

PLAINS GP HOLDINGS LP  
Form PRER14A  
September 21, 2016

Use these links to rapidly review the document

[TABLE OF CONTENTS](#)

[INDEX TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS](#)

[TABLE OF CONTENTS](#)

[TABLE OF CONTENTS](#)

[TABLE OF CONTENTS](#)

[Table of Contents](#)

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 (Amendment No. 2)

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 under §240.14a-12

**PLAINS GP HOLDINGS, 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):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.  
(1) Title of each class of securities to which transaction applies:

## Edgar Filing: PLAINS GP HOLDINGS LP - Form PRER14A

- (2) Aggregate number of securities to which transaction applies:
  - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
  - (4) Proposed maximum aggregate value of transaction:
  - (5) Total fee paid:
- o Fee paid previously with preliminary materials.
- o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
- (1) Amount Previously Paid:
  - (2) Form, Schedule or Registration Statement No.:
  - (3) Filing Party:
  - (4) Date Filed:
-

Table of Contents

**Plains GP Holdings, L.P.**

**333 Clay Street, Suite 1600  
Houston, Texas 77002**

[ • ], 2016

To our Class A and Class B shareholders:

You are cordially invited to attend a special meeting of the Class A and Class B shareholders (our "**Shareholders**") of Plains GP Holdings, L.P. ("**PAGP**") to be held on [ • ], 2016, at [ • ] [a.m./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 of PAA GP Holdings LLC, the general partner of PAGP (our "**general partner**" or "**PAGP GP**"). At this important meeting, you will be asked to consider and vote upon:

1. a proposal (the "**Simplification Proposal**") to approve the Simplification Agreement, dated July 11, 2016 (the "**Simplification Agreement**"), by and among PAGP, our general partner, Plains AAP, L.P., a Delaware limited partnership ("**AAP**"), Plains All American GP LLC, a Delaware limited liability company and the general partner of AAP ("**GP LLC**"), Plains All American Pipeline, L.P., a Delaware limited partnership ("**PAA**"), and PAA GP LLC, a Delaware limited liability company and the general partner of PAA ("**PAA GP**," and together with PAA, GP LLC, AAP, PAGP and our general partner, the "**Plains Entities**"), and the related Transactions (as defined below);
2. a proposal (the "**Adjournment Proposal**") to approve the adjournment of the special meeting to a later date or dates, at the discretion of our general partner, to solicit additional proxies to approve the Simplification Proposal; and
3. any proposal to transact such other business as may properly come before the special meeting and any adjournment or postponement thereof.

The transactions contemplated by the Simplification Agreement include the following:

the conversion of PAA GP's 2% general partner interest in PAA into a non-economic general partner interest (the "**GP Conversion**");

the redemption by PAA (the "**IDR Redemption**") of all of the incentive distribution rights in PAA held by AAP (the "**IDRs**");

as consideration for the GP Conversion and IDR Redemption, (i) the assumption by PAA of all outstanding indebtedness and obligations under AAP's Second Amended and Restated Credit Agreement and (ii) issuance by PAA to AAP of 245,500,000 common units of PAA ("**PAA Common Units**"), subject to certain adjustments;

the implementation of a unified governance structure for the Plains Entities that will result in a single board of directors of our general partner being responsible for the management of PAGP, AAP and PAA;

the division of the board of directors of PAGP GP into three classes and the acceleration of the date on which our shareholders, together with PAA preferred and common unitholders (other than AAP), will begin to participate in the election of directors on an annual basis, with the first such election expected to occur in 2018;

the creation of a right for the holders (excluding PAGP and GP LLC) of the Class A units of AAP ("**AAP Units**") to cause AAP to redeem such AAP Units in exchange for an equal number

---

## Edgar Filing: PLAINS GP HOLDINGS LP - Form PRER14A

### Table of Contents

of PAA Common Units held by AAP, and the granting of resale registration rights with respect to such PAA Common Units;

the effectuation of certain reverse stock splits to adjust the outstanding equity of PAGP, PAGP GP and AAP in order that the number of outstanding PAGP Class A shares (the "*Class A shares*") will, as of the closing of the Transactions, equal the number of outstanding AAP Class A Units held by PAGP and the number of outstanding PAA Common Units held by AAP that are attributable to PAGP; accordingly, following the closing, each split-adjusted Class A share will represent indirect ownership of one PAA Common Unit;

the entry into an omnibus agreement (the "*Omnibus Agreement*") designed to promote economic alignment between our Class A shareholders and PAA's Common Unitholders following the closing through, among other measures, maintenance of a one-to-one relationship between the number of our outstanding Class A shares and the number of PAA Common Units we indirectly own through AAP. The Omnibus Agreement will also require PAA to bear the costs and expenses of the Plains Entities, other than income tax expenses of PAGP and its subsidiaries (excluding PAA and its subsidiaries);

the amendment and restatement of the governing documents of the Plains Entities, including the agreement of limited partnership of PAGP, to give effect to the foregoing; and

several other miscellaneous matters that are described in greater detail in the attached proxy statement.

We refer to the Simplification Agreement and the organizational and ancillary agreements that are required to be executed pursuant to the Simplification Agreement in order to effectuate the transactions described above, collectively as the "*Transaction Documents*," and the transactions that are contemplated by the Simplification Agreement and the other Transaction Documents as the "*Transactions*."

The board of directors of our general partner has unanimously approved the Simplification Agreement and the Transactions and determined that they are (a) fair and reasonable to PAGP and the holders of Class A shares, (b) in, or not opposed to, the best interests of PAGP and (c) in, or not opposed to, the best interests of our Class A Shareholders.

**Accordingly, the board of directors of our general partner unanimously recommends that the Shareholders vote "FOR" the Simplification Proposal and "FOR" the Adjournment Proposal.**

**Your vote is very important.** Even if you plan to attend the special meeting, we urge you to promptly vote your shares 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 shares personally if you attend the special meeting. Voting your shares 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 shares 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 Transactions will not be consummated pursuant to the Simplification Agreement unless approved by our Shareholders.** Our partnership agreement requires that we obtain the approval of the holders of a majority of outstanding Class A and Class B shares, voting as a single class, prior to a transaction that would involve the sale or exchange of all or substantially all of our assets. The GP Conversion and IDR Redemption may be deemed to be a sale or exchange of all or substantially all of our assets. In addition, the approval of the Simplification Agreement and the Transactions by the holders of a majority of the outstanding Class A and Class B shares, voting as a single class, is a condition to the closing of each of the Transactions pursuant to the Simplification Agreement.

Concurrently with the execution of the Simplification Agreement, certain of our Shareholders that owned approximately 51.3% of the Class A and Class B shares outstanding as of July 11, 2016 executed a Voting Agreement (the "*Voting Agreement*"), pursuant to which such Shareholders agreed to vote all

---

## Edgar Filing: PLAINS GP HOLDINGS LP - Form PRER14A

### Table of Contents

of their Class A and Class B shares in favor of the Simplification Proposal. The Voting Agreement binds sufficient votes to ensure that the Simplification Proposal will be approved at the special meeting.

I urge you to review carefully the attached proxy statement, which contains detailed descriptions of the Simplification Proposal to be voted upon at the special meeting, as well as the annexes thereto.

Sincerely,  
Greg L. Armstrong  
*Chairman of the Board and Chief Executive Officer PAA GP  
Holdings LLC*

*If you have any questions or need assistance voting, please call Georgeson LLC, PAGP's proxy solicitor in connection with the Special Meeting, toll-free at 1-866-431-2105.*

This proxy statement is first being mailed to Shareholders on or about [ • ], 2016

---

Table of Contents

## PLAINS GP HOLDINGS, L.P.

333 Clay Street, Suite 1600  
Houston, Texas 77002

---

### NOTICE OF SPECIAL MEETING OF CLASS A AND CLASS B SHAREHOLDERS To Be Held On [ • ], 2016

---

[ • ], 2016

To the Class A and Class B Shareholders of Plains GP Holdings, L.P.:

A special meeting of our Class A and Class B Shareholders (our "**Shareholders**") will be held on [ • ], at [ • ] [a.m./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 Shareholders will be asked to consider and vote upon:

1. a proposal (the "**Simplification Proposal**") to approve the Simplification Agreement, dated July 11, 2016 (the "**Simplification Agreement**"), by and among Plains GP Holdings, L.P. (the "**Partnership**"), PAA GP Holdings, LLC (our "**general partner**"), Plains AAP, L.P., Plains All American GP LLC, Plains All American Pipeline, L.P., and PAA GP LLC, and the Transactions (as defined below). We refer to the Simplification Agreement and the organizational and ancillary agreements that are required to be executed pursuant to the Simplification Agreement in order to effectuate the transactions described in the attached proxy statement collectively as the "**Transaction Documents**," and the transactions which are contemplated by the Simplification Agreement and the Transaction Documents as the "**Transactions**";
2. a proposal (the "**Adjournment Proposal**") to approve the adjournment of the special meeting to a later date or dates, at the discretion of our general partner, to solicit additional proxies to approve the Simplification Proposal; and
3. any proposal to transact such other business as may properly come before the special meeting and any adjournment or postponement thereof.

We have set the close of business on [ • ], 2016 as the record date for determining which of our Shareholders are entitled to receive notice of and to vote at the special meeting and any postponements or adjournments thereof. A list of Shareholders 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 Shareholder during the meeting.

**The board of directors of our general partner unanimously recommends that the Shareholders vote "FOR" the Simplification Proposal and "FOR" the Adjournment Proposal.**

**Your vote is very important.** If you cannot attend the special meeting, you may vote your shares electronically, via the Internet or by telephone, or by mailing the proxy card in the enclosed

---

Edgar Filing: PLAINS GP HOLDINGS LP - Form PRER14A

Table of Contents

postage-prepaid envelope. Any Shareholder 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 PAA GP Holdings LLC,  
general partner of Plains GP Holdings, L.P.  
Richard McGee  
*Secretary*

Houston, Texas  
[ • ], 2016

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF  
PROXY MATERIALS FOR THE SPECIAL MEETING OF SHAREHOLDERS  
TO BE HELD ON [ • ], 2016**

**The Notice of Special Meeting of Class A and Class B shareholders and the Proxy Statement for the Special Meeting of Class A and Class B shareholders are available on our Internet website at <http://ir.pagp.com/> under "Investor Relations."**

---



Table of Contents

**TABLE OF CONTENTS**

<u>SUMMARY</u>	<u>1</u>
<u>QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE TRANSACTIONS</u>	<u>17</u>
<u>CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS</u>	<u>22</u>
<u>THE TRANSACTIONS AND TRANSACTION DOCUMENTS</u>	<u>23</u>
<u>PAA Recapitalization</u>	<u>23</u>
<u>Unified Governance Structure</u>	<u>25</u>
<u>Amendments of Organizational Documents of the Plains Entities</u>	<u>28</u>
<u>Omnibus Agreement and A&amp;R Administrative Agreement</u>	<u>32</u>
<u>Registration Rights Agreement</u>	<u>32</u>
<u>Voting Agreement</u>	<u>33</u>
<u>The Simplification Agreement</u>	<u>34</u>
<u>Recommendation of the Board of Directors</u>	<u>38</u>
<u>Required Approval of the Simplification Agreement and the Transactions</u>	<u>38</u>
<u>Background of the Transactions</u>	<u>39</u>
<u>Unaudited Financial Projections of PAA</u>	<u>54</u>
<u>Rationale for the Transactions</u>	<u>57</u>
<u>Opinion of the Financial Advisor to the PAGP GP Board</u>	<u>60</u>
<u>Regulatory Approvals</u>	<u>71</u>
<u>Accounting Treatment of the Transactions</u>	<u>71</u>
<u>Dissenters' Rights</u>	<u>71</u>
<u>THE SPECIAL MEETING</u>	<u>72</u>
<u>Date, Time and Place</u>	<u>72</u>
<u>Recommendation of the PAGP GP Board</u>	<u>72</u>
<u>Record Date; Outstanding Shares; Shares Entitled to Vote</u>	<u>72</u>
<u>Quorum</u>	<u>72</u>
<u>Required Vote</u>	<u>73</u>
<u>Voting of Shares by Holders of Record</u>	<u>73</u>
<u>Voting of Shares Held in Street Name; Broker Non-Votes</u>	<u>74</u>
<u>Revocability of Proxies; Changing Your Vote</u>	<u>74</u>
<u>Solicitation of Proxies</u>	<u>74</u>
<u>No Other Business</u>	<u>75</u>
<u>Assistance</u>	<u>75</u>
<u>SELECTED HISTORICAL FINANCIAL INFORMATION OF PAGP AND PAA</u>	<u>76</u>
<u>PAGP</u>	<u>76</u>
<u>PAA</u>	<u>78</u>
<u>COMPARISON OF THE RIGHTS OF OUR SHAREHOLDERS BEFORE AND AFTER THE TRANSACTIONS</u>	<u>80</u>
<u>MARKET PRICES AND DISTRIBUTION INFORMATION</u>	<u>85</u>
<u>DIRECTORS OF OUR GENERAL PARTNER FOLLOWING THE TRANSACTIONS</u>	<u>86</u>
<u>INTERESTS OF CERTAIN PERSONS IN THE TRANSACTIONS</u>	<u>90</u>
<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u>	<u>92</u>
<u>Beneficial Ownership of Plains GP Holdings, L.P.</u>	<u>92</u>
<u>Beneficial Ownership of Plains AAP, L.P.</u>	<u>95</u>
<u>Beneficial Ownership of Plains All American Pipeline, L.P.</u>	<u>96</u>



Edgar Filing: PLAINS GP HOLDINGS LP - Form PRER14A

Table of Contents

<u>MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE TRANSACTIONS TO PAGP AND THE SHAREHOLDERS</u>	<u>99</u>
<u>SHAREHOLDER PROPOSALS</u>	<u>100</u>
<u>HOUSEHOLDING MATTERS</u>	<u>100</u>
<u>WHERE YOU CAN FIND MORE INFORMATION ABOUT US</u>	<u>100</u>
<u>INDEX TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS</u>	<u>P-1</u>
<b>ANNEXES</b>	
<u>ANNEX A. Simplification Agreement</u>	<u>A-1</u>
<u>ANNEX B. Opinion of Jefferies LLC</u>	<u>B-1</u>
<u>ANNEX C. Form of Second Amended and Restated Limited Liability Company Agreement of PAA GP Holdings, LLC</u>	<u>C-1</u>
<u>ANNEX D. Form of Second Amended and Restated Agreement of Limited Partnership of Plains GP Holdings, L.P.</u>	<u>D-1</u>

Table of Contents

**SUMMARY**

*The following summary highlights certain information contained in this proxy statement. You should carefully read this entire proxy statement and the other documents to which this proxy statement refers you for a more complete understanding of the Transactions, including, in particular, the Simplification Agreement attached as Annex A to this proxy statement.*

*References to "PAGP," "we," "us," "our," "ours" and similar terms refer to Plains GP Holdings, L.P. (NYSE:PAGP). References to (i) "PAGP GP" or our "general partner" refer to PAA GP Holdings LLC, our general partner; (ii) "AAP" refer to Plains AAP, L.P., in which we own a 41.0% economic interest as of August 31, 2016; (iii) "GP LLC" refer to Plains All American GP LLC, a Delaware limited liability company and the general partner of AAP; (iv) "PAA" refer to Plains All American Pipeline, L.P. (NYSE:PAA); and (v) "PAA GP" refer to PAA GP LLC, a Delaware limited liability company and the general partner of PAA. References to the "Plains Entities" refer to PAGP GP, PAGP, GP LLC, AAP, PAA GP and PAA, collectively. References to the "PAGP Entities" refer to the Plains Entities (other than PAA and its subsidiaries). References to the "Initial Owners" refer to the owners of AAP immediately prior to our initial public offering in 2013 and permitted transferees of their interests in AAP. Please see the diagrams beginning on page 14 that show our simplified organizational structure before and after giving effect to the Transactions.*

*References herein to the "Transactions" refer to the transactions contemplated by the Simplification Agreement, and references herein to the "Transaction Documents" refer to the Simplification Agreement, the A&R PAA Partnership Agreement, the A&R AAP Partnership Agreement, the A&R PAGP Partnership Agreement, the A&R GP LLC Agreement, the A&R PAGP GP LLC Agreement, the Registration Rights Agreement, the Omnibus Agreement, the A&R Administrative Agreement, the Voting Agreement (as each of those terms are defined below) and each other document and agreement required to be delivered in connection with any of the foregoing or necessary to effectuate the Transactions.*

**The Transactions and Transaction Documents (Page 23)**

The Simplification Agreement contemplates a series of transactions and the execution of several organizational and ancillary documents intended to accomplish several important objectives for PAA and its stakeholders, including PAGP. Collectively, these actions will simplify PAA's capital structure, better align the interests of its stakeholders, improve its overall credit profile, reduce its cost of incremental capital and improve its distribution coverage, which should better position PAA to capitalize on attractive growth opportunities and manage its business over the long term. Each of these transactions and the related organizational and ancillary documents are described in summary form below and in greater detail in "The Transactions and The Transaction Documents."

**The Transactions**

***PAA Recapitalization (Page 23)***

Pursuant to the Simplification Agreement, at the closing of the Transactions (the "**Closing**"):

PAA GP's 2% general partner interest in PAA will be converted into a non-economic general partner interest in PAA (the "**GP Conversion**");

PAA will redeem all of the incentive distribution rights in PAA held by AAP ("**IDRs**"), and the IDRs will be cancelled (the "**IDR Redemption**");

as consideration for the GP Conversion and IDR Redemption, (i) PAA will issue to AAP 245,500,000 common units of PAA ("**PAA Common Units**"), subject to adjustment as described in "The Transactions and Transaction Documents PAA Recapitalization" and (ii) PAA will assume all remaining outstanding indebtedness, obligations and liabilities of AAP under the Second



Table of Contents

Amended and Restated Credit Agreement dated as of September 26, 2013 among AAP, Citibank, N.A. and the lenders party thereto (the "**AAP Credit Agreement**") as of the Closing. As of the date hereof, AAP's outstanding borrowings under the AAP Credit Agreement are approximately \$597 million.

We refer to the transactions described above as the "**PAA Recapitalization**."

As PAA previously announced, irrespective of whether the Simplification Proposal is approved, PAA intends to pay, effective with the third quarter distribution payable in November 2016, a quarterly distribution of \$0.55 per PAA Common Unit, or \$2.20 on an annualized basis, representing a 21% reduction to PAA's second quarter distribution level of \$0.70 per PAA Common Unit, or \$2.80 on an annualized basis. This revised distribution level significantly enhances PAA's distribution coverage and credit profile.

As the following table illustrates, the PAA Recapitalization significantly mitigates the effect of the reset distribution level announced by PAA on the distributions per Class A share. To the extent that PAA elects to reset its distribution to an annualized level of \$2.20 per PAA Common Unit and the proposed PAA Recapitalization does not occur, the per share quarterly distribution associated with a Class A share would decrease by approximately 39%; by contrast, following the PAA Recapitalization, such decrease is expected to be approximately 10.6%. The difference results from the fact that, as PAA's distribution per PAA Common Unit is reduced, payments to the holder of the IDRs are reduced by a proportionately greater amount; accordingly, if the PAA Recapitalization does not take place and the PAA Common Unit distribution level is reset to the annualized level of \$2.20 per PAA Common Unit, the percentage reduction per Class A share will be greater than the percentage reduction per PAA Common Unit.

**Third Quarter 2016 Distribution Per Class A Share**

	Current Level		Reset Level		% Decrease
	Per Quarter	Annualized	Per Quarter	Annualized	
PAA Recapitalization	\$ 0.2310	\$ 0.9240	\$ 0.2065	\$ 0.8260	(10.6)
No PAA Recapitalization	\$ 0.2310	\$ 0.9240	\$ 0.1400	\$ 0.5600	(39.4)

Following the PAA Recapitalization and subject to change based on any equity issuances by PAA prior to the Closing, PAA's equity capital structure is expected to consist of (i) a non-economic general partner interest, (ii) 646,672,792 PAA Common Units outstanding and (iii) 63,126,331 Series A Preferred Units (the "**Series A Preferred Units**") outstanding. Subject to the terms of PAA's limited partnership agreement, the Series A Preferred Units are generally convertible any time after January 28, 2018 at the option of the holder into an equivalent number of PAA Common Units. AAP will own an approximate 34% limited partner interest in PAA as of the Closing, implying an exchange ratio of approximately 0.3755 PAA Common Unit for each outstanding Class A unit of AAP (an "**AAP Unit**").

**Unified Governance Structure (Page 25)**

**Governance Simplification.** Currently, PAGP GP manages the business and affairs of PAGP, and GP LLC manages the business and affairs of PAA and AAP. Pursuant to the Simplification Agreement, GP LLC's limited liability company agreement will be amended and restated to provide, among other things, that PAGP, as the sole member of GP LLC, will have the sole authority to manage the business and affairs of GP LLC, and the current board of directors of GP LLC ("**GP LLC board**") will be eliminated. As a result of this amendment, the board of directors of PAGP GP (the "**PAGP GP board**") will have responsibility for managing the business and affairs of each of PAGP, AAP and PAA. PAGP will have the authority, in its sole discretion, to establish a conflicts committee of GP LLC for,

## Edgar Filing: PLAINS GP HOLDINGS LP - Form PRER14A

### Table of Contents

among other reasons, considering conflict matters between PAA and PAGP, including any matter with respect to which PAGP seeks to obtain "Special Approval" (as defined in PAA's limited partnership agreement).

In addition, similar to the current structure, if EMG Investment, LLC (an affiliate of The Energy & Minerals Group), KAFU Holdings, L.P. (an affiliate of Kayne Anderson Investment Management Inc.) or Oxy Holding Company (Pipeline), Inc. (a subsidiary of Occidental Petroleum Corporation), together with their respective affiliates (together, the "**Original Designating Parties**"), own at least a 10% interest (a "**Qualifying Interest**") in the outstanding AAP Units, such party will continue to be entitled to designate one director to the PAGP GP board. The calculation of Qualifying Interest will include, in addition to any AAP Units and Class A shares an Original Designating Party or its affiliates own, any PAA Common Units owned by such Original Designating Party or its affiliates by virtue of their exercise of the Redemption Right (as defined below).

At the Closing, the PAGP GP board will consist of 10 members, including three designated directors, six independent directors and our general partner's chief executive officer, who will continue to serve as the Chairman of the Board. The directors on the PAGP GP board as of the Closing are expected to include:

Chief Executive Officer: Greg L. Armstrong.

Designated Directors: John T. Raymond, a designee of EMG Investment, LLC; Robert V. Sinnott, a designee of KAFU Holdings, L.P.; and Ben Figlock, a designee of Oxy Holding Company (Pipeline), Inc.

Independent Directors: Victor Burk, Everardo Goyanes, Gary R. Petersen, Bobby S. Shackouls, J. Taft Symonds and Christopher M. Temple.

*Election of Directors and Issuance of Class C Shares by PAGP.* Currently, our Shareholders do not have the right to elect PAGP GP directors; however, under the governance documents of PAGP and PAGP GP, when the collective economic interest in AAP owned by the Initial Owners falls below 40% (such an event, the "**trigger date**"), certain changes to our governance structure would be triggered, including (i) the classification of the PAGP GP board into three classes (which must take place within a certain period of time), (ii) Shareholder participation in director elections and (iii) limited nomination rights for our Shareholders. Pursuant to the current organizational documents, the PAGP GP board would be classified on the trigger date, and, in certain circumstances, a period of up to three years could lapse between the trigger date and the first meeting of Shareholders called to elect the eligible directors of the PAGP GP board with expiring terms.

Pursuant to the Simplification Agreement, PAGP GP will amend and restate its limited liability company agreement to effectively accelerate the trigger date to the Closing. As a result, at the Closing, the directors (other than the Chief Executive Officer and any director subject to appointment, in certain circumstances, by the holders of the Series A Preferred Units) will be divided into three classes, with each class including two independent directors and one designated director. The initial terms for the three classes will be set to expire in 2018, 2019 and 2020, with each class having a three-year term following its initial term. For more information regarding the members of the PAGP GP board following the Closing, please see "Directors of PAGP GP Following the Transactions."

Beginning in 2018, PAGP will hold an annual meeting of Shareholders for the election of "eligible PAGP GP directors", which will include all directors with expiring terms other than (i) any director subject to designation, (ii) PAGP GP's chief executive officer and (iii) any director subject to appointment by the holders of PAA's Series A Preferred Units. For more information on how the annual meetings of PAGP Shareholders will be conducted, including nomination and meeting procedures and limitations on voting, please see "Comparison of the Rights of Our Shareholders Before and After the Transactions."

Table of Contents

In connection with the Closing, PAGP will create a new class of non-economic limited partner interests, designated as Class C shares, and will issue one Class C share to PAA for (i) each outstanding PAA Common Unit, excluding PAA Common Units held by AAP, and (ii) each PAA Common Unit that would be issued to holders of Series A Preferred Units assuming conversion, in each case, as of the Closing. PAGP currently expects to issue approximately 465,091,197 Class C shares at the Closing. The Class C shares will be non-economic shares that will provide PAA, as the sole holder, the right to vote in elections of eligible PAGP GP directors together with the holders of our Class A and Class B shares. The issuance of the Class C shares will have the effect of substantially diluting the nominating and voting rights currently held by the holders of the Class A and Class B shares. Please see "Comparison of the Rights of Our Shareholders Before and After the Transactions."

PAA will hold an annual meeting of its limited partners in advance of PAGP's annual meeting of its limited partners. The purpose of PAA's annual meeting will be to allow its limited partners other than AAP to cast a "pass-through vote" instructing PAA how to vote its Class C Shares in such election. PAA will vote (or refrain from voting) its Class C shares for the election of eligible PAGP GP directors in the same proportion as the votes received from or withheld by its limited partners. At the PAA annual meeting, PAA Common Units held by AAP will not be voted and will not be counted for purposes of determining whether a quorum exists.

Pursuant to the Omnibus Agreement to be entered into at the Closing (the "*Omnibus Agreement*"), PAGP will be required to issue additional Class C shares to PAA and PAA will be required to surrender Class C shares to PAGP, in each case to the extent necessary to ensure that the holder of a PAA Common Unit (other than AAP) or a Series A Preferred Unit (on an as-converted basis) has essentially the same voting power for the election of eligible PAGP GP directors on a per unit basis as the holder of a Class A share or Class B share. We refer to this relationship as "*Voting Parity*."

*Executive Officers.* No changes to the executive management team of PAA are expected as a result of, or in connection with, the Closing of the Transactions.

***Economic Parity Between PAGP and PAA (Page 27)***

At the Closing, (i) AAP will effect a reverse split of the outstanding AAP Units and Class B Units of AAP (the "*AAP Management Units*"), (ii) PAGP will effect a reverse split of the outstanding Class A shares and Class B shares, and (iii) PAGP GP will effect a reverse split of the outstanding company units of PAGP GP ("*PAGP GP Units*"), in each case, at a ratio of approximately 1-to-2.663, subject to certain adjustments. These reverse equity splits are designed to ensure that (i) in the case of AAP, the number of outstanding AAP Units (including AAP Units issuable upon conversion of AAP Management Units) equals the number of PAA Common Units held by AAP immediately following the PAA Recapitalization and (ii) in the case of PAGP, the number of outstanding Class A Shares following the Closing will equal the number of AAP Units owned by PAGP, and will also equal the number of PAA Common Units attributable to PAGP's interest in AAP. Following the Closing, each split-adjusted Class A share will represent indirect ownership of one PAA Common Unit. We refer to the resulting one-to-one relationship between our Class A shares and underlying PAA Common Units in which PAGP has an economic interest as "*Economic Parity*."

***Cost Allocations (Page 27)***

Pursuant to the Omnibus Agreement, for periods following the Closing, all direct or indirect expenses of any of the Plains Entities will be paid by PAA, other than income taxes of the PAGP Entities. These direct or indirect expenses include, but are not limited to, (i) compensation for the directors of PAGP GP, (ii) director and officer liability insurance, (iii) listing exchange fees, (iv) investor relations expenses, and (v) fees related to legal, tax, financial advisory and accounting services.



Table of Contents

**Transaction Documents**

At the Closing, various amendments to the governing agreements of the Plains Entities will be adopted, as described in greater detail below.

***A&R PAGP GP LLC Agreement (Page 28)***

The Limited Liability Company Agreement of PAGP GP will be amended and restated (the "***A&R PAGP GP LLC Agreement***") to, among other things:

increase the size of the PAGP GP board from seven to ten members at the Closing and classify the PAGP GP board, each as described above;

accelerate the occurrence of the trigger date (described above) to the Closing of the Transactions and provide for the initial annual meeting of PAGP limited partners for the election of eligible PAGP GP directors to be held in 2018;

clarify that the calculation of Qualifying Interest will include, in addition to any AAP Units and Class A shares such designating party and its affiliates own, PAA Common Units that a designating party and its affiliates receive and hold in connection with an AAP Unit Redemption, and that each of the Original Designating Parties will have the continuing right to designate a director for as long as such party maintains at least a 10% Qualifying Interest; and

given that the GP LLC board will be eliminated, which negates the existing right of the holders of PAA's Series A Preferred Units under GP LLC's limited liability company agreement to designate a director to the GP LLC board in the event that PAA does not declare and pay distributions on its Series A Preferred Units for three quarters, whether or not consecutive (the "***Series A Designation Right***"), the A&R PAGP GP LLC Agreement will incorporate a replacement Series A Designation Right at the PAGP GP board level.

