Regency Energy Partners LP
Form 424B5
October 24, 2011

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Filed Pursuant to Rules 424(b)(5) and 424(b)(8)
Registration No. 333-163424

CALCULATION OF REGISTRATION FEE

Class of securities registered	Amount to be registered	Offering price per unit	Aggregate offering price	Amount of registration fee
Common units representing limited partner interests	11,500,000 units(1)	$20.92	$240,580,000	$27,571.32(2)

(1) Includes 1,500,000 common units that may be purchased by the underwriters pursuant to their option to purchase additional common units to cover over-allotments.

(2) Calculated in accordance with Rule 457(r) under the Securities Act of 1933. This Calculation of Registration Fee table updates the Calculation of Registration Fee table in the final prospectus supplement previously filed with the Securities and Exchange Commission on October 7, 2011 under Rule 424(b)(5) (Registration No. 333-163424) of the Securities Act of 1933, as amended. A filing fee of $23,974.32 has already been paid with respect to $209,200,000 of the maximum aggregate offering price of 10,000,000 of the offered common units. Accordingly, a filing fee of $3,597 is being paid at this time with respect to $31,380,000 of the maximum aggregate offering price of the 1,500,000 common units that may be purchased by the underwriters pursuant to their option to purchase additional common units to cover over-allotments.

EXPLANATORY NOTE

Regency Energy Partners LP (the Partnership) registered the offer and sale of 11,500,000 common units representing limited partner interests in the Partnership (including 1,500,000 common units to cover over-allotments) at a price of $20.92 per unit under a prospectus supplement dated October 7, 2011 that was filed with the Securities and Exchange Commission on October 7, 2011 (the Prospectus Supplement) under Rule 424(b)(5) of the Securities Act of 1933, as amended. The calculation of the Aggregate Offering Price in the Prospectus Supplement omitted the 1,500,000 common units to cover over-allotments and the amount of the related registration fee. This filing is being made to pay the registration fee of $3,597 relating to the additional 1,500,000 common units not previously reflected in the Calculation of Registration Fee table. No changes have been made to the Prospectus Supplement or the accompanying base prospectus.

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PROSPECTUS SUPPLEMENT
(To Prospectus dated December 1, 2009)

10,000,000 Common Units

Representing Limited Partner Interests

We are offering 10,000,000 common units representing limited partner interests in Regency Energy Partners LP.

Our common units trade on the New York Stock Exchange under the symbol RGP. The last reported trading price of our common units on October 6, 2011 was $21.66.

Investing in our common units involves risks. See Risk Factors on page S-5 of this prospectus supplement, beginning on page 3 of the accompanying base prospectus and in the documents incorporated by reference.

	Per Common Unit	Total
Price to the public	$ 20.92	$ 209,200,000
Underwriting discounts and commissions	$ 0.72	$ 7,200,000
Proceeds to Regency Energy Partners LP (before expenses)	$ 20.20	$ 202,000,000

We have granted the underwriters a 30-day option to purchase up to an additional 1,500,000 common units on the same terms and conditions set forth above if the underwriters sell more than 10,000,000 common units in this offering.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed on the adequacy or accuracy of this prospectus supplement. Any representation to the contrary is a criminal offense.

Barclays Capital, on behalf of the underwriters, expects to deliver the common units on or about October 13, 2011.

Barclays Capital **BofA Merrill Lynch** **Credit Suisse** **J.P. Morgan**

Morgan Stanley **UBS Investment Bank** **Wells Fargo Securities**

Deutsche Bank Securities **Oppenheimer & Co.**

Prospectus Supplement dated October 7, 2011

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PROSPECTUS SUPPLEMENT

PROSPECTUS

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is the prospectus supplement, which describes the specific terms of this offering of common units. The second part is the accompanying base prospectus, some of which may not apply to this offering of common units. Generally, when we refer only to the prospectus, we are referring to both parts combined. If the information about the offering varies between this prospectus supplement and the accompanying base prospectus, you should rely on the information in this prospectus supplement.

