

PLAINS ALL AMERICAN PIPELINE LP  
Form DEF 14A  
October 03, 2013  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**SCHEDULE 14A**  
**PROXY STATEMENT PURSUANT TO SECTION 14(a) OF**  
**THE SECURITIES EXCHANGE ACT OF 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**PLAINS ALL AMERICAN PIPELINE, L.P.**

**(Name of Registrant as Specified In Its Charter)**

**(Name of Person(s) Filing Proxy Statement, if other than the Registrant)**

Payment of Filing Fee (Check the appropriate box):

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(1) Title of each class of securities to which transaction applies:

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(1) Amount Previously Paid:

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**PLAINS ALL AMERICAN PIPELINE, L.P.**

**333 Clay Street, Suite 1600**

**Houston, Texas 77002**

October 10, 2013

To our common unitholders:

You are cordially invited to attend a special meeting of the common unitholders of Plains All American Pipeline, L.P. (the Partnership or PAA ) to be held on November 19, 2013, at 1:00 p.m. Central Time, in The Senate Room, located on the 12<sup>th</sup> Floor of Two Allen Center, 1200 Smith Street, Houston, Texas 77002. This special meeting has been called by the board of directors (the board of directors ) of Plains All American GP LLC, which entity is the general partner of Plains AAP, L.P., the sole member of PAA GP LLC, the owner of a 2% general partner interest in the Partnership (collectively referred to as the General Partner as the context requires). At this important meeting, you will be asked to consider and vote upon the following proposals:

a proposal (the LTIP Proposal ) to approve the Plains All American 2013 Long-Term Incentive Plan (the LTIP ), which will (i) consolidate the Partnership's three current long-term incentive plans (the Plains All American GP LLC 1998 Long-Term Incentive Plan, as amended (the 1998 Plan ), the Plains All American 2005 Long-Term Incentive Plan, as amended (the 2005 Plan ), and the Plains All American PPX Successor Long-Term Incentive Plan, as amended (the PPX Plan and, together with the 2005 Plan and 1998 Plan, the Existing Plans )) into a single plan through a consolidated amendment and restatement of the Existing Plans and (ii) authorize an incremental 7,000,000 common units that may be issued under the LTIP, in addition to any common units that are currently available (or in the future become available) for issuance under the Existing Plans; and

a proposal (the Adjournment Proposal ) to approve the adjournment of the special meeting to a later date or dates, if deemed necessary or appropriate by our General Partner, to solicit additional proxies if there are not sufficient votes at the time of the special meeting to approve the LTIP.

Our board of directors has unanimously approved the LTIP and believes that the LTIP is in the best interests of our unitholders and the Partnership for the following reasons:

As of December 31, 2012, PAA had delivered one-, three- and five-year unitholder returns of 29.4%, 26.8% and 19.4%, respectively; the Partnership's long-term incentive plans have played a critical role in achieving such results by allowing us to attract and retain the services of individuals who are essential to our growth and profitability, and by aligning the interests of our employees, officers and directors with those of our unitholders;

As a result of grants made under the Existing Plans in the normal course of the Partnership's business over the last nine years, the total number of units available for incentive grants under the Existing Plans has been reduced to approximately 1.8 million units;

In order to provide the Partnership with sufficient unit availability under its long-term incentive plans to continue to retain and attract talent, unit availability under the Existing Plans needs to be replenished;

The LTIP Proposal will implement the necessary replenishment of unit availability in a reasonable and prudent manner; taking into account all outstanding grants under the Existing Plans and all potential grants under the LTIP, our overhang (the fully diluted impact of the LTIP if the LTIP Proposal is approved by the unitholders) will be approximately 3.7%;

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The number of units granted under the Existing Plans during 2010, 2011 and 2012 represented approximately 1.2%, 0.1% and 0.1% of our weighted average units outstanding for each period, respectively, and less than 0.5% on average for the three-year period ended December 31, 2012; and

Consolidation of the Existing Plans into the LTIP as contemplated by the LTIP Proposal will simplify and streamline administration of our long-term incentive plans.

Accordingly, the board of directors has unanimously recommended that the common unitholders approve the LTIP Proposal. A copy of the LTIP is attached to this proxy statement as Exhibit A.

*Your vote is very important.* Even if you plan to attend the special meeting, we urge you to promptly vote your common units electronically, via the Internet or by telephone, or by submitting your marked, signed and dated proxy card. You will retain the right to revoke your proxy at any time before the vote, or to vote your common units personally if you attend the special meeting. Voting your common units electronically, via the Internet or by telephone, or by submitting a proxy card will not prevent you from attending the special meeting and voting in person. Please note, however, that if you hold your common units through a broker or other nominee, and you wish to vote in person at the special meeting, you must obtain from your broker or other nominee a proxy issued in your name.

*The LTIP will not be effective unless approved by the common unitholders.* Our partnership agreement does not require that we present the LTIP to our common unitholders for approval. However, under the rules of the New York Stock Exchange, the LTIP requires the approval of a majority of the votes cast at the special meeting by our common unitholders.

Approval of the Adjournment Proposal requires the approval of a majority of the outstanding common units that are represented either in person or by proxy at the special meeting.

**Our board of directors unanimously recommends that the common unitholders vote **FOR** the LTIP Proposal and **FOR** the Adjournment Proposal.**

I urge you to review carefully the attached proxy statement, which contains detailed descriptions of the LTIP Proposal and the Adjournment Proposal to be voted upon at the special meeting.

