

BASIN HOLDINGS GP LLC

Form S-4/A

October 12, 2006

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As filed with the Securities and Exchange Commission on October 12, 2006

Registration No. 333-136925

**SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

**Amendment No. 1
to
Form S-4**

**REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

PLAINS ALL AMERICAN PIPELINE, L.P.

PAA FINANCE CORP.*

(exact name of registrant as specified in its charter)

Delaware

4610

76-0582150

Delaware

4610

76-0669671

*(State or Other Jurisdiction of
Incorporation or Organization)*

*(Primary Standard Industrial
Classification Code Number)*

*(I.R.S. Employer
Identification No.)*

**333 Clay Street, Suite 1600
Houston, Texas 77002
(713) 646-4100**

*(Address, Including Zip Code, and Telephone Number,
Including Area Code, of Registrant's Principal Executive
Offices)*

**Tim Moore
333 Clay Street, Suite 1600
Houston, Texas 77002
(713) 646-4100**

*(Name, Address, Including Zip Code, and Telephone
Number,
Including Area Code, of Agent for Service)*

Copy to:

**Alan Beck
Vinson & Elkins L.L.P.
First City Tower
1001 Fannin Street, Suite 2300**

Houston, Texas 77002-6760
713-758-2222

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

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

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

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

* Includes certain subsidiaries of Plains All American Pipeline, L.P. identified on the following pages.

Plains Marketing, L.P.

(Exact Name of Registrant As Specified In Its Charter)

Texas

(State or Other Jurisdiction of Incorporation or Organization)

76-0587115

(I.R.S. Employer Identification Number)

Plains Pipeline, L.P.

(Exact Name of Registrant As Specified In Its Charter)

Texas

(State or Other Jurisdiction of Incorporation or Organization)

76-0587185

(I.R.S. Employer Identification Number)

Plains Marketing GP Inc.

(Exact Name of Registrant As Specified In Its Charter)

Delaware

(State or Other Jurisdiction of Incorporation or Organization)

76-0684572

(I.R.S. Employer Identification Number)

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Plains Marketing Canada LLC

(Exact Name of Registrant As Specified In Its Charter)

Delaware

(State or Other Jurisdiction of Incorporation or Organization)

76-0653735

(I.R.S. Employer Identification Number)

Plains Marketing Canada, L.P.

(Exact Name of Registrant As Specified In Its Charter)

Canada

(State or Other Jurisdiction of Incorporation or Organization)

75-2979793

(I.R.S. Employer Identification Number)

PMC (Nova Scotia) Company

(Exact Name of Registrant As Specified In Its Charter)

Nova Scotia

(State or Other Jurisdiction of Incorporation or Organization)

52-2316677

(I.R.S. Employer Identification Number)

Basin Holdings GP LLC

(Exact Name of Registrant As Specified In Its Charter)

Delaware

(State or Other Jurisdiction of Incorporation or Organization)

13-4204744

(I.R.S. Employer Identification Number)

Basin Pipeline Holdings, L.P.

(Exact Name of Registrant As Specified In Its Charter)

Delaware

(State or Other Jurisdiction of Incorporation or Organization)

13-4204757

(I.R.S. Employer Identification Number)

Rancho Holdings GP LLC

(Exact Name of Registrant As Specified In Its Charter)

Delaware

(State or Other Jurisdiction of Incorporation or Organization)

13-4204734

(I.R.S. Employer Identification Number)

Rancho Pipeline Holdings, L.P.

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(Exact Name of Registrant As Specified In Its Charter)

Delaware

13-4204750

(State or Other Jurisdiction of Incorporation or Organization)

(I.R.S. Employer Identification Number)

Plains LPG Services GP LLC

(Exact Name of Registrant As Specified In Its Charter)

Delaware

20-0046552

(State or Other Jurisdiction of Incorporation or Organization)

(I.R.S. Employer Identification Number)

Plains LPG Services, L.P.

(Exact Name of Registrant As Specified In Its Charter)

Delaware

20-0046584

(State or Other Jurisdiction of Incorporation or Organization)

(I.R.S. Employer Identification Number)

Lone Star Trucking, LLC

(Exact Name of Registrant As Specified In Its Charter)

California

20-4648774

(State or Other Jurisdiction of Incorporation or Organization)

(I.R.S. Employer Identification Number)

Plains Marketing International GP LLC

(Exact Name of Registrant As Specified In Its Charter)

Delaware

20-3568639

(State or Other Jurisdiction of Incorporation or Organization)

(I.R.S. Employer Identification Number)

Plains Marketing International, L.P.