Any statement made in this prospectus supplement, the accompanying base prospectus or in a document incorporated or deemed to be incorporated by reference into this prospectus supplement or the accompanying base prospectus will be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained in this prospectus supplement or in any other subsequently filed document that is also incorporated by reference into this prospectus supplement or the accompanying base prospectus modifies or supersedes that statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus supplement or the accompanying base prospectus. Please read Incorporation of Certain Documents by Reference in this prospectus supplement.

You should rely only on the information contained in or incorporated by reference into this prospectus supplement, the accompanying base prospectus and any free writing prospectus prepared by or on behalf of us relating to this offering of common units. Neither we nor the underwriters have authorized anyone to provide you with additional or different information. If anyone provides you with additional, different or inconsistent information, you should not rely on it. We are offering to sell the common units, and seeking offers to buy the common units, only in jurisdictions where offers and sales are permitted. You should not assume that the information contained in this prospectus supplement, the accompanying base prospectus or any free writing prospectus is accurate as of any date other than the dates shown in these documents or that any information we have incorporated by reference herein is accurate as of any date other than the date of the document incorporated by reference. Our business, financial condition, results of operations and prospects may have changed since such dates.

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SUMMARY

This summary highlights information contained elsewhere in this prospectus supplement and the accompanying base prospectus. It does not contain all of the information you should consider before making an investment decision. You should read the entire prospectus supplement, the accompanying base prospectus, the documents incorporated by reference and the other documents to which we refer for a more complete understanding of this offering. Please read Risk Factors on page S-5 of this prospectus supplement, beginning on page 3 of the accompanying base prospectus and in the documents incorporated by reference for more information about important factors that you should consider before buying common units in this offering.

As used in this prospectus supplement, Regency Energy Partners, the Partnership, we, our, us or like terms mean Regency Energy Partners LP and its subsidiaries. References to our general partner refer to Regency GP LP, the general partner of the Partnership, and its general partner, Regency GP LLC, which effectively manages the business and affairs of the Partnership. Unless we indicate otherwise, information presented in this prospectus supplement assumes that the underwriters do not exercise their option to purchase additional common units.

Regency Energy Partners LP

We are a growth-oriented publicly traded Delaware limited partnership that is engaged in the gathering and processing, contract compression, treating, transportation, fractionation and storage of natural gas and natural gas liquids (NGLs). We focus on providing midstream services in several of the most prolific shale plays and rich gas producing formations in the United States, including the Eagle Ford, Haynesville, Barnett, Fayetteville and Marcellus shales, as well as the Permian Delaware basin and mid-continent region.

We divide our operations into five business segments:

Gathering and Processing. We provide wellhead-to-market services to producers of natural gas, which include gathering raw natural gas from the wellhead through gathering systems, processing raw natural gas to separate NGLs and selling or delivering pipeline-quality natural gas and NGLs to various markets and pipeline systems.

Joint Ventures. We own a 49.99% interest in RIGS Haynesville Partnership Co. (HPC), which owns Regency Instrastate Gas System (RIGS), a 450-mile intrastate pipeline that delivers natural gas from northwest Louisiana to downstream pipelines and markets. We own a 50% interest in Midcontinent Express Pipeline LLC (MEP), which owns a 500-mile interstate natural gas pipeline stretching from southeast Oklahoma through northeast Texas, northern Louisiana and central Mississippi to an interconnect with the Transcontinental Gas Pipe Line system in Butler, Alabama. We also own a 30% interest in Lone Star NGL LLC (Lone Star), an entity owning a diverse set of midstream energy assets including pipelines, storage and processing facilities located in the states of Texas, Mississippi and Louisiana.

Contract Compression. We own and operate a fleet of compressors used to provide turn-key natural gas compression services for customer specific systems.

Contract Treating. We own and operate a fleet of equipment used to provide treating services, such as carbon dioxide and hydrogen sulfide removal, natural gas cooling, dehydration and BTU management to natural gas producers and midstream pipeline companies.

Corporate and Others. Our Corporate and Others segment comprises a small interstate pipeline and our corporate offices.

