to such general partner interest in PNG and the PNG IDRs in accordance with the terms of the merger agreement and which remains unpaid as of the effective time.

Holders of phantom units in PNG immediately prior to the effective time will have continued rights to any distribution, without interest, in accordance with the terms and conditions of the applicable award agreements between PNG and/or PNG GP and each such holder (including pursuant to any distribution equivalent rights) with respect to such phantom units with a record date occurring prior to the effective time that may have been declared or made by PNG with respect to PNG common units in accordance with the terms of the merger agreement and which remains unpaid as of the effective time.

The unit transfer books of PNG will be closed immediately and there will be no further registration of transfers on the unit transfer books of PNG with respect to PNG common units.

Unaffiliated PNG common unitholders will have no rights as holders of PAA common units, other than the right to receive the merger consideration, until the holder has surrendered the PNG common units for the merger consideration as provided in the merger agreement.

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For a description of PAA's common units, please read "Description of PAA Common Units," and for a description of the comparative rights of the holders of PAA common units and holders of PNG common units, please read "Comparison of the Rights of PAA Unitholders and PNG Unitholders."

**Exchange of Certificates; No Fractional Units**

***Exchange Agent***

Prior to the effective time, PAA will appoint a commercial bank or trust company reasonably acceptable to PNG to act as exchange agent for the purpose of exchanging PNG common units for PAA common units and cash as required by the merger agreement. At the effective time, PAA will deposit or will cause to be deposited with the exchange agent for the benefit of the holders of the applicable PNG common units, for exchange through the exchange agent, new PAA common units and cash as required by the merger agreement. PAA has agreed to make available to the exchange agent, from time to time as needed, cash sufficient to pay any distributions on PAA common units made pursuant to the merger agreement without interest and to make payments in lieu of the issuance of any fractional PAA common units. Any cash (including as payment in lieu of the issuance of any fractional PAA common units and any distributions with respect to such fractional PAA common units) and PAA common units deposited with the exchange agent are referred to as the "exchange fund." The exchange agent will deliver the merger consideration contemplated to be paid for PNG common units pursuant to the merger agreement out of the exchange fund. Except as contemplated by the merger agreement, the exchange fund will not be used for any other purpose.

***Exchange Procedures***

Promptly after the effective time, PAA will instruct the exchange agent to mail to each applicable record holder of PNG common units a letter of transmittal and instructions explaining how to surrender PNG common units to the exchange agent. This letter will contain instructions on how to surrender certificates or book-entry units formerly representing PNG common units in exchange for the merger consideration such holder is entitled to receive under the merger agreement.

*PNG common unit certificates should NOT be returned with the enclosed proxy card.* PNG common unitholders who deliver a properly completed and signed letter of transmittal and any other documents required by the instructions to the transmittal letter, together with their PNG common unit certificates, if any, will be entitled to receive:

new PAA common units representing, in the aggregate, the whole number of PAA common units that the holder has the right to receive pursuant to the terms of the merger agreement and as described above under "The Merger Agreement Effect of Merger on Outstanding PNG Common Units and Other Interests"; and

a check in an amount equal to the aggregate amount of cash that the holder has the right to receive pursuant to the merger agreement for any cash payable in lieu of any fractional new PAA common units and in respect of distributions on PAA common units with a record date after the effective time and a payment date before the date the units have been surrendered pursuant to the terms of the merger agreement.

No interest will be paid or accrued on any merger consideration or on any cash payment in lieu of fractional new PAA common units or any PAA distributions in accordance with the merger agreement.

In the event of a transfer of ownership of PNG common units that has not been registered in the transfer records of PNG, the merger consideration payable in respect of those PNG common units may be paid to a transferee if the certificate representing those PNG common units or evidence of ownership of the book-entry PNG common units is presented to the exchange agent, and in the case of both certificated and book-entry PNG common units, accompanied by all documents required to

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evidence and effect the transfer, and the person requesting the exchange will pay to the exchange agent in advance any transfer or other taxes required by reason of the delivery of the merger consideration in any name other than that of the record holder of those PNG common units, or will establish to the satisfaction of the exchange agent that any transfer or other taxes have been paid or are not payable. Until the required documentation has been delivered and certificates, if any, have been surrendered as contemplated by the merger agreement, each certificate or book-entry PNG common unit will be deemed at any time after the effective time to represent only the right to receive, upon the delivery and surrender of the PNG common units, the merger consideration payable in respect of PNG common units and any cash or distributions to which the holder is entitled pursuant to the terms of the merger agreement.