Sincerely,

Greg L. Armstrong

Chairman of the Board and Chief Executive Officer

*Plains All American GP LLC*

*If you have any questions or need assistance voting, please call Georgeson, Inc., the Partnership's proxy solicitor in connection with the Special Meeting, toll-free at 1-800-213-0473.*

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**PLAINS ALL AMERICAN PIPELINE, L.P.**

**333 Clay Street, Suite 1600**

**Houston, Texas 77002**

**NOTICE OF SPECIAL MEETING OF COMMON UNITHOLDERS**

**To Be Held On November 19, 2013**

To our common unitholders:

A special meeting of the common unitholders of Plains All American Pipeline, L.P. (the Partnership or PAA) will be held on November 19, 2013, at 1:00 p.m. Central Time, in The Senate Room, located on the 12<sup>th</sup> Floor of Two Allen Center, 1200 Smith Street, Houston, Texas 77002. At the meeting, our common unitholders will be asked to consider and vote upon a proposal (the LTIP Proposal) to approve the Plains All American 2013 Long-Term Incentive Plan (the LTIP), which will (i) consolidate the Partnership's three current long-term incentive plans (the Plains All American GP LLC 1998 Long-Term Incentive Plan, as amended (the 1998 Plan), the Plains All American 2005 Long-Term Incentive Plan, as amended (the 2005 Plan), and the Plains All American PPX Successor Long-Term Incentive Plan, as amended (the PPX Plan and, together with the 2005 Plan and 1998 Plan, the Existing Plans)) into a single plan through a consolidated amendment and restatement of the Existing Plans and (ii) authorize an incremental 7,000,000 common units that may be issued under the LTIP, in addition to any common units that are currently available (or in the future become available) for issuance under the Existing Plans. A copy of the LTIP is attached to this proxy statement as Exhibit A. Our common unitholders will also be asked to act on a proposal to approve the adjournment of the special meeting to a later date or dates, if deemed necessary or appropriate by our General Partner, to solicit additional proxies if there are not sufficient votes at the time of the special meeting to approve the LTIP (the Adjournment Proposal).

We have set the close of business on September 20, 2013 as the record date for determining which common unitholders are entitled to receive notice of and to vote at the special meeting and any postponements or adjournments thereof. A list of common unitholders entitled to vote is on file at our principal offices, 333 Clay Street, Suite 1600, Houston, Texas 77002, and will be available for inspection by any unitholder during the meeting.

**Our board of directors unanimously recommends that the common unitholders vote FOR the LTIP Proposal and FOR the Adjournment Proposal.**

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*Your Vote is Very Important.* If you cannot attend the special meeting, you may vote your common units electronically, via the Internet or by telephone, or by mailing the proxy card in the enclosed postage-prepaid envelope. Any common unitholder attending the meeting may vote in person, even if he or she already has returned a proxy.

By Order of the Board of Directors of Plains All American GP LLC, general partner of Plains AAP, L.P., sole member of PAA GP LLC, general partner of Plains All American Pipeline, L.P.

Richard McGee

Secretary

Houston, Texas

October 10, 2013

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE  
SPECIAL MEETING OF COMMON UNITHOLDERS  
TO BE HELD ON NOVEMBER 19, 2013**

**The Notice of Special Meeting of Common Unitholders and the Proxy Statement for the Special Meeting are available on our Internet website at [www.paalp.com](http://www.paalp.com) under Investor Relations.**



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**PLAINS ALL AMERICAN PIPELINE, L.P.**

**333 Clay Street, Suite 1600**

**Houston, Texas 77002**

**PROXY STATEMENT**

**SPECIAL MEETING OF COMMON UNITHOLDERS**

**November 19, 2013**

This proxy statement contains information related to the special meeting of common unitholders of Plains All American Pipeline, L.P. (the Partnership or PAA ) and any postponements or adjournments thereof. This proxy statement and the accompanying form of proxy are first being mailed to our common unitholders on or about October 10, 2013.

**QUESTIONS AND ANSWERS**

Common unitholders are urged to read carefully this proxy statement in its entirety. FOR ADDITIONAL COPIES OF THIS PROXY STATEMENT OR PROXY CARDS, OR IF YOU HAVE ANY QUESTIONS ABOUT THE SPECIAL MEETING OR NEED ASSISTANCE VOTING, PLEASE CONTACT GEORGESON, INC. TOLL FREE AT 1-800-213-0473.

**Q: What is the purpose of the special meeting?**

**A:** At the special meeting, our common unitholders will be asked to consider and vote upon a proposal (the LTIP Proposal ) to approve the Plains All American 2013 Long-Term Incentive Plan (the LTIP ), which will (i) consolidate the Partnership's three current long-term incentive plans (the Plains All American GP LLC 1998 Long-Term Incentive Plan, as amended (the 1998 Plan ), the Plains All American 2005 Long-Term Incentive Plan, as amended (the 2005 Plan ), and the Plains All American PPX Successor Long-Term Incentive Plan, as amended (the PPX Plan and, together with the 2005 Plan and 1998 Plan, the Existing Plans )) into a single plan through a consolidated amendment and restatement of the Existing Plans and (ii) authorize an incremental 7,000,000 common units that may be issued under the LTIP, in addition to any common units that are currently available (or in the future become available) for issuance under the Existing Plans. A copy of the LTIP is attached to this proxy statement as Exhibit A. Our common unitholders will also be asked to act on a proposal to approve the adjournment of the special meeting to a later date or dates, if deemed necessary or appropriate by our General Partner, to solicit additional proxies if there are not sufficient votes at the time of the special meeting to approve the LTIP (the Adjournment Proposal ).

**Q: What is the recommendation of the board of directors?**

**A:**

The board of directors (the board of directors ) of Plains All American GP LLC (which we refer to as our General Partner ) recommends that you vote **FOR** the LTIP Proposal and **FOR** the Adjournment Proposal. In addition, on August 22, 2013, our board of directors, including each of our directors who meet the independence requirements of the New York Stock Exchange (the NYSE ), unanimously approved the LTIP subject to unitholder approval.

