

PLAINS ALL AMERICAN PIPELINE LP

Form 424B2

November 08, 2011

Table of Contents

The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell and are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

**Filed Pursuant to Rule 424(b)(2)
Registration No. 333-162475**

SUBJECT TO COMPLETION, DATED NOVEMBER 8, 2011

**PRELIMINARY PROSPECTUS SUPPLEMENT
(To Prospectus Dated October 14, 2009)**

7,500,000 Common Units

Representing Limited Partner Interests

\$ per Common Unit

We are selling 7,500,000 of our common units in this offering. Our common units are listed on the New York Stock Exchange under the symbol PAA. The last reported sale price of our common units on the New York Stock Exchange on November 7, 2011 was \$66.57 per common unit.

Investing in our common units involves risks. See Risk Factors on page S-5 of this prospectus supplement.

	Per Common Unit	Total
Public Offering Price	\$	\$
Underwriting Discount	\$	\$
Proceeds to Plains All American Pipeline, L.P. (before expenses)	\$	\$

Delivery of the common units is expected to be made on or about November , 2011.

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

We have granted the underwriters a 30-day option to purchase up to 1,125,000 additional common units to cover over-allotments.

Joint Book-Running Managers

**BofA Merrill Lynch
J.P. Morgan**

**Barclays Capital
UBS Investment Bank**

**Citigroup
Raymond James**

Co-Managers

RBC Capital Markets
Stifel Nicolaus Weisel

Morgan Keegan
BMO Capital Markets

Oppenheimer & Co.
Janney Montgomery Scott

The date of this prospectus supplement is November , 2011.

TABLE OF CONTENTS

Preliminary Prospectus Supplement

<u>Important Notice About Information in this Prospectus Supplement and the Accompanying Prospectus</u>	S-ii
<u>Forward-Looking Statements</u>	S-ii
<u>Prospectus Supplement Summary</u>	S-1
<u>The Offering</u>	S-4
<u>Risk Factors</u>	S-5
<u>Use of Proceeds</u>	S-6
<u>Price Range of Common Units and Distributions</u>	S-7
<u>Capitalization</u>	S-8
<u>Material U.S. Federal Income Tax Consequences</u>	S-9
<u>Underwriting (Conflicts of Interest)</u>	S-11
<u>Legal Matters</u>	S-16
<u>Experts</u>	S-16
<u>Where You Can Find More Information</u>	S-16

Prospectus

About This Prospectus	i
Where You Can Find More Information	1
Forward-Looking Statements	3
Who We Are	5
Risk Factors	6
Use of Proceeds	7
Ratio of Earnings to Fixed Charges	8
Description of Our Debt Securities	9
Description of Our Common Units	17
Cash Distribution Policy	19
Description of Our Partnership Agreement	23
Material Income Tax Considerations	26
Legal Matters	41
Experts	41

Table of Contents

**IMPORTANT NOTICE ABOUT INFORMATION IN THIS
PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS**

This document is in two parts. The first part is the prospectus supplement, which describes our business and the specific terms of this offering. The second part, the base prospectus, gives more general information, some of which may not apply to this offering. Generally, when we refer only to the prospectus, we are referring to both parts combined.

If the description of the offering varies between the prospectus supplement and the base prospectus, you should rely on the information in the prospectus supplement.

You should rely only on the information contained in or incorporated by reference in this prospectus or any free writing prospectus relating to this offering of common units. Neither we nor the underwriters have authorized anyone to provide you with different information. We are not making an offer of the common units in any jurisdiction where the offer is not permitted. You should not assume that the information contained in this prospectus, any free writing prospectus or in the documents incorporated by reference in this prospectus is accurate as of any date other than the date on the front of those documents.

The information in this prospectus supplement is not complete. You should review carefully all of the detailed information appearing in this prospectus supplement, the accompanying prospectus and the documents we have incorporated by reference before making any investment decision.