***Termination of Exchange Fund***

Any portion of the exchange fund constituting PAA common units or cash that remains undistributed to the holders of PNG common units after 180 days following the effective time will be delivered to PAA if and when demanded by PAA, and after such delivery, any former holders of PNG common units who have not complied with the provisions of the merger agreement will look only to PAA and MergerCo for the merger consideration payable in respect of such PNG common units, any cash in lieu of fractional new PAA common units to which they are entitled pursuant to the merger agreement, or any distributions with respect to PAA common units to which they are entitled pursuant to the merger agreement, in each case, without any interest. Any amounts remaining unclaimed by holders of PNG common units immediately prior to such time as such amounts would otherwise escheat to or become the property of any governmental entity will, to the extent permitted by applicable law, be held by PAA and be subject to applicable escheat, abandoned property or similar laws.

***Distributions with Respect to Unexchanged PNG Common Units***

No distributions declared or made with respect to PAA common units with a record date after the effective time will be paid to the holder of any PNG common units with respect to PAA common units that such holder would be entitled to receive in accordance with the merger agreement and no cash payment in lieu of fractional new PAA common units will be paid to any such holder until such holder has delivered the required documentation and surrendered any certificates or book-entry units as contemplated by the merger agreement. Subject to applicable law, following compliance with the requirements of the merger agreement, the following will be paid to a holder of new PAA common units, without interest: (i) promptly after the time of such compliance, the amount of any cash payable in lieu of fractional new PAA common units to which such holder is entitled pursuant to the merger agreement and an amount in cash equal to any PAA distributions with a record date after the effective time and a payment date prior to such compliance, payable with respect to such PAA common units, and (ii) on the appropriate payment date with respect thereto, the amount of any distributions with a record date after the effective time but prior to such delivery and surrender and with a payment date subsequent to such compliance, payable with respect to such PAA common units.

***Further Rights in PNG Common Units***

The merger consideration issued upon conversion of a PNG common unit in accordance with the terms of the merger agreement (including any cash paid pursuant to the merger agreement) and any declared distributions to be paid on the PNG common units as described in the merger agreement will be deemed to have been issued in full satisfaction of all rights pertaining to such PNG common unit.

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***Fractional PAA Common Units***

No certificates or scrip representing fractional PAA common units or book entry credit of the same will be issued, and such fractional interests will not entitle the owner thereof to vote or to have any rights as a holder of any PAA common units. Each holder of PNG common units converted in the merger who would otherwise have been entitled to receive a fraction of a new PAA common unit (after taking into account all PNG common units exchanged by such holder) shall receive, in lieu thereof, cash (without interest and rounded up to the nearest whole cent) in an amount equal to the product of (i) the average closing price of PAA common units as of the Closing Date as determined in accordance with the merger agreement and (ii) the fraction of a new PAA common unit that such holder would otherwise be entitled to receive pursuant to the merger agreement. As promptly as practicable after the determination of the amount of cash, if any, to be paid to holders of fractional interests, the Exchange Agent will so notify PAA, and PAA shall deposit such amount with the Exchange Agent and will cause the Exchange Agent to forward payments to such holders of fractional interests subject to and in accordance with the terms of the merger agreement.

***No Liability***

To the fullest extent permitted by law, none of PNG GP, PAA, MergerCo, PNG or the surviving entity or their respective representatives will be liable to any holder of PNG common units for any PAA common units (or distributions with respect thereto) or cash delivered to a public official pursuant to any abandoned property, escheat or similar law.

***Lost Certificates***

If any certificate has been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming such certificate to be lost, stolen or destroyed and, if required by PAA or the exchange agent, the posting by such person of an indemnity agreement or bond in a customary amount as indemnity against any claim that may be made against it with respect to such certificate, the exchange agent will pay the merger consideration payable in respect of PNG common units represented by such certificate and any payments to which the holders thereof are entitled pursuant to the merger agreement.