**Q: What is the basis for the recommendation of the board of directors in support of the LTIP Proposal?**

**A:** The board of directors believes that the LTIP is in the best interests of our unitholders and the Partnership for the following reasons:

As of December 31, 2012, PAA had delivered one-, three- and five-year unitholder returns of 29.4%, 26.8% and 19.4%, respectively; the Partnerships long-term incentive plans have played a critical role

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in achieving such results by allowing us to attract and retain the services of individuals who are essential to our growth and profitability, and by aligning the interest of our employees, officers and directors with those of our unitholders;

As a result of grants made under the Existing Plans in the normal course of the Partnership's business over the last nine years, the total number of units available for incentive grants under the Existing Plans has been reduced to approximately 1.8 million units;

In order to provide the Partnership with sufficient unit availability under its long-term incentive plans to continue to retain and attract talent, unit availability under the Existing Plans needs to be replenished;

The LTIP Proposal will implement the necessary replenishment of unit availability in a reasonable and prudent manner; taking into account all outstanding grants under the Existing Plans and all potential grants under the LTIP, our overhang (the fully diluted impact of the LTIP if the LTIP Proposal is approved by the unitholders) will be approximately 3.7%;

The number of units granted under the Existing Plans during 2010, 2011 and 2012 represented approximately 1.2%, 0.1% and 0.1% of our weighted average units outstanding for each period, respectively, and less than 0.5% on average for the three-year period ended December 31, 2012; and

Consolidation of the Existing Plans into the LTIP as contemplated by the LTIP Proposal will simplify and streamline administration of our long-term incentive plans.

**Q: When and where is the special meeting?**

**A:** The special meeting will be held on November 19, 2013, at 1:00 p.m. Central Time, in The Senate Room, located on the 12<sup>th</sup> Floor of Two Allen Center, 1200 Smith Street, Houston, Texas 77002.

However, if the Adjournment Proposal is approved by the affirmative vote of a majority of the outstanding common units that are represented either in person or by proxy at the special meeting, the meeting may be adjourned to another date and/or place for the purpose of soliciting additional proxies even if a quorum is present. Our partnership agreement provides that, in the absence of a quorum, the special meeting may be adjourned from time to time by the affirmative vote of a majority of the outstanding common units represented either in person or by proxy.

**Q: Who is soliciting my proxy?**

**A:** The board of directors of Plains All American GP LLC is sending you this proxy statement in connection with its solicitation of proxies for use at our special meeting of common unitholders.

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

**A:** All common unitholders who owned our common units at the close of business on the record date, September 20, 2013, are entitled to receive notice of the special meeting and to vote the common units that they held on the record date at the special meeting, or any postponements or adjournments of the special meeting. Each common unitholder that attends the special meeting in person may be asked to present valid picture identification, such as a driver's license or passport.

Each unitholder is entitled to one vote for each common unit owned on all matters to be considered. On September 20, 2013, 342,950,166 common units were issued and outstanding.

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**Q: How do I vote?**

**A:** If you are a unitholder of record at the close of business on the record date, you may vote your common units by proxy in advance of the special meeting by any of the following methods:

*Internet.* You may visit the Internet address listed on your proxy card. Internet voting procedures have been established to verify your identity and to confirm your voting instructions. Please have your proxy card available when you visit the Internet address.

*Telephone.* You may call the toll-free telephone number listed on your proxy card. Telephone voting procedures have been established to verify your identity, to allow you to provide proxy voting instructions and to confirm that your instructions were accurately recorded. Please have your proxy card available when you call.

*Mail.* You may mail your completed, signed and dated proxy card in the enclosed postage-paid return envelope.

Internet and telephone voting will be available to unitholders of record 24 hours a day until 11:59 p.m. Eastern Time on November 18, 2013, the night before the special meeting. If you use the Internet or the toll-free telephone number to provide your proxy voting instructions, you do not need to mail in your proxy card. If you mail in your proxy card, it must be received by the Partnership before the voting polls close at the special meeting.

You may also attend the special meeting and vote your common units in person. Even if you plan to attend the special meeting, please vote your proxy in advance of the special meeting (by Internet, telephone or mail, as described above) as soon as possible so that your common units will be represented at the special meeting if for any reason you are unable to attend in person.

If you are a beneficial owner of common units held in street name, you must either direct your broker or other nominee as to how to vote your common units, or obtain a legal proxy from your broker or other nominee to vote at the special meeting. Please refer to the voter instruction cards provided by your broker or other nominee for specific instructions on methods of voting.

**Q: What do I do if I want to change my vote after I have already voted by proxy?**

**A:** If you are a unitholder of record at the close of business on the record date, you may change your vote at any time before the voting polls close at the special meeting by:

submitting a proxy with new voting instructions using the Internet or telephone voting system (please note, however, that the deadline for voting through the Internet or by telephone is 11:59 p.m. Eastern Time on November 18, 2013);

delivering a later-dated, executed proxy card to American Stock Transfer & Trust Company, LLC, 6201 15th Avenue, Brooklyn, New York 11219;

delivering a written notice of revocation of your proxy to American Stock Transfer & Trust Company, LLC, 6201 15th Avenue, Brooklyn, New York 11219; or

attending the special meeting and voting in person. Please note that attendance at the special meeting will not by itself (i.e., without also voting) revoke a previously granted proxy.

If you are a beneficial owner of common units held in street name and you have instructed your broker or other nominee to vote your common units, you must follow the procedure your broker or other nominee provides to change those instructions. You may also vote in person at the special meeting if you obtain a legal proxy from your broker or other nominee.

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**Q: What constitutes a quorum?**

**A:** The holders of a majority of the outstanding common units represented in person or by proxy shall constitute a quorum at the special meeting. Your common units will be counted as present at the special meeting if:

you are present and vote in person at the meeting; or

you, or your broker if you are a beneficial owner of common units held in street name, have submitted a properly executed proxy.

Proxies received but marked as abstentions will be counted as present for purposes of determining the presence of a quorum.