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Organizational Structure

The chart below depicts our organization and ownership structure as of the date of this prospectus supplement before giving effect to this offering.

Other Information

Our principal executive offices are located at 2001 Bryan Street, Suite 3700, Dallas, Texas 75201, and our telephone number is (214) 750-1771. Our internet address is www.regencyenergy.com. Our periodic reports and other information filed with or furnished to the Securities and Exchange Commission (the SEC) are available, free of charge, through our website, at www.regencyenergy.com, as soon as reasonably practicable after those reports and other information are electronically filed with or furnished to the SEC. Information on our website or any other website is not incorporated by reference into this prospectus supplement and does not constitute a part of this prospectus supplement.

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The Offering

Issuer	Regency Energy Partners LP.
Common Units Offered	10,000,000 common units.
Underwriters Option to Purchase Additional Units	We have granted the underwriters a 30-day option to purchase up to 1,500,000 additional common units from us at the public offering price less underwriting discounts and commissions if the underwriters sell more than 10,000,000 common units in this offering.
Units Outstanding After this Offering	155,843,942 common units, or 157,343,942 common units if the underwriters exercise in full their option to purchase additional common units, and 4,371,586 Series A Cumulative Convertible Preferred Units.
Use of Proceeds	We expect to receive net proceeds from this offering of approximately $201.6 million, or approximately $231.9 million if the underwriters exercise in full their option to purchase additional common units, in each case after deducting underwriting discounts and commissions and estimated offering expenses. We intend to use the net proceeds of this offering, including any proceeds from the exercise of the underwriters option to purchase additional common units, to repay borrowings outstanding under our revolving credit facility. We may reborrow under our revolving credit facility to pay for capital expenditures and acquisitions, to repurchase certain of our senior notes and for other general partnership purposes. Please read Use of Proceeds.
Cash Distributions	Under our partnership agreement, we must distribute all of our cash on hand at the end of each quarter, less reserves established by our general partner in its sole discretion. These reserve funds are meant to provide for the proper conduct of our business, including funds needed to provide for our operations as well as to comply with applicable debt instruments. As we cannot estimate the size of these reserves for any given quarter at this time, we cannot assure you that, after the establishment of reserves, we will have cash on hand for distribution to our unitholders. We refer to this cash available for distribution as available cash, and we define its meaning in our partnership agreement. Please see How We Make Cash Distributions in the accompanying base prospectus for a description of available cash. The amount of available cash may be greater than or less than our minimum quarterly distribution. If cash distributions exceed $0.4025 per unit in a quarter, our general partner will receive increasing percentages, up to 49.9%, of the cash we distribute in excess of that amount. We refer to these distributions as incentive distributions. Please see How We Make Cash Distributions Incentive Distribution Rights in the accompanying base prospectus.

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	On July 26, 2011, we declared a quarterly cash distribution for the quarter ended June 30, 2011 of $0.45 per unit to the holders of our common units and $0.445 per unit to the holders of our Series A Cumulative Convertible Preferred Units, or $1.80 per unit and $1.78 per unit, respectively, on an annualized basis. We paid this distribution on August 12, 2011 to unitholders of record at the close of business on August 5, 2011.
Estimated Ratio of Taxable Income to Distributions	We estimate that if you own the common units you purchase in this offering through the record date for distributions for the period ending December 31, 2014, you will be allocated, on a cumulative basis, an amount of federal taxable income for that period that will be 20% or less of the cash distributed to you with respect to that period. Please read Material Tax Considerations.
Material Tax Considerations	For a discussion of other material federal income tax considerations that may be relevant to prospective unitholders who are individual citizens or residents of the United States, please read Material Tax Considerations.
Exchange Listing	Our common units are traded on the New York Stock Exchange under the symbol RGP.
Risk Factors	You should read Risk Factors on page S-5 of this prospectus supplement, beginning on page 3 of the accompanying base prospectus and in the documents incorporated by reference, as well as the other cautionary statements throughout this prospectus supplement, to ensure you understand the risks associated with an investment in our common units.