***Withholding***

The exchange agent will be entitled to deduct and withhold from the consideration otherwise payable pursuant to the merger agreement to any holder of PNG common units such amounts as the exchange agent reasonably deems to be required to deduct and withhold under the Internal Revenue Code or any provision of state, local, or foreign tax law, with respect to the making of such payment; provided, however, that the exchange agent will provide reasonable notice to the applicable holders of PNG common units prior to withholding any amounts pursuant to the merger agreement. To the extent that amounts are deducted and withheld by the exchange agent, such amounts will be treated for all purposes of the merger agreement as having been paid to the holder of PNG common units in respect of whom such deduction and withholding was made by the exchange agent.

***Book Entry and Admission of Holders of New PAA Common Units as Additional Limited Partners of PAA***

All new PAA common units to be issued in the merger will be issued in book-entry form, without physical certificates, unless physical certificates are requested by the holder entitled to such PAA common units. Upon the issuance of PAA common units to the holders of PNG common units in accordance with the merger agreement following compliance with the merger agreement, and compliance by such holders with the requirements of the PAA's partnership agreement, which requirements may be satisfied by each holder of PNG common units by the execution and delivery by



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such holder of a completed and executed letter of transmittal, the PAA GP shall be deemed to have automatically consented to the admission of such holder as a limited partner of PAA in respect of its newly issued PAA common units and shall reflect such admission in the books and records of PAA.

***Investment of the Exchange Fund***

PAA will cause the exchange agent to invest any cash included in the exchange fund as directed by PAA on a daily basis, in PAA's sole discretion; provided, however that (i) any investment of such exchange fund will be limited to direct short term obligations of, or short term obligations fully guaranteed as to principal and interest by, the U.S. government, and (ii) no such investment or loss will affect the amounts payable or the timing of the amounts payable to PNG common unitholders pursuant to the merger agreement. Any interest and other income resulting from such investments will be paid promptly to PAA.

***Anti-Dilution Provisions***

In the event of any subdivisions, reclassifications, recapitalizations, splits, unit distributions, combinations or exchanges with respect to, or rights in respect of, PNG common units or PAA common units, the exchange ratio, the merger consideration and the number of PAA common units to be issued in the merger will be correspondingly adjusted to provide to the holders of PNG common units the same economic effect as contemplated by the merger agreement prior to such event.

**Actions Pending the Merger**

***Conduct of Business by PNG and PNG GP***

From the date of the merger agreement until the effective time, except for actions (i) expressly contemplated or permitted by the merger agreement, (ii) required by applicable law, or (iii) taken with the prior written consent of PAA (which consent may not be unreasonably withheld, delayed or conditioned), PNG and PNG GP will not, and will cause each of their respective subsidiaries not to, and PAA will not cause PNG or PNG GP to:

conduct its business and the business of its subsidiaries other than in the ordinary course, except as would not reasonably be expected to have a material adverse effect with respect to PNG (please read "The Merger Agreement Representations and Warranties" for a summary of the definition of "material adverse effect" in the merger agreement);

(i) issue, sell or otherwise permit to become outstanding, or authorize the creation of, any additional equity securities (other than pursuant to the existing terms of Rights outstanding as of the date of the merger agreement) or any additional Rights (as such term is defined in the merger agreement), (ii) enter into any agreement with respect to the foregoing, or (iii) permit any additional equity interests to become subject to new grants of restricted units, phantom units, unit options, unit appreciation rights, in each case which would materially adversely affect its ability to consummate the transactions contemplated by the merger agreement and except under the Compensation and Benefit Plans (as such term is defined in the merger agreement) in effect on the date of the merger agreement;

split, combine or reclassify any of its equity interests or authorize or propose the issuance of any other securities in respect of, in lieu of or in substitution for its equity interests;

merge, consolidate or enter into any other business combination transaction or agreement with any person or make any acquisition or disposition that would materially delay the consummation of the merger transactions;