**Q: What vote is required to approve the proposals?**

**A:** Under the NYSE Listed Company Manual (the NYSE Manual ), the LTIP Proposal requires the approval of a majority of the votes cast at the special meeting by our common unitholders. Votes for and against and abstentions will count as votes cast. Thus, abstentions will have the effect of a vote against the LTIP Proposal. Approval of the Adjournment Proposal requires the approval of a majority of the outstanding common units that are represented either in person or by proxy at the special meeting. Abstentions will also have the effect of a vote against the Adjournment Proposal.

A properly executed proxy submitted without voting instructions will be voted **FOR** the LTIP Proposal and **FOR** the Adjournment Proposal.

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

**A:** No. NYSE rules prohibit your broker or other nominee from exercising voting discretion with respect to the matters to be acted upon at the special meeting. Thus, you must give your broker or other nominee specific instructions in order for your common units to be voted.

**Q: What happens if the LTIP Proposal is approved?**

**A:** We will use the LTIP to reward and incentivize our employees, officers and directors for their contributions to our growth and profitability. The LTIP will be administered under the direction of the compensation committee of our board of directors.



**Q: What happens if the LTIP Proposal is not approved?**

**A:** After using all units available under the Existing Plans, we would be unable to issue any further grants under such plans because the rules of the NYSE require unitholder approval of any new equity compensation plans or any material revisions to existing plans. Without an equity compensation plan, it will be more difficult to attract and retain the services of individuals who are essential to our growth and profitability.

**Q: Who covers the expense of the proxy solicitation?**

**A:** The expense of preparing, printing and mailing this proxy statement and the proxies solicited hereby will be borne by us. In addition to the use of the mail, proxies may be solicited by employees of our General Partner, without additional remuneration, by mail, phone, fax or in person. We will also request brokerage firms, banks, nominees, custodians and fiduciaries to forward proxy materials to the beneficial owners of

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our common units as of the record date and will provide reimbursement for the cost of forwarding the proxy materials in accordance with customary practice. Your cooperation in promptly voting your common units electronically, via the Internet or by telephone, or by signing and returning the enclosed proxy card will help to avoid additional expense. We have hired Georgeson, Inc. to solicit proxies for a fee of \$8,500 plus reasonable expenses for additional services.

**Q: Are dissenters' rights available to common unitholders?**

**A:** We were formed as a limited partnership under the laws of the State of Delaware, including the Delaware Revised Uniform Limited Partnership Act ( Delaware Act ). Under those laws, dissenters' rights are not available to our common unitholders with respect to the LTIP Proposal or the Adjournment Proposal.

**Q: Who can I contact for further information?**

**A:** If you have questions or need assistance voting, please contact Georgeson, Inc., our proxy solicitor in connection with the Special Meeting, toll-free at 1-800-213-0473.

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**PROPOSAL TO APPROVE THE  
PLAINS ALL AMERICAN 2013 LONG-TERM INCENTIVE PLAN**

**Background and Description of the Proposal**

The primary long-term measure of our performance is our ability to increase our sustainable quarterly distribution to our unitholders. Since we became a public company in 1998, we have used performance-indexed phantom unit grants issued under our long-term incentive plans to (i) attract and retain capable, talented individuals to serve as employees, officers and directors, (ii) encourage and reward timely achievement of targeted distribution levels and (iii) align the long-term interests of our employees, officers and directors with those of our unitholders. We believe such grants, which typically include minimum service periods in order to encourage long-term retention, have played a meaningful role in the growth of our quarterly distribution since the adoption of our first long-term incentive plan in 1998. Over the five-year period ended December 31, 2012, we increased our quarterly distribution by 29.2% and our annual distribution per common unit has grown at a compound annual rate of approximately 5.25%. In addition, the total return realized by our unitholders during this period averaged approximately 19.4% per annum. On September 20, 2013, the closing price of our common units as reported by the NYSE was \$53.62 per unit.

We currently have three long-term incentive plans: (i) the 1998 Plan, (ii) the 2005 Plan, and (iii) the PPX Plan. The three plans together are referred to as the Existing Plans.

The Existing Plans reserve a total of 10,849,618 common units for issuance in connection with the grant of equity-based awards, consisting of: (a) 6,000,000 common units reserved under the 2005 Plan, (b) 2,850,000 common units reserved under the 1998 Plan, and (c) 1,999,618 common units reserved under the PPX Plan. As of August 31, 2013, approximately 1.8 million common units were available for future grant under the Existing Plans as approximately 4.8 million common units have already been issued under the Existing Plans and there were a total of approximately 4.3 million phantom unit awards outstanding under the Existing Plans that must or may be settled in common units. There are no other types of awards (e.g. options) outstanding under the Existing Plans.

In order to simplify and streamline the administration of our long-term incentive plans and ensure that we have a sufficient amount of common units reserved for the future issuance of equity based grants under our long-term incentive plans, the board of directors has adopted and is recommending for approval by our common unitholders the Plains All American 2013 Long-Term Incentive Plan, or the LTIP, which will (i) consolidate all of the Existing Plans into a single plan through a consolidated amendment and restatement of the Existing Plans and (ii) authorize an incremental 7,000,000 common units that may be utilized for equity based grants under the LTIP, in addition to any common units that are currently available (or in the future become available) for equity based grants under the Existing Plans. The basis for the board of directors' recommendation is as follows:

As of December 31, 2012, PAA had delivered one-, three- and five-year unitholder returns of 29.4%, 26.8% and 19.4%, respectively; our long-term incentive plans have played a critical role in achieving such results by allowing us to attract and retain the services of individuals who are essential to our growth and profitability, and by aligning the interests of our employees, officers and directors with those of our unitholders;

As a result of grants made under the Existing Plans in the normal course of our business over the last nine years, the total number of units available for incentive grants under the Existing Plans has been reduced to approximately 1.8 million units;

In order to provide us with sufficient unit availability under our long-term incentive plans to continue to retain and attract talent, unit availability under the Existing Plans needs to be replenished;

The approval of the LTIP will implement the necessary replenishment of unit availability in a reasonable and prudent manner; taking into account all outstanding grants under the Existing Plans and all potential grants under the LTIP, our overhang (the fully diluted impact of the LTIP if the LTIP Proposal is approved by the unitholders) will be approximately 3.7%;

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The number of units granted under the Existing Plans during 2010, 2011 and 2012 represented less than 1.2%, 0.1% and 0.1% of our weighted average units outstanding for each period, respectively, and less than 0.5% on average for the three-year period ended December 31, 2012; and

Consolidation of the Existing Plans into the LTIP as contemplated by this LTIP Proposal will simplify and streamline administration of our long-term incentive plans.