FORWARD-LOOKING STATEMENTS

All statements included or incorporated by reference in this prospectus supplement, other than statements of historical fact, are forward-looking statements, including but not limited to statements identified by the words anticipate, believe, estimate, expect, plan, intend and forecast, as well as similar expressions and statements regarding our business strategy, plans and objectives for future operations. The absence of these words, however, does not mean that the statements are not forward-looking. These statements reflect our current views with respect to future events, based on what we believe to be reasonable assumptions. Certain factors could cause actual results to differ materially from results anticipated in the forward-looking statements. The most important of these factors include, but are not limited to:

failure to implement or capitalize on planned internal growth projects;

maintenance of our credit rating and ability to receive open credit from our suppliers and trade counterparties;

continued creditworthiness of, and performance by, our counterparties, including financial institutions and trading companies with which we do business;

the effectiveness of our risk management activities;

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

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

abrupt or severe declines or interruptions in outer continental shelf production located offshore California and transported on our pipeline systems;

shortages or cost increases of supplies, materials or labor;

the availability of adequate third-party production volumes for transportation and marketing in the areas in which we operate and other factors that could cause declines in volumes shipped on our pipelines by us and third-party shippers, such as declines in production from existing oil and gas reserves or failure to develop additional oil and gas reserves;

S-ii

Table of Contents

fluctuations in refinery capacity in areas supplied by our 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;

the availability of, and our ability to consummate, acquisition or combination opportunities;

our 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 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 our historical operations;

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

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 our units at the time of vesting under our 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 natural gas storage facilities;

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

future developments and circumstances at the time distributions are declared;

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

other factors and uncertainties inherent in the transportation, storage, terminalling and marketing of crude oil, refined products and liquefied petroleum gas and other natural gas related petroleum products.

Other factors described herein or incorporated by reference, or factors that are unknown or unpredictable, could also have a material adverse effect on future results. Such factors are described in **Risk Factors** on page S-5 of this prospectus supplement and in Item 1A. **Risk Factors** in our Annual Report on Form 10-K for the year ended December 31, 2010 (File No. 001-14569), which is incorporated in this prospectus supplement by reference. Except as required by applicable securities laws, we do not intend to update these forward-looking statements and information.

Table of Contents

PROSPECTUS SUPPLEMENT SUMMARY

*This summary highlights information contained elsewhere, or incorporated by reference, in this prospectus supplement and the accompanying prospectus. It does not contain all of the information that you should consider before making an investment decision. You should read this entire prospectus supplement, the accompanying prospectus and the documents incorporated herein by reference for a more complete understanding of this offering of common units. Please read **Risk Factors** on page S-5 of this prospectus supplement and in our Annual Report on Form 10-K for the year ended December 31, 2010, which is incorporated into this prospectus supplement by reference, for information regarding risks you should consider before investing in our common units.*

Except as the context otherwise indicates, the information in this prospectus supplement assumes no exercise of the underwriters' option to purchase additional common units.

For purposes of this prospectus supplement and the accompanying prospectus, unless the context clearly indicates otherwise, PAA, we, us, our and the Partnership refer to Plains All American Pipeline, L.P. and its subsidiaries. References to our general partner, as the context requires, include any or all of PAA GP LLC, Plains AAP, L.P. and Plains All American GP LLC.

Plains All American Pipeline, L.P.

We are a Delaware limited partnership formed in September 1998. Our operations are conducted directly and indirectly through our primary operating subsidiaries. We are engaged in the transportation, storage, terminalling and marketing of crude oil, refined products and liquefied petroleum gas and other natural gas-related petroleum products. We refer to liquefied petroleum gas and other natural gas-related petroleum products collectively as LPG. We are also engaged in the development and operation of natural gas storage facilities through our direct and indirect ownership of PAA Natural Gas Storage, L.P. (PNG), which is a fee-based, growth-oriented Delaware limited partnership engaged in the ownership, acquisition, development, operation and commercial management of natural gas storage facilities. We own PNG's general partner, PNGS GP LLC (PNGS GP), which holds a 2% general partner interest in PNG and all of its incentive distributions rights. We also currently own an approximate 62% limited partner interest in PNG.