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make or declare dividends or distributions (i) to the holders of PNG common units that are special or extraordinary distributions other than such distributions as are consistent with past practice and made pursuant to applicable approvals of the PNG GP Board, or (ii) to the holders of any other units of or interests in PNG, in each case other than distributions required under PNG's partnership agreement as in effect on the date of the merger agreement or which constitute regular quarterly cash distributions to such PNG common unitholders substantially consistent with past practice;

amend in any material respect PNG's partnership agreement or the limited liability company agreement of PNG GP, in each case as in effect on the date of the merger agreement;

enter into any material contract (as such term is defined in Item 601(b)(10) of Regulation S-K of the SEC), except as would not have a material adverse effect with respect to PNG;

modify, amend, terminate or assign, or waive or assign any rights under any material contract in a manner which would have a material adverse effect with respect to PNG;

waive, release, assign, settle or compromise any claim, action or proceeding, including any state or federal regulatory proceeding, seeking damages or injunction or other equitable relief, that (i) is material to PNG and its subsidiaries taken as a whole, or (ii) is a claim, action or proceeding relating to the merger transactions or the merger agreement;

implement or adopt any material change in its accounting principles, practices or methods, other than as may be required by U.S. generally accepted accounting principles;

change in any material respect any of its express or deemed elections relating to taxes, including elections for any and all joint ventures, partnerships, limited liability companies or other investments where it has the capacity to make such binding election;

settle or compromise any material claim, action, suit, litigation, proceeding, arbitration, investigation, audit or controversy relating to taxes;

change in any material respect any of its methods of reporting income or deductions for U.S. federal income tax purposes from those employed in the preparation of its U.S. federal income tax return for the most recent taxable year for which a return has been filed, except as may be required by applicable law;

other than in the ordinary course of business, (i) incur, assume, guarantee or otherwise become liable for any indebtedness (directly, contingently or otherwise), other than borrowings under existing revolving credit facilities, or (ii) create any lien on its property or the property of its subsidiaries to secure indebtedness;

authorize, recommend, propose or announce an intention to adopt a plan of complete or partial dissolution or liquidation;

knowingly take any action that is intended or is reasonably likely to result in (i) any of its representations and warranties in the merger agreement being or becoming untrue in any material respect at the closing date, (ii) any of the conditions to closing not being satisfied, or (iii) a material violation of any provision of the merger agreement; or

agree or commit to do any of the prohibited actions described above.

*Conduct of Business by PAA and MergerCo*

From the date of the merger agreement until the effective time, except for actions (i) expressly contemplated or permitted by the merger agreement, (ii) required by applicable law, or (iii) taken with the prior written consent of the PNG Conflicts Committee (which consent may not be unreasonably

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withheld, delayed or conditioned), PAA and MergerCo will not, and will cause each of their respective subsidiaries not to:

conduct its business and the business of its subsidiaries other than in the ordinary course, except as would not reasonably be expected to have a material adverse effect with respect to PAA;

merge, consolidate or enter into any other business combination transaction or agreement with any person or make any acquisition or disposition that would materially delay the consummation of the merger transactions;

make or declare dividends or distributions (i) to the holders of PAA common units that are special or extraordinary distributions other than such distributions as are consistent with past practice made pursuant to applicable approvals of the PAA GP Board or (ii) to the holders of any other units of or interests in PAA, other than distributions required under PAA's partnership agreement as in effect on the date of the merger agreement or which constitute regularly quarterly cash distributions to such PAA unitholders substantially consistent with past practice;

amend in any material respect, PAA's partnership agreement as in effect on the date of the merger agreement;

enter into any material contract, except as would not have a material adverse effect with respect to PAA;

modify, amend, terminate or assign, or waive or assign any rights under any material contract in a manner which would have a material adverse effect on PAA;

implement or adopt any material change in its accounting principles, practices or methods, other than as may be required by U.S. generally accepted accounting principles;

authorize, recommend, propose or announce an intention to adopt a plan of complete or partial dissolution or liquidation;

knowingly take any action that is intended or is reasonably likely to result in (i) any of its representations and warranties in the merger agreement being or becoming untrue in any material respect at the closing date, (ii) any of the conditions to closing not being satisfied, or (iii) a material violation of any provision of the merger agreement;

sell, transfer or otherwise dispose of, or acquire, any PNG common units, PNG general partner interests or other interests in PNG; or

agree or commit to do any of the prohibited actions described above.