The proposed increase in available common units is necessary to continue to allow us to attract and retain the services of individuals who are essential for our growth and profitability and encourage such individuals to devote their best efforts to advancing our business. Without including the new units requested under the LTIP Proposal, our overhang (calculated as the sum of all units subject to outstanding phantom unit awards that must or may be settled in common units and units available for grant divided by total units outstanding) as of August 31, 2013 was approximately 1.7%. If the new LTIP is approved, total overhang is estimated to be approximately 3.7% (based on the total units outstanding as of August 31, 2013 and assuming 7,000,000 incremental units are made available under the LTIP).

If approved by the requisite vote of our unitholders at the special meeting, the LTIP will become effective on November 19, 2013 and will replace the Existing Plans. When the LTIP becomes effective, all outstanding phantom unit awards under the Existing Plans will remain outstanding, but no further grants will be made under the Existing Plans. If the LTIP Proposal is not approved, no grants will be made under the LTIP and the Existing Plans will remain in effect. The LTIP Proposal will not affect awards already granted under the Existing Plans or the rights of existing award holders.

A summary description of the material features of the LTIP as proposed is set forth below. The following summary does not purport to be a complete description of all the provisions of the LTIP and is qualified in its entirety by reference to the LTIP, a copy of which is attached as Exhibit A to this proxy statement and incorporated in its entirety in this proxy statement by reference.

**Description of the LTIP*****Key Terms of the LTIP***

Eligible Participants	Employees, Officers and Directors of our General Partner and its affiliates
Incremental Units Authorized	7,000,000
Total Units Available for Future Issuance	13,083,805 <sup>1</sup>
Potential Overhang	3.7% <sup>2</sup>
Award Types	Options, Unit Appreciation Rights, Restricted Units, Phantom Units
Prohibited	Repricing of Options or Unit Appreciation Rights or material amendments (for example, an amendment that increases the number of common units authorized for issuance under the LTIP) without unitholder approval

1 This amount represents the sum of (i) the units available for grant under the Existing Plans as of August 31, 2013, (ii) the units subject to outstanding awards under the Existing Plans as of such date that must or may be settled in

- units, and (iii) an incremental 7,000,000 units. The total units actually available for future issuance as of the effective date of the LTIP could be lower if units are delivered under the Existing Plans prior to such effective date in satisfaction of outstanding awards.
- 2 This percentage was calculated as of August 31, 2013 based on (i) the sum of (x) the units available for grant under the Existing Plans as of such date, (y) the units subject to outstanding awards under the Existing Plans as of such date that must or may be settled in units, and (z) an incremental 7,000,000 units, divided by (ii) the total units outstanding as of such date. The actual overhang as of the effective date of the LTIP could vary from this percentage depending on changes in the components of the calculation prior to such effective date.

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### ***Purpose of the LTIP***

The purpose of the LTIP is to align the interests of our employees, officers and directors with those of our unitholders by providing employees, officers and directors incentive compensation awards that reward achievement of targeted distribution levels and other business objectives. In furtherance of such purpose, the LTIP provides for the issuance of a variety of equity based grants, including grants of (i) options (which may include tandem distribution equivalent rights), (ii) unit appreciation rights (which may include tandem distribution equivalent rights), (iii) restricted units (which may include tandem unit distribution rights), and (iv) phantom units (which may include tandem distribution equivalent rights) (collectively referred to as Awards ).

The LTIP is not subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended ( ERISA ). The LTIP will be effective as of the date the LTIP is approved by our unitholders, and will terminate on the earliest of (i) the date terminated by the board of directors or the plan administrator, or (ii) the date all available common units under the LTIP have been paid or issued. Awards granted prior to the LTIP s termination date will continue to be effective in accordance with their respective terms and conditions even after the LTIP s termination.

### ***Key Changes to the LTIP***

The LTIP will be similar to the Existing Plans, with several key differences: (i) the number of our common units available for issuance or delivery shall be increased over the number of such units so available under the Existing Plans by 7,000,000; and (ii) the LTIP will specifically prohibit the repricing of options or unit appreciation rights in a manner that reduces the exercise price without the prior approval of our unitholders. The LTIP also clarifies certain administrative functions, including the plan administrator s ability to grant Awards to individuals who are subject to Section 16 of the Securities Exchange Act of 1934, as amended (the Exchange Act ) and certain settlement procedures for Awards that are subject to Section 409A of the Internal Revenue Code (the Code ). All of our employees, officers and directors will be eligible to receive grants under the LTIP, whereas the PPX Plan currently restricts eligibility to employees who were employed by Pacific Energy Partners, L.P. or its affiliates on November 15, 2006 or any individuals hired by us after such date.

As originally instituted by our former general partner prior to our initial public offering, the 1998 Plan contemplated the issuance of up to 1,950,000 common units to satisfy awards under such plan. These awards could be satisfied either by (i) primary issuance of units by us or (ii) cash settlement or purchase of units by our General Partner with the cost reimbursed by us. In 2001, the 1998 Plan was amended, as provided in the plan, without unitholder approval to increase the maximum number of units with respect to which awards could be granted under such plan to 2,850,000; however, we can issue no more than 1,950,000 new units to satisfy the awards. Any additional units issued under the 1998 Plan must be purchased by our General Partner in the open market or in private transactions and be reimbursed by us. If approved by the requisite vote of our unitholders at the special meeting, the LTIP will allow all units delivered pursuant to an Award to consist, in whole or part, of (a) common units acquired in the open market, (b) common units acquired from us, any of our affiliates or any other person or (c) any combination of the foregoing. Accordingly, in connection with the consolidation of the Existing Plans into the LTIP, all units available for issuance under the 1998 Plan (as well as the other Existing Plans) will be available for issuance under the LTIP, and the restriction in the 1998 Plan regarding the number of new units that may be issued to satisfy awards will no longer apply.

