Regency Energy Partners LP
Form 424B3
July 23, 2007

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The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the attached prospectus are not an offer to sell these securities, and we are not soliciting an offer to buy these securities, in any state where the offer or sale is not permitted.

Filed pursuant to Rule 424(b)(3)
Registration No. 333-141809

PRELIMINARY PROSPECTUS SUPPLEMENT SUBJECT TO COMPLETION July 23, 2007
(To Prospectus Dated July 23, 2007)

10,000,000 Common Units

Representing Limited Partner Interests

We are selling 10,000,000 common units representing limited partner interests in Regency Energy Partners LP. Our common units trade on the NASDAQ Global Select Market under the symbol RGNC. The last reported sales price of our common units on the NASDAQ Global Select Market on July 19, 2007 was $34.12 per common unit.

Investing in our common units involves risks. Please read Risk Factors beginning on page S-14 of this prospectus supplement and on page 4 of the accompanying prospectus.

	Per Common Unit	Total
Public offering price	$	$
Underwriting discount	$	$
Proceeds to us (before expenses)	$	$

We have granted the underwriters a 30-day option to purchase up to an additional 1,500,000 common units from us on the same terms and conditions as 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 these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the common units on or about , 2007.

Joint Book-Running Managers

UBS Investment Bank **Goldman, Sachs & Co.** **Morgan Stanley**

A.G. Edwards

Credit Suisse

JPMorgan

Wachovia Securities

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 prospectus, which gives more general information, some of which may not apply to the common units. If the information relating to the offering varies between the prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

You should rely only on the information contained in or incorporated by reference in this prospectus supplement or the accompanying prospectus. We have not 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 or the accompanying prospectus is accurate as of any date other than the date on the front of those documents or that any information we have incorporated by reference 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 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 prospectus, the documents incorporated by reference and the other documents to which we refer for a more complete understanding of this offering. Please read the section entitled Risk Factors on page 4 of the accompanying prospectus for more information about important factors that you should consider before buying our common units in this offering.

References in this prospectus supplement to Regency Energy Partners, the Partnership, we, our, us and similar terms, refer to Regency Energy Partners LP and its subsidiaries. References to our general partner or the General Partner refer to Regency GP LP, the general partner of the Partnership. References to the Managing General Partner refer to Regency GP LLC, the general partner of the General Partner, which effectively manages the business and affairs of the Partnership. Unless we indicate otherwise, the 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 engaged in the gathering, processing, transportation and marketing of natural gas. We provide these services through systems located in Louisiana, Texas, Kansas, Oklahoma and Colorado. The Partnership was formed in September 2005 to capitalize on opportunities in the midstream sector of the natural gas industry.

We divide our operations into two business segments:

Ø *Gathering and Processing:* in which we provide wellhead-to-market services to producers of natural gas, which include transporting raw natural gas from the wellhead through gathering systems, treating to remove impurities such as hydrogen sulfide and carbon dioxide, processing raw natural gas to separate natural gas liquids, or NGLs, from the raw natural gas and selling or delivering the pipeline-quality natural gas and NGLs to various markets and pipeline systems; and

Ø *Transportation:* in which we deliver natural gas from northwest Louisiana to more favorable markets in northeast Louisiana through our 320-mile Regency Intrastate Pipeline system.

All of our assets are located in well-established areas of natural gas production that are characterized by long-lived, predictable reserves. These areas are generally experiencing increased levels of natural gas exploration, development and production activities as a result of strong demand for natural gas, attractive recent discoveries, infill drilling opportunities and the implementation of new exploration and production techniques.

For the year ended December 31, 2006 and the three months ended March 31, 2007, we generated $896.9 million and $256.4 million of revenue, respectively, and $69.6 million and $25.0 million of EBITDA, respectively. For a definition of EBITDA and a reconciliation to the most directly comparable financial measures calculated and presented in accordance with generally accepted accounting principles, or GAAP, please read Non-GAAP financial measures.