**Conditions to the Merger**

***Conditions of Each Party***

The respective obligations of the parties to effect the merger are subject to the satisfaction or, if applicable, waiver, on or prior to the closing date of the merger, of each of the following conditions:

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the merger agreement and the merger transactions must have been approved by the affirmative vote of the PNG unitholders, as of the record date for the PNG special meeting, holding a majority of the outstanding PNG common units, voting as a class, and the holders of a majority of the outstanding PNG subordinated units, voting as a class;

all filings required to be made prior to the effective time with, and all other consents, approvals, permits and authorizations required to be obtained prior to the effective time from, any governmental authority in connection with the execution and delivery of the merger agreement and the consummation of the merger transactions by the parties or their affiliates must have

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been made or obtained, except where the failure to obtain such consents, approvals, permits and authorizations could not be reasonably likely to result in a material adverse effect with respect to PAA or PNG; provided, however, that prior to invoking this condition, the invoking party must have used its commercially reasonable efforts to make all required filings and to obtain all required consents, approvals, permits and authorizations as required under the merger agreement;

no order, decree or injunction of any court or agency of competent jurisdiction may be in effect, and no law may have been enacted or adopted, that enjoins, prohibits or makes illegal the consummation of any of the merger transactions, and no action, proceeding or investigation by any governmental authority with respect to the merger or the other merger transactions may be pending that seeks to restrain, enjoin, prohibit or delay the consummation of the merger or such other merger transaction or to impose any material restrictions or requirements thereon or on PAA or PNG with respect to the merger transactions; provided, however, that prior to invoking this condition, the invoking party must have used its commercially reasonable efforts in good faith to consummate the merger as required under the merger agreement;

the registration statement of which this proxy statement/prospectus is a part must have become effective under the Securities Act and no stop order suspending the effectiveness of the registration statement may have been issued and no proceedings for that purpose may have been initiated or threatened by the SEC;

the PAA common units to be issued in the merger must have been approved for listing on the NYSE, subject to official notice of issuance; and

PAA must have received an opinion from Vinson & Elkins L.L.P. (and provided a copy of such opinion to the PNG Conflicts Committee) (i) to the effect that (a) no gain or loss should be recognized by the holders of PNG common units as a result of the merger, other than gain resulting from either (1) any decrease in partnership liabilities pursuant to Section 752 of the Internal Revenue Code, or (2) any cash paid in lieu of fractional PAA common units, and (b) no gain or loss should be recognized by the holders of PAA common units as a result of the merger, other than gain resulting from any decrease in partnership liabilities pursuant to Section 752 of the Internal Revenue Code and (ii) that shall provide specifically that the PNG Conflicts Committee may rely on such opinion. Such opinion will be based on customary representations from PAA, PNG and PNG GP regarding certain factual matters.

***Additional Conditions to the Obligations of PAA***

The obligation of PAA to effect the merger is further subject to the satisfaction by PNG, on or prior to the closing date of the merger, of each of the following conditions, or the waiver thereof by PAA:

each of the representations and warranties contained in the merger agreement of PNG and PNG GP qualified as to materiality or material adverse effect must be true and correct in all respects and those not so qualified must be true and correct in all material respects, in each case, as of the date of the merger agreement and upon the closing date with the same effect as though all such representations and warranties had been made on the closing date (in either case, except for any such representations and warranties made as of a specified date, in which case as of such date); provided, however, that no representations and warranties will be deemed to be untrue or incorrect to the extent that any executive officer or director of PAA GP or MergerCo had knowledge of such inaccuracy at the date of the merger agreement; provided, further, however, that the immediately preceding proviso will not apply if any member of the PNG Conflicts Committee had actual knowledge of any such inaccuracy as of the date of the merger agreement;

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each and all of the agreements and covenants of PNG and PNG GP to be performed and complied with pursuant to the merger agreement on or prior to the effective time must have been duly performed and complied with in all material respects;

PAA must have received a certificate signed by the chief executive officer, president or chief financial officer of PNG GP, dated as of the closing date, to the effect that the conditions described in the first two bullet points immediately above have been satisfied; and

there must not have occurred a material adverse effect with respect to PNG between the signing of the merger agreement and the closing date.