***A&R PAGP Partnership Agreement (Page 28)***

PAGP's limited partnership agreement will be amended and restated (the "***A&R PAGP Partnership Agreement***") to, among other things:

create the Class C shares and set forth the rights and obligations of PAA as the holder thereof as described above;

revise the definition of "Outstanding" with respect to certain holders or groups of holders that beneficially own more than 20% of an outstanding class of PAGP's equity interests so that:

such holder or group of holders will not be subject to the 20% limitation contained in the definition of "Outstanding" for purposes of nominating persons as eligible PAGP GP directors; and

not more than 19.9% of the outstanding Class A shares, Class B shares and Class C shares, taken together as a single class, that are owned by such holder or group of holders will be counted for purposes of determining a quorum and voting in the election of eligible PAGP GP directors;

require consent of the holders of a majority of the outstanding Class C Shares, voting as a single class, with respect to certain amendments to the A&R PAGP Partnership Agreement that would have a material adverse effect on the rights or preferences of the Class C shareholders; and

Edgar Filing: PLAINS GP HOLDINGS LP - Form PRER14A

modify the provisions relating to the right of record holders of at least 10% of the outstanding Class A shares and Class B shares to nominate a person to serve as an eligible PAGP GP director by instead providing that such nomination rights extend to record holders of at least

Table of Contents

10% of the outstanding Class A, Class B and Class C shares, and authorize PAA to nominate eligible PAGP GP directors on behalf of its unitholders.

***A&R GP LLC Agreement (Page 29)***

GP LLC's limited liability company agreement will be amended and restated (the "***A&R GP LLC Agreement***") to, among other things:

grant broad authority to PAGP to manage the business and affairs of GP LLC, as its sole member;

eliminate the board of directors as the party responsible for managing the business and affairs of PAA in order to give effect to the unified governance structure as described above; and

grant PAGP the authority, in its sole discretion, to establish a conflicts committee of GP LLC for, among other reasons, considering any conflict matters between PAGP and PAA, including any matter with respect to which PAGP seeks to obtain "Special Approval" (as defined in the A&R PAA Partnership Agreement (as defined below)).

***A&R AAP Partnership Agreement (Page 30)***

AAP's limited partnership agreement will be amended and restated (the "***A&R AAP Partnership Agreement***") to, among other things:

subject to certain limitations during the first twelve months following the Closing as described below, provide that a holder of AAP Units (other than PAGP and GP LLC) will have the right (a "***Redemption Right***") to cause AAP to redeem any or all of such holder's AAP Units in exchange for the distribution of an equivalent number of PAA Common Units held by AAP ("***AAP Unit Redemption***"). In connection with any AAP Unit Redemption, the redeeming holder will transfer the AAP Units to AAP and a corresponding number of Class B shares and PAGP GP Units (if any), in each case, to PAGP. The AAP Units transferred to AAP will be cancelled, the Class B shares transferred to PAGP will be cancelled and the PAGP GP Units transferred to PAGP will remain outstanding and increase PAGP's ownership percentage in PAGP GP; and

modify the contribution, distribution and tax allocation provisions to accommodate the Redemption Rights and to account for the fact that the general partner interest in PAA will no longer be an economic interest and the fact that following Closing AAP will cease to have any indebtedness for borrowed money.

The A&R AAP Partnership Agreement will generally restrict, subject to certain exceptions, each holder of AAP Units (other than PAGP and GP LLC, which have not been granted Redemption Rights) from exercising its Redemption Rights with respect to approximately 22% of its AAP Units for a period of twelve months following the Closing. Greg Armstrong and Harry Pefanis, our general partner's Chief Executive Officer and Chief Operating Officer, respectively, will be restricted from directly or indirectly (through PAA Management, L.P.) exercising their respective Redemption Rights with respect to 100% of their AAP Units during the same period. These restrictions are designed to reduce, but not eliminate, the risk that any redemptions during the first 12 months following Closing, combined with public trading of PAA Common Units, will cause a technical tax termination of PAA. The holders of AAP Units (other than PAGP and GP LLC) will continue to be permitted to exchange units for Class A shares without restriction.

Table of Contents

***A&R PAA Partnership Agreement (Page 30)***

PAA's limited partnership agreement will be amended and restated (the "***A&R PAA Partnership Agreement***") to, among other things:

reflect and effectuate the GP Conversion and the IDR Redemption and related amendments;

adjust certain tax allocation provisions to ensure to the maximum extent possible the fungibility of (i) the PAA Common Units issued in the PAA Recapitalization and (ii) the other outstanding PAA Common Units;

revise certain definitions to reflect the unified governance structure contemplated by the Transactions, including the definitions of "Board of Directors" and "Conflicts Committee";

implement the rights of limited partners to direct PAA to vote its Class C shares for the election of eligible PAGP GP directors in the same proportion as PAA's securities are voted at the annual meeting of PAA limited partners;

provide that a holder of a limited partner interest in PAA (other than AAP) that is equal to or greater than 10% of the Class A shares, Class B shares and Class C shares, collectively, may direct PAA to nominate one person for election as an eligible PAGP GP director;

revise the definition of "Outstanding" with respect to any holder or group of holders that beneficially own more than 20% of an outstanding class of PAA's equity interests so that, subject to certain exceptions:

such holder or group of holders will not be subject to the 20% limitation contained in the definition of "Outstanding" for purposes of nominating persons as eligible PAGP GP directors; and

equity interests of PAA held by such holder or group of holders of up to 19.9% of the voting power of the outstanding Class A shares, Class B shares and Class C shares, taken together as a single class, will be counted for purposes of determining a quorum and voting in the election of eligible PAGP GP directors; and

eliminate any preemptive right of PAA GP or its affiliates with respect to future issuances of partnership securities by PAA.

***Omnibus Agreement and A&R Administrative Agreement (Page 32)***

The Plains Entities will also enter into the Omnibus Agreement, which will provide for, among other things, the following:

that, for periods following the Closing, all direct or indirect expenses of any of the Plains Entities will be paid by PAA, other than income taxes of the PAGP Entities. Such direct or indirect expenses include, but are not limited to (i) compensation for the directors of PAGP GP, (ii) director and officer liability insurance, (iii) listing exchange fees, (iv) investor relations expenses, and (v) fees related to legal, tax, financial advisory and accounting services;

the methods by which Economic Parity and Voting Parity will be maintained for periods following the Closing;

the ability of PAGP to issue additional Class A shares and use the net proceeds therefrom to purchase a like number of AAP Units from AAP, and the corresponding ability of AAP to use the net proceeds therefrom to purchase a like number of PAA

Edgar Filing: PLAINS GP HOLDINGS LP - Form PRER14A

Common Units from PAA; and

the ability of PAGP to lend proceeds of any future indebtedness incurred by it to AAP, and AAP's corresponding ability to lend such proceeds to PAA, in each case on substantially the

Table of Contents

same terms as incurred by PAGP. PAA will reimburse the net fees and expenses in connection with the incurrence of such debt; provided that PAA will only be required to reimburse such net fees and expenses on one occasion with respect to each incurrence of indebtedness by PAA from AAP.

The Plains Entities will also amend and restate the existing Administrative Agreement (as amended and restated, the "*A&R Administrative Agreement*") to remove the expense allocation provisions; such provisions will be provided for in the Omnibus Agreement.

***Registration Rights Agreement (Page 32)***

The holders of AAP Units other than PAGP and GP LLC will enter into a Registration Rights Agreement with PAA, pursuant to which PAA will agree to use commercially reasonable efforts to file, and cause to be continuously effective, a shelf registration statement to permit the public resale of the PAA Common Units to be held by AAP immediately following the Closing that are distributable to such holders following an AAP Unit Redemption. Additionally, PAA will agree to register the resale of any PAA Common Units issued to AAP following the Closing pursuant to the Omnibus Agreement in respect of certain AAP Management Units. In certain circumstances, the holders will have piggyback registration rights on offerings initiated by persons (other than PAA) for whom PAA has the obligation to undertake an underwritten offering (including the holders of its Series A Preferred Units), and certain holders will collectively have the right to request up to a total of twelve underwritten offerings, subject to size limitations and customary rights of PAA to delay such offerings.

***Voting Agreement (Page 33)***

Concurrently with the execution of the Simplification Agreement, certain of our Shareholders that owned approximately 51.3% of the Class A and Class B shares outstanding as of July 11, 2016 executed a Voting Agreement (the "*Voting Agreement*"), pursuant to which such Shareholders agreed to vote their Class A and Class B shares in favor of the Simplification Proposal. The Voting Agreement binds sufficient votes to ensure that the Simplification Proposal will be approved at the special meeting.

***The Simplification Agreement (Page 34)***

The Simplification Agreement requires the Plains Entities to effect the Transactions by requiring the applicable entities to: (i) consummate the PAA Recapitalization; (ii) execute and deliver the A&R PAA Partnership Agreement, the A&R AAP Partnership Agreement, the A&R PAGP Partnership Agreement, the A&R GP LLC Agreement, the A&R PAGP GP LLC Agreement, the Registration Rights Agreement, the Omnibus Agreement, and the A&R Administrative Agreement; (iii) effect the reverse equity splits required to achieve Economic Parity; and (iv) issue the Class C shares to PAA to achieve Voting Parity, in each case, at the Closing, subject to the satisfaction of the conditions set forth in the Simplification Agreement.

***The Parties to the Simplification Agreement (Page 34)***

*PAGP.* We are a Delaware limited partnership (NYSE: PAGP) formed in July 2013 to own an indirect interest in the general partner and the IDRs of PAA, a publicly traded Delaware limited partnership. Although formed as a limited partnership, we have elected to be taxed as a corporation for United States federal income tax purposes.

For a more detailed description of our business, see our Annual Report on Form 10-K for the year ended December 31, 2015 and our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2016 and June 30, 2016, each of which is incorporated into this proxy statement by reference. Our principal executive office is located at 333 Clay Street, Suite 1600, Houston, Texas, and our telephone number is (713) 646-4100.

Table of Contents

*PAGP GP.* PAGP GP manages our operations and activities and is responsible for exercising on our behalf any rights we have as the sole and managing member of GP LLC. PAGP GP's principal executive office is located at 333 Clay Street, Suite 1600, Houston, Texas, and its telephone number is (713) 646-4100.

*GP LLC.* GP LLC manages the business and affairs of PAA and AAP; however, through our current rights as the sole and managing member of GP LLC (including the right to appoint the members of the GP LLC board), we indirectly control the business and affairs of AAP and PAA. Following the Closing and the implementation of the unified governance structure described above, the PAGP GP board will have control over the business and affairs of AAP and PAA. GP LLC's principal executive office is located at 333 Clay Street, Suite 1600, Houston, Texas, and its telephone number is (713) 646-4100.

*AAP.* AAP is a Delaware limited partnership that directly owns all of PAA's IDRs and indirectly owns the 2% general partner interest in PAA. AAP is the sole member of PAA GP, which directly holds the 2% general partner interest in PAA. AAP's principal executive office is located at 333 Clay Street, Suite 1600, Houston, Texas, and its telephone number is (713) 646-4100.

*PAA GP.* PAA GP is a Delaware limited liability company that holds the 2% general partner interest in PAA. PAA GP's principal executive office is located at 333 Clay Street, Suite 1600, Houston, Texas, and its telephone number is (713) 646-4100.

*PAA.* PAA is a publicly traded master limited partnership (NYSE: PAA) that owns and operates midstream energy infrastructure and provides logistics services for crude oil, natural gas liquids ("NGL"), natural gas and refined products. PAA owns an extensive network of pipeline 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.

For a more detailed description of PAA's business, see PAA's Annual Report on Form 10-K for the year ended December 31, 2015 and PAA's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2016 and June 30, 2016, each of which is incorporated into this proxy statement by reference. PAA's principal executive office is located at 333 Clay Street, Suite 1600, Houston, Texas, and its telephone number is (713) 646-4100.

***Representations and Warranties, Covenants and Conditions to the Closing (Pages 35-37)***

The Simplification Agreement contains representations and warranties made by the Plains Entities regarding aspects of their organizational structure and capitalization, as well as other facts pertinent to the Transactions, including with respect to their power and authority to enter into and carry out the Transactions. The representations and warranties contained in the Simplification Agreement will survive for a period of one year following the Closing.

The Plains Entities have agreed to take certain actions and refrain from taking certain actions prior to the Closing, including, among other things, (i) our agreement to prepare and file this proxy statement and call, hold and convene a meeting of Shareholders, (ii) the PAGP GP board's agreement to recommend that our Shareholders vote for the Simplification Proposal, (iii) PAA's agreement to not issue additional equity in excess of \$600 million without written consent of PAGP, subject to certain exceptions, and (iv) each party's agreement not to take any action that would reasonably be likely to result in a material delay or failure of any condition to the Closing.

Table of Contents

Additionally, to the extent that (i) the Closing occurs after the record date for PAA's third quarter distribution of available cash and (ii) PAA pays less than the current level of \$0.70 per PAA Common Unit for the third quarter distribution, AAP has agreed to borrow funds under the AAP Credit Agreement as necessary to make a special "true-up" distribution to the holders of AAP Units that, when added to the distributions to be paid to PAA GP and AAP in respect of the 2% general partner interest in PAA and the IDRs, equals the total distribution such holders of AAP Units would have received if the Closing had occurred immediately prior to such third quarter record date. Since PAA has announced that it intends to reset its distribution levels to \$0.55 per PAA Common Unit commencing in the third quarter, we expect that the amount that AAP would borrow and distribute to its unitholders if this were to occur would be approximately \$40 million.

The consummation of the Transactions depends on the satisfaction or waiver of several conditions. If these conditions are not satisfied or waived, the Transactions will not be consummated. These conditions include, among others: (i) approval of the Simplification Proposal by the holders of a Share Majority (as defined below), (ii) the taking of all actions necessary to effect the reverse equity splits of PAGP GP, PAGP and AAP described above, (iii) the absence of certain legal impediments to the consummation of the Transactions, (iv) the accuracy in all material respects of the parties' representations and warranties under the Simplification Agreement, (v) the performance in all material respects of the parties' covenants and obligations under the Simplification Agreement, (vi) the receipt by PAA and PAGP of a third party legal opinion regarding certain matters related to the Investment Company Act of 1940, and (vii) the approval by the New York Stock Exchange ("NYSE") of the listing of the PAA Common Units to be issued in connection with the Transactions.

**Recommendation of the Board of Directors (Page 38)**

At a special meeting held on July 11, 2016, after consideration, the PAGP GP board:

determined that the Transactions, on the terms and conditions set forth in the Transaction Documents, are (a) fair and reasonable to PAGP and the holders of Class A Shares, (b) in, or not opposed to, the best interests of PAGP and (c) in, or not opposed to, the best interests of the holders of Class A Shares;

approved, on behalf of PAGP GP and PAGP, (i) the Transactions upon the terms and conditions set forth in the Transaction Documents and (ii) the Transaction Documents; and

recommended that the Shareholders approve the Simplification Proposal.

**Rationale for the Transactions (Page 58)**

In the course of reaching its decision to approve the Simplification Agreement and the Transactions, the PAGP GP board considered a number of factors in its deliberations, including:

as a result of the elimination of the IDRs, PAA's cost of equity capital will be reduced, which should improve PAA's valuation relative to its peers and enhance PAA's ability to compete for incremental capital opportunities (organic investment opportunities and third party acquisitions) to drive future growth;

the Transactions simplify PAA's capital structure, improve alignment between equity classes of each of PAA and PAGP and reduce the complexity of the governance structure of the Plains Entities, thereby enhancing understanding and transparency for PAA and PAGP investors;

together with PAA's proposed reduction of the PAA Common Unit distribution to \$0.55 per Common Unit commencing with the distribution to be paid in November 2016, the PAA Recapitalization will significantly improve PAA's annual distribution coverage and enhance PAA's credit profile;





Table of Contents

the mitigating effect of the Transactions on the planned reductions in distributions of available cash to Class A Shareholders beginning in the third quarter of 2016; and

the Transactions will allow the Plains Entities to maintain the tax efficient flexibility of their current organizational structure.

**Opinion of the Financial Advisor to the PAGP GP Board (Page 60)**

The PAGP GP board retained Jefferies, LLC ("*Jefferies*") as its financial advisor in connection with the PAA Recapitalization, and Jefferies provided a fairness opinion to the PAGP GP board in connection therewith. At the meeting of the PAGP GP board on July 8, 2016, Jefferies rendered to the PAGP GP board its oral opinion, subsequently confirmed in writing on July 11, 2016, to the effect that, based upon and subject to the various assumptions made, procedures followed, matters considered and limitations on the review undertaken as described more fully in "The Transactions and Transaction Documents Opinion of the Financial Advisor to the PAGP GP Board," as of the date of such written opinion, the issuance of 245,500,000 PAA Common Units to AAP pursuant to the PAA Recapitalization was fair, from a financial point of view, to each of PAGP, the holders of Class A Shares (other than PAGP GP and such holders who are also holders of Class B Shares) and the holders of AAP Class A Units.

**Information About the Special Meeting (Page 72)**

*Time, Date and Place*

A special meeting of our Shareholders will be held on [ • ], at [ • ] a.m/p.m.] Central Time, at [The Senate Room, located on the 12<sup>th</sup> Floor of Two Allen Center, 1200 Smith Street, Houston, Texas 77002].

*Purpose*

The Shareholders will be asked to consider and vote upon:

a proposal (the "*Simplification Proposal*") to approve the Simplification Agreement and the Transactions;

a proposal (the "*Adjournment Proposal*") to adjourn the special meeting to a later date or dates, at the discretion of our general partner, to solicit additional proxies to approve the Simplification Proposal; and

any proposal to transact such other business as may properly come before the special meeting and any adjournment or postponement thereof.

*Shareholders Entitled to Vote*

Shareholders that own Class A shares and Class B shares at the close of business on the record date, [ • ], 2016 may vote at the special meeting. You may cast one vote for each Class A share or Class B share that you own as of the close of business on the record date.

*How to Vote*

Please complete and submit the enclosed proxy card as soon as possible or transmit your voting instructions by using the telephonic or internet procedures described on your proxy card.

Table of Contents

***Required Shareholder Vote***

The approval of the Simplification Proposal by the affirmative vote of the holders of at least a majority of the Class A shares and Class B shares, voting as a single class (a "***Share Majority***"), is required to consummate the Transactions pursuant to the Simplification Agreement. Pursuant to the Voting Agreement, certain of our Shareholders that owned approximately 51.3% of the Class A and Class B shares outstanding as of July 11, 2016 have agreed to vote their Class A and Class B shares in favor of the Simplification Proposal. The Voting Agreement binds sufficient votes to ensure that the Simplification Proposal will be approved at the special meeting.

**Interests of Certain Persons in the Transactions (Page 90)**

In considering the recommendations of the PAGP GP board, our Shareholders should be aware that some of the executive officers and directors of PAGP GP have interests in the Transactions that may differ from, or may be in addition to, the interests of our Shareholders generally. These interests include:

*Redemption Rights.* Following the Closing of the Transactions, holders of AAP Units (other than PAGP and GP LLC) will have Redemption Rights, subject to certain limitations. These holders include affiliates of certain PAGP GP directors, including the Original Designating Parties, and certain members of our management.

*Calculation of Qualifying Interest.* The A&R PAGP GP LLC Agreement will provide that the calculation of a Qualifying Interest will include, in addition to any AAP Units and Class A shares such designating party and its affiliates own, any PAA Common Units that a designating party and its affiliates receive and hold in connection with an AAP Unit Redemption, and that the current designating parties will have the continuing right to designate a director for as long as they maintain a 10% Qualifying Interest.

*Registration Rights.* Certain PAGP GP executive officers and affiliates of certain PAGP GP directors will enter into a Registration Rights Agreement with PAA, pursuant to which PAA will agree to register the resale of PAA Common Units issued to AAP at the Closing, as well as PAA Common Units issued following the Closing pursuant to the Omnibus Agreement in respect of certain AAP Management Units.

*Ownership of Class B Shares.* Certain of PAGP GP's executive officers and affiliates of certain PAGP GP directors own our Class B shares. The Class B shares represent a non-economic limited partner interest in PAGP, and carry with them the right to vote on all matters submitted to a vote of the limited partners of PAGP, including voting to approve the Simplification Proposal and voting in the election of eligible PAGP GP directors beginning in 2018.

*Director and Executive Officer Interlock.* Certain of PAGP GP's directors and all of PAGP GP's executive officers are currently directors and executive officers of GP LLC, respectively, and are expected to remain directors and executive officers of PAGP GP following the Transactions. In addition, the directors of GP LLC who are not currently members of the PAGP GP board will be appointed to the PAGP GP board as of the Closing.

*Voting Agreement.* Affiliates of certain PAGP GP directors and certain of PAGP GP's executive officers have entered into a Voting Agreement, pursuant to which they agreed to vote their Class A and Class B shares in favor of the Simplification Proposal. Please see "The Transactions and Transaction Documents The Voting Agreement."

Management of PAA and PAGP prepared projections with respect to PAA's expected future financial and operating performance. These projections were considered by the PAGP GP board and its

Table of Contents

financial advisor in performing due diligence and evaluating the PAA Recapitalization and the related Transactions.

**Dissenters' Rights (Page 71)**

Under the Delaware Revised Uniform Limited Partnership Act and our Partnership Agreement, there are no dissenters' or appraisal rights for Shareholders with respect to the Simplification Agreement or the Transactions.

**Material U.S. Federal Income Tax Consequences of the Transactions to PAGP and the Shareholders (Page 99)**

The Transactions are not expected to be taxable to PAGP or the Shareholders. In addition, PAGP does not expect the Transactions to directly result in any material change to PAGP's deferred tax asset. As of June 30, 2016, PAGP had a deferred tax asset of approximately \$1.9 billion. Accordingly, assuming that current tax laws remain in effect, we estimate that PAGP will not have any federal income tax liability or current or accumulated earnings and profits for tax purposes for a period of more than five years following the closing of the Transactions. During this period, none of the distributions paid to Class A shareholders should be treated as taxable dividend income, but instead should be treated as a return of capital. Distributions not treated as taxable dividends will reduce a Class A shareholder's tax basis, or will be taxable as capital gain to the extent they exceed a Class A shareholder's tax basis.

**Accounting Treatment of the Transactions (Page 71)**

The Transactions are between and among consolidated subsidiaries of PAGP that are considered entities under common control. These equity transactions did not result in a change in the carrying value of the underlying assets and liabilities, and the estimated costs incurred to complete the transactions of approximately \$15 million will be charged to partners' capital during the year ending December 31, 2016. In addition, the PAA Recapitalization will result in a modification in the net income allocation by PAA to AAP and by AAP to PAGP resulting in a decrease in net income attributable to PAGP. On a pro forma basis after giving effect to the Transactions, net income attributable to PAGP decreased by \$56 million for the year ended December 31, 2015 and decreased by \$28 million and \$46 million for the three and six months ended June 30, 2016, respectively.

Table of Contents

**Organizational Structure Before and After the Transactions**

The following provides a simplified diagram of our organizational structure as of August 31, 2016 before giving effect to the Transactions:

---

(1)

Represents the number AAP Units for which the AAP Management Units would be exchangeable, assuming a conversion rate of approximately 0.941 AAP Units for each AAP Management Unit as of August 31, 2016. The AAP Management Units are entitled to certain proportionate distributions paid by AAP.

Table of Contents

- (2) PAA holds direct and indirect ownership interests in consolidated operating subsidiaries including, but not limited to, Plains Marketing, L.P., Plains Pipeline, L.P. and Plains Midstream Canada ULC.
- (3) PAA holds indirect equity interests in unconsolidated entities including BridgeTex Pipeline Company, LLC, Butte Pipe Line Company, Caddo Pipeline LLC, Diamond Pipeline LLC, Eagle Ford Pipeline LLC, Eagle Ford Terminals Corpus Christi LLC, Frontier Aspen LLC, Saddlehorn Pipeline Company, LLC, Settoon Towing, LLC, Cheyenne Pipeline LLC, White Cliffs Pipeline LLC and STACK Pipeline LLC.

Table of Contents

The following provides a simplified diagram of our organizational structure as of August 31, 2016 after giving effect to the Transactions:

---

(1) PAGP will issue approximately 465,091,197 Class C shares to PAA at the Closing. Each Class C share represents a non-economic limited partner interest in PAGP and will carry with it the right to vote, pro rata with the holders of Class A and Class B shares of PAGP, for the election of eligible PAGP GP directors.



(2)

Amount includes 792,074 PAA Common Units that will become issuable after Closing with respect to AAP Management Units that are outstanding but not earned.

Table of Contents

**QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE TRANSACTIONS**

The following questions and answers are intended to address briefly some commonly asked questions regarding the special meeting and the Transactions. These questions and answers may not address all questions that may be important to you as a Shareholder. Please refer to the additional information contained elsewhere in this proxy statement, the annexes to this proxy statement and the documents referred to in this proxy statement.

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

A. The purpose of the special meeting is to hold a vote of our Class A and Class B shareholders to consider and vote upon the Simplification Proposal, the Adjournment Proposal and any proposal to transact such other business as may properly come before the special meeting and any adjournment or postponement thereof.

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

A. The PAGP GP board recommends that you vote "FOR" the Simplification Proposal and "FOR" the Adjournment Proposal.

**Q. What is the basis for the recommendation by the board of directors?**

A. In the course of reaching its decision to approve the Simplification Agreement and the related Transactions, the PAGP GP board considered a number of factors in its deliberations. For a more complete discussion of these factors, see "The Transactions and Transaction Documents Rationale for the Transactions" beginning on page 58.

**Q. Is the approval of the Shareholders necessary for the Transactions to take effect?**

A. Our partnership agreement requires that we obtain the approval of the holders of a Share Majority prior to a transaction that would involve the sale or exchange of all or substantially all of our assets. The GP Conversion and the IDR Redemption may be deemed to be a sale or exchange of all or substantially all of our assets. In addition, the approval of the Simplification Agreement and the Transactions by the holders of a majority of the outstanding Class A and Class B shares, voting as a single class, is a condition to the closing of each of the Transactions pursuant to the Simplification Agreement. Therefore, the failure to receive the approval of the holders of a Share Majority for the Simplification Proposal would effectively prevent the Closing of the Transactions from occurring as is currently contemplated in the Simplification Agreement.

Concurrently with the execution of the Simplification Agreement, certain of our Shareholders that owned approximately 51.3% of the Class A and Class B shares outstanding as of July 11, 2016, executed a Voting Agreement, pursuant to which such Shareholders agreed to vote their Class A and Class B shares in favor of the Simplification Proposal. The Voting Agreement binds sufficient votes to ensure that the Simplification Proposal will be approved at the special meeting.

**Q. Will PAGP continue to pay quarterly distributions following the Transactions?**

A. We expect to continue to make distributions of available cash consistent with past practices and in accordance with our cash distribution policy. Following the Closing, our cash flow and resulting ability to make distributions will be completely dependent upon the ability of PAA to make distributions to AAP in respect of the PAA Common Units owned by AAP.

Table of Contents

**Q: How will the level of PAGP quarterly distributions change following the Transactions?**

**A:** As PAA previously announced, PAA intends to pay, effective with the third quarter distribution payable in November 2016, a quarterly distribution of \$0.55 per PAA Common Unit, or \$2.20 on an annualized basis, representing a 21% reduction to PAA's second quarter distribution payable in August 2016. Taking such reduction into account and after giving effect to the Transactions, the expected third quarter distribution that would be paid by PAGP to the holders of its Class A shares would be \$0.2065 per Class A share, or \$0.826 on an annualized basis, representing approximately an 11% reduction relative to PAGP's second quarter distribution per Class A share payable in August 2016. The PAA Recapitalization significantly mitigates the effect of the reset distribution levels announced by PAA on the distributions per Class A share. Please see "The Transactions and Transaction Documents PAA Recapitalization."

**Q: Will Shareholders have the right to vote for the election of directors of PAGP GP following the consummation of the Transactions?**

**A:** Beginning in 2018, we will hold an annual meeting of our Shareholders for the election of eligible PAGP GP directors whose terms expire at such meeting. Holders of our Class A, Class B and Class C shares will vote together as a single class for the election of eligible PAGP GP directors, and directors will be elected by a plurality of votes cast at such meeting, excluding abstentions. PAA will own all of our Class C shares following the Closing.