CHANGE OF CONTROL OF REGENCY ENERGY PARTNERS

On June 18, 2007, GE Energy Financial Services, or GE EFS, a unit of General Electric Company, or GE, indirectly acquired 100% of the general and limited partner interests in our General Partner as well as 17,763,809 subordinated units, representing 37.3% of the common and subordinated units outstanding, or 37.0% after giving effect to the contemporaneous awards of 355,000 restricted units under our long-term incentive plan. Pursuant to this acquisition, which we refer to as the GP Acquisition, GE EFS acquired 91.3% of both the member interest in our Managing General Partner and the outstanding limited partner interests in our General Partner from an affiliate of HM Capital Partners LLC. GE EFS also indirectly acquired from members of our management the remaining 8.7%

of the member interest in the Managing General Partner and the remaining 8.7% of the outstanding limited partner interests in our General Partner. In addition, also as a result of this acquisition, GE EFS acquired 17,763,809 subordinated units in us, of which 1,222,717 subordinated units were owned directly or indirectly by certain members of our management team. Members of our management team re-acquired or agreed to acquire interests in an affiliate of GE EFS that entitle them to an indirect 8.2% ownership interest in the Managing General Partner and the General Partner, as well as approximately 58,000 subordinated units.

As a result of these acquisitions and contemporaneous awards under our Long-Term Incentive Plan, GE EFS owns (i) 37.0% of our limited partner interests, (ii) the 2% general partner interest in us, and (iii) the right to receive the incentive distributions associated with the general partner interest. As a result of its ownership of our Managing General Partner, GE EFS appoints all of the directors of our Managing General Partner and has appointed five directors to serve on the board of directors. Four partners of HM Capital Partners LLC and two others resigned as directors concurrently with the GP Acquisition, and our chief executive officer and two independent directors remained on the board of directors of our Managing General Partner.

This change of control caused all outstanding unvested option and restricted unit awards under our Long-Term Incentive Plan to vest. As a result, we will record a non-cash charge of approximately $11.5 million to our results of operations for the quarter ending June 30, 2007.

OUR RELATIONSHIP WITH GENERAL ELECTRIC

As a result of the GP Acquisition, we now have a relationship with GE and GE EFS that we believe will benefit us in making acquisitions from both GE EFS and third-parties. GE EFS has approximately $14 billion of assets and invested more than $5 billion in the energy and water industries during 2006. GE EFS s energy asset base includes interests in Bobcat Natural Gas Storage an underground natural gas storage facility in the Gulf Coast and 20,000 miles of natural gas pipelines in North America, including (i) Southern Star Central a natural gas transmission system located in the central U.S., (ii) SourceGas a local natural gas distribution company in Colorado, Nebraska, Wyoming and Hermosillo, Mexico and (iii) a natural gas gathering and processing system located in the Hugoton Basin.

Although GE EFS has not committed, and has no obligation, to sell assets to us or to promote our interests, GE EFS has indicated that it intends to use us as a platform for its future investment in and commitment to growth in the midstream sector. We intend to pursue acquisitions of assets from GE EFS at accretive valuations and believe GE EFS has an incentive to sell assets at such valuations given its economic interests in us.

Additionally, we believe we will benefit from GE EFS s financial strength, experience and commitment to growth in the midstream sector as we will be able to pursue additional strategic opportunities, including third-party acquisitions and/or organic growth initiatives, because of our access to GE and GE EFS s industry expertise, market opportunities, and, potentially, capital.

BUSINESS STRATEGIES

Our management team is dedicated to increasing the amount of cash available for distribution to each outstanding unit while maintaining a strong balance sheet. We intend to achieve this by executing the following strategies:

Ø *Pursuing strategic acquisitions of midstream assets from GE EFS.* GE EFS s energy asset base is considerably larger than our own and includes midstream assets that we believe are strategically aligned with our existing operations or provide attractive operations in new regions. GE EFS has not committed to and does not have any obligation to sell assets to us.