### ***Administration of the LTIP***

Like the Existing Plans, the LTIP will be administered by the compensation committee of the board of directors, which will administer the LTIP pursuant to its terms and applicable laws, unless the board of directors appoints a

different committee of the board of directors to administer the LTIP. We refer to the compensation committee or another committee chosen by the board of directors to administer the LTIP, as applicable, as the



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plan administrator. The plan administrator has broad discretion to administer the LTIP, interpret its provisions, and adopt policies for implementing the LTIP. This discretion includes the power to:

designate participants;

determine the type or types of Awards to be granted to a participant;

determine the number of common units to be covered by Awards;

determine the terms and conditions of any Award;

determine whether, to what extent, and under what circumstances Awards may be settled (including settlement in cash), exercised, canceled, or forfeited;

interpret and administer the LTIP and any instrument or agreement relating to an Award made under the LTIP;

establish, amend, suspend, or waive such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the LTIP; and

make any other determination and take any other action that the plan administrator deems necessary or desirable for the administration of the LTIP.

The plan administrator may delegate any or all of its powers and duties under the LTIP, including the power to grant Awards, to the Chief Executive Officer of our General Partner. However, pursuant to any such delegation, the Chief Executive Officer of our General Partner would not be permitted to grant Awards to, or take any action with respect to any Award previously granted to, a person who is an officer subject to Rule 16b-3 promulgated by the Securities and Exchange Commission ( SEC ) or a member of the board of directors.

***Units Subject to the Plan***

If the LTIP Proposal is approved at the special meeting, then the number of common units that will, as of the date of such approval, be available for issuance with respect to Awards is the sum of (i) the number of units available for grant under the Existing Plans as of such date, (ii) the number of units subject to outstanding awards under the Existing Plans as of such date that must or may be settled in units, and (iii) an incremental 7,000,000 units. The table below sets forth the total number of common units that will potentially be available for issuance under the LTIP if the LTIP Proposal is approved.

<b>Source Description</b>	<b>Number of Common Units<sup>1</sup></b>
Units Available for Grant Under Existing Plans	1,805,504
Units Subject to Awards Outstanding Under Existing Plans	4,278,301
Incremental Units Under LTIP Proposal	7,000,000
Total	13,083,805

- 1 The amount shown with respect to the Units Available for Grant Under Existing Plans represents the number of units available for grant under the Existing Plans as of August 31, 2013. The amount shown with respect to the Units Subject to Awards Outstanding Under Existing Plans represents the number of units subject to outstanding awards under the Existing Plans as of August 31, 2013 that must or may be settled in units. While both the actual number of units available for grant under the Existing Plans and the actual number of units subject to awards outstanding under the Existing Plans that must or may be settled in units may change by the effective date of the LTIP, any such change will not result in an increase (but may result in a decrease) in the total number of common units that will potentially be available for issuance under the LTIP as of its effective date.

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Pursuant to the terms of the LTIP, if any Award is forfeited, canceled, exercised or otherwise terminated without the actual delivery of common units pursuant to such Award, or if any common units under an Award are held back to cover the exercise price or tax withholding, then, in either such case, any common units that are so forfeited, canceled, exercised or otherwise terminated without the actual delivery of common units or held back (excluding restricted unit Awards) shall be available to satisfy future Awards under the LTIP. On and after the effective date of the LTIP, we will not grant any additional Awards under any of the Existing Plans as they will have been combined into the LTIP.

The common units delivered pursuant to the LTIP shall consist, in whole or part, of (i) common units acquired in the open market, (ii) common units acquired from us, any of our affiliates or any other person or (iii) any combination of the foregoing. The fair market value of a common unit on a given date will be the closing sales price of a common unit on the trading date immediately preceding such given date or as defined in an Award agreement (other than with respect to establishing the exercise price of an option or a unit appreciation right).

### ***Persons Who May Participate in the LTIP***

The employees of our General Partner and its affiliates, and the non-employee members of the board of directors, are eligible to receive Awards (the Eligible Persons ). As of September 20, 2013 there were approximately 2,000 eligible employees and seven eligible directors. Eligible Persons designated by the plan administrator to receive Awards under the LTIP are referred to as Participants. A Participant under the LTIP will be eligible, at the discretion of the plan administrator, to receive an Award pursuant to the terms of the LTIP and subject to any limitations imposed by appropriate action of the plan administrator or within the individual Award agreement.

### ***Awards under the LTIP***

*Options.* Options may be granted under the LTIP to purchase a specific number of common units at a set exercise price. The exercise price of each option granted under the LTIP will be determined by the plan administrator at the time the option is granted, provided that each option may not have an exercise price that is less than the fair market value of the common units on the date of grant.

The plan administrator will determine the manner in which, and time or times at which, an option will vest and become exercisable, in whole or in part. The plan administrator will also determine the methods and form of payment for the exercise of an option (including, without limitation, payment in cash, check acceptable to us, a cashless-broker exercise through procedures approved by us, or any combination thereof) and the methods and forms in which common units will be delivered to a Participant. Unless otherwise waived by the plan administrator, an option award that is still outstanding will be forfeited by the Participant upon termination of the Participant's employment with our General Partner or its affiliates or membership on the board of directors, as applicable.