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

**A:** The special meeting will be held on [ • ], 2016, at [ • ] a.m./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.]

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

**A:** The PAGP GP board is sending you this proxy statement in connection with its solicitation of proxies for use at the special meeting of Shareholders.

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

**A:** All Shareholders who owned our Class A or Class B shares at the close of business on the record date, [ • ], 2016, are entitled to receive notice of the special meeting and to vote the Class A or Class B shares that they held on the record date at the special meeting. Each Shareholder that attends the special meeting in person may be asked to present valid picture identification, such as a driver's license or passport.

Each Shareholder is entitled to one vote for each Class A Share owned and one vote for each Class B Share owned on all matters to be considered at the special meeting. On [ • ], 2016, [ • ] Class A and Class B shares were issued and outstanding.

**Q: How do I vote?**

**A:** If you are a Shareholder of record at the close of business on the record date, you may vote your shares 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.

Table of Contents

*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 Shareholders of record 24 hours a day until 11:59 p.m. [Eastern Time] on [ • ], 2016, 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 PAGP before the voting polls close at the special meeting.

You may also attend the special meeting and vote your shares 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 shares 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 shares held in street name, you must either direct your broker or other nominee as to how to vote your shares, or obtain a "legal" proxy from your broker or other nominee to vote at the special meeting. Please refer to the voter instruction forms provided by your broker or other nominee for specific instructions on methods of voting.

**Q: If my shares are held in "street name" by my broker or other nominee, will my broker or other nominee vote my shares 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 shares to be voted.

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

**A:** If you are a Shareholder 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 [ • ], 2016);

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 shares held in street name and you have instructed your broker or other nominee to vote your shares, 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.



Table of Contents

**Q:** **What constitutes a quorum?**

**A:** The holders of a majority of the outstanding shares represented in person or by proxy shall constitute a quorum at the special meeting. Your shares 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 shares held in street name, have submitted a properly executed proxy.

Proxies received but marked as abstentions and broker non-votes will be counted as present for purposes of determining the presence of a quorum.

The Voting Agreement binds a sufficient number of shares to ensure a quorum will be established at the special meeting.

**Q:** **What vote is required to approve the Simplification Proposal?**

**A:** The Simplification Proposal requires the approval of the holders of at least a Share Majority. Votes "for" and "against" and abstentions will count as votes cast. Thus, abstentions will have the effect of a vote "AGAINST" the Simplification Proposal. Broker non-votes will also have the effect of a vote "AGAINST" the Simplification Proposal. A properly executed proxy submitted without voting instructions will be voted "FOR" the Simplification Proposal.

**Q:** **What vote is required to adopt the Adjournment Proposal?**

**A:** The affirmative vote of the holders of a majority of the outstanding Class A and Class B shares entitled to vote as of the record date is required to adopt the Adjournment Proposal; provided, that, in the absence of a quorum, the affirmative vote of at least a majority of outstanding Class A and Class B shares entitled to vote as of the record date present in person or represented by proxy at the special meeting would be required to adopt the Adjournment Proposal.

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

**A:** The Simplification Agreement provides that if the conditions precedent to the Closing are met (including Shareholder approval of the Simplification Proposal), the Transactions will close on the first business day after satisfaction (or waiver, as applicable) of the last of the closing conditions to occur (excluding those closing conditions that must occur on the date of the Closing pursuant to the Simplification Agreement), or on another date of the parties' choosing. We expect Closing will occur on or before [ • ], 2016 if the Simplification Proposal is approved.

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

**A:** If for any reason the holders of a Share Majority fail to approve the Simplification Proposal, a condition precedent to the closing of the Transactions will not be met, and the Simplification Agreement will be either subsequently amended or terminated. However, pursuant to the Voting Agreement certain of our Shareholders that owned approximately 51.3% of the Class A and Class B shares outstanding as of July 11, 2016 agreed to vote their Class A and Class B shares in favor of the Simplification Proposal. The Voting Agreement binds sufficient votes to ensure that the Simplification Proposal will be approved at the special meeting.

If the Adjournment Proposal is approved, we may adjourn the special meeting at the discretion of our general partner to solicit additional proxies to approve the Simplification Proposal.





Table of Contents

**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 PAGP GP's directors and officers, as well as employees of GP LLC, 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 our shares 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 shares 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 LLC to solicit proxies for a fee of \$9,500 plus reasonable expenses for additional services.

**Q:** **Are dissenters' rights available to Shareholders?**

**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 and the terms of our Partnership Agreement, dissenters' rights are not available to our Shareholders with respect to the Simplification Proposal.

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

**A:** If you have questions or need assistance voting, please contact Georgeson LLC, our proxy solicitor in connection with the Special Meeting, toll-free at 1-866-431-2105.

Table of Contents

**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This proxy statement, including information included or incorporated by reference in this proxy statement, contains certain forward-looking statements with respect to the financial condition, results of operations, plans, objectives, intentions, future performance and business of each of PAGP and PAA and other statements that are not historical facts, as well as certain information relating to the Transactions, including, without limitation:

statements relating to the benefits of the Transactions;

statements relating to the financial results of PAGP and PAA following the Transactions; and

statements preceded by, followed by or that include the words "believes," "anticipates," "plans," "predicts," "expects," "envisions," "hopes," "estimates," "intends," "will," "continue," "may," "potential," "should," "confident," "could" or similar expressions.

These forward-looking statements involve certain risks and uncertainties. Actual results may differ materially from those contemplated by the forward-looking statements.

Forward-looking statements speak only as of the date of this proxy statement or the date of any document incorporated by reference in this proxy statement. All subsequent written and oral forward-looking statements concerning the Transactions or other matters addressed in this proxy statement and attributable to PAGP or any person acting on its behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Except to the extent required by applicable law or regulation, PAGP undertakes no obligation to update forward-looking statements to reflect events or circumstances after the date of this proxy statement or to reflect the occurrence of unanticipated events.

Table of Contents

**THE TRANSACTIONS AND TRANSACTION DOCUMENTS**

**PAA Recapitalization**

Our only cash-generating assets consist of 268,352,408 Class A units of AAP (the "**AAP Units**"), which represent an approximate 41.8% limited partner interest in AAP (approximately 41.0% economic interest including the dilutive effect of the Class B units of AAP (the "**AAP Management Units**")). As a result, historically our cash flows have been generated solely from the cash distributions we receive from AAP. AAP does not currently own any common units of PAA (the "**PAA Common Units**") and receives all of its cash flows from distributions on its direct ownership of PAA's incentive distribution rights ("**IDRs**") and its indirect ownership of PAA's 2% general partner interest.

***Incentive Distribution Rights***

The IDRs are limited partner interests in PAA that represent the right to receive increasing percentages (13.0%, 23.0% and 48.0%) of quarterly distributions made by PAA from its operating surplus after the minimum quarterly distribution and the target distribution levels have been achieved. AAP's ownership of all of the IDRs and the 2% general partner interest in PAA entitles it to receive, without duplication:

2% of all cash distributed in a quarter until \$0.2250 has been distributed in respect of each PAA Common Unit for that quarter;

15% of all cash distributed in a quarter after \$0.2250 has been distributed in respect of each PAA Common Unit for that quarter;

25% of all cash distributed in a quarter after \$0.2475 has been distributed in respect of each PAA Common Unit for that quarter; and

50% of all cash distributed in a quarter after \$0.3375 has been distributed in respect of each PAA Common Unit for that quarter.

Such amounts do not take into account temporary and permanent reductions in IDR payments that are currently in place. During 2015, 2014 and 2013, AAP's incentive distributions were reduced by approximately \$22 million, \$23 million and \$15 million, respectively, to facilitate certain acquisitions and growth projects. In addition, we have agreed to reduce the amount of AAP's incentive distributions by \$5.0 million per quarter in 2016 and \$3.75 million per quarter thereafter. In connection with PAA's private placement of Series A Preferred Units (the "**Series A Preferred Units**") in January 2016, we agreed to further modify the IDRs such that when the Series A Preferred Units convert into PAA Common Units, the IDRs associated with the resulting PAA Common Units will only participate in distribution growth above an annualized distribution level of \$2.80 per converted PAA Common Unit. All current modifications to the IDR payments will be extinguished in connection with the Closing of the Transactions.

The cash distributions AAP receives from PAA are generally tied to (i) PAA's per unit distribution level and (ii) the number of PAA Common Units outstanding. An increase in either factor (assuming the other factor remains constant or increases) will generally, absent additional IDR reductions, result in an increase in the amount of cash distributions AAP receives from PAA, a portion of which we, in turn, receive from AAP. Because the IDRs currently participate at the maximum percentage participation rate, any potential future growth in distributions we receive from AAP would not result from an increase in the percentage participation rate associated with the IDRs.

## Edgar Filing: PLAINS GP HOLDINGS LP - Form PRER14A

### Table of Contents

The following table indicates, for the years ended December 31, 2013, 2014 and 2015 and the six months ended June 30, 2016, the amounts paid to AAP in respect of its IDRs and 2% general partner interest (in millions):

	Year Ended December 31,			Six Months Ended June 30,
	2013	2014	2015	2016
Distributions to AAP(1)	\$ 369	\$ 473	\$ 590	\$ 309

---

(1) Distributions in respect of any period are paid in the following period.

#### ***PAA Common Units***

The PAA Common Units represent limited partner interests in PAA that entitle the holders thereof to participate in PAA's cash distributions and to exercise the rights and privileges available to limited partners under PAA's partnership agreement.

*Listing Exchange and Transfer Agent.* The PAA Common Units are listed on the NYSE under the symbol "PAA." The transfer agent and registrar for the PAA Common Units is American Stock Transfer & Trust Company.

*Voting.* Each holder of PAA Common Units is entitled to one vote per unit on all matters submitted to a vote of the PAA Common Unitholders. As described below under "Election of Directors and Issuance of Class C Shares," beginning in 2018, an annual meeting of PAA Common Unitholders will be held to determine how to direct PAA to vote the Class C shares that it holds with respect to the election of eligible PAGP GP directors. The PAA Common Units held by AAP will not be entitled to vote at such meeting and will not be counted for determining whether a quorum exists.

#### ***PAA Recapitalization Transactions***

Pursuant to the Simplification Agreement, at the closing of the Transactions (the "***Closing***");

PAA GP's 2% general partner interest in PAA will be converted into a non-economic general partner interest in PAA (the "***GP Conversion***");

PAA will redeem all of the IDRs held by AAP, and the IDRs will be cancelled (the "***IDR Redemption***"); and

as consideration for the GP Conversion and IDR Redemption, (i) PAA will issue to AAP 245,500,000 PAA Common Units, subject to the adjustment described below and (ii) PAA will assume all remaining outstanding indebtedness, obligations and liabilities of AAP under the Second Amended and Restated Credit Agreement dated as of September 26, 2013 among AAP, Citibank, N.A. and the lenders party thereto (the "***AAP Credit Agreement***") as of the Closing. As of the date hereof, AAP's outstanding borrowings under the AAP Credit Agreement are approximately \$597 million.

The number of PAA Common Units issued to AAP at the Closing will be reduced by an amount equal to the number of PAA Common Units that may become issuable following the Closing with respect to AAP Management Units that are outstanding but not "earned" (i.e., have not yet satisfied the applicable performance benchmarks that are prerequisite to the commencement of the payment of distributions with respect to such AAP Management Units) as of the Closing. To the extent that such AAP Management Units become "earned" following the Closing, PAA will have an obligation pursuant to the Omnibus Agreement to issue additional PAA Common Units to AAP in respect of such "earned" AAP Management Units. There are currently 2,240,728 AAP Management Units that are



Table of Contents

outstanding but have not yet achieved "earned" status. After giving effect to the Transactions, including the reverse split to be effected at AAP, if all such AAP Management Units become "earned," PAA would have an obligation to issue a total of 792,074 PAA Common Units.

We refer to the transactions described above as the "*PAA Recapitalization*."

As PAA previously announced, irrespective of whether the Simplification Proposal is approved, PAA intends to pay, effective with the third quarter distribution payable in November 2016, a quarterly distribution of \$0.55 per PAA Common Unit, or \$2.20 on an annualized basis, representing a 21% reduction to PAA's second quarter distribution level of \$0.70 per PAA Common Unit, or \$2.80 on an annualized basis. This revised distribution level significantly enhances PAA's distribution coverage and credit profile.

As the following table illustrates, the PAA Recapitalization significantly mitigates the effect of the reset distribution level announced by PAA on the distributions per Class A share. To the extent that PAA elects to reset its distribution to an annualized level of \$2.20 per PAA Common Unit and the proposed PAA Recapitalization does not occur, the per share quarterly distribution associated with a Class A share would decrease by approximately 39%; by contrast, following the PAA Recapitalization, such decrease is expected to be approximately 10.6%. The difference results from the fact that, as PAA's distribution per PAA Common Unit is reduced, payments to the holder of the IDRs are reduced by a proportionately greater amount; accordingly, if the PAA Recapitalization does not take place and the PAA Common Unit distribution level is reset to the annualized level of \$2.20 per PAA Common Unit, the percentage reduction per Class A share will be greater than the percentage reduction per PAA Common Unit.

**Third Quarter 2016 Distribution Per Class A Share**

	Current Level		Reset Level		% Decrease
	Per Quarter	Annualized	Per Quarter	Annualized	
PAA Recapitalization	\$ 0.2310	\$ 0.9240	\$ 0.2065	\$ 0.8260	(10.6)
No PAA Recapitalization	\$ 0.2310	\$ 0.9240	\$ 0.1400	\$ 0.5600	(39.4)

Following the PAA Recapitalization and subject to change based on any equity issuances by PAA prior to the Closing, PAA's equity capital structure is expected to consist of (i) a non-economic general partner interest, (ii) 646,672,792 PAA Common Units outstanding and (iii) 63,126,331 Series A Preferred Units outstanding. Subject to the terms of PAA's limited partnership agreement, the Series A Preferred Units are generally convertible any time after January 28, 2018 at the option of the holder into an equivalent number of PAA Common Units. AAP will own an approximate 34% limited partner interest in PAA as of the Closing, implying an exchange ratio of approximately 0.3755 of a PAA Common Unit for each outstanding AAP Unit.

**Unified Governance Structure**

*Governance Simplification*

Currently, PAGP GP manages the business and affairs of PAGP, and GP LLC manages the business and affairs of PAA and AAP. Pursuant to the Simplification Agreement, GP LLC's limited liability company agreement will be amended and restated to provide, among other things, that PAGP, as the sole member of GP LLC, will have the sole authority to manage the business and affairs of GP LLC, and the current GP LLC board of directors (the "*GP LLC board*") will be eliminated. As a result of this amendment, the PAGP GP board will have responsibility for managing the business and affairs of each of PAGP, AAP and PAA. PAGP will have the authority, in its sole discretion, to establish a conflicts committee of GP LLC for, among other reasons, considering any conflict matters between

Table of Contents

PAA and PAGP, including any matter with respect to which PAGP seeks to obtain "Special Approval" (as defined in PAA's limited partnership agreement).

In addition, similar to the current structure, if EMG Investment, LLC (an affiliate of The Energy & Minerals Group), KAFU Holdings, L.P. (an affiliate of Kayne Anderson Investment Management Inc.) or Oxy Holding Company (Pipeline), Inc. (a subsidiary of Occidental Petroleum Corporation), together with their respective affiliates (together, the "**Original Designating Parties**"), own at least a 10% interest (a "**Qualifying Interest**") in the outstanding AAP Units, such party will continue to be entitled to designate one director to the PAGP GP board. The calculation of Qualifying Interest will include, in addition to any AAP Units and Class A shares an Original Designating Party or its affiliates own, any PAA Common Units owned by such Original Designating Party or its affiliates by virtue of their exercise of the Redemption Right (as described below).

At the Closing, the PAGP GP board will consist of 10 members, including three designated directors, six independent directors and our general partner's chief executive officer, who will continue to serve as the Chairman of the Board. The directors on the PAGP GP board as of the Closing are expected to include:

Chief Executive Officer: Greg L. Armstrong.

Designated Directors: John T. Raymond, a designee of EMG Investment, LLC; Robert V. Sinnott, a designee of KAFU Holdings, L.P.; and Ben Figlock, a designee of Oxy Holding Company (Pipeline), Inc.

Independent Directors: Victor Burk, Everardo Goyanes, Gary R. Petersen, Bobby S. Shackouls, J. Taft Symonds and Christopher M. Temple.

***Election of Directors and Issuance of Class C Shares by PAGP***

Currently, our Shareholders do not have the right to elect PAGP GP directors; however, under the governance documents of PAGP and PAGP GP, when the collective economic interest in AAP owned by the Initial Owners falls below 40% (such an event, the "**trigger date**"), certain changes to our governance structure would be triggered, including (i) the classification of the PAGP GP board into three classes (which must take place within a certain period of time), (ii) Shareholder participation in director elections and (iii) limited nomination rights for our Shareholders. Pursuant to the current organizational documents, the PAGP GP board would be classified on the trigger date, and, in certain circumstances, a period of up to three years could lapse between the trigger date and the first meeting of Shareholders called to elect the eligible directors of the PAGP GP board with expiring terms.

Pursuant to the Simplification Agreement, PAGP GP will amend and restate its limited liability company agreement to effectively accelerate the trigger date to the Closing. As a result, at the Closing, the directors (other than the Chief Executive Officer and any director subject to appointment, in certain circumstances, by the holders of the Series A Preferred Units) will be divided into three classes, with each class including two independent directors and one designated director. The initial terms for the three classes will be set to expire in 2018, 2019 and 2020, with each class having a three-year term following its initial term. For more information regarding the members of the PAGP GP board following the Closing, please see "Directors of PAGP GP Following the Transactions."

Beginning in 2018, PAGP will hold an annual meeting of Shareholders for the election of "eligible PAGP GP directors", which will include all directors with expiring terms other than (i) any director subject to designation, (ii) PAGP GP's chief executive officer and (iii) any director subject to appointment by the holders of PAA's Series A Preferred Units. For more information on how the annual meetings of PAGP Shareholders will be conducted, including nomination and meeting procedures and limitations on voting, please see "Comparison of the Rights of Our Shareholders Before and After the Transactions."

Table of Contents

In connection with the Closing, PAGP will create a new class of non-economic limited partner interests, designated as Class C shares, and will issue one Class C share to PAA for (i) each outstanding PAA Common Unit, excluding PAA Common Units held by AAP, and (ii) each PAA Common Unit that would be issued to holders of Series A Preferred Units assuming conversion on a one-to-one basis, in each case, as of the Closing. PAGP currently expects to issue approximately 465,091,197 Class C shares at the Closing. The Class C shares will be non-economic shares that will provide PAA, as the sole holder, the right to nominate individuals for election as PAGP GP directors and to vote in elections of eligible PAGP GP directors together with the holders of PAGP's Class A and Class B shares. The issuance of the Class C shares will have the effect of substantially diluting the nominating and voting rights currently held by the holders of the Class A and Class B shares. Please see "Comparison of the Rights of Our Shareholders Before and After the Transactions."

PAA will hold an annual meeting of its limited partners in advance of PAGP's annual meeting of its limited partners. The purpose of PAA's annual meeting will be to allow its limited partners other than AAP to cast a "pass-through vote" instructing PAA how to vote its Class C Shares in such election. PAA will vote (or refrain from voting) its Class C shares for the election of eligible PAGP GP directors in the same proportion as the votes received from or withheld by its limited partners. At the PAA annual meeting, PAA Common Units held by AAP will not be voted.

Pursuant to the Omnibus Agreement to be entered into at the Closing (the "*Omnibus Agreement*"), PAGP will be required to issue additional Class C shares to PAA and PAA will be required to surrender Class C shares to PAGP, in each case to the extent necessary to ensure that the holder of a PAA Common Unit (other than AAP) or a Series A Preferred Unit (on an as-converted basis) has essentially the same voting power for the election of eligible PAGP GP directors on a per unit basis as the holder of a Class A share or Class B share. We refer to this relationship as "*Voting Parity*."

*Executive Officers.* No changes to the executive management team of PAA are expected as a result of, or in connection with, the Closing of the Transactions.

***Economic Parity Between PAGP and PAA***

At the Closing, (i) AAP will effect a reverse split of the outstanding AAP Units and AAP Management Units, (ii) PAGP will effect a reverse split of the outstanding Class A shares and Class B shares, and (iii) PAGP GP will effect a reverse split of the outstanding company units of PAGP GP ("*PAGP GP Units*"), in each case, at a ratio of approximately 1-to-2.663, subject to certain adjustments. These reverse equity splits are designed to ensure that (i) in the case of AAP, the number of outstanding AAP Units (including AAP Units issuable upon conversion of AAP Management Units) equals the number of PAA Common Units held by AAP immediately following the PAA Recapitalization and (ii) in the case of PAGP, the number of outstanding Class A Shares following the Closing will equal the number of AAP Units owned by PAGP, and will also equal the number of PAA Common Units attributable to PAGP's interest in AAP. Following the Closing, each split-adjusted Class A share will represent indirect ownership of one PAA Common Unit. We refer to the resulting one-to-one relationship between our Class A shares and underlying PAA Common Units in which PAGP has an economic interest as "*Economic Parity*."

***Cost Allocations***

Pursuant to the Omnibus Agreement, for periods following the Closing, all direct or indirect expenses of any of the Plains Entities will be paid by PAA, other than income taxes of the PAGP Entities. These direct or indirect expenses include, but are not limited to, (i) compensation for the directors of PAGP GP, (ii) director and officer liability insurance, (iii) listing exchange fees, (iv) investor relations expenses, and (v) fees related to legal, tax, financial advisory and accounting services.



Table of Contents

**Amendments of Organizational Documents of the Plains Entities**

***A&R PAGP GP LLC Agreement***

The A&R PAGP GP LLC Agreement will, among other things:

*Increase the size of the PAGP GP board.* The A&R PAGP GP LLC Agreement increases the size of the PAGP GP board from seven to ten members as of the Closing and sets forth the initial members of the board. Additionally, the A&R PAGP GP LLC Agreement requires that the PAGP GP board must include at least three independent directors at all times following the Closing and, to the extent there are fewer than two independent directors available to serve on the conflicts committee of GP LLC, permits the board to take such actions necessary to cause the PAGP GP board to have at least two independent directors that are available to serve on such conflicts committee.

*Accelerate the occurrence of the "trigger date."* Under our current partnership agreement, our Shareholders do not have the ability to elect the eligible PAGP GP directors until the trigger date, following which the PAGP GP board is required to be classified. The first election of directors by our Shareholders would occur following the end of the last initial term of our classified board. The A&R PAGP GP LLC Agreement effectively accelerates the "trigger date" to the Closing of the Transactions, and, as a result, our Shareholders will have the right to vote for eligible PAGP GP directors beginning in 2018.

*Classify the PAGP GP board.* The A&R PAGP GP LLC Agreement provides that the directors of the PAGP GP board (other than the Chief Executive Officer and any director subject to appointment by the holders of PAA's Series A Preferred Units as described below) will be divided into three classes. The initial terms for the three classes will expire in 2018, 2019 and 2020, with each class serving a three-year term following its initial term. Each class will include two independent directors and one designated director.

*Clarify the definition of "Qualifying Interest."* Each Original Designating Party will continue to have the right to designate a director to the PAGP GP board for as long as such party holds at least a 10% Qualifying Interest. Pursuant to the A&R PAGP GP LLC Agreement, the definition of "Qualifying Interest" will be modified for purposes of calculating a Qualifying Interest to include, in addition to any AAP Units and Class A shares such designating party and its affiliates own, PAA Common Units such designating party and its affiliates receive and hold as a result of an exercise of its Redemption Right (as described below).

*Incorporate the Series A Designation Right.* The holders of PAA's Series A Preferred Units currently have the right to designate a director to the GP LLC board in the event that PAA does not declare and pay distributions on its Series A Preferred Units for three quarters, whether or not consecutive (the "**Series A Designation Right**"). In contemplation of the elimination of the GP LLC board and the negation of the Series A Designation Right, the A&R PAGP GP LLC Agreement will incorporate a replacement Series A Designation Right at the PAGP GP board level.

***A&R PAGP Partnership Agreement***

The A&R PAGP Partnership Agreement will, among other things:

*Establish the Class C shares.* The A&R PAGP Partnership Agreement establishes the Class C shares and sets forth the rights of PAA as the holder of the Class C shares. The Class C shares represent a non-economic limited partner interest in PAGP, and are therefore not entitled to participate in distributions of available cash or distributions upon liquidation. PAA, as the sole

Table of Contents

holder of the Class C shares, will have the right to vote at any meeting of Shareholders held for the purpose of electing eligible PAGP GP directors.

*Amend the definition of "Outstanding" to permit nominations and voting for election of eligible directors by Restricted PAGP Holders.* Our Shareholders' voting rights are restricted by the provision in our partnership agreement generally providing that any equity interests held by a person or group that owns 20% or more of any class of PAGP's outstanding equity interests (other than PAGP GP and its affiliates, the Initial Owners or their permitted transferees and affiliates, their respective affiliates and persons who acquired such equity interests with the prior approval of PAGP GP's board of directors) (such holders, "**Restricted PAGP Holders**"), cannot be voted on any matter and will not be considered outstanding for purposes of determining whether a quorum exists. The A&R PAGP Partnership Agreement will provide that this limitation will not apply with respect to the nomination of persons to serve as eligible PAGP GP directors. In addition, 19.9% of the outstanding Class A shares, Class B shares and Class C shares, taken together as a single class, that are held by Restricted PAGP Holders will be counted for purposes of determining a quorum for the election of eligible PAGP GP directors, and will be eligible to be voted at a meeting for the election of eligible PAGP GP directors.

*Limit amendments to the A&R PAGP Partnership Agreement adverse to Class C shareholders.* The A&R PAGP Partnership Agreement will require consent of the holders of a majority of the outstanding Class C Shares, voting as a single class, with respect to certain amendments to the A&R PAGP Partnership Agreement that would have a material adverse effect on the rights or preferences of the Class C shareholders. PAA will own all of the Class C shares at the Closing, and the Omnibus Agreement will restrict (i) the transfer by PAA of the Class C shares to any party other than PAGP and (ii) the issuance by PAGP of Class C shares to any party other than PAA.

*Authorize PAA to nominate eligible PAGP GP directors on behalf of its unitholders.* Our partnership agreement currently contemplates that, for any election of eligible PAGP GP directors by the Shareholders, nominations may be made by any shareholder that is a record holder of at least 10% of the outstanding Class A shares and Class B shares. The A&R PAGP Partnership Agreement modifies this concept by providing that the nomination rights will extend to any shareholder that is the record holder of at least 10% of the outstanding Class A, Class B and Class C shares, taken together as a single class. In addition, the A&R PAGP Partnership Agreement will entitle PAA, the sole holder of the Class C shares, to nominate persons on behalf of its unitholders as necessary to effectuate the "pass-through" nomination rights provided under the A&R PAA Partnership Agreement (as described below).

***A&R GP LLC Agreement***

The A&R GP LLC Agreement will, among other things:

*Grant authority to PAGP to manage the business and affairs of GP LLC.* The A&R GP LLC Agreement provides broad authority to PAGP to manage the business and affairs of GP LLC, as its sole member.

*Eliminate the board of directors of GP LLC.* The A&R GP LLC Agreement eliminates the board of directors as the party responsible for managing the business and affairs of PAA in order to give effect to the unified governance structure described above.

*Grant authority to PAGP to establish a conflicts committee of GP LLC.* The A&R GP LLC Agreement grants PAGP the authority, in its sole discretion, to establish a conflicts committee of GP LLC for, among other reasons, considering any conflict matters between PAGP and PAA,

Table of Contents

including any matter with respect to which PAGP seeks to obtain "Special Approval" (as defined in the A&R PAA Partnership Agreement).

***A&R AAP Partnership Agreement***

The A&R AAP Partnership Agreement will, among other things:

*Implement a Redemption Right for holders of AAP Units.* Subject to certain limitations during the first twelve months following the Closing as described below, the A&R AAP Partnership Agreement provides that a holder of AAP Units (other than PAGP and GP LLC) will have the right (a "***Redemption Right***") to cause AAP to redeem any or all of such holder's AAP Units in exchange for the distribution of an equivalent number of PAA Common Units held by AAP ("***AAP Unit Redemption***"). In connection with any AAP Unit Redemption, the redeeming holder will transfer the AAP Units to AAP and a corresponding number of our Class B shares and PAGP GP Units (if any), in each case, to PAGP. The AAP Units transferred to AAP will be cancelled, the Class B shares transferred to PAGP will be cancelled and the PAGP GP Units transferred to PAGP will remain outstanding and increase PAGP's ownership percentage in PAGP GP.