***Additional Conditions to the Obligations of PNG***

The obligation of PNG to effect the merger is further subject to the satisfaction by PAA, on or prior to the closing date of the merger, of each of the following conditions, or the waiver thereof by PNG:

each of the representations and warranties contained in the merger agreement of PAA and MergerCo qualified as to materiality or material adverse effect must be true and correct in all respects and those not so qualified must be true and correct in all material respects, in each case, as of the date of the merger agreement and upon the closing date with the same effect as though all such representations and warranties had been made on the closing date (in either case, except for any such representations and warranties made as of a specified date, in which case as of such date); provided, however, that no representations and warranties will be deemed to be untrue or incorrect to the extent that any member of the PNG Conflicts Committee or its representatives had actual knowledge of such inaccuracy at the date of the merger agreement; provided, further, however, that the immediately preceding proviso will not apply if an executive officer or director of PAA GP had knowledge of any such inaccuracy as of the date of the merger agreement;

each and all of the agreements and covenants of PAA and MergerCo to be performed and complied with pursuant to the merger agreement on or prior to the closing date must have been duly performed and complied with in all material respects;

PNG must have received a certificate signed by the chief executive officer, president or chief financial officer of PAA, dated as of the closing date, to the effect that the conditions described in the first two bullet points immediately above have been satisfied; and

there must not have occurred a material adverse effect with respect to PAA between the date of the merger agreement and the closing date.

The merger agreement provides that the PNG unitholder voting condition may not be waived. Each of PAA and PNG (with the consent of the PNG Conflicts Committee, in the case of PNG) may choose to complete the merger even though any other condition to its obligation has not been satisfied if the necessary PNG unitholder approval has been obtained and the law allows it to do so.

**Representations and Warranties**

The merger agreement contains representations and warranties of the parties to the merger agreement. These representations and warranties concern, among other things:

legal organization, existence, general authority and good standing;

capitalization;

the absence of PNG's ownership of any equity interests other than in its subsidiaries;



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power and authorization to enter into and carry out the obligations of the merger agreement, and enforceability of the merger agreement;

the absence of defaults, breaches and other conflicts caused by entering into the merger agreement and completing the merger;

required board and committee consents and approvals;

the absence of required governmental consents and approvals, other than those noted therein;

the accuracy of financial statements and reports filed with the SEC;

the absence of undisclosed liabilities;

compliance with laws;

the absence of undisclosed material contracts and the validity of existing material contracts;

the absence of brokers other than those noted therein;

the fairness opinion delivered to the PNG Conflicts Committee; and

the absence of any material adverse effects.

For purposes of the merger agreement, "material adverse effect," when used with respect to either PNG, PNG GP or PAA, as the case may be, means any event, condition, change, occurrence or development of a state of circumstances (each an "event") that:

is or would reasonably be expected to be material and adverse to the business, financial condition or operations of such party or its subsidiaries, taken as a whole; or

prevent or materially impair or delay, the ability of such party to perform its obligations under the merger agreement or the consummation of the merger and the other merger transactions.

Many of the representations and warranties in the merger agreement provide that such representation and warranty does not extend to matters where the failure of the representation and warranty to be accurate would not result in a material adverse effect on the party making the representation and warranty. A material adverse effect does not include (or events resulting from) any of the following:

general political, geopolitical, economic or market events;

events in the industries in which PNG and PNG GP, on the one hand, or PAA and MergerCo, on the other hand, as the case may be, operate;

changes in law;

earthquakes, hurricanes, floods or other natural disasters or acts of terrorism or war involving territory or facilities within the United States of America not directly damaging or impacting PNG and PNG GP and their subsidiaries, taken as a whole, or PAA and MergerCo and their subsidiaries, taken as a whole, respectively;

changes in the market price or trading volume of PNG common units or PAA common units, respectively (except that the underlying causes of any such changes may be considered in determining whether a material adverse effect has occurred);

announcement or pendency of the merger agreement, the merger or the other transactions contemplated by the merger agreement (including by reason of any communication by PAA or MergerCo or any of their affiliates regarding its or their plans or intentions with respect to the business of PNG, and including the impact thereof on relationships with customers, suppliers, distributors, partners or employees or others having relationships with PNG and its subsidiaries);