*Unit Appreciation Rights.* A unit appreciation right is an Award that, upon exercise, entitles the holder to receive the excess, if any, of the fair market value of a common unit on the exercise date over the grant price of the unit appreciation right. The excess may be paid in cash and/or in common units as determined by the plan administrator in its discretion. The plan administrator will have the authority to determine to whom unit appreciation rights will be granted, the number of common units to be covered by each grant, and the conditions and limitations applicable to the exercise of the unit appreciation right. The grant price per unit appreciation right will be determined by the plan administrator at the time the unit appreciation right is granted, but each unit appreciation right must have an exercise price that is not less than the fair market value of the common units on the date of grant.

The plan administrator will determine the time or times at which a unit appreciation right may be exercised in whole or in part. Unless otherwise waived by the plan administrator, all outstanding unit appreciation rights awarded to a

Participant will be automatically forfeited by the Participant upon termination of the Participant's employment with our General Partner or its affiliates or membership on the board of directors, as applicable.

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*Restricted Unit Awards.* A restricted unit is a common unit granted under the LTIP that is subject to a risk of forfeiture, restrictions on transferability, and any other restrictions that may be imposed by the plan administrator in its discretion. The plan administrator will have the authority to determine to whom restricted units will be granted, the number of restricted units to be granted to each Participant, the duration of any restrictions, the conditions under which the restricted units may become vested or forfeited, and any other terms and conditions as the plan administrator may establish with respect to the Awards. Upon or as soon as reasonably possible following the vesting of each restricted unit, subject to any applicable federal income tax withholding, a Participant will be entitled to have the restrictions removed from his or her Award so that the Participant then holds an unrestricted common unit. Unless otherwise waived by the plan administrator, a restricted unit that is still subject to forfeiture restrictions will be forfeited by a Participant upon termination of the Participant's employment with our General Partner or its affiliates or membership on the board of directors, as applicable.

To the extent provided by the plan administrator in its discretion, a grant of restricted units may provide that a distribution made by us with respect to the restricted units (a Unit Distribution Right or UDR) will be subject to the same forfeiture and other restrictions as the restricted unit. If restricted, UDRs will be held, without interest, until the restricted unit vests or is forfeited, with the UDR being paid or forfeited at the same time, as the case may be. Absent a restriction on UDRs in the applicable Award agreement, UDRs will be paid to the holder of the restricted unit without restriction at the same time as cash distributions are paid by us to our unitholders.

*Phantom Unit Awards.* A phantom unit is a right to receive a common unit or an amount of cash equal to the fair market value of a common unit if certain conditions set forth in the Award agreement are met. The plan administrator will have the authority to determine the Eligible Persons to whom phantom units will be granted, the number of phantom units to be granted to each Participant, and any other terms and conditions as the plan administrator may establish. Upon vesting of each phantom unit, subject to any applicable federal income tax withholding, the Participant will be entitled to settlement of the phantom unit and shall receive either a common unit or cash equal to the fair market value of a common unit, as determined by the plan administrator in its discretion and provided in the applicable Award agreement. Unless otherwise provided by the plan administrator, unvested phantom units will be forfeited upon termination of a Participant's employment with our General Partner or its affiliates or membership on the board of directors, as applicable.

*Distribution Equivalent Rights.* To the extent provided by the plan administrator in its discretion, an Award granted under the LTIP (other than a restricted unit Award) may include a contingent right, granted in tandem or otherwise in connection with a specific option, unit appreciation right or phantom unit, to receive cash equal to the amount of any cash distributions made by us with respect to a common unit during the period such option, unit appreciation right or phantom unit is outstanding (a Distribution Equivalent Right or DER). A DER grant may provide that the DER will be paid directly to the Participant, be credited to a bookkeeping account (with or without interest in the discretion of the plan administrator), be subject to the same vesting restrictions as the respective Award, or be subject to other provisions or restrictions as determined by the plan administrator in its discretion and provided in the applicable Award agreement.

***Other Provisions***

*Tax Withholding.* Our General Partner or one of its affiliates will be authorized to withhold from any Award, from any payment due or transfer made under any Award or from any compensation or other amount owing to a Participant, the amount (in cash, common units, other securities or other property) of any applicable taxes payable with respect to the grant of an Award, its exercise, the lapse of restrictions applicable to an Award or in connection with any payment relating to an Award or the transfer of an Award and to take such other actions as may be necessary to satisfy the withholding obligations with respect to an Award.

*Anti-Dilution Adjustments.* Upon the occurrence of any equity restructuring event that could result in an additional compensation expense under Financial Accounting Standards Board Accounting Standards Codification Topic 718 ( FASB ASC Topic 718 ) if adjustments to Awards with respect to such event were discretionary, the plan administrator will equitably adjust the number and type of common units covered by each outstanding Award

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and the terms and conditions of such Award to equitably reflect the restructuring event, and the plan administrator will adjust the number and type of common units with respect to which future Awards may be granted under the LTIP. Upon the occurrence of a similar event that would not result in a FASB ASC Topic 718 accounting charge if adjustments to Awards were discretionary, the plan administrator shall have complete discretion to adjust Awards in the manner it deems appropriate. In the event the plan administrator makes any such adjustments, a corresponding and proportionate adjustment shall be made with respect to the maximum number of common units available under the LTIP and the kind of units or other securities available for grant under the LTIP.

*Change of Control.* If specifically provided in an Award agreement, upon a change of control (as defined in the Award agreement), the Award may automatically vest and be payable or become exercisable in full, as the case may be.

*Amendment.* The board of directors or plan administrator may terminate or amend the LTIP or any part of the LTIP at any time in any manner, including increasing the number of common units that may be granted, subject to the requirements of the securities exchange upon which the common units are listed at that time and of applicable tax and securities laws. The plan administrator may also waive any conditions or rights under, amend the terms of or alter any outstanding Award as long as no such change would materially reduce the rights or benefits of a Participant without the consent of the Participant or cause the LTIP or such Award to fail to comply with the requirements of Section 409A of the Code.