We are one of the largest midstream crude oil companies in North America. We have an extensive network of pipeline transportation, terminalling, storage and gathering assets in key oil-producing basins and transportation corridors, and at major market hubs in the United States and Canada. We manage our operations through three primary operating segments: transportation, facilities and supply and logistics.

Business Strategy

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

We believe successful execution of this strategy will enable us to generate sustainable earnings and cash flow. We intend to manage and grow our business by:

optimizing our existing assets and realizing cost efficiencies through operational improvements;

developing and implementing internal growth projects that (i) address evolving crude oil, refined products and LPG needs in the midstream transportation and infrastructure sector and (ii) are well-positioned to benefit from long-term industry trends and opportunities;

utilizing our assets along the Gulf, West and East Coasts along with our terminals and leased assets to optimize our presence in the waterborne importation of foreign crude oil;

capitalizing on the anticipated long-term growth in demand for natural gas storage services in North America by owning and operating high-quality natural gas storage facilities and providing our current and future customers reliable, competitive and flexible natural gas storage and related services;

S-1

Table of Contents

selectively pursuing strategic and accretive acquisitions that complement our existing asset base and distribution capabilities; and

using our terminalling and storage assets in conjunction with our supply and logistic activities to capitalize on inefficient energy markets and to address physical market imbalances, mitigate inherent risks and increase margin.

We intend to utilize PNG as the primary vehicle through which we will participate in the natural gas storage business. We believe PNG's natural gas storage assets are also well-positioned to benefit from long-term industry trends and opportunities. PNG's growth strategies are to develop and implement internal growth projects and to selectively pursue strategic and accretive acquisitions of natural gas storage projects and facilities. Through execution of such growth strategies, we intend to expand the scale and scope of our natural gas storage business. We may also prudently and economically leverage our asset base, knowledge base and skill sets to participate in other energy-related businesses that have characteristics and opportunities similar to, or that otherwise complement, our existing activities.

Ongoing Acquisition Activities

Consistent with our business strategy, we are continuously engaged in discussions with potential sellers regarding the possible purchase of assets and operations that are strategic and complementary to our existing operations. In addition, we have in the past evaluated and pursued, and intend in the future to evaluate and pursue, other energy-related assets that have characteristics and opportunities similar to our business lines and enable us to leverage our asset base, knowledge base and skill sets. Such acquisition efforts may involve participation by us in processes that have been made public and involve a number of potential buyers, commonly referred to as auction processes, as well as situations in which we believe we are the only party or one of a limited number of potential buyers in negotiations with the potential seller. These acquisition efforts often involve assets which, if acquired, could have a material effect on our financial condition and results of operations.

We typically do not announce a transaction until after we have executed a definitive acquisition agreement. However, in certain cases when we believe our business interests are protected or for other reasons, we will defer public announcement of an acquisition until closing or a later date. Past experience has demonstrated that such discussions and negotiations could advance or terminate in a short period of time. Moreover, the closing of any transaction for which we have entered into a definitive acquisition agreement will be subject to customary and other closing conditions, which may not ultimately be satisfied or waived. Accordingly, we can give no assurance that our current or future acquisition efforts will be successful. Although we expect the acquisitions we make to be accretive in the long term, we can provide no assurance that our expectations will ultimately be realized. Subsequent to the end of the third quarter, we have closed one transaction, signed a definitive agreement for a second transaction and executed a letter of intent on a third acquisition opportunity. These three transactions are in existing lines of business in existing areas of operation and represent a potential aggregate purchase price in the range of \$525 million to \$625 million.

