PAA FINANCE CORP
Form 424B5
August 09, 2013
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Filed Pursuant to Rule 424(b)(5)
Registration No. 333-184137

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed maximum aggregate offering price	Amount of registration fee
3.850% Senior Notes due 2023	$698,544,000	$95,282(1)

(1) The filing fee, calculated in accordance with Rule 457(r), has been transmitted to the SEC in connection with the securities offered from Registration Statement File No. 333-184137 by means of this prospectus supplement.

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PROSPECTUS SUPPLEMENT

To prospectus dated September 27, 2012

Plains All American Pipeline, L.P.

PAA Finance Corp.

$700,000,000 3.850% Senior Notes due 2023

Plains All American Pipeline, L.P. and PAA Finance Corp. are offering $700 million aggregate principal amount of 3.850% Senior Notes due 2023 (the Notes).

We will pay interest on the Notes semi-annually in arrears on April 15 and October 15 of each year, beginning on April 15, 2014. The Notes will mature on October 15, 2023, unless redeemed prior to the maturity date.

We may, at our option, redeem the Notes at any time in whole or from time to time in part, prior to maturity, at the redemption prices as described herein under Description of Notes Optional Redemption.

The Notes will be the unsecured senior obligations of Plains All American Pipeline, L.P. and PAA Finance Corp. and will rank equally in right of payment with their other senior indebtedness from time to time outstanding.

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

Investing in the Notes involves risks. See Risk Factors on page S-6 of this prospectus supplement.

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

	Public Offering Price(1)	Underwriting Discount	Proceeds, Before Expenses, to Us
Per Note	99.792%	0.650%	99.142%
Total	$ 698,544,000	$ 4,550,000	$ 693,994,000

(1) Plus accrued interest, if any, from August 15, 2013 if settlement occurs after that date.

The underwriters expect to deliver the Notes in book-entry form only through facilities of The Depository Trust Company for the account of its participants, including Clearstream Banking, société anonyme, and Euroclear Bank S.A./N.V., as operator of the Euroclear System, against payment in New York, New York on or about August 15, 2013, the fifth trading day after the date of this prospectus supplement.

Joint Book-Running Managers

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

DNB Markets **Mizuho Securities**

Co-Managers

Mitsubishi UFJ Securities **Scotiabank** **SOCIETE GENERALE**
BBVA Securities **BNP PARIBAS** **RBC Capital Markets** **SMBC Nikko**
BB&T Capital Markets **BMO Capital Markets** **CIBC**
Fifth Third Securities, Inc. **ING** **PNC Capital Markets LLC**
Regions Securities LLC **US Bancorp**

The date of this prospectus supplement is August 8, 2013.

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IMPORTANT NOTICE ABOUT INFORMATION IN THIS

PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING BASE 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 accompanying base prospectus, gives more general information and includes disclosures regarding the Notes and additional disclosures that would pertain if at some time in the future we were to offer other series of our debt securities or our common units. Accordingly, the accompanying base prospectus may contain information that does 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 accompanying 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 supplement, the accompanying base prospectus or any free writing prospectus relating to this offering of Notes. Neither we nor the underwriters have authorized anyone to provide you with different information. Neither we nor the underwriters are making an offer of the Notes in any jurisdiction where the offer is not permitted. You should not assume that the information contained or incorporated by reference in this prospectus supplement, the accompanying base prospectus or any related free writing prospectus is accurate as of any date other than the date on the front of those respective documents. Our business, financial condition, results of operations and prospects may have changed since those dates.

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 base prospectus, any free writing prospectus relating to this offering and the documents we have incorporated by reference before making any investment decision.

We expect delivery of the Notes will be made against payment therefor on or about August 15, 2013, which is the fifth business day following the date of pricing of the Notes (such settlement being referred to as T+5). Under Rule 15c6-1 of the Securities Exchange Act of 1934, as amended (the Exchange Act), trades in the secondary market generally are required to settle in three business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of pricing of the Notes or the next succeeding business day will be required, by virtue of the fact that the Notes initially will settle in T+5, to specify an alternate settlement cycle at the time of any such trade to prevent failed settlement and should consult their own advisers.