(Exact Name of Registrant As Specified In Its Charter)

Texas

20-3640773

(State or Other Jurisdiction of Incorporation or Organization)

(I.R.S. Employer Identification Number)

Plains LPG Marketing, L.P.

(Exact Name of Registrant As Specified In Its Charter)

Texas

*(State or Other Jurisdiction of Incorporation or
Organization)*

20-2519036

(I.R.S. Employer Identification Number)

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

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject To Completion, Dated October 12, 2006

Prospectus

**Plains All American Pipeline, L.P.
PAA Finance Corp.**

**Offer to Exchange up to
\$250,000,000 of 6.70% Senior Notes due 2036**

for

**\$250,000,000 of 6.70% Senior Notes due 2036
that have been Registered under the Securities Act of 1933**

Terms of the Exchange Offer

We are offering to exchange up to \$250,000,000 of our outstanding 6.70% Senior Notes due 2036 for new notes with substantially identical terms that have been registered under the Securities Act and are freely tradable.

We will exchange for an equal principal amount of new notes all outstanding notes that you validly tender and do not validly withdraw before the exchange offer expires.

The exchange offer expires at 5:00 p.m., New York City time, on _____, 2006 unless extended. We do not currently intend to extend the exchange offer.

Tenders of outstanding notes may be withdrawn at any time prior to the expiration of the exchange offer.

The exchange of outstanding notes for new notes will not be a taxable event for U.S. federal income tax purposes.

Terms of the 6.70% Senior Notes Offered in the Exchange Offer

Maturity

The notes will mature on May 15, 2036.

Interest

Interest on the notes is payable on May 15 and November 15 of each year, beginning November 15, 2006.

Interest will accrue from May 12, 2006.

Redemption

We may redeem the notes, in whole or in part, at any time at a price equal to the greater of (1) 100% of the principal amount of the notes to be redeemed or (2) a make-whole amount described in this prospectus plus 25 basis points together with accrued interest, if any, to the redemption date.

Ranking

The notes are unsecured. The notes rank equally in right of payment with all of our other existing and future senior unsecured debt and senior in right of payment to all of our future subordinated debt.

Please read Risk Factors on page 4 for a discussion of factors you should consider before participating in the exchange offer.

These securities have not been approved or disapproved by the Securities and Exchange Commission or any state securities commission nor has the Securities and Exchange Commission passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is October , 2006.

This prospectus is part of a registration statement we filed with the Securities and Exchange Commission. In making your investment decision, you should rely only on the information contained or incorporated by reference in this prospectus and in the accompanying letter of transmittal. We have not authorized anyone to provide you with any other information. If you receive any unauthorized information, you must not rely on it. We are not making an offer to sell these securities in any state where the offer is not permitted. You should not assume that the information contained in this prospectus, or the documents incorporated by reference into this prospectus, is accurate as of any date other than the date on the front cover of this prospectus or the date of such document, as the case may be.

Each broker-dealer that receives the notes for its own account pursuant to this exchange offer must acknowledge in the letter of transmittal that it will deliver a prospectus in connection with any resale of the notes. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker dealer in connection with resales of the notes received in exchange for outstanding notes where such outstanding notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. We have agreed to make this prospectus available for a period of one year from the expiration date of this exchange offer to any broker-dealer for use in connection with any such resale. See Plan of Distribution.

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PROSPECTUS SUMMARY

This summary may not contain all the information that may be important to you. You should read this entire prospectus and the documents we have incorporated into this prospectus by reference before making an investment decision. You should carefully consider the information set forth under Risk Factors. In addition, certain statements include forward-looking information which involves risks and uncertainties. Please read Forward-Looking Statements. References to the notes in this prospectus include both the outstanding notes and the new notes.

Plains All American Pipeline, L.P.