Recent Developments

On October 6, 2011, we submitted a proposal to SemGroup Corporation (SemGroup) to acquire all of the outstanding shares of SemGroup for \$24.00 per share, which equated to a total enterprise value for SemGroup in excess of \$1.24 billion. SemGroup provides gathering, transportation, storage, distribution, blending, marketing, and other midstream services to independent producers, refiners of petroleum products, and other market participants located in the Midwest and Rocky Mountain regions of the United States, Canada and the West Coast of the United Kingdom. The proposal was made orally and in a letter to the president and chief executive officer of SemGroup. Following SemGroup's rejection of and refusal to engage in constructive discussions regarding the October 6th proposal, on

October 24, 2011, our chief executive officer sent a letter to both the president and chief executive officer of SemGroup and the non-executive chairman of the board of SemGroup, expressing, among other things, our continued interest in pursuing the proposed transaction. Since October 24, 2011, SemGroup has adopted a shareholder rights plan. We continue to explore our options with respect to SemGroup; however, we can make no assurances with respect to our proposal or any other future developments with respect to SemGroup or the ultimate success of any action we may take.

S-2

Table of Contents

Our Principal Executive Offices

Our executive offices are located at 333 Clay Street, Suite 1600, Houston, Texas 77002. Our telephone number is (713) 646-4100. We maintain a website at www.paalp.com that provides information about our business and operations. Information contained on or available through our website is not incorporated into or otherwise a part of this prospectus supplement or the accompanying base prospectus.

Additional Information

For additional information about us, including our partnership structure and management, please see our Annual Report on Form 10-K for the year ended December 31, 2010 and our Quarterly Reports on Form 10-Q for the periods ended March 31, 2011, June 30, 2011 and September 30, 2011, each of which is incorporated by reference herein. Please refer to the section in this prospectus supplement entitled "Where You Can Find More Information."

Table of Contents

THE OFFERING

Common units we are offering	7,500,000 common units; 8,625,000 common units if the underwriters exercise their option to purchase additional common units in full.
Units outstanding after this offering	156,876,937 common units if the underwriters do not exercise their option to purchase additional common units and 158,001,937 common units if the underwriters exercise their option to purchase additional common units in full.
Use of proceeds	We intend to use the net proceeds from this offering of approximately \$ million, including our general partner's proportionate capital contribution and after deducting the underwriters' discounts and commissions and estimated offering expenses, for general partnership purposes, including pending or future acquisitions, capital program expenditures, repayment of future outstanding borrowings under our credit facilities, if any, or other general partnership purposes.
Cash distributions	<p>Under our partnership agreement, we must distribute all of our cash on hand at the end of each quarter, less reserves established by our general partner in its discretion. We refer to this cash as available cash, and we define its meaning in our partnership agreement.</p> <p>Under the quarterly incentive distribution provisions in our partnership agreement, generally our general partner is entitled, following the distribution of our minimum quarterly distribution of \$0.45 per common unit and without duplication, to 15% of amounts we distribute until each unitholder receives a total of \$0.495 per common unit, 25% of amounts we distribute until each unitholder receives a total of \$0.675 per common unit and 50% thereafter. For a description of our cash distribution policy, please read Cash Distribution Policy in the accompanying prospectus.</p> <p>On November 14, 2011, we will pay a cash distribution of \$0.9950 per unit (\$3.98 per unit on an annualized basis) to holders of record of such units at the close of business on November 4, 2011. The distribution represents an increase of approximately 4.7% over the quarterly distribution of \$0.9500 per unit (\$3.80 per unit on an annualized basis) we paid in November 2010 and approximately 1.3% over the quarterly distribution of \$0.9825 per unit (\$3.93 per unit on an annualized basis) we paid in August 2011. Purchasers in this offering will not be entitled to receive the distribution payable on November 14, 2011.</p>
Estimated ratio of taxable income to distributions	We estimate that if you own the common units you purchase in this offering through the record date for the distribution for the period ending December 31, 2013, you will be allocated, on a cumulative basis, an amount of federal taxable income for that period that will be less than 20% of the cash distributed to you with respect to that period. Please read

Material U.S. Federal Income Tax Consequences in this prospectus supplement for the basis of this estimate.