FORWARD-LOOKING STATEMENTS

All statements included or incorporated by reference in this prospectus supplement or the accompanying base prospectus, other than statements of historical fact, are forward-looking statements, including but not limited to statements incorporating 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 such words, expressions or statements, however, does not mean that the statements are not forward-looking. Any such forward-looking 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 or outcomes to differ materially from the results or outcomes anticipated in the forward-looking statements. The most important of these factors include, but are not limited to:

- failure to implement or capitalize, or delays in implementing or capitalizing, on planned internal growth projects;
- unanticipated changes in crude oil market structure, grade differentials and volatility (or lack thereof);

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

tightened capital markets or other factors that increase our cost of capital or limit our access to capital;

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;

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

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

shortages or cost increases of supplies, materials or labor;

fluctuations in refinery capacity in areas supplied by 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 impact of current and future laws, rulings, governmental regulations, accounting standards and statements, and related interpretations;

non-utilization of our assets and facilities;

the effects of competition;

interruptions in service on third-party pipelines;

increased costs or lack of availability of insurance;

fluctuations in the debt and equity markets, including the price of 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 our facilities;

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

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- 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 and refined products, as well as in the storage of natural gas and the processing, transportation, fractionation, storage and marketing of natural gas liquids.

Other factors described herein or incorporated by reference, as well as factors that are unknown or unpredictable, could also have a material adverse effect on future results. Please read "Risk Factors" on page S-6 of this prospectus supplement and in Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2012 (File No. 001-14569), which is incorporated in this prospectus supplement by reference, for information regarding risks you should consider before making an investment decision. Except as required by applicable securities laws, we do not intend to update these forward-looking statements and information.

PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights information included or incorporated by reference in this prospectus supplement and the accompanying base prospectus. It does not contain all of the information that you should consider before making an investment decision. You should read carefully the entire prospectus supplement, the accompanying base prospectus, the documents incorporated by reference herein and therein and the other documents to which we refer herein and therein for a more complete understanding of this offering of Notes. Please read Risk Factors on page S-6 of this prospectus supplement and in our Annual Report on Form 10-K for the fiscal year ended December 31, 2012, which is incorporated by reference herein, for information regarding risks you should consider before making a decision to purchase any Notes in this offering.

For purposes of this prospectus supplement and the accompanying base prospectus, except as set forth in Description of Notes and unless the context clearly indicates otherwise, references to PAA, the Partnership, we, us, our and similar terms refer to Plains All American Pipeline, L.P. and its subsidiaries. With respect to the cover page and in the section entitled Prospectus Supplement Summary The Offering, we, our and us refer only to Plains All American Pipeline, L.P. and, as the context requires, PAA Finance Corp., but not to any of the other subsidiaries of Plains All American Pipeline, L.P. 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 1998. Our operations are conducted directly and indirectly through our primary operating subsidiaries. We engage in the transportation, storage, terminalling and marketing of crude oil and refined products, as well as in the processing, transportation, fractionation, storage and marketing of natural gas liquids (NGL). The term NGL includes ethane and natural gasoline products as well as propane and butane, products which are commonly referred to as liquefied petroleum gas (LPG).

We also own and operate 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, which holds a 2% general partner interest in PNG and all of its incentive distribution rights. We also currently own an approximate 61% limited partner interest in PNG.

We are one of the largest publicly-traded partnerships with an extensive network of transportation, terminalling, storage and gathering assets in key crude oil and NGL 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.

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 existing business lines and enable us to leverage our assets, knowledge 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.

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We typically do not announce a transaction until after we have executed a definitive acquisition agreement. However, in certain cases in order to protect our business interests or for other reasons, we may defer public announcement of an acquisition until closing or a later date. Past experience has demonstrated that discussions and negotiations regarding a potential acquisition can 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.

Recent developments

On July 29, 2013, Plains GP Holdings, L.P., a newly formed Delaware limited partnership that will indirectly own a portion of our incentive distribution rights and general partner interests, filed a registration statement on Form S-1 with the SEC. Neither this prospectus nor the information contained herein shall constitute an offer to sell or the solicitation of an offer to buy securities of Plains GP Holdings, L.P.

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 refer to the documents set forth under Where You Can Find More Information in this prospectus supplement, including our Annual Report on Form 10-K for the fiscal year ended December 31, 2012, and our Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2013 and June 30, 2013, each of which is incorporated by reference herein.

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THE OFFERING

The summary below describes the principal terms of the Notes. Certain of the terms described below are subject to important limitations and exceptions. The Description of Notes section of this prospectus supplement and the Description of Our Debt Securities section of the accompanying base prospectus contain a more detailed description of the terms of the Notes.