The A&R AAP Partnership Agreement will generally restrict, subject to certain exceptions, each holder of AAP Units (other than PAGP and GP LLC, which have not been granted Redemption Rights) from exercising its Redemption Rights with respect to approximately 22% of its AAP Units for a period of twelve months following the Closing. Greg Armstrong and Harry Pefanis, our general partner's Chief Executive Officer and Chief Operating Officer, respectively, will be restricted from directly or indirectly (through PAA Management, L.P.) exercising their respective Redemption Rights with respect to 100% of their AAP Units during the same period. These restrictions are designed to reduce, but not eliminate, the risk that any redemptions during the first 12 months following Closing, combined with public trading of PAA Common Units, will cause a technical tax termination of PAA. The holders of AAP Units (other than PAGP and GP LLC) will continue to be permitted to exchange units for Class A shares without restriction.

*Modify certain tax provisions.* The A&R AAP Partnership Agreement modifies the contribution, distribution and tax allocation provisions to accommodate the Redemption Rights and to account for the fact that the general partner interest in PAA will no longer be an economic interest and the fact that following Closing, AAP will cease to have any indebtedness for borrowed money.

***A&R PAA Partnership Agreement***

The A&R PAA Partnership Agreement will, among other things:

*Reflect and effectuate the GP Conversion and the IDR Redemption and related amendments.* The A&R PAA Partnership Agreement will reflect and effectuate the GP Conversion and IDR Redemption, by, among other things, removing references to the IDRs and concepts associated therewith (including conversion and transfers of IDRs), and replacing references to and concepts associated with the 2% general partner interest with corresponding references to and concepts associated with the non-economic general partner interest.

*Adjust tax allocations to promote fungibility.* The A&R PAA Partnership Agreement adjusts certain tax allocation provisions to ensure to the maximum extent possible the fungibility of (i) the PAA Common Units issued in the PAA Recapitalization and (ii) the other outstanding PAA Common Units.

Table of Contents

*Revise certain definitions to reflect a unified governance structure.* The A&R PAA Partnership Agreement will revise certain definitions to reflect the unified governance structure contemplated by the Transactions, including "Board of Directors" to, among other things, indicate that it refers to the PAGP GP board, and "Conflicts Committee" to indicate that membership on the PAGP GP board does not disqualify a person from serving on the conflicts committee of GP LLC that is established pursuant to the A&R PAA Partnership Agreement.

*Revise the definition of "Conflicts Committee" to add restrictions to promote the independence of members of the conflicts committee.* The A&R PAA Partnership Agreement will revise the definition of "Conflicts Committee" to add restrictions that are designed to ensure that the members of the conflicts committee of GP LLC are independent from PAGP and aligned with PAA.

*Implement the rights of PAA limited partners to direct PAA to vote for eligible PAGP GP directors.* The A&R PAA Partnership Agreement will establish a right for the limited partners of PAA (excluding AAP) to effectively vote for eligible PAGP GP directors by directing PAA to vote (or abstain from voting) its Class C shares for the election of eligible PAGP GP directors in the same proportion as PAA's securities are voted (or abstained from voting) at the annual meeting of PAA limited partners.

*Establish pass-through nomination rights of PAA limited partners.* The A&R PAA Partnership Agreement provides that a holder of limited partner interests in PAA (other than AAP) that is equal to or greater than 10% of the total number of outstanding Class A shares, Class B shares and Class C shares, collectively, may effectively direct PAA to nominate one person for election as an eligible PAGP GP director.

*Revise the definition of "Outstanding" to permit nominations and voting for election of eligible PAGP GP directors by Restricted PAA Holders.* The voting rights of PAA's limited partners are restricted by the provision in its partnership agreement generally providing that any equity interests held by a person or group that owns 20% or more of any class of PAA's outstanding equity interests (other than PAA GP or its affiliates, any person who acquires equity interests from PAA GP or its affiliates and the Series A Preferred Unitholders) (such holders, "**Restricted PAA Holders**"), cannot be voted on any matter and will not be considered outstanding for purposes of determining whether a quorum exists. The A&R PAA Partnership Agreement will provide that this limitation will not exist with respect to the nomination of persons by PAA's limited partners to serve as eligible PAGP GP directors. In addition, equity interests that represent up to 19.9% of the voting power of the outstanding Class A shares, Class B shares and Class C shares, taken together as a single class, that are held by Restricted PAA Holders will be counted for purposes of determining a quorum for the election of eligible PAGP GP directors, and will be eligible to be voted at a meeting for the election of eligible PAGP GP directors.

*Eliminate pre-emptive rights of PAA GP or its affiliates.* Under the current PAA limited partnership agreement, as the owner of the 2% general partner interest in PAA, PAA GP has the right, which it may from time to time assign in whole or in part to any of its affiliates, to purchase PAA Common Units or other equity securities of PAA whenever, and on the same terms that, PAA issues those securities to persons other than PAA GP and its affiliates, to the extent necessary to maintain its percentage interest in PAA that existed immediately prior to the issuance. Given that such 2% general partner interest will be converted to a non-economic general partner interest pursuant to the GP Conversion, the A&R PAA Partnership Agreement will eliminate this pre-emptive right with respect to future issuances of partnership securities by PAA.

Table of Contents

**Omnibus Agreement and A&R Administrative Agreement**

The Plains Entities will also enter into the Omnibus Agreement, which will provide for the following:

that, for periods following the Closing, all direct or indirect expenses of any of the Plains Entities will be paid by PAA, other than income taxes of the PAGP Entities. Such direct or indirect expenses include, but are not limited to (i) compensation for the directors of PAGP GP, (ii) director and officer liability insurance, (iii) listing exchange fees, (iv) investor relations expenses, and (v) fees related to legal, tax, financial advisory and accounting services;

the methods by which Economic Parity and Voting Parity will be maintained for periods following the Closing;

the ability of PAGP to issue additional Class A shares and use the net proceeds therefrom to purchase a like number of AAP Units from AAP, and the corresponding ability of AAP to use the net proceeds therefrom to purchase a like number of PAA Common Units from PAA; and

the ability of PAGP to lend proceeds of any future indebtedness incurred by it to AAP, and AAP's corresponding ability to lend such proceeds to PAA, in each case on substantially the same terms as incurred by PAGP. PAA will reimburse the net fees and expenses in connection with the incurrence of such debt; provided that PAA will only be required to reimburse such net fees and expenses on one occasion with respect to each incurrence of indebtedness by PAA from AAP.

The Omnibus Agreement will provide that, in the event that (i) PAGP GP ceases to own the general partner interest in PAGP, (ii) PAGP ceases to own all of the membership interests in GP LLC, (iii) GP LLC ceases to own the general partner interest in AAP, (iv) AAP ceases to own all of the membership interests in PAA GP, (v) PAA GP ceases to own the general partner interest in PAA, (vi) the PAGP Entities (x) engage in any business other than owning PAA and its subsidiaries, (y) make any investment in any person other than PAA and its subsidiaries or (z) incur any liabilities other than those resulting from its investment and management of PAA and its subsidiaries (excluding, in the case of (x), (y) and (z), such actions that are not material) or (vii) any event occurs that materially frustrates the intent of the Plains Entities to achieve or maintain Economic Parity and Voting Parity, the Plains Entities will re-negotiate the terms of the Omnibus Agreement in good faith to maintain the economic and governance alignment between PAA, PAGP and AAP. If the Plains Entities are unable to reach agreement within 60 days, then PAA or PAGP may terminate the Omnibus Agreement. In the event that the Omnibus Agreement is terminated, each party will refund or reimburse PAA any expenses (including interest expenses) paid by PAA on or after any of the events described in (i) - (vii) above.

The Plains Entities will also amend and restate the existing Administrative Agreement (as amended and restated, the "*A&R Administrative Agreement*") to remove the expense allocation provisions; such provisions will be provided for in the Omnibus Agreement.

**Registration Rights Agreement**

The holders of AAP Units other than PAGP and GP LLC will enter into a Registration Rights Agreement with PAA, pursuant to which PAA will agree to use commercially reasonable efforts to file, and cause to be continuously effective, a shelf registration statement to permit the public resale of the PAA Common Units to be held by AAP immediately following the Closing that are distributable to such holders following an AAP Unit Redemption. Additionally, PAA will agree to register the resale of any PAA Common Units issued to AAP following the Closing pursuant to the Omnibus Agreement in respect of certain AAP Management Units. In certain circumstances, the holders will have piggyback registration rights on offerings initiated by persons (other than PAA) for whom PAA has the obligation to undertake an underwritten offering (including the holders of its Series A Preferred Units), and

Table of Contents

certain holders will collectively have the right to request up to a total of twelve underwritten offerings, subject to size limitations and customary rights of PAA to delay such offerings.

PAA will be obligated to maintain the effectiveness of any such registration statement until the earlier of (i) the date on which all PAA Common Units covered by such shelf registration statement have been sold thereunder in accordance with the plan and method of distribution disclosed in the prospectus included in the registration statement, or (ii) the date on which such PAA Common Units cease to be "Registrable Securities" as that term is defined in the Registration Rights Agreement.

**Voting Agreement**

Concurrently with the execution of the Simplification Agreement, certain of our Shareholders that owned approximately 51.3% of the Class A and Class B shares outstanding as of July 11, 2016 (the "**Covered Shareholders**"), executed a Voting Agreement. Under the Voting Agreement, the Covered Shareholders agreed to appear at any meeting of the shareholders of PAGP, however called, including adjournment or postponement thereof, and in connection with any written consent of the shareholders of PAGP (provided, that no Covered Shareholder is required to act by written consent with respect to matters specifically subject to this proxy statement) or otherwise cause the Class A and Class B shares it owned as of the date of the Voting Agreement, as well as any Class A or Class B shares it may acquire prior to the date of such vote or consent (collectively, the "**Covered Shares**") to be counted as present for purposes of calculating a quorum. In addition, the Covered Shareholders have each conditionally agreed to vote, in person or by proxy, or deliver (or cause to be delivered) a written consent covering, all of the Covered Shares in the following manner:

in favor of the approval or adoption of, or consent to, the Simplification Agreement, the Transactions and any other action requested by PAGP in furtherance thereof submitted for the vote or written consent of shareholders of PAGP, provided, that no Covered Shareholder is required to act by written consent with respect to matters specifically subject to this proxy statement;

against the approval or adoption of any action, agreement, transaction or proposal that is intended, or would reasonably be expected, to result in a material breach of any covenant, agreement, representation, warranty or any other obligation of PAGP contained in the Simplification Agreement or of such Shareholder contained in the Voting Agreement; and

against any action, agreement, transaction or proposal that is intended, would reasonably be expected, or the result of which would reasonably be expected, to materially impede, interfere with, delay, postpone, discourage, frustrate the purposes of or adversely affect any of the Transactions or any action contemplated by the Simplification Agreement.

The Covered Shareholders have granted PAA an irrevocable proxy to vote or execute its written consent in the place of such Covered Shareholder if and to the extent the Covered Shareholders do not comply with their obligations described above.

Under the Voting Agreement, the Covered Shareholders have agreed not to (i) transfer any of the Covered Shares, beneficial ownership thereof or any other interest therein (excluding transfers involving the exchange of Class B shares for Class A shares or, when certain conditions are met, transfers to affiliates), (ii) enter into any agreement or take any other action that would reasonably be expected to violate or conflict with such Covered Shareholder's representations, warranties, covenants and obligations under the Voting Agreement, or (iii) take any action that would restrict or otherwise affect such Covered Shareholder's authority to comply with its obligations under the Voting Agreement. Any transfer in violation of the Voting Agreement will be null and void.

The voting and other obligations of the Shareholders pursuant to the Voting Agreement will terminate upon the earliest to occur of: (a) the date of the Closing, (b) the valid termination of the

Table of Contents

Simplification Agreement in accordance with the terms thereof, and (c) the mutual written consent of all of the parties thereto to terminate the Voting Agreement, upon which, in each case, the Voting Agreement shall terminate and be of no further force and effect with respect to all parties thereto. In addition, PAGP and PAA may mutually agree to terminate the Voting Agreement with respect to all or any portion of any Shareholder's Covered Shares by written notice to such Covered Shareholder.

**The Simplification Agreement**

The Simplification Agreement requires the Plains Entities to effect the Transactions by requiring the applicable entities to: (i) consummate the PAA Recapitalization; (ii) execute and deliver the A&R PAA Partnership Agreement, the A&R AAP Partnership Agreement, the A&R PAGP Partnership Agreement, the A&R GP LLC Agreement, the A&R PAGP GP LLC Agreement, the Registration Rights Agreement, the Omnibus Agreement, and the A&R Administrative Agreement; (iii) effect the reverse equity splits required to achieve Economic Parity; and (iv) issue the Class C shares to PAA to achieve Voting Parity, in each case, at the Closing, subject to the satisfaction of the conditions set forth in the Simplification Agreement.

***The Parties to the Simplification Agreement***

*PAGP*

We are a Delaware limited partnership (NYSE:PAGP) formed in July 2013 to own an indirect interest in the general partner and the IDRs of PAA, a publicly traded Delaware limited partnership. Although formed as a limited partnership, we have elected to be taxed as a corporation for United States federal income tax purposes.

For a more detailed description of our business, see our Annual Report on Form 10-K for the year ended December 31, 2015 and our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2016 and June 30, 2016, each of which is incorporated into this proxy statement by reference. Our principal executive office is located at 333 Clay Street, Suite 1600, Houston, Texas, and our telephone number is (713) 646-4100.

*PAGP GP*

PAGP GP manages our operations and activities and is responsible for exercising on our behalf any rights we have as the sole and managing member of GP LLC. PAGP GP's principal executive office is located at 333 Clay Street, Suite 1600, Houston, Texas, and its telephone number is (713) 646-4100.

*GP LLC*

GP LLC manages the business and affairs of PAA and AAP; however, through our current rights as the sole and managing member of GP LLC (including the right to appoint the members of the GP LLC board), we indirectly control the business and affairs of AAP and PAA. Following the Closing and the implementation of the unified governance structure described above, the PAGP GP board will have control over the business and affairs of AAP and PAA. GP LLC's principal executive office is located at 333 Clay Street, Suite 1600, Houston, Texas, and its telephone number is (713) 646-4100.

*AAP*

AAP is a Delaware limited partnership that directly owns all of PAA's IDRs and indirectly owns the 2% general partner interest in PAA. AAP is the sole member of PAA GP, which directly holds the 2% general partner interest in PAA. AAP's principal executive office is located at 333 Clay Street, Suite 1600, Houston, Texas, and its telephone number is (713) 646-4100.

Table of Contents

*PAA GP*

PAA GP is a Delaware limited liability company that holds the 2% general partner interest in PAA. PAA GP's principal executive office is located at 333 Clay Street, Suite 1600, Houston, Texas, and its telephone number is (713) 646-4100.

*PAA*

PAA is a publicly traded master limited partnership (NYSE:PAA) that owns and operates midstream energy infrastructure and provides logistics services for crude oil, natural gas liquids ("*NGL*"), natural gas and refined products. PAA owns an extensive network of pipeline 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.

For a more detailed description of PAA's business, see PAA's Annual Report on Form 10-K for the year ended December 31, 2015 and PAA's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2016 and June 30, 2016, each of which is incorporated into this proxy statement by reference. PAA's principal executive office is located at 333 Clay Street, Suite 1600, Houston, Texas, and its telephone number is (713) 646-4100.

***Representations and Warranties***

The Simplification Agreement contains representations and warranties made by the Plains Entities regarding aspects of their organizational structure and capitalization, as well as other facts pertinent to the Transactions, including with respect to the following matters:

existence, good standing and qualification to conduct business;

capitalization, including ownership of subsidiary equity and the absence of restrictions or encumbrances with respect to equity of any subsidiary;

power and authorization to enter into and carry out the obligations of the Transactions and the enforceability of the Transaction Documents;

absence of any conflict, violation or termination of, or default under, organizational documents, third party agreements or applicable laws or regulations, as applicable, as a result of entering into and carrying out the obligations of the Simplification Agreement;

absence of fees payable to brokers;

absence of any material regulatory approvals or consents required to complete the Transactions;

due authorization and valid issuance of the PAA Common Units pursuant to the PAA Recapitalization and the Class C shares;

material compliance as to the form requirements of this proxy statement when filed, and the associated absence of material statements or omissions contained herein; and

status as an "accredited investor" under federal securities laws.

The representations and warranties contained in the Simplification Agreement will survive for a period of one year following the Closing.



*Covenants*

Pursuant to the Simplification Agreement, we have agreed to (i) prepare and file this proxy statement and include the PAGP GP board's recommendations herein (unless a change in recommendation has occurred prior to the filing), (ii) transmit this proxy statement to our

Table of Contents

Shareholders, (iii) call, hold and convene a meeting of our Shareholders and (iv) submit the Simplification Proposal to our Shareholders. The PAGP GP board has also agreed to recommend the approval of the Simplification Proposal to our Shareholders, subject to a potential change in recommendation as described below.

In addition, each of the Plains Entities has agreed (i) to cooperate to prepare and file this proxy statement, (ii) to file all tax returns and other reports consistent with the intended tax treatment of the PAA Recapitalization and use reasonable efforts to cause the PAA Recapitalization to qualify for such intended tax treatment, (iii) to use commercially reasonable efforts to take all actions necessary to consummate the Transactions; (iv) to not issue any press releases relating to the Transactions without the consent of the other Plains Entities except as required by law or NYSE rules and regulations and (v) to use reasonable best efforts to effect the reverse equity splits required to create the Economic Parity.

Except as contemplated by the Simplification Agreement, as required by law, or with the prior written consent of the other Plains Entities, the Plains Entities have agreed (i) to refrain from taking any action that would be reasonably likely to have a material adverse effect on its ability to perform any of its obligations under the Simplification Agreement; (ii) to not split, combine, reclassify, repurchase, redeem any of its equity interests, subject to limited exceptions; (iii) to not take any action that would reasonably be likely to result in a material delay or failure of any condition to the Closing without the consent of the Plains Entities; and (iv) to notify each other Plains Entity in the event that a material breach of the Simplification Agreement has occurred or is likely to occur.

In addition:

AAP has agreed, to the extent that (i) the Closing does not occur prior to the record date for PAA's distribution of available cash in respect of the third quarter of 2016 (the "**PAA Third Quarter Distribution**"), and (ii) the Third Quarter Distribution is below the current quarterly per unit level of \$0.70, (a) to borrow under the AAP Credit Agreement an amount equal to the excess, if any, between (x) the product of the number of PAA Common Units that will be issued to AAP at the Closing of the Transactions, and the distributions per PAA Common Unit paid in respect of the Third Quarter Distribution and (y) the distributions to be paid to PAA GP and AAP in respect of their 2% general partner interests and IDRs, respectively, pursuant to the Third Quarter Distribution, and (b) to distribute such borrowings to AAP's unitholders (the "**Third Quarter Distribution True-up Amount**"). We expect this amount to be approximately \$40 million if the PAA Third Quarter Distribution is reduced to \$0.55 per PAA Common Unit, as has been previously announced;

AAP has also agreed to not incur additional indebtedness under the AAP Credit Agreement prior to the Closing, subject to limited exceptions that include additional indebtedness as necessary to fund any capital contributions required to be made by PAA GP in order to maintain its 2% general partner interest in connection with any PAA equity issuance, to pay certain expenses and, if applicable, to pay the Third Quarter Distribution True-up Amount;

PAA GP has agreed to use its authority and discretion in order to ensure that the PAA Common Units issued to AAP at the Closing have materially identical economic and federal income tax characteristics to the PAA Common Units outstanding immediately prior to the Closing;

PAA has agreed to (i) submit an application to the NYSE for the listing of the Common Units to be issued in the Transactions, (ii) prepare for filing as promptly as practicable following the Closing the shelf registration statement contemplated by the Registration Rights Agreement and (iii) not issue or sell additional equity interests in excess of \$600 million without the prior written consent of PAGP, subject to certain exceptions; and

Table of Contents

PAGP will take all action necessary to cause the current members of the GP LLC board who are not currently members of the PAGP GP board to be appointed to the PAGP GP board effective as of the Closing.

***Conditions to the Closing***

The respective obligations of each Plains Entity to consummate the Transactions contemplated by the Simplification Agreement will be subject to the prior satisfaction (or waiver) of the following conditions:

the Simplification Proposal shall have been approved by the holders of a Share Majority;

each applicable Plains Entity shall have taken all actions necessary to effect the reverse equity splits at the Closing;

no law shall have been enacted or promulgated, and no action shall have been taken, by any governmental authority of competent jurisdiction that seeks to or does temporarily, preliminarily or permanently restrain, preclude, enjoin or otherwise prohibit the consummation of the Transactions or makes any of the Transactions illegal or materially alters the conclusions in the tax opinion of Vinson & Elkins L.L.P. described below;

each Plains Entity shall have performed or complied in all material respects with the covenants and agreements contained in the Simplification Agreement;

the representations and warranties of each Plains Entity shall be true and correct in all material respects on the date of the Closing (or earlier date, as applicable);

the representations set forth in the tax opinion certificate issued to Vinson & Elkins L.L.P. to render its opinion as of July 11, 2016, to the effect that the PAA Recapitalization should result in no gain or loss by PAA or its partners under the specified circumstances set forth therein, shall be true and correct in all material respects on the date of the Closing (or earlier date, as applicable); and

each other Plains Entity shall have executed and delivered all necessary documentation required under the Simplification Agreement, including the Transaction Documents.

The respective obligations of PAA and PAGP to consummate the Transactions will be further subject to the receipt of an opinion of counsel that none of PAGP, AAP or PAA will be an "investment company" as defined in the Investment Company Act of 1940, in each case, as a result of the consummation of the Transactions.

The respective obligations of AAP and PAGP to consummate the Transactions will be further subject to the PAA Common Units to be issued in the Transactions being approved for listing on the NYSE, subject only to official notice of issuance thereof.

***Termination***

The Simplification Agreement may be terminated and the Transactions abandoned at any time prior to the Closing:

(i) by the mutual consent of the Plains Entities;

(ii) by any Plains Entity if:

the Closing has not occurred by January 15, 2017;



Table of Contents

any governmental authority has issued a law, order or regulation or taken any other action, in each case permanently restraining, enjoining or otherwise prohibiting the consummation of any of the Transactions or making any of the Transactions illegal, and such action has become final and nonappealable; or

the Simplification Proposal is not approved by the holders of a Share Majority;

(iii) by PAA if there has been a material breach of, or any inaccuracy in, any of the representations or warranties, or a material breach of any of the covenants or agreements, in each case, by any PAGP Entity other than GP LLC, which breach is not cured within 30 days following receipt by the breaching party of written notice of such breach from the terminating party, or which breach, by its nature, cannot be cured prior to January 15, 2017; or

(iv) by PAGP or AAP if there has been a material breach of, or any inaccuracy in, any of the representations or warranties, or a material breach of any of the covenants or agreements, in each case, by PAA or GP LLC, which breach is not cured within 30 days following receipt by the breaching party of written notice of such breach from the terminating party, or which breach, by its nature, cannot be cured prior to January 15, 2017.

The termination of the Simplification Agreement does not trigger any break-up fees or other liquidated damage payments; however, no termination will relieve any Plains Entity from liability for damages for any willful and material breach of any agreement or covenant contained in the Simplification Agreement. The parties to the Simplification Agreement are also entitled to injunctive relief to prevent breaches of the Simplification Agreement and to enforce specifically the terms and provisions thereof.

**Recommendation of the Board of Directors**

At a special meeting held on July 11, 2016, after consideration, the PAGP GP board:

determined that the Transactions, on the terms and conditions set forth in the Transaction Documents, are (a) fair and reasonable to PAGP and the holders of Class A Shares, (b) in, or not opposed to, the best interests of PAGP and (c) in, or not opposed to, the best interests of the holders of Class A Shares;

approved, on behalf of PAGP GP and PAGP, (i) the Transactions upon the terms and conditions set forth in the Transaction Documents and (ii) the Transaction Documents; and

recommended that the Shareholders approve the Simplification Proposal.

***Change in Recommendation by the PAGP GP Board***

The PAGP GP board may withdraw, modify or qualify its recommendation to our Shareholders that they approve the Simplification Proposal if it has concluded in good faith, after consultation with its outside legal advisors and financial advisors, that the change in recommendation is necessary to comply with its duties under the our partnership agreement or that the failure to make such a change in recommendation would result in the violation of applicable law. However, prior to making a change in recommendation, PAGP must give PAA five business days prior written notice that the PAGP GP board intends to change its recommendation and specifying the reasons for the change in reasonable detail.

**Required Approval of the Simplification Agreement and the Transactions**

Our partnership agreement requires that we obtain the approval of the holders of a Share Majority prior to a transaction that would involve the sale or exchange of all or substantially all of our assets. The GP Conversion and the IDR Redemption may be deemed to be a sale or exchange of all or

Table of Contents

substantially all of our assets. In addition, the approval of the Simplification Proposal by the holders of a Share Majority is a condition to Closing under the Simplification Agreement. Therefore, the failure to receive the approval of the holders of a Share Majority for the Simplification Proposal would effectively prevent the closing of the Transactions from occurring as currently contemplated under the Simplification Agreement.

Concurrently with the execution of the Simplification Agreement, certain of our Shareholders that owned approximately 51.3% of the Class A and Class B shares outstanding as of July 11, 2016, executed a Voting Agreement, pursuant to which such Shareholders agreed to vote for the Simplification Proposal. Please see " Voting Agreement."

**Background of the Transactions**

The senior management of PAA regularly reviews market conditions and opportunities to improve the competitive positioning of PAA with the PAGP GP board and the GP LLC board (together with the PAGP GP board, the "**Boards**"). These reviews often include a discussion of upstream and midstream market conditions, acquisition and organic growth opportunities, capital market conditions and an assessment of PAA's competitive positioning within the midstream market and from the standpoint of PAA's access to, and cost of, capital.

During the last half of 2015, the energy industry continued to experience a downturn as North American oil and gas producers significantly reduced their drilling and completion activities in response to lower commodity prices, and the rate of growth of North American crude oil production slowed significantly and began to decline in some areas. Energy capital markets were generally in a state of distress, the depth and availability of public equity and debt capital contracted significantly and the cost of equity capital increased significantly. During the fourth quarter of 2015, PAA management was engaged in a dialogue with the Boards regarding the overall energy and capital market environment, PAA's near-term capital needs and the best way to position PAA for future growth.

PAA management's efforts regarding PAA's near-term capital needs focused on a convertible preferred issuance and resulted in the issuance by PAA of \$1.6 billion of Series A Preferred Units in January 2016. With respect to long-range solutions that would lower PAA's cost of capital and position it for future growth, beginning in early November 2015, PAA management began gathering information and, with assistance from the law firm of Vinson & Elkins L.L.P. ("**V&E**"), conducting preliminary analysis regarding potential simplification transactions that could significantly reduce and/or eliminate PAA's IDRs. This preliminary analysis involved the evaluation of several different potential structures and the tax, governance, regulatory and other implications of each alternative.

On November 4, 2015, during PAA's quarterly earnings conference call for the third quarter of 2015, in response to an analyst's question as to whether a simplification transaction would ever make sense for PAA, Mr. Armstrong commented on PAA's elevated cost of capital and the incremental impact of the "general partner burden" (*i.e.*, IDR structure) on PAA's overall cost of capital. He also acknowledged that PAA was open to exploring alternatives that would lower its cost of capital.

On November 12, 2015, at a regularly scheduled meeting of the Boards, members of PAA's management provided the Boards with an overview of recent simplification transactions by other midstream entities, a summary of PAA's cost of capital relative to its peers and a high-level preliminary overview of various structuring alternatives for a potential simplification transaction. The overview materials noted that PAA's midstream peers without an IDR structure had an average cost of equity (based on current yield) at the time of approximately 6.1%, versus approximately 9.5% for PAA. Such overview also included a discussion of selected benefits and other considerations relating to each of the alternatives discussed, in addition to an illustration of the potential impact of a simplification transaction on PAA's cost of capital.

Table of Contents

On December 8, 2015, Mr. Armstrong made a presentation at the 2015 Wells Fargo Energy Symposium in New York City, where he indicated that, given then current market conditions, PAA management was in the early stages of evaluating potential simplification transactions. He gave no assurance that any transaction would be proposed or consummated, but indicated that the primary focus was on improving PAA's cost of capital.

On December 15, 2015, the Boards held a joint telephonic meeting for the purpose of having PAA management provide the directors with a general update regarding PAA's equity financing plans for 2016. Mr. Armstrong discussed the current situation in the capital markets for midstream entities, the intermediate to long-term outlook for the industry and PAA's positioning and equity capital needs. Together, Mr. Armstrong and Al Swanson, PAA's chief financial officer, reviewed the status of PAA's efforts to raise equity capital through a private placement of preferred units. In addition, as a follow-up to the general discussions at the November meeting of the Boards regarding potential simplification transactions, Mr. Armstrong noted that PAA and PAGP share a common interest in analyzing simplification transactions that would lower PAA's incremental cost of capital and thereby enhance PAA's ability to sustainably compete for accretive acquisitions and projects. Considering such common interest, Mr. Armstrong suggested that it would be both prudent and efficient for the Boards to jointly engage a financial advisor to work with management to help identify and analyze potential simplification transactions for consideration by the Boards. In response, the Boards authorized PAA management to jointly engage a financial advisor to identify and analyze potential simplification transactions for consideration by the Boards, recognizing that approval of a specific transaction would require separate consideration by each Board in accordance with the requirements of their respective underlying governing documents. Shortly thereafter, GP LLC and PAGP GP jointly engaged Barclays Capital Inc. ("**Barclays**") to provide such advice and services.