*Transferability of Awards.* Options and unit appreciation rights are only exercisable by the Participant during the Participant's lifetime, or by the person to whom the Participant's rights pass by will or the laws of descent and distribution. No Award or right granted under the LTIP may be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered and any such purported transfer shall be void and unenforceable. Notwithstanding the foregoing, the plan administrator may, in its discretion, allow a Participant to transfer an option or a unit appreciation right without consideration to an immediate family member or a related family trust, limited partnership, or similar entity on the terms and conditions established by the plan administrator from time to time.

## **Federal Income Tax Consequences**

The following discussion is for general information only and is intended to summarize briefly the United States federal tax consequences to Participants arising from participation in the LTIP. This description is based on current law, which is subject to change (possibly retroactively). The tax treatment of Participants in the LTIP may vary depending on the particular situation and may, therefore, be subject to special rules not discussed below. No attempt has been made to discuss any potential foreign, state, or local tax consequences. In addition, options or unit appreciation rights that provide for a deferral of compensation within the meaning of Section 409A of the Code, phantom units, and certain other Awards that may be granted pursuant to the LTIP could be subject to additional taxes unless they are designed to comply with certain restrictions set forth in Section 409A of the Code and the guidance promulgated thereunder.

### ***Options; Unit Appreciation Rights***

Participants will not realize taxable income upon the grant of an option or a unit appreciation right. Upon the exercise or, if later, the settlement of an option or a unit appreciation right, a Participant will recognize ordinary compensation income (subject to withholding) in an amount equal to the excess of (i) the amount of cash or the fair market value of the common units received, over (ii) the exercise price (if any) paid therefor. A Participant will generally have a tax basis in any common units received pursuant to the exercise of a unit appreciation right, or pursuant to the cash exercise of an option, that equals the fair market value of the common units on the date of exercise. Subject to the discussion under *Tax Code Limitations on Deductibility* below, we or one of our affiliates will be entitled to a

deduction for federal income tax purposes that corresponds as to timing and amount with the compensation income recognized by a Participant under the foregoing rules.



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When a Participant sells the common units acquired as a result of the exercise of an option or unit appreciation right, any appreciation (or depreciation) in the value of the common units after the exercise date is treated as long- or short-term capital gain (or loss) for federal income tax purposes, depending on the holding period. The common units must be held for more than 12 months in order to qualify for long-term capital gain treatment.

The LTIP allows the plan administrator to permit the transfer of Awards in limited circumstances. See *Other Provisions Transferability of Awards*.

The Internal Revenue Service (the IRS) has not provided formal guidance on, nor even specifically addressed, the income tax consequences of a transfer of options or unit appreciation rights. However, the IRS has informally indicated that after a transfer of stock options (other than to a former spouse pursuant to a domestic relations order), the transferor will recognize income, which will be subject to withholding, and FICA/FUTA taxes will be collectible at the time the transferee exercises the option. If stock options are transferred to a former spouse pursuant to a domestic relations order, the transferee will recognize ordinary income upon exercise by the transferee, which will be subject to withholding, and FICA/FUTA taxes (attributable to and reported with respect to the transferor) will be collectible from the transferee at such time. Options granted under the LTIP and that are transferred will likely be subject to the same tax treatment. The transfer of an option may result in gift tax consequences to a Participant.

***Phantom Unit Awards; Restricted Unit Awards***

A Participant will not have taxable income at the time of the grant of a phantom unit Award, but rather, will generally recognize ordinary compensation income at the time such Participant receives common units or a cash payment in satisfaction of the phantom unit Award in an amount equal to the fair market value of the common units received or the cash payment, whichever is applicable. In addition, the Participant will be subject to ordinary income tax upon the payment of a DER. In general, a Participant will recognize ordinary compensation income as a result of the receipt of common units pursuant to a restricted unit Award in an amount equal to the fair market value of the common units when the common units are received over the amount, if any, paid for such units, provided, that if the common units are not transferable or are subject to a substantial risk of forfeiture when received, the Participant will recognize ordinary compensation income in an amount equal to such excess based on the fair market value of common units (i) when the common units first become transferable or are no longer subject to a substantial risk of forfeiture, in cases where a Participant does not make a valid election under Section 83(b) of the Code, or (ii) when the common units are received, in cases where a Participant makes a valid election under Section 83(b) of the Code.

A Participant who is an employee will be subject to withholding for federal, and generally for state and local, income taxes at the time such Participant recognizes income under the rules described above with respect to common units or cash received. Directors must make their own arrangements for satisfying any tax obligations they may incur in connection with the receipt of an Award under the LTIP. Distributions that are received by a Participant prior to the time that the common units are taxed to the Participant under the rules described in the preceding paragraph are taxed as additional compensation, not as distributions on common units. The tax basis in the common units received by a Participant will equal the amount recognized by such Participant as compensation income under the rules described in the preceding paragraph plus the amount, if any, paid for the common units, and the Participant's capital gains holding period in those common units will commence on the later of the date the common units are received or the restrictions lapse (provided that, if a valid election under Section 83(b) of the Code is made with respect to restricted units, then the holding period in such units will begin on the date of receipt of the units).

Subject to the discussion immediately below, we or one of our affiliates will be entitled to a deduction for federal income tax purposes that corresponds as to timing and amount with the compensation income recognized by a Participant under the foregoing rules.



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***Tax Code Limitations on Deductibility***

In order for the amounts described above to be deductible by us or one of our affiliates, the amounts must constitute reasonable compensation for services rendered or to be rendered and must be ordinary and necessary business expenses.

**New Plan Benefits**

The Awards, if any, that will be made to eligible persons under the LTIP are subject to the discretion of the plan administrator and, therefore, we cannot currently determine the benefits or number of units subject to Awards that may be granted in the future to eligible employees, officers and directors under the LTIP, nor can we estimate the amount or the number of units that could have been granted to the eligible individuals had the LTIP been in place in the last fiscal year. We do not make systematic annual phantom unit awards to our officers and employees. Instead, our objective is to time the granting of awards such that the creation of new long-term incentives coincides with the