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failure by PNG to meet public or internal revenue, earnings or other projections (except that the underlying causes of any such changes may be considered in determining whether a material adverse effect has occurred); or

taking of any action required by the merger agreement or with PAA's or MergerCo's express prior written consent or the failure to take any action prohibited by the merger agreement.

Except that if the Event described in any of the first four bullets above (a "Clause i-iv Change") occurs, then to the extent and only to the extent, relative to other participants of similar size in the relevant party's industry generally, such Clause i-iv Change disproportionately impacts the business, financial condition or operations of PNG and its subsidiaries, taken as a whole, or PAA and its subsidiaries, taken as a whole.

**Covenants**

PAA and PNG made the covenants described below:

*Efforts*

Subject to the terms and conditions of the merger agreement, the parties will use their commercially reasonable efforts in good faith (subject to, and in accordance with, applicable laws) to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper, desirable or advisable, so as to permit and enable prompt consummation of the merger transactions, including (i) using commercially reasonable efforts to lift or rescind any injunction or restraining order or other order adversely affecting the ability of the parties to consummate the merger transactions, and (ii) using commercially reasonable efforts to defend any litigation seeking to enjoin, prevent or delay the consummation of the merger transactions or seeking material damages. Each of the parties will (a) cooperate fully with the other parties to that end and (b) furnish to the other parties copies of all correspondence, filings and communications between it and its affiliates and any governmental authority with respect to the merger transactions.

*Unitholder Approval*

Subject to the terms and conditions of the merger agreement, and except as described in the third paragraph of this subsection, PNG will take, in accordance with applicable law, applicable stock exchange rules and PNG's partnership agreement, all action necessary to call, hold and convene the PNG special meeting to consider and vote upon the approval of the merger proposal, as promptly as practicable after the registration statement of which this proxy statement/prospectus is a part is declared effective. Subject to the immediately following paragraph, the PNG Conflicts Committee will recommend approval of the merger proposal to the PNG common unitholders, and PNG will take all reasonable lawful action to solicit such approval by the PNG common unitholders. Except as described in the following two paragraphs, neither the PNG Conflicts Committee nor the PNG GP Board will (i) withdraw, modify or qualify in any manner adverse to PAA the recommendation of the PNG Conflicts Committee and the PNG GP Board or (ii) publicly approve, adopt or recommend, or publicly propose to approve, adopt or recommend, any "acquisition proposal" (defined and described more fully under "The Merger Agreement Covenants Acquisition Proposals"). The actions described in the preceding sentence are referred to in this proxy statement/prospectus as a "PNG Change in Recommendation." None of PNG GP, PNG or any of their subsidiaries will execute or enter into any letter of intent, memorandum of understanding, agreement in principle, merger agreement, acquisition agreement, option agreement, joint venture agreement, partnership agreement or other similar contract providing for any acquisition proposal.

Notwithstanding the above paragraph, at any time prior to obtaining the PNG unitholder approval, the PNG Conflicts Committee or the PNG GP Board may make a PNG Change in Recommendation if

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it has determined in good faith, after consultation with its outside legal counsel and financial advisors, that failure to make a PNG Change in Recommendation would be inconsistent with its duties under PNG's partnership agreement or applicable law; provided, however, that neither the PNG Conflicts Committee nor the PNG GP Board will be entitled to exercise its right to make a PNG Change in Recommendation unless (i) PNG has provided to PAA three business days prior written notice, advising PAA that the PNG Conflicts Committee or the PNG GP Board intends to take such action, specifying the reasons for taking such action in reasonable detail, and if such action is in response to any acquisition proposal, such acquisition proposal is not the result of a material breach of the merger agreement and the notice specifies the material terms and conditions of such acquisition proposal, th