Beginning in late December 2015, Barclays worked closely with PAA management and V&E to consider potential simplification transaction structures. As a part of such effort, PAA management, with input from Barclays and V&E, considered several structures, including (i) an IDR reset and/or modification transaction ("**IDR Modification Transactions**"), whereby PAA's minimum quarterly distribution would be increased to its current distribution level, thus "re-setting" the remaining sharing levels or "splits", or removing or capping the maximum split level, and (ii) various transactions that would eliminate the IDRs altogether ("**IDR Elimination Transactions**"). The primary potential IDR Elimination Transactions considered included (i) the acquisition by PAGP of AAP and PAA in exchange for Class A shares ("**PAGP Roll-Up**"), (ii) the acquisition by PAA of the IDRs and economic portion of the 2% general partner interest in exchange for PAA Common Units and the assumption of AAP's outstanding debt ("**PAA Simplification**") and (iii) the acquisition by AAP of PAA in exchange for AAP limited partner units ("**AAP Simplification**").

On January 12, 2016, PAA announced that it had received binding commitments for the purchase of approximately \$1.5 billion of Series A Convertible Preferred Units, and on January 28, 2016, the sale of such preferred units was consummated (the final amount of convertible securities sold totaled approximately \$1.6 billion).

On February 9, 2016, PAA and PAGP held their fourth quarter and year-end earnings call for the periods ended December 31, 2015. In response to a question during the call as to the status of the simplification review, Mr. Armstrong reaffirmed that management was committed to evaluating a potential simplification, but that nothing had been concluded at that time, that it could be middle of the year before an evaluation was completed and that there was no certainty that PAGP and PAA would undertake a simplification transaction.

On February 17, 2016, PAA management met with Barclays to discuss Barclays' preliminary analysis of the potential transaction structures. In general, such analysis concluded that while IDR Modification Transactions could reduce the overall cost of equity capital, such transactions were

Table of Contents

temporary fixes that often led to a future IDR Elimination Transaction; PAA management viewed the IDR Elimination Transactions as the preferred outcome for PAA and PAGP given their interest in pursuing a long term solution that would enhance PAA's competitive position and be in the best interests of both PAA and PAGP.

On the evening of February 17, 2016, at the regular joint dinner meeting of the Boards preceding the February 18, 2016 meeting of the Boards, members of PAA's senior management team and the directors of both Boards engaged in a wide-ranging discussion that covered a variety of factors impacting current and near term markets, including, among other factors: excess transportation capacity, production declines and volumetric over-commitments; recent rating agency actions and posturing; cost and/or lack of availability of public equity and debt capital near term; and private equity capital and project finance.

On February 18, 2016, in a joint executive session of the Boards, Mr. Armstrong led a discussion regarding general market conditions, PAA's market valuation, challenges PAA's valuation posed with respect to making attractive and strategic acquisitions and critical factors impacting valuations for PAA and PAGP. Factors discussed included challenging crude oil market conditions and associated uncertainties, PAA's less than one-to-one distribution coverage and the real and perceived burdens associated with the IDRs. Mr. Armstrong also shared with the Boards his view that based on comments made by investors, there appeared to be a general sense that the financial community would support a potential simplification transaction, but was hesitant to invest in, or increase their positions in, either PAA or PAGP due to the uncertainty about how such a transaction would impact each entity. Mr. Armstrong also led a discussion of valuations of competitors/peers who had previously simplified their capital structures by eliminating their incentive distribution rights, which in turn led to a discussion about potential benefits of simplifying PAA's structure in a way that would optimally position PAA for future profitability and growth. The directors of both Boards expressed their support of, and encouraged management to accelerate, management's effort to analyze and assess potential simplification transactions that would be fair and reasonable from the perspective of both entities, taking into account the various constituencies involved. The directors also requested that the analysis include an assessment of PAA's performance under various industry and market conditions.

Throughout the balance of February 2016 and early March 2016, PAA management, with input from Barclays and V&E, continued to evaluate the various alternative structures from an economic, tax, governance and regulatory perspective and refine their respective analyses of the potential simplification transactions. During this period, V&E distributed a draft memorandum outlining the structuring steps for a proposed simplification transaction that included commentary regarding tax impacts, required consents and approvals, proposed governance and related matters. During this period, PAA management also developed an initial range of financial forecasts (consisting of three different cases) that were designed to estimate the likely performance of PAA in a variety of industry and market conditions (such forecasts, as supplemented and modified over time, the "*Financial Forecasts*").

On March 4, 2016, PAA management sent a summary of the initial Financial Forecasts to Messrs. Sinnott, Raymond and Figlock in their capacity as representatives of KAFU Holdings, L.P. (an affiliate of Kayne Anderson Investment Management Inc. ("*KA*")), EMG Investment, LLC (an affiliate of the Energy & Minerals Group ("*EMG*")) and Oxy Holding Company (Pipeline), Inc. (an affiliate of Occidental Petroleum Corporation ("*Oxy*")), respectively (collectively, the "*Principal GP Owners*"). The initial Financial Forecasts consisted of financial forecast scenarios that management intended to use in evaluating a potential simplification transaction. The initial Financial Forecasts incorporated multiple assumptions regarding the timing and velocity of a recovery in drilling and completion activity, among other factors, in order to quantify the estimated impact of a range of U.S. production forecasts on PAA's financial performance. Given the many near term uncertainties and pressure points with respect to distribution coverage and credit metrics, PAA management also generated comparative cases and



Table of Contents

sensitivity analyses that incorporated assumptions to right-size the PAA Common Unit distribution level, coverage and overall leverage.

On March 9, 2016, PAA management sent the initial Financial Forecasts to the Boards.

On March 17, 2016, PAA management sent an initial presentation (the "**Preliminary Presentation**") to the Principal GP Owners that outlined potential alternative structures to modify or eliminate PAA's IDRs along with related economic, tax structuring and other considerations. The Preliminary Presentation included an overview of the current market environment for midstream entities, a peer cost of equity capital comparison and an overview of the preliminary analyses of the various alternative simplification structures and transactions. The peer cost of equity capital comparison demonstrated that the cost of equity capital (based on current yield) for PAA's midstream peers without an IDR structure had risen to approximately 8% (versus 6.1% in November 2015), while PAA's cost of equity capital had risen to approximately 15.6% (versus 9.5% in November 2015). The analyses in the Preliminary Presentation also included a summary that contained an overview of four Financial Forecasts (the three initial cases, plus an initial "hybrid" case that for expediency and illustration was generated by combining discrete time periods from each of the three initial cases) and additional related information, including an explanation of the modeled distribution reduction and related distribution policy considerations, cash flow contribution analysis and accretion/dilution sensitivities for each case assuming various exchange ratios, which exchange ratios represented a range of implied ownership splits between PAA's limited partner owners and the owners of its general partner interest and IDRs based on the relative contribution analyses.

From approximately March 18, 2016 through April 19, 2016, Mr. Armstrong and various members of PAA management met separately with the representatives of the Principal GP Owners to discuss the Preliminary Presentation, solicit their feedback on the analyses set forth therein, and engage in follow-up discussions to further explain and discuss the materials.

Throughout this period, PAA management continued to refine its analyses, respond to inquiries from the Principal GP Owners and provide the Principal GP Owners information that included the following:

a new "hybrid" Financial Forecast case, which replaced the initial hybrid case and incorporated refined assumptions regarding both the timing and velocity of a resumption in drilling and completion activity, as well as a reallocation of future activity increases in select onshore crude oil basins (the "**Hybrid Forecast Case**"); and

a detailed "Industry Overview" presentation, which included certain of PAA management's observations about the current cycle, the implications for future production scenarios and the resulting impact on midstream performance and opportunities (the "**Industry Overview**").

On March 29, 2016, Mr. Armstrong provided to the Boards a general update covering a number of matters, including PAA's performance, financial position and activities. The update also included a status report on discussions with the Principal GP Owners related to a potential simplification transaction, noting the challenges associated with developing a consensus regarding a transaction given the variances in views on the extent and duration of the industry recession and the inherent valuation risks and uncertainties associated with the IDRs.

On April 21, 2016, Mr. Armstrong provided a general update to both Boards that covered a variety of topics and attachments, including (i) a copy of the Industry Overview, (ii) a copy and explanation of the Hybrid Forecast Case and related distribution scenarios, (iii) a summary of recent rating agency developments and dialogue, and (iv) an overview of the simplification process and discussions through such date.

Table of Contents

On April 28, 2016, representatives of PAA management met with Barclays and V&E to review the ongoing efforts to evaluate a potential simplification transaction. This meeting included a review of alternative transaction structures and summary valuation analyses. The parties also discussed various process and timing considerations. Regarding alternative transaction structures, the parties discussed various potential IDR Modification Transactions and IDR Elimination Transactions. Specifically, the IDR Modification Transactions discussed included an IDR reset, which would involve increasing PAA's minimum quarterly distribution to the current distribution level, thus "re-setting" the IDR sharing levels or "splits," as well as possible IDR modifications such as removing, reducing or capping the maximum split level. The IDR Elimination Transactions discussed included a PAGP Roll-Up, PAA Simplification and AAP Simplification. The parties also discussed the merits and potential drawbacks associated with IDR Modification Transactions relative to IDR Elimination Transactions, noting that while both forms of transactions could reduce PAA's cost of capital, the IDR Modification Transactions were temporary solutions that did not foreclose the possibility of adverse consequences over the long term, as IDRs would continue to limit future common unit distribution growth. It was also noted that several other master limited partnerships had initially completed IDR Modification Transactions but ultimately pursued IDR Elimination Transactions in order to permanently reduce their cost of capital. By contrast, the parties discussed the fact that IDR Elimination Transactions represented a long-term, permanent solution that would improve alignment between the limited partner and general partner owners, more effectively lower the cost of equity capital by permanently eliminating the IDR burden, and more significantly enhance the ability of PAA to deploy incremental capital towards potential acquisition and development projects that could drive distributable cash flow growth for PAA. In consideration of these factors, PAA management confirmed its prior preliminary conclusion that an IDR Elimination Transaction was the preferred outcome for PAA relative to potential IDR Modification Transaction structures. The parties also considered the tax attributes for each of the potential IDR Elimination Transaction structures, the extent to which the structures would minimize post transaction taxes, the ability of the resulting entity to issue equity securities pursuant to a short-form, S-3 shelf registration statement following the consummation of the transaction, the ability of the resulting entity to raise equity capital from institutional and other investors who desired to invest in corporations rather than partnerships, and the ability of PAA to reset its common unit distribution level in connection with or as a part of any such simplification transaction. Taking into account these factors, PAA management preliminarily concluded that of the IDR Elimination Transaction structures considered, the PAA Simplification structure appeared to be the most favorable.

On May 4 and 5, 2016, PAA management distributed discussion materials to the representatives of the Principal GP Owners. Such materials included (i) an illustrative transaction framework for an IDR Elimination Transaction (using the PAA Simplification structure) that set forth various governance, structure, process and other considerations, (ii) valuation materials, including a contribution analysis setting forth the relative distributions to PAA's limited partners and its general partner owners (*i.e.*, AAP's equity owners) under various Financial Forecasts, and (iii) an overview presentation and illustrative framework for a "contingent value right" or "**CVR**" that could be used as a potential earn-out currency to provide additional contingent equity value to the holder of the IDRs in the event that such mechanisms were ultimately required to bridge a potential valuation gap between PAA's limited partners and its general partner owners.

Also on May 5, 2016, PAA management also provided representatives of KA with certain information they had requested, including various sensitivities involving different exchange ratios and distribution cut levels as well as additional Permian Basin production case sensitivities.

On May 5, 2016, PAA and PAGP held their quarterly earnings call for the quarter ended March 31, 2016. During this call, Mr. Armstrong noted that PAA management's evaluation of potential simplification alternatives was ongoing and that there had been frequent discussions regarding same with the Principal GP Owners and the Boards. He reiterated the overall objective of trying to identify a

Table of Contents

"win/win" transaction that would better position PAA to perform and prosper over the long term, and stressed that no decision had been made regarding whether PAA and PAGP would enter into a simplification transaction.

On May 6, 2016, PAA management distributed an illustrative preliminary simplification process and timeline to the representatives for the Principal GP Owners that summarized the key steps that would need to be taken in connection with a PAA Simplification and set forth an illustrative timeline for such steps.

On May 12, 2016, Mr. Armstrong sent a memorandum to the Boards informing them of Moody's decision to downgrade PAA's credit rating from Baa2 (negative outlook) to Baa3 (negative outlook) and noting Moody's references in their statement to the potential for a GP/LP simplification as well as PAA's less than one-to-one distribution coverage.

On May 15, 2016, in advance of the scheduled May 18, 2016 Board dinner and May 19, 2016 meetings of the Boards, Mr. Armstrong notified the members of the Boards that a meeting would be held immediately prior to the May 18th Board dinner for the purpose of discussing the potential simplification transaction; Mr. Armstrong attached a presentation prepared by PAA management that provided an overview of the rationale and considerations involved with such a transaction as well as the various actions taken to date. The presentation included an overview of the proposed governance provisions, an illustrative timeline and a summary of the directors' duties in evaluating such a transaction.

On May 18, 2016, the Boards held a joint meeting at the offices of PAA to discuss a potential simplification transaction. In addition to all of the directors of both Boards, various members of PAA's management team, a representative of Barclays and John Rutherford, a consultant to PAA and PAGP, were in attendance. Mr. Armstrong, other members of PAA management, the Barclays representative and Mr. Rutherford reviewed the materials distributed to the Boards on May 15, 2016. In particular, Mr. Armstrong provided a summary of PAA's then current situation, noting that while PAA had one of the best crude oil asset platforms and business models in the sector with meaningful upside in the event of a recovery in U.S. production growth, as a result of the recent industry downturn PAA was over-distributing cash to its equity holders and operating above targeted leverage metrics, which adversely impacted its equity valuation and credit spreads and endangered its investment grade credit ratings. Mr. Armstrong also noted that in the current environment, the need for a strong balance sheet and low cost of capital had become increasingly important to compete for acquisitions, which were viewed as one of the primary means for achieving future growth given the general overbuilt status of the midstream sector. Various presenters then reviewed the results of the analysis that had been completed to date on alternative transaction structures and PAA management reiterated its view that an IDR Elimination Transaction was the preferred outcome for PAA relative to potential IDR Modification Transactions and that of the various IDR Elimination Transaction structures considered, the PAA Simplification structure appeared to be the most favorable taking into account the various factors considered. Mr. Armstrong summarized management's view that combining an IDR Elimination Transaction with a reset of PAA's distribution would improve PAA's positioning for the future by (i) restoring healthy distribution coverage, (ii) accelerating the strengthening of PAA's credit profile and credit rating, (iii) reducing PAA's reliance on external equity capital for organic growth needs, and (iv) improving PAA's overall cost of and access to capital and positioning PAA to generate incremental growth opportunities. After considering the materials prepared for the meeting and taking into account the various points made by Mr. Armstrong and the other meeting participants, there was a general consensus among the directors that an IDR Elimination Transaction using the PAA Simplification structure coupled with a distribution reduction appeared to present the best long-term solution for PAA and PAGP of the various alternatives considered, assuming that the parties could reach agreement on the specific terms for a simplification transaction. No action was taken at the meeting, but it was agreed that formal consideration of necessary next steps would take place on May 19, 2016.

Table of Contents

On May 19, 2016, each of the Boards held their regularly-scheduled, quarterly board meetings. During these meetings, the Boards continued to discuss matters related to a potential simplification transaction. The following formal actions were taken:

The PAGP GP board authorized a sub-group of its members consisting of Messrs. John Raymond, Robert Sinnott and Bernard Figlock to hire financial and legal advisors on behalf of PAGP and PAGP GP in connection with any proposed simplification transaction; and

The GP LLC board identified Messrs. Christopher M. Temple, Gary R. Petersen and J. Taft Symonds, as qualified to participate as potential members of a conflicts committee of GP LLC (the "*PAA Conflicts Committee*") in connection with the evaluation of a simplification transaction, and in order to be prepared to act promptly if a formal proposal was received, authorized them to interview potential financial and legal advisors.

The Boards also acknowledged that if a transaction was going to be agreed upon, it would be ideal from a timing standpoint to finalize and announce the transaction and the distribution reduction on or before July 11, 2016, which was the time when PAA would normally announce the amount of its quarterly distribution for the second quarter of 2016.

On May 25, 2016, PAA management hosted its annual "PAA Investor Day," during which members of management provided presentations on several topics, including PAA's strategy, assets, financial position and performance outlook. A portion of the presentation included management's views on several production forecast scenarios and comments regarding a potential simplification of PAA, including comments that:

PAA's general partner and limited partner structure is unique within the MLP universe and while that made for a more complex analysis of potential simplification transactions, such a structure also provided more flexibility to investors (including in terms of which entity is more tax efficient for investors) than is generally available to a typical MLP structure;

PAA management had approached its analysis of a potential simplification transaction with a clear bias for a non-taxable transaction that would retain PAA's existing flow-through tax structure; and

PAA management's analysis involved a detailed assessment of PAA's future performance, opportunities, and financial considerations under various industry scenarios and the impact of alternative structures on PAA's equity and debt stakeholders.

During the week of May 23, 2016, the authorized sub-group of the PAGP GP board interviewed representatives of three different investment banking firms to serve as financial advisors to the PAGP GP board for a potential simplification transaction. In order to facilitate such interviews, at the request of the authorized sub-group of the PAGP GP board, prior to their meetings with the sub-group, PAA management provided to the advisor candidates general background information regarding a potential simplification transaction.

Also during the week of May 23, 2016, Messrs. Temple, Petersen and Symonds, acting pursuant to the authority given to them by the GP LLC board, interviewed multiple law firms and selected Richards, Layton & Finger, P.A. ("*RLF*") as independent counsel, conditional on the formation of a conflicts committee by the GP LLC board.

During the week of May 30, 2016, Messrs. Temple, Petersen and Symonds, acting pursuant to the authority given to them by the GP LLC board, interviewed representatives of five different investment banking firms to serve as financial advisors to the PAA Conflicts Committee for a potential simplification transaction, conditional on the formation of a conflicts committee by the GP LLC board. In order to facilitate such interviews, PAA management provided to the advisor candidates general background information regarding a potential simplification transaction.

Table of Contents

On June 1, 2016, the PAGP GP board retained Baker Botts L.L.P. ("**Baker Botts**") as its independent legal counsel and on June 3, 2016 hired Jefferies as its financial advisor. Shortly thereafter, PAA management provided Jefferies and Baker Botts with diligence materials that included, among other items, all the materials presented to the PAGP GP board since November 2015 in connection with its review of a potential transaction and alternatives thereto, as well as an explanation of PAA management's key considerations regarding PAA's forward distribution policy and a steps memorandum that outlined the various specific and discrete transactions that would need to be taken, as well as related approval, tax and governance considerations, in connection with a potential IDR Elimination Transaction using the PAA Simplification structure (the "**Steps Memo**").

From June 3 through June 6, 2016, PAA management, at the request of the PAGP GP board, held due diligence meetings with representatives of Jefferies, which meetings included detailed reviews of well performance and activity levels in key oil and gas producing regions that formed the partial basis for the Financial Forecasts. On June 6, 2016, PAA management and representatives of V&E met at the offices of V&E with representatives of Baker Botts, Latham & Watkins LLP (as counsel to Oxy), Jefferies, and the Principal GP Owners to review various potential IDR Modification Transactions and IDR Elimination Transactions, the Steps Memo and related matters considered in connection with the simplification evaluation activities through such date.

On June 6, 2016, the PAGP GP board held a telephonic meeting for the purpose of (i) obtaining a status update on the hiring of Baker Botts and Jefferies, (ii) discussing the duties and functions of the PAGP GP board and (iii) discussing the process and timing regarding Jefferies' analysis. All members of the PAGP GP board were in attendance, as well as members of PAA management and representatives of Jefferies and Baker Botts. The authorized sub-group of the PAGP GP board provided an update to the full board regarding their process in selecting legal and financial advisors. Baker Botts advised the board on its fiduciary duties and provided preliminary thoughts on the process by which the board should evaluate the transaction. The PAGP GP board then discussed with representatives of Jefferies the financial analysis undertaken by Jefferies to date. At the meeting, the PAGP GP board agreed that each meeting of the PAGP GP board during the process should include an executive session without Mr. Armstrong or other members of management present. Following such discussion, all members of PAA management, including Mr. Armstrong, left the meeting, and the remaining PAGP GP board members, representatives of Baker Botts and representatives of Jefferies further discussed the process and timing regarding Jefferies' analysis. The meeting concluded with the PAGP GP board requesting Jefferies to continue its work and to provide an update to the board on June 13, 2016.

On June 7, 2016, on behalf of the PAGP GP board, Jefferies requested a sensitivity analysis (the "**June Sensitivity Analysis**") to the Hybrid Forecast Case to better understand how recent improvements in well performance and increases in activity in specific oil producing basins impacted the Hybrid Forecast Case. The June Sensitivity Analysis was provided by PAA management to Jefferies on June 9, 2016.

During the week of June 6, 2016, Messrs. Temple, Petersen and Symonds selected Tudor, Pickering, Holt & Co. ("**TPH**") as financial advisor to the PAA Conflicts Committee, conditioned upon the formation of the PAA Conflicts Committee by the GP LLC board. From June 9 through June 16, 2016, PAA management provided due diligence materials, including the Steps Memo, the June Sensitivity Analysis and the other Financial Forecasts, to TPH and RLF, and held due diligence meetings with representatives of TPH and RLF at the request of the PAA Conflicts Committee.

On June 13, 2016, the PAGP GP board held a telephonic meeting. All members of the PAGP GP board were in attendance, as well as representatives of management, Baker Botts and Jefferies. At the meeting, representatives of Jefferies delivered a presentation regarding the results of certain of Jefferies' financial analyses to date, and the PAGP GP board discussed the results of Jefferies' analyses

Table of Contents

and related considerations. Following such discussion, all members of PAA management, including Mr. Armstrong, left the meeting, and the remaining PAGP GP board members met in executive session with Baker Botts and Jefferies. While in executive session, the PAGP GP board discussed the key terms of a potential proposal for a PAA Simplification to be submitted to the GP LLC board, as well as the optimum strategy to achieve the desired result. Mr. Armstrong then rejoined the meeting and the non-management directors presented a summary of their desired terms to be included in an initial proposal to the PAA Conflicts Committee. The PAGP GP board also requested that Jefferies prepare additional financial analyses relating to the "Downside" case contained in the Financial Forecasts.

Also on June 13, 2016, after its meeting, the PAGP GP board submitted a written proposal for a PAA Simplification to the GP LLC board (the "**Initial Proposal**"). The Initial Proposal provided that (i) AAP would agree to the GP Conversion and IDR Redemption in exchange for the issuance by PAA of 0.415 PAA Common Units in respect of each outstanding AAP Unit (on a fully diluted basis assuming the conversion of all outstanding AAP Management Units), which equated to 271,309,837 PAA Common Units, with the understanding that if the GP LLC board desired to pursue a PAA Simplification with a lower exchange ratio, the PAGP GP board would only be willing to consider such a transaction with the addition of CVRs that provided future upside for AAP's equity owners; (ii) PAA would reduce its targeted distribution level for its units to an annualized amount of \$2.20 per PAA Common Unit and would manage future distribution amounts with the goal of maintaining minimum distributable cash flow coverage levels of 1.15x; and (iii) PAGP, AAP and PAA would negotiate and agree upon other related terms, as well as definitive documentation that would not include a "lock-up" agreement that would restrict holders of AAP units from redeeming and selling their proportionate share of the PAA Common Units to be received by AAP in connection with the simplification transaction and would include registration rights in favor of the existing AAP equity owners with respect to such PAA Common Units. Consistent with the Steps Memo, the Initial Proposal presumed the assumption by PAA of up to \$593 million of debt (less any cash on the balance sheet of AAP at the time of closing) pursuant to the AAP Credit Agreement, though this was not explicitly stated in the Initial Proposal. It was further understood by the PAGP GP board that the PAGP GP board designation rights of existing owners and the "trigger date" concept for the election of directors was to be preserved, with the "trigger date" defined as the date at which the overall direct and indirect economic interest of the Initial Owners and their permitted transferees in AAP falls below 40%, though this was not explicitly stated in the Initial Proposal.

On June 14, 2016, a special meeting of the GP LLC board was held to establish the PAA Conflicts Committee and make appropriate delegations to the PAA Conflicts Committee regarding the Initial Proposal. The members of the GP LLC board discussed the role of, and the criteria for membership on, the PAA Conflicts Committee. Richard McGee, General Counsel of GP LLC, led a discussion regarding the establishment of the PAA Conflicts Committee, which included: (a) a review of the requirements under the PAA partnership agreement and GP LLC limited liability company agreement; and (b) confirmation of pertinent information relating to the independence of each of the independent directors of GP LLC. After confirming the independence and qualification of Messrs. Temple, Petersen and Symonds, the GP LLC board appointed each of such individuals as members of the PAA Conflicts Committee, with Mr. Temple as chairman, and delegated full power and authority of the GP LLC board to the PAA Conflicts Committee to, among other things:

review and evaluate the Initial Proposal, on behalf of PAA and the public holders of PAA Common Units;

negotiate, or delegate to any person or persons the authority to negotiate on behalf of PAA, the terms and conditions of the Initial Proposal and the simplification transaction contemplated thereunder;

Table of Contents

determine whether or not to grant Special Approval pursuant to Section 7.9 of the PAA partnership agreement, and approval pursuant to Section 5.5(b) of the limited liability company agreement of GP LLC, with respect to the proposed simplification transaction; and

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

On June 16, 2016, PAA management and V&E provided a tax presentation to TPH and Jefferies that outlined the risk of a termination of PAA for tax purposes as well as some potential structural mitigants that would lessen the chances that a termination would take place. On June 17, 2016, PAA management sent an illustrative tax model to TPH and Jefferies further describing the risks and impacts of a tax termination.

On June 16, 2016, PAA management and V&E met with the PAA Conflicts Committee, TPH and RLF and discussed, and answered questions with respect to, the Steps Memo, the Financial Forecasts and other aspects of the proposed simplification transaction.

On June 17, 2016, V&E circulated to Baker Botts initial drafts of a simplification agreement and certain other transaction documents that would be entered into in connection with the potential simplification transaction using the PAA Simplification structure (the "**Definitive Agreements**"). Between June 17, 2016 and July 11, 2016, Baker Botts and V&E had several discussions and legal negotiations regarding the drafts of such Definitive Agreements.

From June 15 to June 20, the PAA Conflicts Committee held a series of meetings to discuss and consider the Initial Proposal and the proposed simplification transaction with TPH and RLF in attendance. On June 20, 2016, the PAA Conflicts Committee responded to the PAGP GP board's Initial Proposal with a written counter-proposal (the "**First Counter Proposal**"). The First Counter Proposal provided that (i) PAA would agree to issue 210,854,271 PAA Common Units (while the First Counter Proposal did not specify an exchange ratio, it implied an exchange ratio of 0.3225 PAA Common Units for each AAP Unit) and to assume up to \$593 million of debt (less any cash on the balance sheet of AAP at the time of closing) under the AAP Credit Agreement in exchange for AAP agreeing to the GP Conversion and IDR Redemption, (ii) no CVRs would be issued, (iii) to the extent that new redemption rights were to be created to enable AAP owners to redeem their AAP Units in exchange for their pro rata interest in PAA Common Units held by AAP, the Definitive Agreements would contain "lock up" provisions that would require AAP to retain (A) at least 80% of the PAA Common Units received by AAP for one year following the closing of the simplification transaction and (B) at least 45% of the PAA Common Units received by AAP for the second year following the closing of the simplification transaction; (iv) to the extent that PAGP GP desired to have a unified board structure such that the PAGP GP board would also function as the board of directors of PAA, the PAA Conflicts Committee was still considering the merits of such a structure but provided the following observations: (A) the independent members of the GP LLC board should become members of the PAGP GP board and (B) following the "trigger date" (as defined in the organizational documents of PAGP GP), the holders of PAA Common Units would have the right to participate in the election of directors to the PAGP GP board and (v) the PAA Conflicts Committee acknowledged that certain parties to the simplification transaction would enter into an omnibus agreement providing for economic alignment among PAA, PAGP and AAP and appropriate documentation to ensure that the approval of PAGP shareholders would be obtained.