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RISK FACTORS

An investment in our common units involves risks. You should carefully consider the following risk factor and those set forth beginning on page 3 of the accompanying base prospectus and in our Annual Report on Form 10-K for the year ended December 31, 2010, together with all of the other information included in, or incorporated by reference into, this prospectus supplement and the accompanying base prospectus, when evaluating an investment in our common units. If any of the described risks were to occur, our business, financial condition, results of operations and prospects could be affected materially and adversely. In that case, we may be unable to make distributions to our unitholders, the trading price of our common units could decline and you could lose all or part of your investment.

We own an equity interest in HPC, MEP and Lone Star, but we do not exercise control over any of them.

We own a 49.99% general partner interest in HPC, and we have the right to appoint two members of the four-member management committee. We also have the right to vote the 0.01% general partner interest retained by EFS Haynesville, LLC, an affiliate of General Electric Company. Alinda Gas Pipeline I, L.P. and Alinda Gas Pipeline II, L.P. own the remaining 50% general partner interest in HPC and have the right to appoint the other two members of the management committee. Each member of the management committee has a vote equal to the sharing ratio of the partner that appointed such member. Accordingly, we do not exercise control over HPC. HPC s partnership agreement requires that the following actions, among other things, be approved by at least 75% of the members of the management committee: a merger or consolidation of HPC; the sale of all or substantially all of the assets of HPC; a determination to raise additional capital; determining the amount of available cash; causing HPC to terminate the master services agreement with us; approval of any budget; and entry into material contracts.

We own a 50% membership interest in MEP, and we have the right to appoint one member to the two-member board of directors. An affiliate of Kinder Morgan Energy Partners, L.P. owns a 50% membership interest in MEP and has the right to appoint the other member of the board of directors, appoint the officers of MEP and to manage the business operations of MEP. Accordingly, we do not exercise control over MEP. MEP s limited liability company agreement provides that 65% of the membership interests constitute a quorum. Most matters require a majority vote, but the following actions, among other things, require the approval of at least 80% of the membership interests: the sale of any assets outside the ordinary course of business or with a fair market value in excess of $5,000,000; a merger, consolidation or liquidation; modifying or terminating any agreement with a member; issuing, selling or repurchasing membership interests; incurring or refinancing indebtedness in excess of $25,000,000; and filing or settling any litigation or arbitration that involves claims or settlements in excess of $5,000,000.

We own a 30% membership interest in Lone Star, and we have the right to appoint one member to the two-member board of directors. Energy Transfer Partners, L.P. (ETP) owns a 70% membership interest in Lone Star and has the right to appoint the other member to the board of directors. Under the limited liability company agreement of Lone Star, all decisions regarding the management of the business and affairs of Lone Star are made by ETP, but the following actions, among other things, require the unanimous consent of the board of directors: entering into contracts with a term longer than three years with revenues or expenses greater than $10,000,000; filing or settling any litigation or arbitration that involves claims or settlements in excess of $1,000,000; entering into, modifying or terminating any agreement with a member; the purchase or sale of any assets with a fair market value in excess of $5,000,000 in one or more related transactions in any calendar year; a merger, consolidation or liquidation; issuing, selling or repurchasing membership interests; or incurring or refinancing any indebtedness of Lone Star.

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USE OF PROCEEDS

We expect to receive net proceeds from this offering of approximately $201.6 million, or approximately $231.9 million if the underwriters exercise in full their option to purchase additional common units, in each case after deducting underwriting discounts and commissions and estimated offering expenses. We intend to use the net proceeds of this offering, including any proceeds from the exercise of the underwriters option to purchase additional common units, to repay borrowings outstanding under our revolving credit facility. We may reborrow under our revolving credit facility to pay for capital expenditures and acquisitions, to repurchase certain of our senior notes and for other general partnership purposes.

As of October 5, 2011, an aggregate of approximately $445 million of borrowings were outstanding under our revolving credit facility. The weighted average interest rate on the total amount outstanding at October 5, 2011 was 2.896%. Our revolving credit facility matures in June 2014. The borrowings outstanding under our revolving credit facility were incurred to fund capital expenditures and working capital requirements.