We are a Delaware limited partnership formed in September 1998. Our operations are conducted directly and indirectly through our primary operating subsidiaries, Plains Marketing, L.P., Plains Pipeline, L.P. and Plains Marketing Canada, L.P. We are engaged in interstate and intrastate crude oil transportation and crude oil gathering, marketing, terminalling and storage, as well as the marketing and storage of liquefied petroleum gas and other natural gas related petroleum products. In addition, through our 50% equity ownership in PAA/Vulcan Gas Storage, LLC, we are engaged in the development and operation of natural gas storage facilities. On June 12, 2006, we announced that we had entered into a definitive agreement to acquire Pacific Energy Partners, L.P. On July 20, 2006, we announced an acquisition that represents our initial entry into the refined products transportation business.

Our executive offices are located at 333 Clay Street, Suite 1600, Houston, Texas 77002 and our telephone number is (713) 646-4100.

The Exchange Offer

On May 12, 2006, we completed a private offering of the outstanding notes. We entered into a registration rights agreement with the initial purchaser in the private offering in which we agreed to deliver to you this prospectus and to use our reasonable best efforts to consummate the exchange offer within 240 days after the date we issued the outstanding notes.

Exchange Offer	We are offering to exchange new notes for outstanding notes.
Expiration Date	The exchange offer will expire at 5:00 p.m. New York City time, on _____, 2006, unless we decide to extend it.
Condition to the Exchange Offer	The registration rights agreement does not require us to accept outstanding notes for exchange if the exchange offer or the making of any exchange by a holder of the outstanding notes would violate any applicable law or interpretation of the staff of the SEC. A minimum aggregate principal amount of outstanding notes being tendered is not a condition to the exchange offer.
Procedures for Tendering Outstanding Notes	To participate in the exchange offer, you must follow the procedures established by The Depository Trust Company, which we call DTC, for tendering notes held in book-entry form. These procedures, which we call ATOP, require that (1) the exchange agent receive, prior to the expiration date of the exchange offer, a computer generated message known as an agent s message that is transmitted through DTC s automated tender offer program, and (2) DTC confirms that:

DTC has received your instructions to exchange your notes, and
you agree to be bound by the terms of the letter of transmittal.

For more information on tendering your outstanding notes, please refer to
the sections in this prospectus entitled Exchange Offer Terms of the
Exchange Offer and Procedures for Tendering.

Guaranteed Delivery Procedures

None.

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Withdrawal of Tenders	You may withdraw your tender of outstanding notes at any time prior to the expiration date. To withdraw, you must submit a notice of withdrawal to the exchange agent using ATOP procedures before 5:00 p.m. New York City time on the expiration date of the exchange offer. Please read Exchange Offer Withdrawal of Tenders.
Acceptance of Outstanding Notes and Delivery of New Notes	If you fulfill all conditions required for proper acceptance of outstanding notes, we will accept any and all outstanding notes that you properly tender in the exchange offer before 5:00 p.m. New York City time on the expiration date. We will return to you, without expense as promptly as practicable after the expiration date, any outstanding note that we do not accept for exchange. We will deliver the new notes as promptly as practicable after the expiration date and acceptance of the outstanding notes for exchange. Please refer to the section in this prospectus entitled Exchange Offer Terms of the Exchange Offer.
Fees and Expenses	We will bear all expenses related to the exchange offer. Please refer to the section in this prospectus entitled Exchange Offer Fees and Expenses.
Use of Proceeds	The issuance of the new notes will not provide us with any new proceeds. We are making this exchange offer solely to satisfy our obligations under our registration rights agreement.
Consequences of Failure to Exchange Outstanding Notes	If you do not exchange your outstanding notes in this exchange offer, you will no longer be able to require us to register the outstanding notes under the Securities Act except in the limited circumstances provided under our registration rights agreement. In addition, you will not be able to resell, offer to resell or otherwise transfer the outstanding notes unless we have registered the outstanding notes under the Securities Act, or unless you resell, offer to resell or otherwise transfer them under an exemption from the registration requirements of, or in a transaction not subject to, the Securities Act.
U.S. Federal Income Tax Considerations	The exchange of new notes for outstanding notes in the exchange offer will not be a taxable event for U.S. federal income tax purposes. Please read Material U.S. Federal Income Tax Consequences.
Exchange Agent	We have appointed U.S. Bank National Association as exchange agent for the exchange offer. You should direct questions and requests for assistance, requests for additional copies of this prospectus or the letter of transmittal and requests for the notice of guaranteed delivery to the exchange agent addressed as follows: Attn: Brandi Steward, U.S. Bank Corporate Trust Services, Specialized Finance Dept., 60 Livingston Avenue, St. Paul, Minnesota, 55107. Eligible institutions may make requests by facsimile at (651) 495-8138.