On June 21, 2016, PAA management circulated a presentation outlining potential benefits of a simplification transaction to Jefferies and TPH, with such benefits including (i) improved alignment between the PAGP and PAA equityholders, (ii) lowered equity cost of capital and enhanced ability to deploy incremental capital, (iii) valuations and trading multiples being more in line with peer

Table of Contents

companies, and (iv) improved perception of the combined entities by credit rating agencies. The presentation also included a framework for quantifying the potential benefits of a simplification transaction to both sets of equity holders at various exchange ratios.

Later in the day on June 21, 2016, the PAGP GP board held a telephonic meeting. All members of the PAGP GP board were in attendance, as well as representatives of management, Baker Botts and Jefferies. The PAGP GP board, with the assistance of Baker Botts and Jefferies, reviewed the terms of the Initial Proposal and the First Counter Proposal. Representatives of Jefferies then delivered a presentation regarding the results of certain of Jefferies' financial analyses, including analyses relating to the First Counter Proposal, and the PAGP GP board discussed the results of Jefferies' analyses and related considerations. Baker Botts then provided the PAGP GP board with (i) an overview of the proposed simplification transaction, including a discussion of transaction steps, governance issues and key documentation, (ii) an overview of material tax matters related to the proposed simplification transaction, including an overview of the tax treatment of possible alternative transactions considered by PAGP, and (iii) advice regarding the fiduciary duties of the PAGP GP board. Following such discussion, all members of PAA management, including Mr. Armstrong, left the meeting, and the remaining PAGP GP board members met in executive session with representatives of Baker Botts and Jefferies. While in executive session, the non-management directors of the PAGP GP board discussed reactions to the First Counter Proposal and the strategy for responding to the First Counter Proposal. After this discussion, Mr. Armstrong returned to the meeting and the full board continued its discussion. After a discussion, the full PAGP GP board agreed to present the Second Counter Proposal described below to the PAA Conflicts Committee.

After its meeting, the PAGP GP board responded with a written counter-proposal (the "**Second Counter Proposal**"). The Second Counter Proposal provided that while the PAGP GP board did not consider the First Counter Proposal received from the PAA Conflicts Committee to be a constructive starting point for negotiations, the PAGP GP board was willing to modify its Initial Proposal to provide that AAP would agree to the GP Conversion and IDR Redemption in exchange for the issuance by PAA of 0.405 PAA Common Units in respect of each outstanding AAP Unit, which equated to 264,772,251 PAA Common Units. The Second Counter Proposal assumed a reduction in the PAA quarterly distribution to \$2.20 per PAA Common Unit on an annualized basis and a target minimum distributable cash flow coverage level of 1.15x. The PAGP GP board noted in the Second Counter Proposal (i) that it reserved the right to introduce CVRs as a form of earn-out currency to bridge any additional requests for reduction to the exchange ratio, (ii) that its proposal assumed the assumption by PAA of up to \$593 million of debt outstanding (less any cash on the balance sheet of AAP at the time of closing) pursuant to the AAP Credit Agreement; and (iii) its belief that time was of the essence and its desire to reach agreement regarding a simplification on or before July 11, 2016. To the extent that a further reduction in the exchange ratio was to be requested, the PAGP GP board requested a meeting with the PAA Conflicts Committee and a representative of TPH as soon as possible, and as early as June 22, 2016.

On June 22, 2016, at the request of Jefferies and TPH, PAA management prepared and circulated to such advisors a presentation (i) clarifying management's view regarding the financial projections that should be considered by the PAGP GP board, the PAA Conflicts Committee and their respective advisors in connection with the proposed simplification transaction (such projections being four Financial Forecast cases consisting of the "Downside," "Hybrid," "June Sensitivity," and "Upside" cases previously provided), (ii) setting forth PAA management's beliefs regarding the appropriate long-term (post-2021) perpetual distributable cash flow growth rate range to assume in the status quo case scenario (i.e., assuming no simplification transaction), and (iii) setting forth PAA management's thoughts regarding appropriate assumptions for post-simplification benefits in the form of incremental investment opportunities and a reduced trading yield.



Table of Contents

On June 22 and June 23, 2016, the PAA Conflicts Committee held multiple meetings to discuss and consider the Second Counter Proposal and the potential simplification transaction with TPH and RLF in attendance. On June 23, 2016, the PAA Conflicts Committee responded to the Second Counter Proposal with a written counter proposal (the "*Third Counter Proposal*"). The Third Counter Proposal provided that PAA would agree to issue 217,432,617 PAA Common Units (while the Third Counter Proposal did not specify an exchange ratio, it implied an exchange ratio of 0.3326 PAA Common Units for each AAP Unit) and to assume up to \$593 million of debt (less any cash on the balance sheet of AAP at the time of closing) under the AAP Credit Agreement in exchange for AAP agreeing to the GP Conversion and IDR Redemption. In the Third Counter Proposal, the PAA Conflicts Committee noted that its offer assumed the simplification transaction (i) would not include the issuance of any CVRs and (ii) would be consummated in connection with a reduction in the current PAA distribution to an annualized amount in the range of \$2.00 to \$2.20 per PAA Common Unit and a target minimum distributable cash flow coverage level of 1.15x. In its response, the PAA Conflicts Committee advised that it did not believe a meeting with representatives of the PAGP GP board would be productive at that time.

Also on June 23, 2016, while in Los Angeles on other business, Mr. Armstrong and two other members of PAA management met with Mr. Sinnott and another KA principal and briefly discussed the status of discussions between the PAGP GP board and the PAA Conflicts Committee regarding a potential simplification transaction. Mr. Armstrong indicated that if current discussions did not result in meaningful progress soon, he was considering recusing himself from participating in PAGP GP board deliberations and devoting his efforts to working with both parties to advance the discussions.

Also on June 23, 2016, V&E circulated revised drafts of the Definitive Agreements to Baker Botts and representatives and advisors of the Principal GP Owners. Such parties and V&E reviewed and discussed various drafts.

On June 24, 2016, Jefferies provided the PAGP GP board with supplemental materials that included a contribution analysis under each of the Financial Forecast cases on a status quo basis and an analysis of the aggregate benefits to both PAA and AAP equityholders that could potentially result from a simplification transaction. In addition, Jefferies undertook to analyze potential CVR structures in the event that CVRs were ultimately required to bridge a potential valuation gap between the PAA Conflicts Committee and the PAGP GP board.

On June 26, 2016, in recognition of the fact that negotiations between the PAGP GP board and the PAA Conflicts Committee had reached an impasse and in an effort to identify a path forward, Mr. Armstrong contacted Mr. Raymond of EMG. Mr. Armstrong indicated to Mr. Raymond that while the parties were at an impasse regarding the consideration to be paid by PAA for the proposed transaction, it appeared both parties were in agreement regarding the need to reduce PAA's common unit distribution to an annualized level of \$2.20 per unit and the need to manage distributions going forward with the goal of maintaining minimum distributable cash flow coverage levels of 1.15x. Accordingly, Mr. Armstrong indicated to Mr. Raymond that these adjustments would address his key concerns as Chief Executive Officer of PAA responsible for looking out for the best interests of the organization as a whole, and that he believed it made more sense at that point in the process for Mr. Armstrong to excuse himself from any PAGP GP board deliberations or votes on the proposed simplification transaction and instead focus his efforts on trying to help both parties determine whether there was a mutually acceptable transaction that they could agree upon. Mr. Raymond expressed his support for Mr. Armstrong assuming such a role in the discussions between the parties. Through contacts made by Mr. McGee to representatives of RLF on June 24, 2016, the idea of Mr. Armstrong assuming such a role and the rationale therefor was communicated to the PAA Conflicts Committee; the PAA Conflicts Committee convened a telephonic meeting, and following discussions with representatives of TPH and RLF, concluded that it supported the proposed approach. RLF communicated this support to PAA management through Mr. McGee, and RLF and Mr. McGee

Table of Contents

tentatively agreed, subject to confirmation of schedules, that Mr. Armstrong would meet with the PAA Conflicts Committee and its advisors telephonically on the afternoon of June 27, 2016 to begin discussions regarding resolution of the impasse between the parties.

On June 27, 2016, Mr. Armstrong sent separate e-mails to the PAGP GP board and the PAA Conflicts Committee formally advising them that in light of the impasse between the parties and in an effort to facilitate a potential solution, he would be focusing his efforts on trying to help both parties determine whether there was a mutually acceptable transaction that they could agree upon. The e-mails repeated the background and rationale for the assumption of such role by Mr. Armstrong as separately discussed with Mr. Raymond and the PAA Conflicts Committee (via communications between Mr. McGee and RLF). Mr. Armstrong also included in each email an attachment that set forth his thoughts on the most critical considerations for each party and its stakeholders (which included certain considerations shared by both parties as well as considerations specific to the applicable party) and indicated that he would be reaching out to each party to discuss and provide his thoughts as Chief Executive Officer on the materials provided.

Also on June 27, 2016, following up on his desire to meet with each of the parties and their respective advisors, Mr. Armstrong met with representatives of Jefferies, had separate conversations with certain members of the PAGP GP board and, together with other members of PAA management, had a telephonic meeting with the PAA Conflicts Committee and their legal and financial advisors. In each case, he discussed the impasse in the negotiation process as well as the materials previously provided regarding the most critical considerations for each of the parties, and he tried to gain a better understanding of the priorities and potential flexibility of each party regarding the key deal points. The parties also agreed to have a mediated negotiation session with Mr. Armstrong on the afternoon of June 28, 2016.

During the week of June 27, 2016, V&E circulated drafts of the Definitive Agreements to RLF. RLF and V&E subsequently reviewed and discussed such drafts.

On the morning of June 28, 2016, in preparation for the mediated negotiation session scheduled for later that day, Mr. Armstrong sent both parties and their respective advisors an outline of proposed transaction terms (the "**June 28 Transaction Outline**") that he believed were fair to the constituencies of both parties and good for the combined organization as a whole. The June 28 Transaction Outline set forth the following proposed terms for consideration by the parties:

the assumption that any simplification transaction would take place in the context of a reduction by PAA of its targeted PAA Common Unit distribution to an annualized amount of \$2.20 per PAA Common Unit and, beginning in 2018 and subject to the applicable duties and judgment of the GP LLC board at the time, an intent to manage future distributions with the goal of maintaining a minimum coverage ratio of 1.15x;

the exchange by AAP of its IDRs and the economic portion of its 2% general partner interest in exchange for either (A) 250 million PAA Common Units (which implied an exchange ratio of 0.3824 PAA Common Units per AAP Unit) or (B) 240 million PAA Common Units (which implied an exchange ratio, excluding the impact of any CVRs, of 0.3671 PAA Common Units per AAP Unit) plus 25 million CVRs that would vest and be convertible into PAA Common Units on a one for one basis over a 3-5 year period based on either distribution (target distribution per PAA unit) or market based (\$ per PAA unit) mechanisms, as applicable, with the thresholds being based on the June Sensitivity Case forecasts for the third, fourth and fifth years following the closing;

the assumption by PAA of AAP's debt (less any available cash at closing);

the retention by the holders of the AAP Units of their existing right to exchange their units for Class A shares on a one for one basis, and the receipt by such owners (other than PAGP) of a

Table of Contents

redemption right that would allow them to cause AAP to redeem their AAP Units in exchange for their pro rata interest in PAA Common Units held by AAP; provided that such owners would agree, for the first twelve month period following closing, to refrain from exercising such redemption right with respect to at least 57% of the total number of PAA Common Units to be issued to AAP at closing (with the ownership interest of PAGP counting towards such 57% requirement); and

governance arrangements that included (A) a unified governance structure under which the PAGP GP board would essentially function as the governing body of both PAGP and PAA, with the size of the PAGP GP board being expanded to a size of at least 10 members and such board retaining the flexibility to convene a conflicts committee of PAA in the event of conflicts between PAA and PAGP, (B) the right on the part of PAA Common Unitholders to participate in the election of directors of the PAGP GP board following the "trigger date" (defined generally in the current governing documents for PAGP as the date on which the economic interest of the initial private owners of AAP Units as of the date of PAGP's initial public offering in 2013 dropped below 40%, subject to certain adjustments), (C) the amendment of the trigger date definition to provide that such date would not occur any later than two years following the closing date, and (D) the retention by the Principal GP Owners of their board designation rights.

On the afternoon of June 28, 2016, the parties convened at PAA's offices for a negotiation session mediated by Mr. Armstrong. Messrs. Raymond, Shackouls and Burk, together with representatives of Jefferies and Baker Botts, were present in person on behalf of the PAGP GP board, while Mr. Figlock participated by phone. Messrs. Sinnott and Goyanes did not attend but had been briefed before the meeting and provided authorization to Mr. Raymond to speak on their behalf as to the terms they would be willing to support. Messrs. Temple and Symonds, together with representatives of TPH, were present in person on behalf of the PAA Conflicts Committee, while Mr. Petersen and representatives of RLF participated by phone. Other than Mr. Armstrong, no members of PAA management participated in the meetings. Throughout the afternoon, Mr. Armstrong met separately with each group, shuttling back and forth as discussions warranted in an effort to break the impasse between the parties and assess their willingness to agree to the terms set forth in the June 28 Transaction Outline. During the course of such back-and-forth discussions, the PAA Conflicts Committee indicated a willingness to accept the terms set forth in the June 28 Transaction Outline, provided that the PAA Common Unit consideration to be paid by PAA would total 240 million PAA Common Units (with no CVRs), and the trigger date would be modified to occur upon closing of the transaction (accelerating the right of PAA's Common Unitholders to participate in director elections at the PAGP GP board level). Following extensive deliberations, the PAGP GP board countered that it would be willing to accept the terms set forth in the June 28 Transaction Outline as proposed to be modified by the PAA Conflicts Committee provided that the PAA Common Unit consideration to be paid by PAA as a part of the transaction totaled 245.5 million PAA Common Units (which implied an exchange ratio of 0.3755 PAA Common Units per AAP Unit). The PAA Conflicts Committee indicated it would be willing to agree to such terms. The parties agreed to instruct their respective advisors and counsel to work to negotiate and finalize Definitive Agreements consistent with such terms and as otherwise outlined in the Steps Memo.

From June 30, 2016 through July 11, 2016, all parties, including the PAA Conflicts Committee, the PAGP GP board and the Principal GP Owners, and their representatives exchanged multiple drafts of the Transaction documents and negotiated definitive terms of the agreements to effect the proposed transaction.

On July 7 and July 11, 2016, the PAA Conflicts Committee held telephonic meetings with its advisors in attendance to discuss the simplification transaction and the Transaction Documents. On July 11, 2016, following a discussion regarding the simplification transaction and the Transaction Documents among the members of the PAA Conflicts Committee with the assistance of TPH and RLF, the PAA Conflicts Committee approved the proposed simplification transaction (including the Transaction Documents) on behalf of PAA upon the terms and conditions set forth in the Transaction Documents.

Table of Contents

On July 8, 2016, the PAGP GP board held a telephonic meeting. All members of the PAGP GP board were in attendance, as well as representatives of management, Baker Botts and Jefferies. At the meeting, representatives of Jefferies delivered a presentation regarding the financial analyses underlying Jefferies' fairness opinion, which analyses and opinion are discussed in more detail in "Opinion of the Financial Advisor to the PAGP GP Board". Baker Botts then provided the PAGP GP board with an update to Baker Botts' June 21, 2016 presentation based on the revised drafts of the Transaction Documents and continued discussion among the parties and discussed (i) key features of the proposed simplification transaction, (ii) the tax treatment of the proposed simplification transaction and (iii) a summary of the key Transaction Documents including the various amendments to the governing documents of the Plains Entities. After such discussions, representatives of Jefferies delivered Jefferies' oral opinion to the PAGP GP board, which was confirmed by delivery of its written opinion on July 11, 2016, to the effect that, based upon and subject to the various assumptions made, procedures followed, matters considered and limitations on the review undertaken as set forth in its written opinion, as of the date of such opinion, the PAA Common Unit Consideration was fair, from a financial point of view, to each of PAGP, the holders of Class A shares (other than PAGP GP and such holders who are also holders of Class B shares) and the holders of AAP Units. For purposes of Jefferies' opinion, "PAA Common Unit Consideration" refers to the 245,500,000 common units of PAA representing limited partner interests in PAA to be issued by PAA to AAP.

On July 11, 2016, the PAGP GP board held a telephonic meeting with representatives of Baker Botts and Jefferies present, in addition to members of management. Jefferies delivered its written opinion to the PAGP GP board to the effect that, based upon and subject to the various assumptions made, procedures followed, matters considered and limitations on the review undertaken as set forth in its written opinion, as of July 11, 2016, the PAA Common Unit Consideration was fair, from a financial point of view, to each of PAGP, the holders of Class A shares (other than PAGP GP and such holders who are also holders of Class B shares) and the holders of AAP Units. Jefferies' fairness opinion is discussed in more detail in "Opinion of the Financial Advisor to the PAGP GP Board". Baker Botts provided an update on the final resolution of the key Transaction Documents and reviewed the resolutions that the PAGP GP board would be asked to approve in connection with the Transactions.

The PAGP GP board then unanimously (i) determined in good faith that the Transactions, including the Simplification Agreement and the transactions contemplated thereby on the terms and conditions set forth in the Transaction Documents, are (a) fair and reasonable to PAGP and the holders of Class A shares, (b) in, or not opposed to, the best interests of PAGP and (c) in, or not opposed to, the best interests of the holders of Class A shares; (ii) (a) approved, on behalf of PAGP GP, in its individual capacity and in its capacity as the general partner of PAGP, in its individual capacity and in its capacity as the sole member of GP LLC, the Transactions upon the terms and conditions set forth in the Transaction Documents, and the Transaction Documents, and (b) recommended that the holders of Class A shares and Class B shares approve the Simplification Agreement and the Transactions; (iii) on behalf of PAGP GP, in its capacity as the general partner of PAGP, in its capacity as the sole member of GP LLC, consented to and approved the Transactions, upon the terms and conditions set forth in the Transaction Documents, to the extent required by the GP LLC Agreement (including Section 5.9 thereof) and for all other purposes; and (iv) on behalf of PAGP GP, in its capacity as the general partner of PAGP, determined that each of the amendments to the PAGP Partnership Agreement set forth in the A&R PAGP Partnership Agreement either (a) does not adversely affect the limited partners of PAGP (including any particular class of Partnership Interests (as such term is defined in the PAGP Partnership Agreement) as compared to other classes of Partnership Interests) in any material respect (taking into account the overall net impact of the proposed change or amendment), (b) is necessary or appropriate in connection with the authorization of issuance of the Class C shares, which constitute a class or series of Partnership Interests authorized and issued pursuant to Section 5.5 of the PAGP Partnership Agreement or (c) is required to effect the intent expressed in the Registration Statement (as such term is defined in the PAGP Partnership

Table of Contents

Agreement) or the intent of the provisions of the PAGP Partnership Agreement or is otherwise contemplated by the PAGP Partnership Agreement, and in such capacity approved and adopted each of the amendments to the PAGP Partnership Agreement set forth in the A&R PAGP Partnership Agreement.

On July 11, 2016, the Simplification Agreement and Voting Agreement were executed and on the same day, PAA and PAGP issued a joint press release announcing the Transactions.

**Unaudited Financial Projections of PAA**

Neither PAA nor PAGP routinely publishes projections as to long-term future performance or earnings. However, in light of the Plains Entities' evaluation of a potential simplification transaction, management of PAA and PAGP prepared and provided to the PAGP GP board and its financial advisor, Jefferies, certain financial forecast cases relating to the future performance of PAA. Summary information relating to these forecasts is included in this proxy statement only because the information was considered by the PAGP GP board and its financial advisor in performing due diligence and evaluating the PAA Recapitalization and the related Transactions. For a discussion of Jefferies' fairness opinion and certain of the analyses underlying that fairness opinion, please read "Opinion of the Financial Advisor to the PAGP GP Board" beginning on page 60 below.

*The forecast cases presented below are forward-looking statements and are subject to material risks and uncertainties. Neither PAGP nor PAA intends to make publicly available any update or other revisions to the forecast cases to reflect circumstances existing after the date of their preparation. The inclusion of the forecast cases in this proxy statement should not be regarded as an indication that PAGP, PAA, the PAGP GP board, PAGP's financial advisor or their respective representatives considered the forecast cases as predictive of actual or future events or that the forecast cases should be relied on for that purpose. In light of the uncertainties inherent in any projected data, PAGP shareholders are cautioned not to place undue reliance on the forecasts presented below.*

The forecasts presented below were not prepared with a view toward public disclosure or toward compliance with generally accepted accounting principles ("**GAAP**"), the published guidelines of the Securities and Exchange Commission (the "**SEC**") or the guidelines established by the American Institute of Certified Public Accountants regarding projections or forecasts, but, in the view of PAGP and PAA management, were prepared on a reasonable basis that reflects appropriate estimates and judgments based on the facts and circumstances existing at the time the forecasts were prepared, and presented as of such time, in the good faith opinion of PAGP and PAA management, the expected course of action and the expected future financial performance of PAA, based on the assumptions underlying the related forecast case.

The prospective financial information included in this proxy statement has been prepared by, and is the responsibility of, PAGP and PAA management. Neither PricewaterhouseCoopers LLP ("**PwC**") nor any other independent registered public accounting firm has compiled, examined or performed any procedures with respect to the forecasts, nor has PwC expressed any opinion or any other form of assurance on such information or its achievability, and PwC assumes no responsibility for, and disclaims any association with, the forecasts. The PwC reports incorporated by reference into this proxy statement relate to historical financial information of PAA and PAGP, respectively. Such reports do not extend to the forecasts included below and should not be read to do so.

The financial forecasts were prepared solely for internal use to assist in the evaluation of a potential simplification transaction. Such internal financial forecasts are inherently subjective in nature, susceptible to interpretation and accordingly such forecast results may not be achieved. While presented with numerical specificity, the unaudited financial projections reflect numerous estimates and assumptions made by PAGP and PAA management with respect to PAA's future performance under various industry scenarios as well as assumptions for competition, general business, economic, market

Table of Contents

and financial conditions and matters specific to PAA's business, all of which are difficult to predict and many of which are beyond the preparing parties' control. Accordingly, there can be no assurance that the assumptions made in preparing any particular financial forecast case upon which the foregoing projected financial information was based will prove accurate. There will be differences between actual and forecasted results, and the differences may be material. The risk that these uncertainties and contingencies could cause the assumptions to fail to be reflective of actual results is further increased due to the length of time in the future over which these assumptions apply. The assumptions in early periods have a compounding effect on the projections shown for the later periods. Thus, any failure of an assumption to be reflective of actual results in an early period would have a greater effect on the projected results failing to be reflective of actual events in later periods. While the PAGP GP board and its advisors used the following forecasts as a tool in evaluating the various simplification transactions and performing due diligence related thereto, it and its advisors did so with a thorough understanding of the foregoing limitations.

In order to provide the PAGP GP board and its financial advisor with management's view of the likely performance of PAA in a variety of industry and market conditions, management of PAGP and PAA developed four separate forecast cases, referred to as the "Downside Case," the "Hybrid Case," the "June Sensitivity Case" and the "Upside Case." In addition to the general caution applicable to financial forecasts described in the paragraph above, these different cases should generally be viewed as mutually exclusive; to the extent that one case proves to have been more accurate at the time prepared, the other cases will naturally prove to be less accurate.

In developing each forecast case, PAGP and PAA management made numerous material assumptions with respect to PAA's business and operations and the broader oil and gas industry for the periods covered by such projections, including:

timing of a recovery in oil and gas drilling and completion activity under a variety of commodity price scenarios;

the level of oil and gas drilling and completion activity under a variety of commodity price scenarios, including completion of drilled but uncompleted wells;

potential productivity gains associated with improvement in drilling and completion techniques;

cash flow from existing assets and business activities;

organic growth capital investments and the amount and timing of related costs and potential economic returns as well as the impact of potential asset sales;

the amount of maintenance and growth capital expenditures;

outstanding debt during applicable period and the availability and cost of equity and debt capital;

expected distribution payment methods and the impact of potential conversion of PAA's Series A Preferred Units;

appropriate levels of distribution coverage and total leverage at PAA; and

other general business, market and financial assumptions.

In developing each financial forecast case, management made various key assumptions regarding the timing and velocity of a resumption in domestic drilling and completion activity and resulting crude oil production levels in order to analyze a variety of potential operating environments. In all cases, it was assumed that the crude oil focused drilling rig count recovered from March and April 2016 levels of around 350 rigs to approximately 850 to 1,000 rigs. However, each case assumed a different pace and timing of recovery in both rig activity as well as in the rate of completion of the current drilled and uncompleted well inventory. The various financial forecasts therefore reflect management's view of



Table of Contents

PAA's potential financial performance under a variety of crude oil and natural gas production scenarios. A summary of the material assumptions made by management for each forecast case, including assumptions regarding the timing and velocity of a resumption in domestic drilling activity and resulting crude oil production levels, is provided below. Material assumptions that are common to each financial forecast case include (i) a forward distribution policy based on targeted distribution coverage of at least 1.15x and targeted long-term debt to EBITDA multiple of 3.75x, (ii) except as otherwise noted below for the Upside Case, no acquisitions were forecasted and organic growth capital expenditures of \$523 million, \$283 million, \$237 million, \$167 million, and \$81 million were assumed for the years 2017-2021, respectively, (iii) maintenance capital expenditures were held relatively constant at a level of approximately \$215-230 million per year, and (iv) a cost of debt at approximately 5.5-6.0% was assumed.

**"Downside Case"**: reflects assumptions that the recovery in activity occurred over an eight quarter period beginning in the first quarter of 2018 (essentially a "lower for longer" scenario).

**"Hybrid Case"**: reflects assumptions that the recovery in activity occurred over a six quarter period beginning in the third quarter of 2017.

**"June Sensitivity Case"**: developed in June 2016 and modified the Hybrid Case primarily to (i) include updates to projected well performance assumptions and (ii) increase near-term activity levels in select onshore crude oil basins.

**"Upside Case"**: reflects assumptions that the recovery in activity occurred over a four quarter period beginning in the first quarter of 2017, resulting in the highest relative long-term crude oil production forecast. This case also included an incremental \$250 million of capital investment opportunities beginning in 2018 relative to the other cases.

**PAA Unaudited Financial Projections**

**Downside Case**

	Year Ending December 31,				
	2017	2018	2019	2020	2021
	(\$ in billions)				
Adjusted EBITDA	\$ 2.4	\$ 2.6	\$ 2.7	\$ 2.8	\$ 2.9
Implied DCF	\$ 1.6	\$ 1.9	\$ 1.9	\$ 2.0	\$ 2.1
DCF per LP Unit	\$ 2.67	\$ 2.70	\$ 2.78	\$ 2.86	\$ 2.96

**Hybrid Case**

	Year Ending December 31,				
	2017	2018	2019	2020	2021
	(\$ in billions)				
Adjusted EBITDA	\$ 2.4	\$ 2.7	\$ 2.9	\$ 3.1	\$ 3.2
Implied DCF	\$ 1.7	\$ 2.0	\$ 2.1	\$ 2.3	\$ 2.4
DCF per LP Unit	\$ 2.75	\$ 2.81	\$ 2.98	\$ 3.12	\$ 3.23

**June Sensitivity Case**

	Year Ending December 31,				
	2017	2018	2019	2020	2021
	(\$ in billions)				
Adjusted EBITDA	\$ 2.5	\$ 2.8	\$ 3.0	\$ 3.1	\$ 3.3
Implied DCF	\$ 1.8	\$ 2.0	\$ 2.2	\$ 2.3	\$ 2.5
DCF per LP Unit	\$ 2.82	\$ 2.87	\$ 3.07	\$ 3.21	\$ 3.33





Table of ContentsUpside Case

	Year Ending December 31,				
	2017	2018	2019	2020	2021
	(\$ in billions)				
Adjusted EBITDA	\$ 2.6	\$ 3.2	\$ 3.3	\$ 3.5	\$ 3.6
Implied DCF	\$ 1.9	\$ 2.4	\$ 2.5	\$ 2.6	\$ 2.8
DCF per LP Unit	\$ 3.01	\$ 3.26	\$ 3.40	\$ 3.53	\$ 3.67

In addition to the forecast cases described above, PAA and PAGP management also shared with the PAGP GP board and its financial advisor that it believed PAA will have the ability to capture additional investment opportunities (acquisitions and organic investments) following the closing of a mutually beneficial simplification transaction relative to the status quo due to the anticipated material reduction in PAA's pro forma marginal cost of capital. To estimate these potential benefits, management suggested that the PAGP GP board and its financial advisor consider the following incremental investment sensitivities:

\$500 million to \$1.0 billion of incremental annual investment opportunities (organic investment, acquisitions, or a combination thereof) at an 8.5x unlevered DCF multiple in 2018+; or

a \$5.0 billion acquisition in 2018 at various LP yields; and

at least a 1.0% post-closing reduction in PAA's distribution yield.