Conflicts of interest

Affiliates of certain of the underwriters are lenders under our credit facilities, and accordingly, may receive a portion of the proceeds from this offering pursuant to any repayment of borrowings under such facilities. Please read Underwriting Conflicts of Interest in this prospectus supplement for further information.

New York Stock Exchange symbol

PAA.

S-4

Table of Contents

RISK FACTORS

Before making an investment in the common units offered hereby, you should carefully consider the risk factors included in Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2010, which is incorporated in this prospectus supplement by reference, together with all of the other information included or incorporated by reference in this prospectus. If any of these risks were to occur, our business, financial condition or results of operations could be materially adversely affected. In such case, the trading price of our common units could decline, and you could lose all or part of your investment.

S-5

Table of Contents

USE OF PROCEEDS

The net proceeds of this offering will be approximately \$ million, including our general partner's proportionate capital contribution, after deducting the underwriters' discounts and commissions and estimated offering expenses. If the underwriters exercise their option to purchase additional common units in full, the net proceeds of this offering will be approximately \$ million, including our general partner's proportionate capital contribution.

We intend to use the net proceeds of this offering (as well as the proceeds from any exercise of the underwriters' option to purchase additional common units) for general partnership purposes, including pending or future acquisitions, capital program expenditures, repayment of future outstanding borrowings under our credit facilities, if any, or other general partnership purposes.

As of November 4, 2011, we had no borrowings outstanding under our credit facilities (other than the PNG facility). Our senior unsecured revolving credit facility matures in August 2016 and our senior secured hedged inventory facility matures in August 2013.

Affiliates of certain of the underwriters are lenders under our credit facilities, and, accordingly, may receive a portion of the proceeds from this offering pursuant to any repayment of borrowings under such facilities. Please read "Underwriting Conflicts of Interest" in this prospectus supplement for further information.

S-6

Table of Contents**PRICE RANGE OF COMMON UNITS AND DISTRIBUTIONS**

As of November 4, 2011, we had 149,376,937 common units outstanding, held by approximately 134,000 holders, including common units held in street name. Our common units are traded on the New York Stock Exchange under the symbol PAA.

The following table sets forth, for the periods indicated, the high and low sales prices for the common units, as reported on the New York Stock Exchange Composite Transactions Tape, and quarterly cash distributions declared per common unit. The last reported sale price of common units on the New York Stock Exchange on November 7, 2011 was \$66.57 per common unit.

	Common Unit Price Range		Cash Distributions per Unit(1)
	High	Low	
2009			
First Quarter	\$ 40.98	\$ 34.00	\$ 0.9050
Second Quarter	45.52	36.25	0.9050
Third Quarter	50.33	42.50	0.9200
Fourth Quarter	53.37	45.45	0.9275
2010			
First Quarter	\$ 57.11	\$ 49.82	\$ 0.9350
Second Quarter	60.06	44.12	0.9425
Third Quarter	64.21	57.33	0.9500
Fourth Quarter	65.20	60.91	0.9575
2011			
First Quarter	\$ 65.96	\$ 60.21	\$ 0.9700
Second Quarter	65.69	57.80	0.9825
Third Quarter	64.98	56.41	0.9950(2)
Fourth Quarter (through November 7, 2011)	66.70	54.90	(3)

(1) Represents cash distributions attributable to the quarter and paid within 45 days after the quarter end.

(2) Cash distributions in respect of the third quarter of 2011 will be paid on November 14, 2011. Purchasers in this offering will not be entitled to receive the distribution payable on November 14, 2011.

(3) Cash distributions in respect of the fourth quarter of 2011 have not been declared or paid.

Table of Contents**CAPITALIZATION**

The following table sets forth our capitalization as of September 30, 2011:

on a historical basis; and

as adjusted to give effect to the sale of the common units offered hereby and the application of the net proceeds therefrom as described under "Use of Proceeds" in this prospectus supplement and our general partner's proportionate capital contribution, net of offering expenses.