The underwriters may, from time to time, engage in transactions with and perform services for us and our affiliates in the ordinary course of their business. Affiliates of Barclays Capital Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, J.P. Morgan Securities LLC, Morgan Stanley & Co. LLC, UBS Securities LLC and Wells Fargo Securities, LLC are lenders under our revolving credit facility and, as such, will receive a portion of the proceeds from this offering from the repayment of borrowings under such facility. Please read Underwriting.

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CAPITALIZATION

The following table shows our capitalization as of June 30, 2011 on:

a consolidated historical basis;

an as adjusted basis to give effect to this offering of common units and the application of the net proceeds therefrom as described in Use of Proceeds.

You should read our financial statements and notes thereto that are incorporated by reference into this prospectus supplement for additional information regarding our capitalization.

	As of June 30, 2011	
	Actual	As Adjusted
	(In thousands)	
	(Unaudited)	
Cash and cash equivalents	$ 3,105	$ 3,105
Long-term debt:		
Revolving credit facility[1]	330,000	128,370
Senior notes	1,355,613	1,355,613
Total long-term debt	$ 1,685,613	$ 1,483,983
Series A convertible redeemable preferred units	71,040	71,040
Partners capital and noncontrolling interest:		
Common units	3,042,153	3,243,783
General partner interest	331,166	331,166
Accumulated other comprehensive loss	(17,571)	(17,571)
Noncontrolling interest	32,216	32,216
Total partners capital and noncontrolling interest	$ 3,387,964	$ 3,589,594
Total capitalization	$ 5,144,617	$ 5,144,617

(1) As of October 5, 2011, we had approximately $445 million of borrowings outstanding under our revolving credit facility.

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PRICE RANGE OF COMMON UNITS AND DISTRIBUTIONS

Our common units were approved for listing on the New York Stock Exchange under the symbol RGP on August 5, 2011. Prior to that time, our common units were listed on The NASDAQ Global Select Market under the symbol RGNC. As of October 5, 2011, the number of holders of record of common units was 45, including Cede & Co., as nominee for the Depository Trust Company, which held of record 112,626,183 common units.

The following table sets forth, for the periods indicated, the high and low quarterly sales prices per common unit, as reported on the New York Stock Exchange or The NASDAQ Global Select Market, as applicable, and the cash distributions declared per common unit.

	Price Ranges		Cash Distributions per Common Unit[1]
	Low	High	
Year ending December 31, 2011			
December 31, 2011 (through October 6, 2011)	$ 20.41	$ 22.45	[2]
September 30, 2011	20.24	26.87	[2]
June 30, 2011	24.05	28.35	0.4500
March 31, 2011	24.05	27.99	0.4450
Year ended December 31, 2010			
December 31, 2010	23.96	27.50	0.4450
September 30, 2010	23.02	26.58	0.4450
June 30, 2010	19.60	24.65	0.4450
March 31, 2010	19.71	23.50	0.4450
Year ended December 31, 2009			
December 31, 2009	18.56	21.00	0.4450
September 30, 2009	14.07	19.65	0.4450
June 30, 2009	11.00	14.68	0.4450
March 31, 2009[3]	8.08	12.89	0.4450

(1) Distributions are shown for the quarter with respect to which they were declared.

(2) We have not declared the distribution attributable to this quarter. We generally declare and pay a cash distribution within 45 days following the end of each quarter.

(3) Represents the minimum quarterly distribution per common unit plus $0.095 per unit excluding the Class D Units, which were not entitled to any distributions until conversion into common units. The Class D Units converted into common units on a one-for-one basis on February 9, 2009.

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MATERIAL TAX CONSIDERATIONS

This section is a summary of the material tax considerations that may be relevant to prospective unitholders who are individual citizens or residents of the United States and, unless otherwise noted in the following discussion, is the opinion of Latham & Watkins LLP, counsel to our general partner and us, insofar as it relates to legal conclusions with respect to matters of U.S. federal income tax law. This section is based upon current provisions of the Internal Revenue Code of 1986, as amended (the Internal Revenue Code), existing and proposed Treasury regulations promulgated under the Internal Revenue Code (the Treasury Regulations) and current administrative rulings and court decisions, all of which are subject to change. Later changes in these authorities may cause the tax consequences to vary substantially from the consequences described below. Unless the context otherwise requires, references in this section to us or we are references to Regency Energy Partners LP and our operating company.