Issuers	Plains All American Pipeline, L.P. and PAA Finance Corp.
	PAA Finance Corp., a Delaware corporation, is a wholly owned subsidiary of Plains All American Pipeline, L.P. that has been organized for the purpose of co-issuing our existing notes, the Notes offered hereby and the notes issued in any future offerings. PAA Finance Corp. does not have operations of any kind and will not have any revenue other than as may be incidental to its activities as a co-issuer of our debt securities.
Future guarantees	Initially, the Notes will not be guaranteed by any subsidiaries of the issuers. In the future, however, if any subsidiaries guarantee any of the issuers other debt, then those subsidiaries will, jointly and severally, fully and unconditionally guarantee the issuers payment obligations under the Notes. Please read Description of Notes Possible Future Guarantees.
Notes offered	$700,000,000 aggregate principal amount of 3.850% Senior Notes due 2023.
Maturity date	October 15, 2023.
Interest rate	3.850%.
Interest payment dates	We will pay interest on the Notes semi-annually in arrears on April 15 and October 15 of each year, beginning on April 15, 2014.
Optional redemption	We may redeem the Notes, in whole or in part, at any time and from time to time prior to maturity. If we redeem the Notes before July 15, 2023 (three months prior to their maturity date), the Notes may be redeemed at a price equal to the greater of (i) 100% of the principal amount of the Notes to be redeemed or (ii) the sum of the present values of the remaining scheduled payments of principal of and interest on the Notes to be redeemed, discounted to the redemption date on a semiannual basis at the Adjusted Treasury Rate (as defined herein) plus 20 basis points, together with accrued interest to the date of redemption. If we redeem the Notes on or after July 15, 2023 (three months prior to their maturity date), the redemption price will equal 100% of the principal amount of the Notes to be redeemed plus accrued interest to the redemption date. See Description of Notes Optional Redemption.

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Ranking	The Notes will be general senior unsecured obligations of the issuers and will rank equally in right of payment with the existing and future senior indebtedness of the issuers.
Certain covenants	The Notes will be issued under an indenture containing covenants for your benefit. These covenants restrict our ability, with certain exceptions, to: incur liens on principal properties to secure debt; engage in sale-leaseback transactions; and merge or consolidate with another entity or sell, lease or transfer substantially all of our properties or assets to another entity. See Description of Notes Covenants.
Use of proceeds	The net proceeds of this offering will be approximately $693.0 million after deducting the underwriting discounts and our estimated offering expenses. We expect to use the net proceeds from this offering to repay all indebtedness outstanding under the PAA senior unsecured revolving credit facility and the PAA senior secured hedged inventory facility. The remaining net proceeds after repayment of such indebtedness will be used for general partnership purposes. Amounts repaid under our credit facilities may be reborrowed, as necessary, to fund our ongoing expansion capital program, future acquisitions, or for general partnership purposes.
Book entry, delivery and form	The Notes will be represented by one or more permanent global certificates in fully registered form deposited with a custodian for, and registered in the name of, a nominee of The Depository Trust Company.
Further issuances	We may create and issue additional Notes ranking equally and ratably with the Notes offered by this prospectus supplement in all respects, so that such additional Notes will be consolidated and form a single series with such Notes and will have the same terms, as to status, redemption or otherwise except for the issue date, the initial interest payment date, if applicable, and the payment of interest accruing prior to the issue date of such additional Notes.
No listing	The Notes are a new issue of securities with no established trading market. We do not currently intend to apply for listing of the Notes on any securities exchange or have the Notes quoted on any automated quotation system. See Risk Factors Risks Related to the Notes Your ability to transfer the Notes may be limited by the absence of an organized trading market.

Governing law	State of New York.

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Trustee	U.S. Bank National Association.
Risk factors	Investing in the Notes involves risks. You should consider carefully all of the information in this prospectus supplement, the accompanying base prospectus, any free writing prospectus relating to this offering and the documents incorporated by reference herein and therein. In particular, you should consider carefully the specific risks set forth in Risk Factors beginning on page S-6 of this prospectus supplement.

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RISK FACTORS

Before making an investment in the Notes offered hereby, you should carefully consider the risk factors included below and those included in Item 1A. Risk Factors in our Annual Report on Form 10-K for the fiscal year ended December 31, 2012 (File No. 001-14569), which is incorporated by reference herein, together with all of the other information included or incorporated by reference in this prospectus supplement. 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 value of the Notes could decline, and you could lose all or part of your investment.