This table should also be read in conjunction with our financial statements and the notes thereto that are incorporated by reference into this prospectus supplement.

	As of September 30, 2011	
	Historical	As Adjusted
	(In millions)	
CASH AND CASH EQUIVALENTS(1)	\$ 14	\$
SHORT-TERM DEBT		
Hedged inventory facility(1)	\$ 50	\$
PAA senior unsecured revolving credit facility(1)(2)	47	
PNG senior unsecured revolving credit facility(3)	18	18
4.25% senior notes due September 2012	500	500
Other	4	4
Total short-term debt	\$ 619	\$ 522
LONG-TERM DEBT		
Senior notes, net of unamortized discounts	\$ 4,261	\$ 4,261
Long-term debt under credit facilities and other	239	239
Total long-term debt	\$ 4,500	\$ 4,500
PARTNERS' CAPITAL		
Common unitholders	\$ 4,830	\$
General partner	126	
Total partners' capital excluding noncontrolling interests	4,956	
Noncontrolling interests	529	529
Total partners' capital	\$ 5,485	\$
Total capitalization	\$ 9,985	\$

- (1) As of November 4, 2011, we had no borrowings outstanding under our credit facilities (other than the PNG facility).
- (2) We classify as short-term certain borrowings under PAA's senior unsecured revolving credit facility. These borrowings are designated as working capital borrowings, must be repaid within one year and are primarily for hedged LPG and crude oil inventory and NYMEX and ICE margin deposits.
- (3) PNG classifies as short-term any borrowings under the PNG senior unsecured credit facility that have been designated as working capital borrowings and must be repaid within one year. Such borrowings are primarily related to a portion of PNG's hedged natural gas inventory.

S-8

Table of Contents

MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES

The tax consequences to you of an investment in our common units will depend in part on your own tax circumstances. For a discussion of the material U.S. federal income tax consequences associated with our operations and the purchase, ownership and disposition of our common units, please read **Material Income Tax Considerations** in the accompanying prospectus, as updated and supplemented by the discussion included herein. You are urged to consult with your own tax advisor about the federal, state, local and foreign tax consequences particular to your circumstances.

Tax Consequences of Unit Ownership

Ratio of Taxable Income to Distributions. We estimate that a purchaser of common units in this offering who holds those common units from the date of closing of this offering through the record date for the period ending December 31, 2013 will be allocated an amount of federal taxable income for that period that will be less than 20% of the cash distributed to the unitholder with respect to that period. Thereafter, we anticipate that the ratio of allocable taxable income to cash distributions to the unitholders will increase. These estimates are based upon the assumption that gross income from operations will approximate the amount required to make the current quarterly distribution on all units and other assumptions with respect to capital expenditures, cash flow, net working capital and anticipated cash distributions. These estimates and assumptions are subject to, among other things, numerous business, economic, regulatory, legislative, competitive and political uncertainties beyond our control. Further, the estimates are based on current tax law and tax reporting positions that we will adopt and with which the Internal Revenue Service could disagree. Accordingly, we cannot assure you that these estimates will prove to be correct. The ratio of taxable income to distributions could be higher or lower than expected, and any differences could be material and could materially affect the value of the common units. For example, the ratio of taxable income to cash distributions to a purchaser of common units in this offering will be higher, and perhaps substantially higher, than our estimate with respect to the period described above if our gross income from operations exceeds the amount required to maintain the current distribution level on all units, yet we only distribute the current distribution amount on all units; or we make a future offering of common units and use the proceeds of the offering in a manner that does not produce substantial additional deductions during the period described above, such as to repay indebtedness outstanding at the time of this offering or to acquire property that is not eligible for depreciation or amortization for federal income tax purposes or that is depreciable or amortizable at a rate significantly slower than the rate applicable to our assets at the time of this offering.