The following discussion does not comment on all federal income tax matters affecting us or our unitholders. Moreover, the discussion focuses on unitholders who are individual citizens or residents of the United States and has only limited application to corporations, estates, trusts, nonresident aliens or other unitholders subject to specialized tax treatment, such as tax-exempt institutions, foreign persons, individual retirement accounts (IRAs), real estate investment trusts (REITs) or mutual funds. In addition, the discussion only comments to a limited extent, on state, local, and foreign tax consequences. Accordingly, we encourage each prospective unitholder to consult his own tax advisor in analyzing the state, local and foreign tax consequences particular to him of the ownership or disposition of common units.

No ruling has been or will be requested from the IRS regarding any matter affecting us or prospective unitholders. Instead, we will rely on opinions of Latham & Watkins LLP. Unlike a ruling, an opinion of counsel represents only that counsel s best legal judgment and does not bind the IRS or the courts. Accordingly, the opinions and statements made herein may not be sustained by a court if contested by the IRS. Any contest of this sort with the IRS may materially and adversely impact the market for the common units and the prices at which common units trade. In addition, the costs of any contest with the IRS, principally legal, accounting and related fees, will result in a reduction in cash available for distribution to our unitholders and our general partner and thus will be borne indirectly by our unitholders and our general partner. Furthermore, the tax treatment of us, or of an investment in us, may be significantly modified by future legislative or administrative changes or court decisions. Any modifications may or may not be retroactively applied.

All statements as to matters of federal income tax law and legal conclusions with respect thereto, but not as to factual matters, contained in this section, unless otherwise noted, are the opinion of Latham & Watkins LLP and are based on the accuracy of the representations made by us.

For the reasons described below, Latham & Watkins LLP has not rendered an opinion with respect to the following specific federal income tax issues: (i) our method of allocating taxable income and losses to take into account the conversion feature of our Series A Cumulative Preferred Units (please read Tax Consequences of Unit Ownership Allocation of Income, Gain, Loss and Deduction); (ii) the treatment of a unitholder whose common units are loaned to a short seller to cover a short sale of common units (please read Tax Consequences of Unit Ownership Treatment of Short Sales); (iii) whether our monthly convention for allocating taxable income and losses is permitted by existing Treasury Regulations (please read Disposition of Common Units Allocations Between Transferors and Transferees); and (iv) whether our method for depreciating Section 743 adjustments is sustainable in certain cases (please read Tax Consequences of Unit Ownership Section 754 Election and Uniformity of Units).

Partnership Status

A partnership is not a taxable entity and incurs no federal income tax liability. Instead, each partner of a partnership is required to take into account his share of items of income, gain, loss and

deduction of the partnership in computing his federal income tax liability, regardless of whether cash distributions are made to him by the partnership. Distributions by a partnership to a partner are generally not taxable to the partnership or the partner unless the amount of cash distributed to him is in excess of the partner s adjusted basis in his partnership interest. Section 7704 of the Internal Revenue Code provides that publicly traded partnerships will, as a general rule, be taxed as corporations. However, an exception, referred to as the Qualifying Income Exception, exists with respect to publicly traded partnerships of which 90% or more of the gross income for every taxable year consists of qualifying income. Qualifying income includes income and gains derived from the transportation, storage, processing and marketing of natural gas and products thereof. Other types of qualifying income include interest (other than from a financial business), dividends, gains from the sale of real property and gains from the sale or other disposition of capital assets held for the production of income that otherwise constitutes qualifying income. We estimate that less than 6% of our current gross income is not qualifying income; however, this estimate could change from time to time. Based upon and subject to this estimate, the factual representations made by us and our general partner and a review of the applicable legal authorities, Latham & Watkins LLP is of the opinion that at least 90% of our current gross income constitutes qualifying income. The portion of our income that is qualifying income may change from time to time.