As used in the tables above, (i) Adjusted EBITDA represents earnings (total net revenue, less operating expenditures and general and administrative expenses) before interest expense, taxes, depreciation and amortization, and equity indexed compensation plan charges, (ii) implied distributable cash flow ("*Implied DCF*") is defined as Adjusted EBITDA less cash interest expense, maintenance capital expenditures, current income taxes, equity earnings net of distributions, and distributions to non-controlling interests and (iii) DCF per LP Unit is defined as Implied DCF per outstanding PAA common unit, assuming the conversion of all of PAA's Series A Preferred Units on January 1, 2018 and calculated on a fully-distributed basis in accordance with the contractual terms of PAA's partnership agreement.

**Rationale for the Transactions**

In reaching its decision to approve the Transactions and the Transaction Documents, the PAGP GP board consulted with its legal and financial advisors and considered the following factors, among others:

as a result of the elimination of the IDRs, PAA's cost of equity capital will be reduced, which should improve PAA's valuation relative to its peers and enhance PAA's ability to compete for incremental capital opportunities (including organic investments and third party acquisitions) to drive future growth;

the Transactions simplify PAA's capital structure, improve alignment between equity classes of each of PAA and PAGP and reduce the complexity of the governance structure of the Plains Entities, thereby enhancing understanding and transparency for PAA and PAGP investors;

together with PAA's proposed reduction of its common unit distribution to \$0.55 per common unit commencing with the distribution to be paid in November 2016, the PAA Recapitalization will significantly improve PAA's annual distribution coverage and enhance PAA's credit profile;

the mitigating effect of the Transactions on the planned reductions in distributions of available cash to Class A Shareholders beginning in the third quarter of 2016;

the Transactions will allow the Plains Entities to maintain the tax efficient flexibility of their current organizational structure;

Table of Contents

the financial analysis reviewed and discussed with the PAGP GP board by representatives of Jefferies as well as the opinion rendered by Jefferies to the PAGP GP board (orally on July 8, 2016 and in writing on July 11, 2016) to the effect that, based upon and subject to the various assumptions made, procedures followed, matters considered and limitations on the review undertaken as described more fully in " Opinion of the Financial Advisor to the PAGP GP Board" beginning on page 60 below, as of the date of such written opinion, the issuance of 245,500,000 PAA Common Units to AAP pursuant to the PAA Recapitalization was fair, from a financial point of view, to each of PAGP, the holders of Class A Shares (other than PAGP GP and such holders who are also holders of Class B Shares) and the holders of AAP Units;

the proposed unified governance structure, including the amendment of the "trigger date" definition to provide that it would occur at the Closing, which accelerates to 2018 the timetable for participation by our Shareholders in the election of eligible PAGP GP directors, and the enfranchisement of PAA Common Unitholders so that they participate in such elections together with our Shareholders;

the Transactions are not expected to be taxable to PAGP, our Shareholders or PAA's Common Unitholders, and have been structured so that the Transactions, by themselves, will not cause a technical tax termination of PAA;

the terms of the Simplification Agreement permit the PAGP GP board to withdraw, modify or qualify its recommendation of the Simplification Proposal if the PAGP GP board has concluded in good faith, after consultation with its outside legal and financial advisors, that the change in recommendation is necessary to comply with its duties under the our partnership agreement or that the failure to make such a change in recommendation would result in the violation of applicable law;

PAGP's ability to terminate the Simplification Agreement under certain conditions;

information concerning the businesses, assets, liabilities, results of operations, financial conditions and competitive positions and prospects of PAA and PAGP, in each case, before and after the Transactions; and

the terms of the Transactions as set forth in the applicable Transaction Documents.

The PAGP GP board also considered the following factors that weighed against the approval of the Transactions:

the potential that the benefits to our Class A shareholders from ownership of PAA common units and any future growth of PAA would be less than the benefits such Class A shareholders would realize through the ownership of the IDRs if PAA was able to materially increase its distributions in the absence of the PAA Recapitalization;

the uncertainty of the unaudited financial projections of PAA and the bases on which the PAGP GP board made its determination;

the uncertainty and/or potential timing delays with respect to realizing or capitalizing on the anticipated benefits of the Transactions;

the lack of assurances that capital required to facilitate the continued growth of PAA can be funded, even with a lower cost of capital through the simplified capital structure; and

the risk that the Transactions might not be completed in a timely manner, or at all, as a result of the failure to satisfy the conditions contained in the Simplification Agreement and the resulting potential adverse effects on PAA's and PAGP's business, operations and financial condition.



Table of Contents

In the view of the PAGP GP board, these factors did not outweigh the advantages of the Transactions. The PAGP GP board also reviewed a number of procedural factors relating to the Transactions, including, without limitation, the following factors:

the terms and conditions of the Transactions and Transaction Documents were determined through arm's-length negotiations between the PAGP GP board and the PAA Conflicts Committee on behalf of PAA and their respective representatives and advisors;

the PAGP GP board retained legal and financial advisors with knowledge and experience with respect to public company recapitalization transactions, the energy industry generally and PAGP and PAA particularly, as well as substantial experience advising midstream MLPs and other companies with respect to transactions similar to the proposed Transactions;

the PAGP GP board reviewed and discussed financial analyses with respect to the Transactions with representatives of Jefferies; and

the PAGP GP board received the opinion of Jefferies (orally on July 8, 2016 and in writing on July 11, 2016) to the effect that, based upon and subject to the various assumptions made, procedures followed, matters considered and limitations on the review undertaken as described more fully in "Opinion of the Financial Advisor to the PAGP GP Board" beginning on page 60 below, as of the date of such opinion, the issuance of 245,500,000 PAA Common Units to AAP pursuant to the PAA Recapitalization was fair, from a financial point of view, to each of PAGP, the holders of Class A Shares (other than PAGP GP and such holders who are also holders of Class B Shares) and the holders of AAP Units.

The foregoing discussion of the factors considered by the PAGP GP board is not intended to be exhaustive, but it does set forth the principal factors considered by the PAGP GP board.

The PAGP GP board reached its unanimous conclusion to recommend the approval and adoption of the Simplification Agreement and the Transactions, in light of various factors described above and other factors that each member of the PAGP GP board believed were appropriate.

In view of the complexity of and wide variety of factors considered by the PAGP GP board in connection with its evaluation of these matters, the PAGP GP board did not consider it practical, and did not attempt to quantify, rank or otherwise assign relative weights to the specific factors it considered in reaching its decisions and did not undertake to make any specific determination as to whether any particular factor, or any aspect of any particular factor, was favorable or unfavorable to the ultimate determinations. Rather, the PAGP GP board made its recommendations based on the totality of the information presented to it and the investigations conducted by it. In considering the factors discussed above, individual directors may have given different weight to different factors.

It should be noted that portions of this explanation of the reasoning of the PAGP GP board and certain information presented in this section is forward-looking in nature and, therefore, should be read along with the factors discussed under the heading "Forward-Looking Statements."

For the reasons set forth above, after consideration, the PAGP GP board has:

determined that the Transactions, on the terms and conditions set forth in the Transaction Documents, are (a) fair and reasonable to PAGP and the holders of Class A Shares, (b) in, or not opposed to, the best interests of PAGP and (c) in, or not opposed to, the best interests of the holders of Class A Shares; and

approved, on behalf of PAGP GP and PAGP, (i) the Transactions upon the terms and conditions set forth in the Transaction Documents and (ii) the Transaction Documents; and

recommended that the Shareholders approve the Simplification Proposal.



Table of Contents

**Opinion of the Financial Advisor to the PAGP GP Board**

In connection with PAGP's simplification transaction proposal to PAA, the PAGP GP board retained Jefferies to provide PAGP with financial advisory services and to render an opinion as to the fairness, from a financial point of view, to each of PAGP, the holders of Class A Shares other than PAGP GP and such holders who are also holders of Class B Shares and the holders of AAP Units, of the consideration to be paid in a possible simplification transaction. At the meeting of the PAGP GP board on July 8, 2016, representatives of Jefferies rendered its oral opinion (subsequently confirmed in writing on July 11, 2016) to the PAGP GP board to the effect that, based upon and subject to the various assumptions made, procedures followed, matters considered and limitations on the review undertaken as set forth in its written opinion, as of July 11, 2016, the PAA Common Unit Consideration (as defined below) to be paid pursuant to the PAA Recapitalization was fair, from a financial point of view, to each of PAGP, the holders of Class A Shares (other than PAGP GP and such holders who are also holders of Class B Shares) and the holders of AAP Units. Solely for purposes of this section, "**PAA Common Unit Consideration**" refers to the 245,500,000 common units of PAA representing limited partner interests in PAA to be issued by PAA to AAP.

Jefferies expressed no opinion as to (i) the contribution to GP LLC of 1% of all of the AAP Class A Units then held by PAGP, (ii) GP LLC's election to be treated as a corporation for federal income tax purposes, (iii) the adoption by each of PAA, AAP, GP LLC, PAGP and PAGP GP of certain amendments to their respective governing documents, (iv) the receipt by the holders of AAP Units (other than PAGP) of certain redemption and registration rights, (v) the entry into an omnibus agreement among PAGP, PAA and AAP for the purpose of achieving certain economic alignments among their respective equityholders, or (vi) the alignment of the governance of PAGP and PAA.

**The full text of Jefferies' written opinion, dated as of July 11, 2016, is attached to this proxy statement as Annex B. The opinion sets forth, among other things, the assumptions made, procedures followed, matters considered and limitations on the scope of the review undertaken by Jefferies in rendering its opinion, all of which are summarized below. PAGP encourages holders of Class A and Class B shares to read the opinion carefully and in its entirety. Jefferies' opinion addresses only the fairness, from a financial point of view and as of the date of the opinion, of the PAA Common Unit Consideration to be paid pursuant to the PAA Recapitalization. It does not address any other aspects of the Simplification Agreement or the Transactions, and does not constitute a recommendation as to how any holder of Class A or Class B shares should vote on the Simplification Proposal or any matter relating thereto. The summary of the opinion of Jefferies set forth in the preceding paragraphs and below is qualified in its entirety by reference to the full text of the opinion.**

In arriving at its opinion, Jefferies, among other things:

reviewed a draft dated July 11, 2016 of the Simplification Agreement;

reviewed a draft dated July 11, 2016 of the form A&R PAA Partnership Agreement, to be entered into at the Closing;

reviewed a draft dated July 11, 2016 of the form A&R AAP Partnership Agreement, to be entered into at the Closing;

reviewed a draft dated July 11, 2016 of the form A&R PAGP Partnership Agreement, to be entered into at the Closing;

reviewed a draft dated July 11, 2016 of the form A&R GP LLC Agreement, to be entered into at the Closing;

reviewed a draft dated July 11, 2016 of the form A&R PAGP GP LLC Agreement, to be entered into at the Closing;



## Edgar Filing: PLAINS GP HOLDINGS LP - Form PRER14A

### Table of Contents

reviewed a draft dated July 11, 2016 of the form Registration Rights Agreement, to be entered into at the Closing;

reviewed a draft dated July 11, 2016 of the form Omnibus Agreement, to be entered into at the Closing;

reviewed a draft dated July 11, 2016 of the form A&R Administrative Agreement, to be entered into at the Closing;

reviewed a draft dated July 11, 2016 of the Voting Agreement;

reviewed certain publicly available financial and other information relating to PAGP, PAA and AAP;

reviewed certain information furnished by management of PAA and PAGP relating to the business, operations and prospects of PAGP, PAA and AAP;

held discussions with members of senior management of PAA and PAGP and their financial advisors concerning the matters described in the preceding two bullet points;

reviewed the relative trading performance of the listed equity securities of PAGP and PAA over time;

reviewed the share or unit (as applicable) trading price history and valuation multiples for certain other publicly traded companies that Jefferies deemed relevant;

analyzed the pro forma ownership of PAGP and PAA on a post-Closing basis, and analyzed the relative contributions of PAGP and PAA;

analyzed certain economic aspects of the PAA Common Unit Consideration and the IDRs;

considered the capital structure of PAGP and PAA on both a pre-Closing and a post-Closing basis, including the assumption of AAP debt by PAA as part of the PAA Recapitalization;

analyzed the discounted cash flows of PAGP and PAA under various cases;

compared the proposed financial terms of the PAA Recapitalization with the financial terms of certain other transactions that Jefferies deemed relevant;

considered the potential pro forma impact to PAGP of the PAA Recapitalization;

reviewed financial forecasts prepared by various market analysts; and

conducted such other financial studies and analyses as Jefferies deemed appropriate.

## Edgar Filing: PLAINS GP HOLDINGS LP - Form PRER14A

In Jefferies' review and analysis and in rendering its opinion, Jefferies assumed and relied upon, but did not assume any responsibility to independently investigate or verify, the accuracy and completeness of all financial and other information that was supplied or otherwise made available by PAGP management and PAA management and their respective financial advisors or that was publicly available to Jefferies (including, without limitation, the information described above), or that was otherwise reviewed by Jefferies. Jefferies relied on assurances of PAA management that they are not aware of any facts or circumstances that would make such information inaccurate or misleading or of any relevant information that has been omitted or that remains undisclosed to Jefferies. In its review, Jefferies did not perform or obtain any independent evaluation or appraisal of any of the assets or liabilities (contingent or otherwise) of, nor did Jefferies conduct a physical inspection of any of the properties or facilities of, PAGP, PAA or AAP, nor was Jefferies furnished with any such evaluations or appraisals of such properties or facilities, nor did Jefferies assume any responsibility to obtain any such evaluations, appraisals or physical inspections.

With respect to the financial forecasts provided to and examined by Jefferies, Jefferies' opinion noted that projecting future results of any business is inherently subject to uncertainty. For purposes of

Table of Contents

rendering its opinion, Jefferies assumed that such financial forecasts were reasonably prepared on bases reflecting the best currently available estimates. Jefferies expressed no opinion as to such financial forecasts or the assumptions on which they were made.

Jefferies' opinion was based on economic, monetary, regulatory, market and other conditions existing and that could be evaluated as of the date of its opinion. Jefferies did not undertake to reaffirm or revise its opinion or otherwise comment on events occurring after the date of its opinion, and Jefferies expressly disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting its opinion of which Jefferies becomes aware after the date of its opinion.

Jefferies made no independent investigation of any legal, accounting or tax matters affecting the IDRs, PAA's general partner interest, the PAA Common Units, any class of PAGP equity interests or any of the other Transactions, and Jefferies assumed the correctness in all respects material to its analysis of all legal, accounting and tax advice given to PAGP, including, without limitation, advice as to the legal, accounting and tax consequences of the terms of, and transactions contemplated by, the agreements governing and effecting the PAA Recapitalization to PAGP, the PAGP public Class A Shareholders and the AAP Unitholders, and to the other participants in the PAA Recapitalization. In addition, in preparing its opinion, Jefferies did not take into account, and expressed no view with regards to, any tax consequences of the transactions to any PAGP public Class A Shareholders, any AAP Unitholders or to other participants in the PAA Recapitalization. Jefferies assumed that the final form of the agreements governing and effecting the PAA Recapitalization would be substantially similar to the last drafts reviewed by Jefferies in all respects material to Jefferies' analyses and opinion. Jefferies assumed that the representations and warranties of each party in the Simplification Agreement and in all related documents and instruments referred to in the Simplification Agreement were true and correct, and that each party to the Simplification Agreement and all related documents would perform all of the covenants and agreements required to be performed by such party under such documents. Jefferies also assumed that the PAA Recapitalization would be consummated in accordance with its terms or as otherwise described to Jefferies by representatives of PAGP and PAA without waiver, modification or amendment of any term, condition or agreement that would be material in any respect to Jefferies' analyses or opinion and that, in the course of obtaining the necessary regulatory or third party approvals, consents and releases for the PAA Recapitalization, no delay, limitation, restriction or condition would be imposed that would have an adverse effect on PAGP, PAA or AAP or the contemplated benefits of the PAA Recapitalization in any respect material to Jefferies' opinion.

Jefferies' opinion was addressed to the PAGP GP board for use in its consideration of the PAA Recapitalization. Jefferies' opinion did not address the relative merits of the Simplification and related transactions as compared to any alternative transaction or opportunity that might be available to PAGP or PAA, nor did it address the underlying business decisions by PAGP and PAA to engage in the PAA Recapitalization. Jefferies was not engaged by the PAGP GP board regarding potential transactions alternative to the PAA Recapitalization. In addition, the PAGP GP board did not ask Jefferies to address, and Jefferies' opinion did not address, the fairness to, or any other consideration involving, the holders of any class of securities, creditors or other constituencies of PAGP or PAA, other than the PAGP public Class A Holders and the AAP Unitholders as set forth therein. Jefferies expressed no opinion as to the price at which the equity interests of PAGP or PAA would trade at any time. Jefferies did not express any view or opinion as to the fairness, financial or otherwise, of the amount or nature of any compensation payable to, or to be received by, any officer, employee or director of any party to the PAA Recapitalization, or any class of such persons, in connection with the PAA Recapitalization relative to the compensation to the PAGP public Class A Shareholders or the AAP Unitholders. Jefferies' opinion was authorized by the Fairness Committee of Jefferies LLC.

Table of Contents

In advising the PAGP GP board, Jefferies performed a variety of different forms of financial analyses, reviewed extensive market-based data and prepared comparative analytics. Jefferies' various presentations to the PAGP GP board included, among other things, a contribution analysis, selected public companies analysis, discounted cash flow analysis, premiums paid analysis, historical exchange ratio analysis and accretion/dilution analysis. The analyses upon which Jefferies' fairness opinion was based were the selected public companies analysis and discounted cash flow analysis, both of which are summarized below.

The preparation of a fairness opinion is a complex process involving various determinations as to the most appropriate and relevant quantitative and qualitative methods of financial analysis and the applications of those methods to the particular circumstances and, therefore, is not necessarily susceptible to partial analysis or summary description. Jefferies believes that its analyses must be considered as a whole. Considering any portion of Jefferies' analyses or the factors considered by Jefferies, without considering all analyses and factors, could create a misleading or incomplete view of the process underlying the conclusion expressed in Jefferies' opinion. With respect to the material analyses that formed the primary bases for Jefferies' fairness opinion (selected public companies analysis and discounted cash flow analysis), Jefferies did not give any one form of analysis any more weight than the other form of analysis. With respect to such analyses, Jefferies may have deemed various assumptions more or less probable than other assumptions. The range of valuations resulting from any particular analysis described below should not be taken to be Jefferies' view of the actual value of the IDRs, PAA's general partner interest or the PAA Common Unit Consideration. Accordingly, the conclusions reached by Jefferies are based on all material analyses and factors taken as a whole and also on the application of Jefferies' own experience and judgment.

In performing its analyses, Jefferies made numerous assumptions with respect to industry performance, general business, economic, monetary, regulatory, market and other conditions and other matters, many of which are beyond PAGP's, AAP's, PAA's and Jefferies' control. The analyses performed by Jefferies are not necessarily indicative of actual values or actual future results, which may be significantly more or less favorable than suggested by such analyses. In addition, analyses relating to the per unit value of Class A Shares or PAA Common Units do not purport to be appraisals or to reflect the prices at which Class A Shares or PAA Common Units may actually be sold or trade. The analyses performed were prepared solely as part of Jefferies' analysis of the fairness, from a financial point of view, of the PAA Common Unit Consideration to be paid to each of PAGP, the holders of Class A Shares other than PAGP GP and such holders who are also holders of Class B Shares and the holders of AAP Units in connection with the PAA Recapitalization, and were provided to the PAGP GP board in connection with the delivery of Jefferies' opinion.

In arriving at its opinion, Jefferies was not authorized to solicit, and did not solicit, interest from any third party with respect to the acquisition of any or all of the Class A Shares or any business combination or other extraordinary transaction involving PAGP.

Except as described above, the PAGP GP board did not impose any other restrictions or limitations on Jefferies with respect to the investigations made or the procedures followed by Jefferies in rendering its opinion.

The following is a summary of the material financial and comparative analyses performed by Jefferies in connection with Jefferies' delivery of its opinion to the PAGP GP board on July 11, 2016. The financial analyses summarized below include information presented in tabular format. In order to fully understand Jefferies' financial analyses, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. Considering the data described below without considering the full narrative descriptions of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of Jefferies' financial analyses.

Table of Contents

*Transaction Overview*

Based upon the proposed PAA Common Unit Consideration of 245,500,000 PAA Common Units in exchange for the IDR Redemption and the GP Conversion, Jefferies noted that the implied simplification exchange ratio was approximately 0.3755 PAA common units for each outstanding AAP Unit based on the closing price of PAA Common Units on July 7, 2016.

*Selected Public Companies Analysis*

Jefferies compared certain financial data for PAGP and selected general partners of master limited partnerships with publicly traded equity securities that Jefferies deemed relevant. These general partners, which are referred to as the "**PAGP Selected Public Companies**," were selected because they were deemed to be similar to PAGP in one or more respects, including the nature of their business, size, diversification and financial performance. No specific numeric or other similar criteria were used to select the PAGP Selected Public Companies and all criteria were evaluated in their entirety without application of definitive qualifications or limitations to individual criteria. As a result, a significantly larger or smaller general partner with substantially similar lines of business and business focus may have been included while a similarly sized general partner with less similar lines of business and greater diversification may have been excluded. Jefferies identified a number of general partners for purposes of its analysis but may not have included all general partners that might be deemed comparable to PAGP.

The PAGP Selected Public Companies were:

Spectra Energy Corp.

Williams Companies, Inc.

Energy Transfer Equity, L.P.

ONEOK Inc.

Western Gas Equity Partners, LP

EQT GP Holdings, LP

EnLink Midstream, LLC

Tallgrass Energy GP, LP

NuStar GP Holdings, LLC

Jefferies also compared certain financial data for PAA and selected master limited partnerships with publicly traded equity securities that Jefferies deemed relevant. These partnerships, which are referred to as the "**PAA Selected Public Companies**," were selected because they were deemed to be similar to PAA in one or more respects, including the nature of their business, size, diversification and financial performance. No specific numeric or other similar criteria were used to select the PAA Selected Public Companies and all criteria were evaluated in their entirety without application of definitive qualifications or limitations to individual criteria. As a result, a significantly larger or smaller partnership with substantially similar lines of business and business focus may have been included while a similarly sized partnership with less similar lines of business and greater diversification may have been excluded. Jefferies identified a number of partnerships for purposes of its analysis but may not have included all partnerships that might be deemed comparable to PAA.

The PAA Selected Public Companies were:

Enterprise Products Partners L.P.

Energy Transfer Partners, L.P.

Table of Contents

Williams Partners L.P.

ONEOK Partners LP

Enbridge Energy Partners, L.P.

MPLX LP

Magellan Midstream Partners, L.P.

Buckeye Partners, L.P.

For each PAGP Selected Public Company and each PAA Selected Public Company, Jefferies calculated and compared various financial multiples and ratios based on publicly available information as of July 7, 2016. For each of the following analyses performed by Jefferies, estimated financial data for the selected companies were based on (except as otherwise noted) PAA management's projections and information obtained from Capital IQ and selected equity research reports (in the case of the other selected companies). The information Jefferies calculated for each of the selected companies included:

Current distributable cash flow per unit or share, as applicable, divided by current closing unit price, which is referred to as Current DCF Yield;

2016E distributable cash flow per unit or share, as applicable, divided by current closing unit or share price, which is referred to as 2016E DCF Yield;

2017E distributable cash flow per unit or share, as applicable, divided by current closing unit or share price, which is referred to as 2017E DCF Yield; and

2018E distributable cash flow per unit or share, as applicable, divided by current closing unit or share price, which is referred to as 2018E DCF Yield.

Results of the analyses for PAGP and PAA, respectively, are as follows:

*PAGP.* The selected public companies analysis for PAGP indicated the following average and median distributable cash flow yields for the PAGP Selected Public Companies as of July 7, 2016:

**PAGP Selected Public Companies**

	Distributable Cash Flow Yield PAGP Comparables			
	Current DCF Yield	2016E DCF Yield	2017E DCF Yield	2018E DCF Yield
Average	6.8%	6.4%	7.0%	7.8%
Median	7.0%	6.9%	6.4%	7.3%

Jefferies also calculated the same financial yields for PAGP, based on the closing price of Class A Shares as of July 7, 2016, based on Wall Street consensus estimates:

Edgar Filing: PLAINS GP HOLDINGS LP - Form PRER14A

	Distributable Cash Flow Yield PAGP			
	Current DCF	2016E DCF	2017E DCF	2018E DCF
	Yield	Yield	Yield	Yield
PAGP	9.3%	9.2%	9.2%	9.4%

65

---



Table of Contents

PAA. The selected public companies analysis for PAA indicated the following average and median distributable cash flow yields for the PAA Selected Public Companies as of July 7, 2016:

**PAA Selected Public Companies**

	Distributable Cash Flow Yield PAA Comparables			
	Current DCF Yield	2016E DCF Yield	2017E DCF Yield	2018E DCF Yield
Average	8.0%	8.1%	9.0%	9.4%
Median	8.0%	8.0%	8.5%	9.3%

Jefferies also calculated the same financial yields for PAA, based on the closing price of PAA Common Units as of July 7, 2016, based on Wall Street consensus estimates:

PAA	Distributable Cash Flow Yield PAA			
	Current DCF Yield	2016E DCF Yield	2017E DCF Yield	2018E DCF Yield
PAA	10.6%	7.8%	9.6%	10.0%

*Analysis Performed.* Jefferies applied the yield ranges based on the selected public companies analysis to corresponding financial data for PAGP (based on publicly available data and guidance from PAGP management) and PAA (based on publicly available data and guidance from PAA management) to calculate implied exchange ratio reference ranges with reference to each of the June Sensitivity Case, the Downside Case and the Upside Case. Jefferies determined that because the June Sensitivity Case was an update to the Hybrid Case accounting for more recent developments in well performance and activity in specific oil producing basins, the June Sensitivity Case was more relevant to Jefferies' analysis than the Hybrid Case. The creation of the June Sensitivity Case and its basis in and differences from the Hybrid Case are described in more detail above on page 46 under " Background of the Transactions" and page 56 under " Unaudited Financial Projections of PAA."

The selected public companies analysis indicated the following implied exchange ratio reference ranges for the June Sensitivity Case:

June Sensitivity Case		Implied Exchange Ratio Reference Ranges
<b>Benchmark</b>		
2016 3QE Annualized Yield		0.317 - 0.406
2017E Yield		0.238 - 0.305
2018E Yield		0.326 - 0.412

The selected public companies analysis indicated the following implied exchange ratio reference ranges for the Downside Case:

Downside Case		Implied Exchange Ratio Reference Ranges
<b>Benchmark</b>		
2016 3QE Annualized Yield		0.299 - 0.384
2017E Yield		0.251 - 0.322
2018E Yield		0.306 - 0.386

Table of Contents

The selected public companies analysis indicated the following implied exchange ratio reference ranges for the Upside Case:

<b>Upside Case</b>	<b>Implied Exchange Ratio Reference Ranges</b>
<b>Benchmark</b>	
2016 3QE Annualized Yield	0.283 - 0.363
2017E Yield	0.223 - 0.285
2018E Yield	0.371 - 0.469

Jefferies compared the results of this analysis to the implied PAA Recapitalization exchange ratio of 0.3755 PAA Common Units for each outstanding AAP Unit based on the closing price of PAA Common Units on July 7, 2016.

None of the PAGP Selected Public Companies utilized in the selected public companies analysis is identical to PAGP, and none of the PAA Selected Public Companies utilized in the selected public companies analysis is identical to PAA. In evaluating the selected public companies that would comprise the PAGP Selected Public Companies and the PAA Selected Public Companies, Jefferies made judgments and assumptions with regard to industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond PAGP's, PAA's and Jefferies' control. Mathematical analysis, such as determining the mean or median, is not in itself a meaningful method of using comparable company data.

#### ***Discounted Cash Flow Analysis***

Jefferies performed a discounted cash flow analysis by calculating the net present value of PAGP's and PAA's estimated distributable cash flow per Class A share through the fiscal year ending December 31, 2021, based on the three financial forecasts contained in the PAA financial projections and publicly available data, and the net present value of PAA's estimated distributable cash flow per PAA Common Unit through the fiscal year ending December 31, 2021, based on the three financial forecasts contained in the PAA financial projections and publicly available data.

In performing the discounted cash flow analysis, Jefferies applied discount rates ranging from 11.32% to 12.32% to the projected distributable cash flow from PAGP per Class A Share and 10.46% to 11.46% to the projected distributable cash flow from PAA per PAA Common Unit, based on the respective estimated weighted average cost of capital of PAGP and PAA. Jefferies estimated the weighted average cost of capital for PAGP and PAA by applying the capital asset pricing model to determine the cost of equity capital of PAGP's and PAA's respective common equity securities, calculating the average cost of debt of PAGP and PAA with reference to applicable borrowing rates, and calculating a weighted average cost of debt and equity capital based on the foregoing. Jefferies also applied terminal value yield ranges of 6.50% to 7.50% to the projected distributed cash flow from PAGP per Class A Share for 2021 and 9.0% to 10% to the projected distributed cash flow from PAA per PAA Common Unit for 2021, based on respective trading metrics of similar companies.