In addition, our interest in PNG and our other operations are generally required to be treated as separate activities for purposes of applying the passive loss limitations. Income from one activity may not be offset with losses from the other activity. This inability to treat our interest in PNG and our other operations as a single activity could result in a higher than expected ratio of taxable income to distributions.

Tax Rates. Under current law, the highest marginal federal income tax rate applicable to ordinary income of individuals is 35% and the highest marginal federal income tax rate applicable to long-term capital gains (generally, capital gains on certain assets held for more than 12 months) of individuals is 15%. However, absent new legislation extending the current rates, beginning January 1, 2013, the highest marginal federal income tax rate applicable to ordinary income and long-term capital gains of individuals will increase to 39.6% and 20%, respectively. Moreover, these rates are subject to change by new legislation at any time.

A 3.8% Medicare tax on certain investment income earned by individuals, estates, and trusts is scheduled to apply for taxable years beginning after December 31, 2012. For these purposes, investment income generally includes a

unitholder's allocable share of our income and gain realized by a unitholder from a sale of units. In the case of an individual, the tax will be imposed on the lesser of (i) the unitholder's net investment income from all investments, or (ii) the amount by which the unitholder's modified adjusted gross income exceeds \$250,000 (if the unitholder is married and filing jointly or a surviving spouse), \$125,000 (if the unitholder is married and filing separately) or \$200,000 (in any other case). In the case of an estate or trust, the tax will be imposed on the lesser of (i) undistributed net investment income, or (ii) the excess

S-9

Table of Contents

adjusted gross income over the dollar amount at which the highest income tax bracket applicable to an estate or trust begins.

Nominee Reporting. Persons who hold an interest in us as a nominee for another person are required to furnish to us:

- (a) the name, address and taxpayer identification number of the beneficial owner and the nominee;
- (b) a statement regarding whether the beneficial owner is:
 - i. a person that is not a U.S. person;
 - ii. a foreign government, an international organization or any wholly-owned agency or instrumentality of either of the foregoing; or
 - iii. a tax-exempt entity;
- (c) the amount and description of common units held, acquired or transferred for the beneficial owner; and
- (d) specific information including the dates of acquisitions and transfers, means of acquisitions and transfers, and acquisition cost for purchases, as well as the amount of net proceeds from sales.

Brokers and financial institutions are required to furnish additional information, including whether they are U.S. persons and specific information on common units they acquire, hold or transfer for their own account. A penalty of \$100 per failure, up to a maximum of \$1,500,000 per calendar year, is imposed by the Internal Revenue Code of 1986, as amended, for failure to report that information to us. The nominee is required to supply the beneficial owner of the common units with the information furnished by us.

Tax-Exempt Organizations and Other Investors. Ownership of common units by tax-exempt entities and non-U.S. investors raises issues unique to such persons. Tax-exempt entities and non-U.S. investors are encouraged to consult with your own tax advisor about the federal, state, local and foreign tax consequences particular to your circumstances before investing. Please read **Material Income Tax Considerations** **Tax-Exempt Organizations and Other Investors** in the accompanying prospectus.

Table of Contents

UNDERWRITING (CONFLICTS OF INTEREST)

Merrill Lynch, Pierce, Fenner & Smith Incorporated, Barclays Capital Inc., Citigroup Global Markets Inc., J.P. Morgan Securities LLC, UBS Securities LLC and Raymond James & Associates, Inc. are acting as joint book-running managers of the underwritten offering and representatives of the underwriters named below. Subject to the terms and conditions stated in the underwriting agreement dated the date of this prospectus supplement, each underwriter named below has agreed to purchase, and we have agreed to sell to that underwriter, the number of common units set forth opposite the underwriter's name.

Underwriter	Number of Common Units
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Barclays Capital Inc.	
Citigroup Global Markets Inc.	
J.P. Morgan Securities LLC	
UBS Securities LLC	
Raymond James & Associates, Inc.	
RBC Capital Markets LLC	
Morgan Keegan & Company, Inc.	
Oppenheimer & Co. Inc.	