No ruling has been or will be sought from the IRS and the IRS has made no determination as to our status or the status of our operating company for federal income tax purposes or whether our operations generate qualifying income under Section 7704 of the Internal Revenue Code. Instead, we will rely on the opinion of Latham & Watkins LLP on such matters. It is the opinion of Latham & Watkins LLP that, based upon the Internal Revenue Code, its regulations, published revenue rulings and court decisions and the representations described below that:

We will be classified as a partnership for federal income tax purposes; and

Our operating company will be disregarded as an entity separate from us for federal income tax purposes.

In rendering its opinion, Latham & Watkins LLP has relied on factual representations made by us and our general partner. The representations made by us and our general partner upon which Latham & Watkins LLP has relied include:

Neither we nor the operating company has elected or will elect to be treated as a corporation;

For each taxable year, more than 90% of our gross income has been and will be income of the type that Latham & Watkins LLP has opined or will opine is qualifying income within the meaning of Section 7704(d) of the Internal Revenue Code; and

We believe that these representations have been true in the past and expect that these representations will continue to be true in the future.

If we fail to meet the Qualifying Income Exception, other than a failure that is determined by the IRS to be inadvertent and that is cured within a reasonable time after discovery (in which case the IRS may also require us to make adjustments with respect to our unitholders or pay other amounts), we will be treated as if we had transferred all of our assets, subject to liabilities, to a newly formed corporation, on the first day of the year in which we fail to meet the Qualifying Income Exception, in return for stock in that corporation, and then distributed that stock to the unitholders in liquidation of their interests in us. This deemed contribution and liquidation should be tax-free to unitholders and us so long as we, at that time, do not have liabilities in excess of the tax basis of our assets. Thereafter, we would be treated as a corporation for federal income tax purposes.

If we were taxed as a corporation in any taxable year, either as a result of a failure to meet the Qualifying Income Exception or otherwise, our items of income, gain, loss and deduction would be reflected only on our tax return rather than being passed through to our unitholders, and our net

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income would be taxed to us at corporate rates. In addition, any distribution made to a unitholder would be treated as taxable dividend income, to the extent of our current and accumulated earnings and profits, or, in the absence of earnings and profits, a nontaxable return of capital, to the extent of the unitholder s tax basis in his common units, or taxable capital gain, after the unitholder s tax basis in his common units is reduced to zero. Accordingly, taxation as a corporation would result in a material reduction in a unitholder s cash flow and after-tax return and thus would likely result in a substantial reduction of the value of the units.

The discussion below is based on Latham & Watkins LLP s opinion that we will be classified as a partnership for federal income tax purposes.

Limited Partner Status

Unitholders of Regency Energy Partners LP will be treated as partners of Regency Energy Partners LP for federal income tax purposes. Also, unitholders whose common units are held in street name or by a nominee and who have the right to direct the nominee in the exercise of all substantive rights attendant to the ownership of their common units will be treated as partners of Regency Energy Partners LP for federal income tax purposes.

A beneficial owner of common units whose units have been transferred to a short seller to complete a short sale would appear to lose his status as a partner with respect to those units for federal income tax purposes. Please read Tax Consequences of Unit Ownership Treatment of Short Sales .

Income, gain, deductions or losses would not appear to be reportable by a unitholder who is not a partner for federal income tax purposes, and any cash distributions received by a unitholder who is not a partner for federal income tax purposes would therefore appear to be fully taxable as ordinary income. These holders are urged to consult their tax advisors with respect to their tax consequences of holding common units in Regency Energy Partners LP. The references to unitholders in the discussion that follows are to persons who are treated as partners in Regency Energy Partners LP for federal income tax purposes.

Tax Consequences of Unit Ownership

Flow-Through of Taxable Income

Subject to the discussion below under Entity-Level Collections, we will not pay any federal income tax. Instead, each unitholder will be required to report on his income tax return his share of our income, gains, losses and deductions without regard to whether we make cash distributions to him. Consequently, we may allocate income to a unitholder even if he has not received a cash distribution. Each unitholder will be required to include in income his allocable share of our income, gains, losses and deductions for our taxable year ending with or within his taxable year. Our taxable year ends on December 31.