Risks related to the notes

Your right to receive payments on the Notes is unsecured and will be effectively subordinated to our existing and future secured indebtedness and will be structurally subordinated as to any existing and future indebtedness and other obligations of our subsidiaries, other than subsidiaries that may guarantee the Notes in the future.

The Notes are effectively subordinated to claims of our secured creditors and to any existing and future indebtedness and other obligations of our subsidiaries, including trade payables, other than subsidiaries that may guarantee the Notes in the future. As of June 30, 2013, on an as adjusted basis as described under Capitalization, we would have had no secured indebtedness outstanding, but the Notes would have been structurally subordinated to all of our subsidiaries indebtedness, which totaled approximately $346 million at that date. In the event of the insolvency, bankruptcy, liquidation, reorganization, dissolution or winding up of the business of a subsidiary, other than a subsidiary that may guarantee the Notes in the future, creditors of that subsidiary would generally have the right to be paid in full before any distribution is made to us or the holders of the Notes.

Our leverage may limit our ability to borrow additional funds, comply with the terms of our indebtedness or capitalize on business opportunities.

Our leverage is significant in relation to our partners capital. As of June 30, 2013, on an as adjusted basis as described under Capitalization, our total outstanding long-term debt was approximately $7.0 billion, and our total outstanding short-term debt was approximately $302 million (including current maturities of senior notes). See Capitalization. Various limitations in our credit facilities and other debt instruments may reduce our ability to incur additional debt, to engage in some transactions and to capitalize on business opportunities. Any subsequent refinancing of our current indebtedness or any new indebtedness could have similar or greater restrictions.

Our leverage could have important consequences to investors in the Notes. We will require substantial cash flow to meet our principal and interest obligations with respect to the Notes and our other consolidated indebtedness. Our ability to make scheduled payments, to refinance our obligations with respect to our indebtedness or our ability to obtain additional financing in the future will depend on our financial and operating performance, which, in turn, is subject to prevailing economic conditions and to financial, business and other factors. We believe that we will have sufficient cash flow from operations and available borrowings under our bank credit facility to service our indebtedness, although the principal amount of the Notes will likely need to be refinanced at maturity in whole or in part. A significant downturn in the hydrocarbon industry or other development adversely affecting our cash flow could materially impair our ability to service our indebtedness. If our cash flow and capital resources are insufficient to fund our debt service obligations, we may be forced to refinance all or a portion of our debt or sell assets. We can give no assurance that we would be able to refinance our existing indebtedness or sell assets on terms that are commercially reasonable.

Our leverage may adversely affect our ability to fund future working capital, capital expenditures and other general partnership requirements, future acquisition, construction or development activities, or to otherwise fully

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realize the value of our assets and opportunities because of the need to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness or to comply with any restrictive terms of our indebtedness. Our leverage may also make our results of operations more susceptible to adverse economic and industry conditions by limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate and may place us at a competitive disadvantage as compared to our competitors that have less debt.

Your ability to transfer the Notes may be limited by the absence of an organized trading market.

The Notes are a new issue of securities with no established trading market. We do not currently intend to apply for listing of the Notes on any securities exchange or have the Notes quoted on any automated quotation system. Although certain of the underwriters have informed us that they currently intend to make a market in the Notes, they are not obligated to do so. In addition, the underwriters may discontinue any such market making at any time without notice. The liquidity of any market for the Notes will depend on the number of holders of the Notes, the interest of securities dealers in making a market in the Notes and other factors. Accordingly, we can give no assurance as to the development, continuation or liquidity of any market for the Notes.

We have a holding company structure in which our subsidiaries conduct our operations and own our operating assets.

We are a holding company, and our subsidiaries conduct all of our operations and own all of our operating assets. We have no significant assets other than the ownership interests in our subsidiaries. As a result, our ability to make required payments on the Notes depends on the performance of our subsidiaries and their ability to distribute funds to us. The ability of our subsidiaries to make distributions to us may be restricted by, among other things, credit facilities and applicable state partnership laws and other laws and regulations. Pursuant to our credit facilities, we may be required to establish cash reserves for the future payment of principal and interest on the amounts outstanding under our credit facilities. If we are unable to obtain the funds necessary to pay the principal amount at maturity of the Notes, we may be required to adopt one or more alternatives, such as a refinancing of the Notes. We cannot assure you that we would be able to refinance the Notes.