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Terms of the Notes

The new notes will be identical to the outstanding notes except that the new notes will be registered under the Securities Act and will not have restrictions on transfer, registration rights or provisions for additional interest and will contain different administrative terms. The new notes will evidence the same debt as the outstanding notes, and the same indenture will govern the new notes and the outstanding notes.

*The following summary contains basic information about the notes and is not intended to be complete. It does not contain all the information that is important to you. For a more complete understanding of the notes, please refer to the section of this prospectus entitled *Description of the Notes*.*

Issuers	Plains All American Pipeline, L.P. and PAA Finance Corp. PAA Finance Corp., a Delaware corporation, is an indirect 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 any operations of any kind and will not have any revenue other than as may be incidental to its activities as a co-issuer of the notes.
Notes Offered	\$250 million in aggregate principal amount of 6.70% senior notes due May 15, 2036.
Maturity Date	May 15, 2036.
Interest Payment Dates	We will pay interest on the notes on May 15 and November 15 of each year, beginning on November 15, 2006.
Optional Redemption	We may redeem the notes, in whole or in part, at any time and from time to time 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 semi annual basis at the Adjusted Treasury Rate (as defined herein) plus 25 basis points, together with accrued interest to the date of redemption. Please read the section of this prospectus entitled <i>Description of the Notes</i> <i>Optional Redemption</i> .
Guarantees	Initially, all payments with respect to the notes (including principal and interest) are fully and unconditionally guaranteed, jointly and severally, by substantially all of our existing subsidiaries. In the future, our subsidiaries that guarantee other indebtedness of ours or another subsidiary must also guarantee the notes. The guarantees are also subject to release in certain circumstances. The guarantees are general unsecured obligations of the subsidiary guarantors and rank equally with the existing and future senior unsecured indebtedness of the subsidiary guarantors.

Ranking

The notes are general senior unsecured obligations of the issuers and rank equally with the existing and future senior unsecured indebtedness of the issuers.

Certain Covenants

The indenture governing the notes contains covenants that limit 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.

Transfer Restrictions; Absence of a Public Market for the Notes

The new notes generally will be freely transferable, but will also be new securities for which there will not initially be a market. There can be no assurance as to the development or liquidity of any market for the new notes.

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RISK FACTORS

In addition to the other information set forth elsewhere or incorporated by reference in this prospectus (including the risk factors included in our 2005 Annual Report on Form 10-K and our Quarterly Report on Form 10-Q for the quarter ended June 30, 2006), the following factors relating to our partnership and the exchange offer and the notes should be considered carefully in deciding whether to participate in the exchange offer.

Risks Related to the Exchange Offer and the Notes

If you do not properly tender your outstanding notes, you will continue to hold unregistered outstanding notes and your ability to transfer outstanding notes will be adversely affected.

We will only issue new notes in exchange for outstanding notes that you timely and properly tender. Therefore, you should allow sufficient time to ensure timely delivery of the outstanding notes and you should carefully follow the instructions on how to tender your outstanding notes. Neither we nor the exchange agent is required to tell you of any defects or irregularities with respect to your tender of outstanding notes.

If you do not exchange your outstanding notes for new notes pursuant to the exchange offer, the outstanding notes you hold will continue to be subject to the existing transfer restrictions. In general, you may not offer or sell the outstanding notes except under an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. We do not plan to register outstanding notes under the Securities Act unless our registration rights agreement with the initial purchaser of the outstanding notes requires us to do so. Further, if you continue to hold any outstanding notes after the exchange offer is consummated, you may have trouble selling them because there will be fewer notes outstanding.

Your right to receive payments on the notes and the subsidiary guarantees is unsecured and will be effectively subordinated to our and our subsidiary guarantors' existing and future secured indebtedness as well as to any existing and future indebtedness of our subsidiaries that do not guarantee the notes.