Treatment of Distributions

Distributions by us to a unitholder generally will not be taxable to the unitholder for federal income tax purposes, except to the extent the amount of any such cash distribution exceeds his tax basis in his common units immediately before the distribution. Our cash distributions in excess of a unitholder s tax basis generally will be considered to be gain from the sale or exchange of the common units, taxable in accordance with the rules described under Disposition of Common Units. Any reduction in a unitholder s share of our liabilities for which no partner, including the general partner, bears the economic risk of loss, known as nonrecourse liabilities, will be treated as a distribution by us of cash to that unitholder. To the extent our distributions cause a unitholder s at-risk amount to be less than zero at the end of any taxable year, he must recapture any losses deducted in previous years. Please read Limitations on Deductibility of

Losses.

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A decrease in a unitholder s percentage interest in us because of our issuance of additional common units will decrease his share of our nonrecourse liabilities, and thus will result in a corresponding deemed distribution of cash. This deemed distribution may constitute a non-pro rata distribution. A non-pro rata distribution of money or property may result in ordinary income to a unitholder, regardless of his tax basis in his common units, if the distribution reduces the unitholder s share of our unrealized receivables, including depreciation recapture and/or substantially appreciated inventory items, each as defined in the Internal Revenue Code, and collectively, Section 751 Assets. To that extent, the unitholder will be treated as having been distributed his proportionate share of the Section 751 Assets and then having exchanged those assets with us in return for the non-pro rata portion of the actual distribution made to him. This latter deemed exchange will generally result in the unitholder s realization of ordinary income, which will equal the excess of (i) the non-pro rata portion of that distribution over (ii) the unitholder s tax basis (generally zero) for the share of Section 751 Assets deemed relinquished in the exchange.

Ratio of Taxable Income to Distributions

We estimate that a purchaser of common units in this offering who owns those common units from the date of closing of this offering through the record date for distributions for the period ending December 31, 2014, will be allocated, on a cumulative basis, an amount of federal taxable income for that period that will be 20% or less of the cash distributed with respect to that period. Thereafter, we anticipate that the ratio of allocable taxable income to cash distributions to the unitholders will increase. These estimates are based upon the assumption that gross income from operations will approximate the amount required to make distributions on all units and other assumptions with respect to capital expenditures, cash flow, net working capital and anticipated cash distributions. These estimates and assumptions are subject to, among other things, numerous business, economic, regulatory, legislative, competitive and political uncertainties beyond our control. Further, the estimates are based on current tax law and tax reporting positions that we will adopt and with which the IRS could disagree. Accordingly, we cannot assure you that these estimates will prove to be correct. The actual percentage of distributions that will constitute taxable income could be higher or lower than expected, and any differences could be material and could materially affect the value of the common units. For example, the ratio of allocable taxable income to cash distributions to a purchaser of common units in this offering will be greater, and perhaps substantially greater, than our estimate with respect to the period described above if:

- gross income from operations exceeds the amount required to maintain the current distribution amount on all units, yet we only distribute the current distribution amount on all units; or

- we make a future offering of common units and use the proceeds of the offering in a manner that does not produce- substantial additional deductions during the period described above, such as to repay indebtedness outstanding at the time of this offering or to acquire property that is not eligible for depreciation or amortization for federal income tax purposes or that is depreciable or amortizable at a rate significantly slower than the rate applicable to our assets at the time of this offering.

Basis of Common Units

A unitholder s initial tax basis for his common units will be the amount he paid for the common units plus his share of our nonrecourse liabilities. That basis will be increased by his share of our income and by any increases in his share of our nonrecourse liabilities. That basis will be decreased, but not below zero, by distributions from us, by the unitholder s share of our losses, by any decreases in his share of our nonrecourse liabilities and by his share of our expenditures that are not deductible in computing taxable income and are not required to be capitalized. A unitholder will have no share of our debt that is recourse to our general partner, but will have a share, generally based on