We do not have the same flexibility as other types of organizations to accumulate cash, which may limit cash available to service the Notes or to repay them at maturity.

Unlike a corporation, our partnership agreement requires us to distribute, on a quarterly basis, 100% of our available cash to our unitholders of record and our general partner. Available cash is generally all of our cash receipts adjusted for cash distributions and net changes to reserves. Our general partner will determine the amount and timing of such distributions and has broad discretion to establish and make additions to our reserves or the reserves of our operating partnerships in amounts the general partner determines in its reasonable discretion to be necessary or appropriate:

- to provide for the proper conduct of our business and the businesses of our operating partnerships (including reserves for future capital expenditures and for our anticipated future credit needs);
- to provide funds for distributions to our unitholders and the general partner for any one or more of the next four calendar quarters; or
- to comply with applicable law or any of our loan or other agreements.

Although our payment obligations to our unitholders are subordinate to our payment obligations to you, the value of our units will decrease in direct correlation with decreases in the amount we distribute per unit. Accordingly, if we experience a liquidity problem in the future, we may not be able to issue equity to recapitalize.

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USE OF PROCEEDS

The net proceeds of this offering will be approximately $693.0 million after deducting the underwriting discounts and our estimated offering expenses. We expect to use the net proceeds from this offering to repay all indebtedness outstanding under the PAA senior unsecured revolving credit facility and the PAA senior secured hedged inventory facility. The remaining net proceeds after repayment of such indebtedness will be used for general partnership purposes. Amounts repaid under our credit facilities may be reborrowed, as necessary, to fund our ongoing expansion capital program, future acquisitions, or for general partnership purposes.

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

As of August 7, 2013, we had approximately $7 million and $410 million of debt outstanding under our senior unsecured revolving credit facility and our senior secured hedged inventory facility, respectively, with a weighted average interest rate of approximately 3.3% and 1.5%, respectively. Our revolving credit facility matures in August 2016 and our senior secured hedged inventory facility matures in August 2014.

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RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth our ratio of earnings to fixed charges for the periods indicated on a consolidated historical basis. For purposes of computing the ratio of earnings to fixed charges, earnings consist of pre-tax income from continuing operations before income from equity investees plus fixed charges (excluding capitalized interest), distributed income of equity investees and amortization of capitalized interest. Fixed charges represent interest incurred (whether expensed or capitalized), amortization of debt expense (including discounts and premiums relating to indebtedness) and the portion of rental expense on leases deemed to be the equivalent of interest.

	Six Months Ended June 30, 2013	Years Ended December 31, 2012	2011	2010	2009	2008
Ratio of earnings to fixed charges(1)	5.29x	4.03x	4.13x	2.57x	3.00x	2.60x

(1) Includes interest costs attributable to borrowings for hedged inventory purchases of $10 million for the six months ended June 30, 2013, and $12 million, $20 million, $17 million, $11 million and $21 million for the years ended December 31, 2012, 2011, 2010, 2009 and 2008, respectively.

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CAPITALIZATION

The following table sets forth our capitalization as of June 30, 2013:

on a historical basis; and

on an as adjusted basis to give effect to the sale of the Notes offered hereby and the application of the net proceeds therefrom as described under Use of Proceeds in this prospectus supplement.

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 August 7, 2013, we had approximately $7 million, $410 million and $331 million of borrowings outstanding under our PAA senior unsecured revolving credit facility, our PAA senior secured hedged inventory facility and the PNG senior unsecured revolving credit facility, respectively.

	As of June 30, 2013			
	Historical		As adjusted	
	(In millions)			
CASH AND CASH EQUIVALENTS	$	16	$	109
SHORT-TERM DEBT				
PAA senior secured hedged inventory facility	$	575	$	
PAA senior unsecured revolving credit facility(1)		25		
PNG senior unsecured revolving credit facility(2)		49		49
5.63% senior notes due December 2013(3)		250		250
Other		3		3
Total short-term debt	$	902	$	302
LONG-TERM DEBT				
Senior notes, net of unamortized discounts	$	6,011	$	6,011
Notes offered hereby, net of unamortized discount				699
Long-term debt under credit facilities and other		302		302
Total long-term debt	$	6,313	$	7,012
PARTNERS CAPITAL				
Common unitholders	$	6,828	$	6,828
General partner		270		