The notes are effectively subordinated to claims of our secured creditors, and the guarantees are effectively subordinated to the claims of our secured creditors as well as the secured creditors of our subsidiary guarantors. Although substantially all of our subsidiaries, other than PAA Finance Corp., the co-issuer of the notes, will initially guarantee the notes, the guarantees are subject to release under certain circumstances, and we may have subsidiaries that are not guarantors. In that case, the notes would be effectively subordinated to the claims of all creditors, including trade creditors and tort claimants, of our subsidiaries that are not guarantors. In the event of the insolvency, bankruptcy, liquidation, reorganization, dissolution or winding up of the business of a subsidiary that is not a guarantor, 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, 2006, our total outstanding long-term debt, including a portion of our revolving credit facility classified as short-term, was approximately \$1.6 billion. We will be prohibited from making cash distributions on our common units during an event of default under any of our indebtedness. 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

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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. However, 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 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. In addition, if one or more rating agencies were to lower our debt ratings, we could be required by some of our counterparties to post additional collateral, which would reduce our available liquidity and cash flow.

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 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.

A court may use fraudulent conveyance considerations to avoid or subordinate the subsidiary guarantees.

Various applicable fraudulent conveyance laws have been enacted for the protection of creditors. A court may use fraudulent conveyance laws to subordinate or avoid the subsidiary guarantees of the notes issued by any of our subsidiary guarantors. It is also possible that under certain circumstances a court could hold that the direct obligations of a subsidiary guaranteeing the notes could be superior to the obligations under that guarantee.

A court could avoid or subordinate the guarantee of the notes by any of our subsidiaries in favor of that subsidiary's other debts or liabilities to the extent that the court determined either of the following were true at the time the subsidiary issued the guarantee:

that subsidiary incurred the guarantee with the intent to hinder, delay or defraud any of its present or future creditors or that subsidiary contemplated insolvency with a design to favor one or more creditors to the total or partial exclusion of others; or

that subsidiary did not receive fair consideration or reasonable equivalent value for issuing the guarantee and, at the time it issued the guarantee, that subsidiary:

was insolvent or rendered insolvent by reason of the issuance of the guarantee;

was engaged or about to engage in a business or transaction for which the remaining assets of that subsidiary constituted unreasonably small capital; or

intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they matured.

The measure of insolvency for purposes of the foregoing will vary depending upon the law of the relevant jurisdiction. Generally, however, an entity would be considered insolvent for purposes of the foregoing if the sum of its debts, including contingent liabilities, were greater than the fair saleable value of all of its assets at a fair valuation, or if the present fair saleable value of its assets were less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and matured.

Among other things, a legal challenge of a subsidiary's guarantee of the notes on fraudulent conveyance grounds may focus on the benefits, if any, realized by that subsidiary as a result of our issuance of the notes. To the extent a subsidiary's guarantee of the notes is avoided as a result of fraudulent conveyance or held

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unenforceable for any other reason, the note holders would cease to have any claim in respect of that guarantee.

Your ability to transfer the notes may be limited by the absence of a trading market.

The notes will be new securities for which currently there is no trading market. We do not currently intend to apply for listing of the notes on any securities exchange or stock market. The liquidity of any market for the notes will depend on the number of holders of those notes, the interest of securities dealers in making a market in those notes and other factors. Accordingly, we cannot assure you as to the development 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 the 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 or to repurchase the debt securities upon the occurrence of a change of control, 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.

Our tax treatment depends on our status as a partnership for federal income tax purposes, as well as our not being subject to a material amount of entity level taxation by individual states. If the IRS were to treat us as a corporation or if we become subject to a material amount of entity level taxation for state tax purposes, it would substantially reduce our ability to pay our debt service obligations.

If we were treated as a corporation for federal income tax purposes, we would pay federal income tax on our income at the corporate tax rate, which is currently a maximum of 35%, and would likely pay state income tax at varying rates. Because a tax would be imposed upon us as a corporation, the cash available to pay our debt service obligations would be substantially reduced.

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Current law may change so as to cause us to be treated as a corporation for federal income tax purposes or otherwise subject us to entity level taxation. In addition, because of widespread state budget deficits and other reasons, several states are evaluating ways to subject partnerships to entity level taxation through the imposition of state income, franchise or other forms of taxation. For example, we will be subject to a new entity level tax on the portion of our income that is generated in Texas beginning in our tax year ending in 2007. Specifically, the Texas margin tax will be imposed at a maximum effective rate of 0.7% of our gross income apportioned to Texas. Imposition of such a tax upon us as an entity by Texas or any other state will reduce the cash available to pay our debt service obligations.