## Edgar Filing: PLAINS GP HOLDINGS LP - Form PRER14A

### Table of Contents

The implied value per Class A Share and PAA Common Unit reference ranges and the implied exchange ratio reference ranges were indicated to be as follows:

#### Discounted Cash Flow Analysis

##### Implied Reference Share/Unit Prices

	Class A Share	PAA Common Unit	Implied Reference Exchange Ratio
June Sensitivity Case	\$10.58 - \$12.22	\$28.45 - \$31.48	0.336 - 0.429
Upside Case	\$12.42 - \$14.48	\$31.14 - \$34.47	0.363 - 0.465
Downside Case	\$8.67 - \$9.96	\$25.83 - \$28.53	0.304 - 0.386

Jefferies determined to perform the foregoing analysis using the June Sensitivity Case, but not the Hybrid Case, because the June Sensitivity Case was an update to the Hybrid Case accounting for more recent developments in well performance and activity in specific oil producing basins, and thus the June Sensitivity case was more relevant to Jefferies' analysis than the Hybrid Case. The creation of the June Sensitivity Case and its basis in and differences from the Hybrid Case are described in more detail above on page 46 under " Background of the Transactions" and page 56 under " Unaudited Financial Projections of PAA."

Jefferies compared the results of this analysis to the implied Simplification exchange ratio of 0.3755 PAA Common Units for each outstanding AAP Class A Unit based on the closing price of PAA Common Units on July 7, 2016.

#### *Premiums Paid Analysis*

Jefferies reviewed the premiums offered or paid in (i) eight third-party master limited partnership midstream transactions since December 15, 2003 relative to the target unit prices one trading day, seven trading days and 30 trading days prior to announcement, which indicated a mean offer premium of 17.0% to 18.0% per common unit, (ii) seven affiliate master limited partnership transactions since June 29, 2009 relative to the target unit prices on one trading day, seven trading days and 30 trading days prior to announcement, which indicated a mean offer premium of 10.8% to 12.4% per common unit and (iii) nine affiliate general partner simplification transactions since March 3, 2009 relative to the target unit prices on one trading day, seven trading days and 30 trading days prior to announcement, which indicated a mean offer premium of 15.2% to 18.7% per common unit.

The eight third-party master limited partnership midstream transactions reviewed by Jefferies consisted of the following:

#### Selected Third-Party Master Limited Partnership Midstream Transactions

Date	Buyer	Seller
7/13/15	MPLX LP	MarkWest Energy Partners, L.P.
10/13/14	Targa Resources Partners LP	Atlas Pipeline Partners, L.P.
10/10/13	Regency Energy Partners LP	PVR Partners, L.P.
5/6/13	Inergy Midstream, L.P.	Crestwood Midstream Partners LP
1/29/13	Kinder Morgan Energy Partners, L.P.	Copano Energy, L.L.C.
6/12/06	Plains All American Pipeline, L.P.	Pacific Energy Partners, L.P.
11/1/04	Valero L.P.	Kaneb Pipe Line Partners, L.P.
12/15/03	Enterprise Products Partners L.P.	GulfTerra Energy Partners, L.P.

Table of Contents

The seven affiliate master limited partnership transactions reviewed by Jefferies consisted of the following:

**Selected Affiliate Master Limited Partnership Midstream Transactions**

Date	Buyer	Seller
1/26/15	Energy Transfer Partners, L.P.	Regency Energy Partners LP
11/10/14	Enterprise Products Partners L.P.	Oiltanking Partners, L.P.
10/26/14	Access Midstream Partners, L.P.	Williams Partners L.P.
8/27/13	Plains All American Pipeline, L.P.	PAA Natural Gas Storage, L.P.
7/11/11	Vanguard Natural Resources, LLC	Encore Energy Partners LP
2/23/11	Enterprise Products Partners L.P.	Duncan Energy Partners L.P.
6/29/09	Enterprise Products Partners L.P.	TEPPCO Partners LP

The nine affiliate general partner simplification transactions reviewed by Jefferies consisted of the following:

**Selected Affiliate General Partner Simplification Master Limited Partnership Midstream Transactions**

Date	Buyer	Seller
5/31/16	SemGroup Corporation	Rose Rock Midstream LP
11/3/15	Targa Resources Corp.	Targa Resources Partners LP
5/6/15	Crestwood Equity Partners LP	Crestwood Midstream Partners LP
8/10/14	Kinder Morgan, Inc.	El Paso Pipeline Partners, L.P., Kinder Morgan Energy Partners LP, Kinder Morgan Management, LLC
9/21/10	Penn Virginia Resource Partners, L.P.	Penn Virginia GP Holdings, L.P.
9/3/10	Enterprise Products Partners L.P.	Enterprise GP Holdings L.P.
8/9/10	Inergy Midstream, L.P.	Inergy Holdings, L.P.
6/11/10	Buckeye Partners, L.P.	Buckeye GP Holdings L.P.
3/3/09	Magellan Midstream Partners, L.P.	Magellan Midstream Holdings LP

Jefferies applied the mean of the relevant range of premiums to the relevant closing prices of PAGP as of July 7, 2016. Using a reference range of the 25th percentile to the 75th percentile premiums for each time period listed above, Jefferies performed a premiums paid analysis using the closing price of Class A shares on July 7, 2016 (representing the one day prior spot price), the average of the closing prices for the seven prior trading days from July 7, 2016 and the average closing prices for the 30 prior trading days from July 7, 2016.

First, based on Jefferies' premiums paid analysis with respect to the third-party master limited partnership transactions, the implied value per Class A share was indicated at the 25th and 75th percentiles to range from \$11.38 to \$12.70. In turn, applying a current price of PAA Common Units of \$26.83 as of July 7, 2016, the implied exchange ratio reference range was 0.424 to 0.473, as compared to the implied PAA Recapitalization exchange ratio of 0.3755.

Second, based on Jefferies' premium paid analysis with respect to the affiliate master limited partnership transactions, the implied value per Class A Share was indicated at the 25th and 75th percentiles to range from \$10.84 to \$11.78. In turn, applying a current price of PAA Common Units of \$26.83 as of July 7, 2016, the implied exchange ratio reference range was 0.404 to 0.439, as compared to the implied PAA Recapitalization exchange ratio of 0.3755.

Table of Contents

Finally, based on Jefferies' premium paid analysis with respect to the affiliate general partner simplification transactions, the implied value per Class A share was indicated at the 25th and 75th percentiles to range from \$11.33 to \$12.41. In turn, applying a current price of PAA Common Units of \$26.83 as of July 7, 2016, the implied exchange ratio reference range was 0.422 to 0.462, as compared to the implied PAA Recapitalization exchange ratio of 0.3755.

No selected master limited partnership merger transaction, affiliate master limited partnership transaction or affiliate general partner simplification transaction utilized as a comparison in the selected premiums paid analysis is identical to the Simplification.

*General*

Jefferies' opinion was one of many factors taken into consideration by the PAGP GP board in making its determination to approve the Simplification Agreement and the Transactions and should not be considered determinative of the views of the PAGP GP board or PAGP management with respect to the PAA Recapitalization or the PAA Common Unit Consideration to be paid in connection therewith. Jefferies did not recommend any specific exchange ratio or consideration to the PAGP GP board or that any given exchange ratio or consideration constituted the only appropriate exchange ratio or consideration for the PAA Recapitalization.

Jefferies was selected by the PAGP GP board based on Jefferies' qualifications, expertise and reputation. Jefferies is an internationally recognized investment banking and advisory firm with a leading energy group, and has significant experience in midstream advisory assignments similar to the PAA Recapitalization. Jefferies, as part of its investment banking business, is regularly engaged in the valuation of businesses and securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements, financial restructurings and other financial services.

The PAGP GP board engaged Jefferies on June 3, 2016 to advise the PAGP GP board with respect to a potential simplification transaction in consideration for a \$1.0 million engagement fee paid by PAGP. PAGP also paid to Jefferies, upon the delivery of Jefferies' opinion to the PAGP GP board, an opinion fee of \$2.0 million. PAGP is also obligated to pay Jefferies a fee of \$1.0 million contingent upon the closing of the PAA Recapitalization. Jefferies will also be reimbursed by PAGP for certain expenses reasonably incurred. PAGP, through the PAGP GP board, has also agreed to indemnify Jefferies against certain liabilities arising out of or in connection with the services rendered and to be rendered, and the opinion given, by Jefferies under such engagement.

Within the two years prior to the date of its opinion, Jefferies performed investment banking services on behalf of PAA in connection with two matters unrelated to the PAA Recapitalization, and received customary compensation therefor. The unrelated matters involved acting as agent for a period of time under PAA's continuous offering program and the sale by PAA of certain Gulf Coast assets; the aggregate commission and fees paid to Jefferies for its services in connection with such matters totaled approximately \$2.65 million. Jefferies may perform investment banking and other financial services for PAA and for PAGP in the future, and expects to receive customary fees for such services. Jefferies has from time to time in the past maintained a market in the securities of PAGP and PAA and may do so in the future, and, in the ordinary course of its business, Jefferies and its affiliates may trade or hold securities of PAGP and PAA for its or their own account and for the accounts of its and their customers and, accordingly, may at any time hold long or short positions in those securities. In addition, in the future, Jefferies may seek to provide financial advisory and financing services to PAA, PAA GP, GP LLC, AAP and PAGP GP, or entities that are affiliated therewith or with PAGP, for which Jefferies would expect to receive compensation. Jefferies has consented to the inclusion of its opinion in this proxy statement.

Table of Contents

**Regulatory Approvals**

There are no federal or state regulatory requirements that must be complied with or approvals that must be obtained in connection with the Transactions.

**Accounting Treatment of the Transactions**

The Transactions are between and among consolidated subsidiaries of PAGP that are considered entities under common control. These equity transactions did not result in a change in the carrying value of the underlying assets and liabilities and the estimated costs incurred to complete the transactions of approximately \$15 million will be charged to partners' capital during the year ending December 31, 2016. In addition, the PAA Recapitalization will result in a modification in the net income allocation by PAA to AAP and by AAP to PAGP resulting in a decrease in net income attributable to PAGP. On a pro forma basis after giving effect to the Transactions, net income attributable to PAGP decreased by \$56 million for the year ended December 31, 2015 and decreased by \$28 million and \$46 million for the three and six months ended June 30, 2016, respectively.

**Dissenters' Rights**

Under the Delaware Revised Uniform Limited Partnership Act and our Partnership Agreement, there are no dissenters' or appraisal rights for Shareholders with respect to the Simplification Agreement or the Transactions.

Table of Contents

**THE SPECIAL MEETING**

PAGP is providing this proxy statement to its Shareholders in connection with the solicitation of proxies to be voted at the special meeting of Shareholders that PAGP has called for, among other things, the purpose of holding a vote upon (i) the Simplification Proposal, (ii) the Adjournment Proposal and (iii) any proposal to transact such other business as may properly come before the special meeting and any adjournment or postponement thereof. This proxy statement is first being mailed to Shareholders on or about [ • ], 2016, and provides Shareholders with the information they need to know to be able to vote or instruct their vote to be cast at the special meeting.

**Date, Time and Place**

The special meeting will be held at [ • ] [a.m./p.m.] Central Time, in [The Senate Room, located on the 12th Floor of Two Allen Center, 1200 Smith Street, Houston, Texas 77002.]

**Recommendation of the PAGP GP Board**

The PAGP GP board recommends that our Shareholders vote "FOR" the Simplification Proposal and "FOR" the Adjournment Proposal.

In the course of reaching its decision to approve the Simplification Proposal, the PAGP GP board considered a number of factors in its deliberations. For a more complete discussion of these factors, see "The Transactions and Transaction Documents Rationale for the Transactions" on page 58.

In considering the recommendation of the PAGP GP board with respect to the Simplification Proposal, you should be aware that some of PAGP GP's directors and executive officers may have interests that are different from, or in addition to, the interests of our Shareholders more generally. See "Interests of Certain Persons in the Transactions."

**Record Date; Outstanding Shares; Shares Entitled to Vote**

The record date for the special meeting is [ • ], 2016. Only Shareholders of record at the close of business on the record date will be entitled to receive notice of and to vote at the special meeting or any adjournment or postponement of the meeting.

As of the close of business on the record date of [ • ], 2016, there were approximately [ • ] Class A shares and [ • ] Class B shares outstanding and entitled to vote at the meeting. Each Class A share and Class B share is entitled to one vote.

A complete list of Shareholders entitled to vote at the special meeting will be available for inspection at the principal place of business of PAGP during regular business hours for a period of no less than ten days before the special meeting and at the place of the special meeting during the meeting.

**Quorum**

A quorum of Shareholders represented in person or by proxy at the special meeting is required to vote on adoption of the Simplification Proposal at the special meeting. At least a majority of Class A shares and Class B shares, voting together as a single class, must be represented in person or by proxy at the special meeting in order to constitute a quorum. Any proxies received but marked as abstentions and broker non-votes will be counted as present in determining whether a quorum is present at the special meeting. The Voting Agreement binds a sufficient number of shares to ensure a quorum will be established at the special meeting.

Table of Contents

**Required Vote**

*Simplification Proposal*

To adopt the Simplification Proposal, holders of at least a majority of the outstanding Class A shares and Class B shares, together as a single class, must vote in favor of adoption of the Simplification Proposal.

Concurrently with the execution of the Simplification Agreement, certain of our Shareholders that owned approximately 51.3% of the Class A and Class B shares outstanding as of July 11, 2016, executed a Voting Agreement, pursuant to which such Shareholders agreed to vote their Class A and Class B shares in favor of the Simplification Proposal. The Voting Agreement binds sufficient votes to ensure that the Simplification Proposal will be approved at the special meeting.

*Adjournment Proposal*

The affirmative vote of the holders of a majority of the outstanding Class A and Class B shares entitled to vote as of the record date is required to adopt the Adjournment Proposal; provided, that, in the absence of a quorum, the affirmative vote of at least a majority of outstanding Class A and Class B shares entitled to vote as of the record date present in person or represented by proxy at the special meeting would be required to adopt the Adjournment Proposal.

A Shareholder's failure to submit a proxy card or to vote in person at the special meeting or an abstention from voting, or the failure of a Shareholder who holds his or her shares in "street name" through a broker or other nominee to give voting instructions to such broker or other nominee, will have the same effect as a vote "AGAINST" the adoption of the Simplification Proposal and the Adjournment Proposal.

**Voting of Shares by Holders of Record**

If you are entitled to vote at the special meeting and hold your shares in your own name, you can submit a proxy or vote in person by completing a ballot at the special meeting. However, we encourage you to submit a proxy before the special meeting even if you plan to attend the special meeting in order to ensure that your shares are voted. A proxy is a legal designation of another person to vote your shares on your behalf. If you hold shares in your own name, you may submit a proxy for your shares by:

calling the toll-free number specified on the enclosed proxy card and follow the instructions when prompted;

accessing the Internet website specified on the enclosed proxy card and follow the instructions provided to you; or

filling out, signing and dating the enclosed proxy card and mailing it in the prepaid envelope included with these proxy materials.

When a Shareholder submits a proxy by telephone or through the Internet, his or her proxy is recorded immediately. We encourage our Shareholders to submit their proxies using these methods whenever possible. If you submit a proxy by telephone or the Internet website, please do not return your proxy card by mail.

All Class A shares and Class B shares represented by each properly executed and valid proxy received before the special meeting will be voted in accordance with the instructions given on the proxy. If a Shareholder executes a proxy card without giving instructions, the Class A shares or Class B shares represented by that proxy card will be voted as the PAGP GP board recommends, which is "FOR" the adoption of the Simplification Proposal and "FOR" the Adjournment Proposal.



Table of Contents

Your vote is important. Accordingly, please submit your proxy by telephone, through the Internet or by mail, whether or not you plan to attend the meeting in person. Proxies must be received by 11:59 p.m., Eastern Time, on [ • ], 2016.

**Voting of Shares Held in Street Name; Broker Non-Votes**

If your shares are held in an account at a broker or through another nominee, you must instruct the broker or other nominee on how to vote your shares by following the instructions that the broker or other nominee provides to you with these proxy materials. Most brokers offer the ability for Shareholders to submit voting instructions by mail by completing a voting instruction form, by telephone and via the Internet.

If you do not provide voting instructions to your broker, your shares will not be voted on any proposal on which your broker does not have discretionary authority to vote. This is referred to in this proxy statement and in general as a broker non-vote. In these cases, the broker or other nominee can register your shares as being present at the special meeting for purposes of determining a quorum, but will not be able to vote your shares on those matters for which specific authorization is required. Under the current rules of the NYSE, brokers do not have discretionary authority to vote on the Simplification Proposal or the Adjournment Proposal. A broker non-vote of a Class A share or Class B share will have the same effect as a vote "AGAINST" the Simplification Proposal and "AGAINST" the Adjournment Proposal.

If you hold shares through a broker or other nominee and wish to vote your shares in person at the special meeting, you must obtain a proxy from your broker or other nominee and present it to the inspector of election with your ballot when you vote at the special meeting.

**Revocability of Proxies; Changing Your Vote**

You may revoke your proxy and/or change your vote at any time before your proxy is voted at the special meeting. If you are a Shareholder of record, you can do this 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 [ • ]);

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 shares held in street name and you have instructed your broker or other nominee to vote your shares, 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.

**Solicitation of Proxies**

This proxy statement is furnished in connection with the solicitation of proxies by the PAGP GP board to be voted at the special meeting. We will bear all costs and expenses in connection with the solicitation of proxies. We have engaged Georgeson LLC to assist in the solicitation of proxies for the meeting and we will pay Georgeson LLC a fee of approximately \$9,500 for these services. We have also agreed to reimburse Georgeson LLC for reasonable out-of-pocket expenses and disbursements incurred

Table of Contents

in connection with the proxy solicitation and to indemnify Georgeson LLC against certain losses, costs and expenses. In addition, we may reimburse brokerage firms and other persons representing beneficial owners of PAGP's Class A shares for their reasonable expenses in forwarding solicitation materials to such beneficial owners. Proxies may also be solicited by certain PAGP GP directors and officers, as well as employees of GP LLC, by telephone, electronic mail, letter, facsimile or in person, but no additional compensation will be paid to them.

**No Other Business**

Under our partnership agreement, the business to be conducted at the special meeting will be limited to the purposes stated in the notice to Shareholders provided with this proxy statement.

**Assistance**

If you need assistance in completing your proxy card or have questions regarding the special meeting, please contact Georgeson LLC toll-free at 1-866-431-2105.

Table of Contents

**SELECTED HISTORICAL FINANCIAL INFORMATION OF PAGP AND PAA**

**PAGP**

The following tables set forth selected historical consolidated financial and other information for PAGP as of the dates and for the periods indicated. The selected consolidated statements of operations data for the year ended December 31, 2013 include results attributable to PAGP from October 21, 2013 (the date of closing of PAGP's initial public offering) through December 31, 2013, plus results for GP LLC, the predecessor entity to PAGP, prior to October 21, 2013.

The selected historical statements of operations and cash flow data for the years ended December 31, 2015, 2014 and 2013 and balance sheet data as of December 31, 2015 and 2014 is derived from the audited financial statements of PAGP (and GP LLC as discussed above) included in the PAGP's Annual Report on Form 10-K for the year ended December 31, 2015, which is incorporated by reference into this proxy statement. The selected historical statements of operations and cash flow data for the years ended December 2012 and 2011 and the balance sheet data as of December 31, 2013, 2012 and 2011 is derived from the audited financial statements of GP LLC that are not included elsewhere, or incorporated by reference, in this document.

PAGP's balance sheet data as of June 30, 2016 and 2015 and the statements of operations and cash flow data for the six months ended June 30, 2016 and 2015 are derived from the unaudited

Edgar Filing: PLAINS GP HOLDINGS LP - Form PRER14A

Table of Contents

consolidated financial statements included in PAGP's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016, which is incorporated by reference into this proxy statement.

	Year Ended December 31,					Six Months Ended June 30,	
	2015	2014	2013	2012	2011	2016	2015
	(unaudited)						
	(in millions, except per share data and as otherwise indicated)						
<b>Statement of Operations Data:</b>							
Total revenues	\$ 23,152	\$ 43,464	\$ 42,249	\$ 37,797	\$ 34,275	\$ 9,060	\$ 12,605
Operating income	\$ 1,258	\$ 1,791	\$ 1,734	\$ 1,433	\$ 1,305	\$ 425	\$ 580
Net income	\$ 809	\$ 1,328	\$ 1,374	\$ 1,118	\$ 987	\$ 259	\$ 365
Net income attributable to PAGP	\$ 118	\$ 70	\$ 15	\$ 3	\$ 2	\$ 78	\$ 61
<b>Per share data:</b>							
Basic net income per Class A share(1)	\$ 0.53	\$ 0.48	\$ 0.10	N/A	N/A	\$ 0.30	\$ 0.28
Diluted net income per Class A share(1)	\$ 0.53	\$ 0.47	\$ 0.10	N/A	N/A	\$ 0.29	\$ 0.27
Declared distributions per Class A share(2)	\$ 0.88	\$ 0.67	N/A	N/A	N/A	\$ 0.462	\$ 0.425
<b>Balance sheet data (at end of period):</b>							
Property and equipment, net	\$ 13,493	\$ 12,292	\$ 10,841	\$ 9,664	\$ 7,763	\$ 13,617	\$ 13,048
Total assets	\$ 24,142	\$ 23,923	\$ 21,411	\$ 19,219	\$ 15,388	\$ 25,075	\$ 24,697
Long-term debt	\$ 10,932	\$ 9,238	\$ 7,188	\$ 6,480	\$ 4,694	\$ 10,077	\$ 9,640
Total debt	\$ 11,931	\$ 10,525	\$ 8,301	\$ 7,566	\$ 5,380	\$ 11,379	\$ 10,555
<b>Partners' capital/Members' Equity:</b>							
Partners' capital/members' equity (excluding noncontrolling interests)	\$ 1,762	\$ 1,657	\$ 1,035	\$	\$	\$ 1,802	\$ 1,801
Noncontrolling interests	\$ 7,472	\$ 7,724	\$ 7,244	\$ 6,968	\$ 5,794	\$ 8,487	\$ 8,213
Total Partners' capital/Members' equity	\$ 9,234	\$ 9,381	\$ 8,279	\$ 6,968	\$ 5,794	\$ 10,289	\$ 10,014
<b>Other data:</b>							
Net cash provided by operating activities	\$ 1,333	\$ 1,988	\$ 1,948	\$ 1,232	\$ 2,357	\$ 379	\$ 654
Net cash used in investing activities	\$ (2,530)	\$ (3,296)	\$ (1,653)	\$ (3,392)	\$ (2,020)	\$ (522)	\$ (1,343)
Net cash provided by/(used in) financing activities	\$ 827	\$ 1,672	\$ (274)	\$ 2,159	\$ (337)	\$ 146	\$ 316
<b>Capital expenditures:</b>							
Acquisition capital	\$ 105	\$ 1,099	\$ 19	\$ 2,286	\$ 1,404	\$ 85	\$ 64
Expansion capital	\$ 2,170	\$ 2,026	\$ 1,622	\$ 1,185	\$ 531	\$ 709	\$ 1,188
Maintenance capital	\$ 220	\$ 224	\$ 176	\$ 170	\$ 120	\$ 81	\$ 102

(1) Basic and diluted net income per Class A share for 2013 were calculated based on net income attributable to PAGP for the period following the closing of our initial public offering on October 21, 2013 and basic weighted average Class A shares outstanding weighted for the same period.

(2) Represents cash distributions declared and paid during the period presented.

Table of Contents

**PAA**

The following tables set forth selected historical consolidated financial and other information for PAA as of the dates and for the periods indicated.

The selected historical statements of operations and cash flow data for the years ended December 31, 2015, 2014 and 2013 and balance sheet data as of December 31, 2015 and 2014 is derived from the audited financial statements of PAA included in PAA's Annual Report on Form 10-K for the year ended December 31, 2015, which is incorporated by reference into this proxy statement. The selected historical statements of operations and cash flow data for the years ended December 2012 and 2011 and the balance sheet data as of December 31, 2013, 2012 and 2011 is derived from the audited financial statements of PAA that are not included elsewhere, or incorporated by reference, in this document.

PAA's balance sheet data as of June 30, 2016 and 2015 and the statements of operations and cash flow data for the six months ended June 30, 2016 and 2015 are derived from the unaudited

Edgar Filing: PLAINS GP HOLDINGS LP - Form PRER14A

Table of Contents

consolidated financial statements included in PAA's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016, which is incorporated by reference into this proxy statement.

	Year Ended December 31,					Six Months Ended June 30,	
	2015	2014	2013	2012	2011	2016	2015
(in millions, except per unit data and as otherwise indicated)							
<b>Statement of Operations Data:</b>							
Total revenues	\$ 23,152	\$ 43,464	\$ 42,249	\$ 37,797	\$ 34,275	\$ 9,060	\$ 12,605
Operating income	\$ 1,262	\$ 1,799	\$ 1,738	\$ 1,434	\$ 1,306	\$ 427	\$ 583
Net income	\$ 906	\$ 1,386	\$ 1,391	\$ 1,127	\$ 994	\$ 304	\$ 408
Net income attributable to PAA	\$ 903	\$ 1,384	\$ 1,361	\$ 1,094	\$ 966	\$ 302	\$ 407
<b>Per unit data:</b>							
Basic net income/(loss) per common unit	\$ 0.78	\$ 2.39	\$ 2.82	\$ 2.41	\$ 2.46	\$ (0.13)	\$ 0.29
Diluted net income/(loss) per common unit	\$ 0.77	\$ 2.38	\$ 2.80	\$ 2.40	\$ 2.44	\$ (0.13)	\$ 0.29
Declared distributions per common unit(1)	\$ 2.76	\$ 2.55	\$ 2.33	\$ 2.11	\$ 1.95	\$ 1.40	\$ 1.36
<b>Balance sheet data (at end of period):</b>							
Property and equipment, net	\$ 13,474	\$ 12,272	\$ 10,819	\$ 9,643	\$ 7,740	\$ 13,598	\$ 13,028
Total assets	\$ 22,288	\$ 22,198	\$ 20,320	\$ 19,196	\$ 15,355	\$ 23,163	\$ 22,829
Long-term debt	\$ 10,375	\$ 8,704	\$ 6,675	\$ 6,281	\$ 4,494	\$ 9,486	\$ 9,082
Total debt	\$ 11,374	\$ 9,991	\$ 7,788	\$ 7,367	\$ 5,173	\$ 10,788	\$ 9,997
Partners' capital	\$ 7,939	\$ 8,191	\$ 7,703	\$ 7,146	\$ 5,974	\$ 8,970	\$ 8,705
<b>Other data:</b>							
Net cash provided by operating activities	\$ 1,344	\$ 2,004	\$ 1,954	\$ 1,240	\$ 2,365	\$ 387	\$ 660
Net cash used in investing activities	\$ (2,530)	\$ (3,296)	\$ (1,653)	\$ (3,392)	\$ (2,020)	\$ (522)	\$ (1,343)
Net cash provided by/(used in) financing activities	\$ 814	\$ 1,657	\$ (281)	\$ 2,151	\$ (345)	\$ 138	\$ 309
Capital expenditures:							
Acquisition capital	\$ 105	\$ 1,099	\$ 19	\$ 2,286	\$ 1,404	\$ 85	\$ 64
Expansion capital	\$ 2,170	\$ 2,026	\$ 1,622	\$ 1,185	\$ 531	\$ 709	\$ 1,188
Maintenance capital	\$ 220	\$ 224	\$ 176	\$ 170	\$ 120	\$ 81	\$ 102
<b>Volumes(2)(3):</b>							
Transportation segment (average daily volumes in thousands of barrels per day)							
Tariff activities	4,340	3,952	3,595	3,373	2,942	4,584	4,272
Trucking	113	127	117	106	105	110	115
Transportation segment total volumes	4,453	4,079	3,712	3,479	3,047	4,694	4,387
Facilities segment:							
Crude oil, refined products and NGL terminalling and storage (average monthly capacity in millions of barrels)							
	100	95	94	90	70	105	99
Rail load / unload volumes (average volumes in thousands of barrels per day)							
	210	231	221			109	220
Natural gas storage (average monthly working capacity in billions of cubic feet)							
	97	97	96	84	71	97	97
NGL fractionation (average volumes in thousands of barrels per day)							
	103	96	96	79	14	110	103

Edgar Filing: PLAINS GP HOLDINGS LP - Form PRER14A

Facilities segment total volumes (average monthly volumes in millions of barrels)

126	121	120	106	82	128	125
-----	-----	-----	-----	----	-----	-----