EXCHANGE OFFER

Purpose and Effect of the Exchange Offer

In connection with the issuance of the outstanding notes, we entered into a registration rights agreement. Under the registration rights agreement, we agreed to use our reasonable best efforts to:

- within 120 days after the original issuance of the outstanding notes on May 12, 2006, file a registration statement with the SEC with respect to a registered offer to exchange each outstanding note for a new note having terms substantially identical in all material respects to such note except that the new note will not contain terms with respect to transfer restrictions, registration rights or additional interest;

- cause the registration statement to be declared effective under the Securities Act within 210 days after the original issuance of the outstanding notes;

- consummate the exchange of the outstanding notes for new notes within 240 days after the original issuance of the outstanding notes;

- promptly following the effectiveness of the registration statement, offer the new notes in exchange for surrender of the outstanding notes;

- keep the exchange offer open for not less than 20 business days (or longer if required by applicable law) after the date notice of the exchange offer is mailed to the holders of the outstanding notes; and

- exchange new notes for all outstanding notes validly tendered and not withdrawn before the expiration date.

We have fulfilled the agreements described in the first two preceding bullet points and are now offering eligible holders of the outstanding notes the opportunity to exchange their outstanding notes for new notes registered under the Securities Act. Holders are eligible if they are not prohibited by any law or policy of the SEC from participating in this exchange offer. The new notes will be substantially identical to the outstanding notes except that the new notes will not contain terms with respect to transfer restrictions, registration rights or additional interest.

Under limited circumstances, we agreed to use our reasonable best efforts to cause the SEC to declare effective a shelf registration statement for the resale of the outstanding notes. We also agreed to use our reasonable best efforts to keep the shelf registration statement effective for up to two years after its effective date. The circumstances include if:

- a change in law or in applicable interpretations thereof by the staff of the SEC do not permit us to effect the exchange offer;

- for any other reason the exchange offer is not consummated within 240 days from May 12, 2006, the date of the original issuance of the outstanding notes;

an initial purchaser notifies us following consummation of the exchange offer that outstanding notes held by it are not eligible to be exchanged for new notes in the exchange offer; or

any holder other than an initial purchaser is not eligible to participate in the exchange offer.

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Subject to certain exceptions, we will pay additional cash interest on the applicable outstanding notes if:

the exchange offer registration statement is not filed with the SEC on or before the 120th day after the original issuance of the outstanding notes;

the exchange offer registration statement is not declared effective by the SEC on or before the 210th day after the original issuance of the outstanding notes;

the exchange offer is not consummated on or before the 240th day after May 12, 2006, the date of the original issuance of the outstanding notes;

being obligated to file a shelf registration statement, we fail to file the shelf registration statement with the SEC on or prior to the 120th day after the date on which the obligation to file a shelf registration statement arises;

being obligated to file a shelf registration statement, the shelf registration statement is not declared effective on or prior to the 210th day after the date on which the obligation to file a shelf registration statement arises; or

after this registration statement or the shelf registration statement, as the case may be, is declared effective, such registration statement thereafter ceases to be effective (subject to certain exceptions) (each such event referred to in the preceding clauses being a registration default).

Such additional interest will be payable from and including the date on which any such registration default occurs to the date on which all registration defaults have been cured.

The rate of the additional interest will be 0.25% per year for the first 90-day period immediately following the occurrence of a registration default, and such rate will increase by an additional 0.25% per year with respect to each subsequent 90-day period until all registration defaults have been cured, up to a maximum additional interest rate of 0.50% per year. We will pay such additional interest on regular interest payment dates. Such additional interest will be in addition to any other interest payable from time to time with respect to the outstanding notes and the new notes.

Upon the filing or effectiveness of this registration statement, the consummation of the exchange offer, the filing or effectiveness of a shelf registration statement, or the effectiveness of a succeeding registration statement, as the case may be, the interest rate borne by the notes from the date of such filing, effectiveness or consummation, as the case may be, will be reduced to the original interest rate. However, if after any such reduction in interest rate, a different event specified in the clauses above occurs, the interest rate may again be increased pursuant to the preceding provisions.

To exchange your outstanding notes for transferable new notes in the exchange offer, you will be required to make the following representations:

any new notes will be acquired in the ordinary course of your business;

you have no arrangement or understanding with any person or entity to participate in the distribution of the new notes;

if you are not a broker-dealer, you are not engaged in and do not intend to engage in the distribution of the new notes within the meaning of the Securities Act;