Ø *Utilizing our relationship with GE EFS to facilitate acquisitions from third parties.* We intend to pursue strategic acquisitions of midstream assets from third parties in or near our current areas of

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operation that offer the opportunity for operational efficiencies and the potential for increased utilization and expansion of those assets. We also intend to pursue opportunities in new regions with significant natural gas reserves and high levels of drilling activity. We believe our relationship with GE EFS will provide increased access to such opportunities.

Ø *Maximizing the profitability of our existing assets.* We intend to increase the profitability of our existing asset base by actively controlling and reducing operating costs, identifying new business opportunities, scaling our operations by adding new volumes of natural gas supplies, and undertaking additional initiatives to enhance efficiency.

Ø *Implementing cost-effective organic growth opportunities.* We intend to build natural gas gathering assets, processing facilities and transportation lines that will enhance our existing systems, further our ability to aggregate supply, and enable us to access premium markets for that supply. Where applicable, we will seek to coordinate each expansion with the needs of significant producers in the area to mitigate speculative risk associated with securing through-put volumes.

Ø *Continuing to reduce our exposure to commodity price risk.* We operate our business in a manner designed to allow us to generate stable cash flows while mitigating the impact of fluctuations in commodity prices.

Ø *Improving our credit ratings.* We are committed to achieving an investment grade rating on our debt. Our current Corporate Family Rating from Moody s is B1, and our current Corporate Credit Rating from Standard & Poor s is B+.

COMPETITIVE STRENGTHS

We believe that we are well positioned to execute our business strategies and to compete in the natural gas gathering, processing, marketing and transportation businesses based on the following competitive strengths:

Ø *Our acquisition strategy and growth opportunities will benefit from our affiliation with GE EFS.* As indicated above, we believe our affiliation with GE EFS enhances our ability to consummate accretive acquisitions and capitalize on market opportunities.

Ø *We have the financial flexibility and adequate access to capital to pursue acquisition and organic growth opportunities.* We remain committed to maintaining a capital structure that will afford us the financial strength to fund expansion projects and other attractive investment opportunities. We believe our relationship with GE increases our access to capital and enables us to pursue strategic opportunities that we may otherwise not be able to pursue. In addition, we have sufficient liquidity under our credit facility to fund our near term growth capital requirements.

Ø *We have a significant market presence in major natural gas supply areas.* We have a significant market presence in each of our operating areas, which are located in some of the largest and most prolific gas-producing regions of the United States: the Louisiana-Mississippi-Alabama Salt basin in north Louisiana, the Permian basin of west Texas, the Hugoton and Anadarko basins in the mid-continent area, the East Texas basin and Edwards, Olmos and Wilcox trends in south Texas. Our geographical diversity reduces our reliance on any particular region, basin or gathering system. Each of these producing regions is well-established with generally long-lived, predictable reserves, and our assets are strategically located in each of the regions. These areas are experiencing high levels of natural gas exploration, development and production activities as a result of strong demand for natural gas, attractive recent discoveries, infill drilling opportunities and the implementation of new exploration and production techniques.

- *Our Regency Intrastate Pipeline System provides us with significant fee-based transportation through-put volumes and cash flow.* The Regency Intrastate Pipeline System allows us to capitalize on the flow of natural gas from producing fields in north Louisiana to intrastate and interstate markets in northeast Louisiana. These transportation through-put volumes have limited commodity price exposure and provide us with a stable, fee-based cash flow.

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- Ø *We have an experienced, knowledgeable management team with a proven track record.* Our senior management team has an average of over 20 years of industry related experience. Our team s extensive experience and contacts within the midstream industry provide a strong foundation and focus for managing and enhancing our operations, for accessing strategic acquisition opportunities and for constructing new assets. Additionally, members of our management team have a substantial economic interest in us through an indirect 8.2% ownership interest in the Managing General Partner and the General Partner.

OTHER INFORMATION

Our principal executive offices are located at 1700 Pacific Avenue, Suite 2900, Dallas, Texas 75201, and our telephone number is (214) 750-1771. Our internet address is www.regencygas.com. Our periodic reports and other information filed or furnished to the Securities and Exchange Commission, or the SEC, are available, free of charge, through our website, 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 and does not constitute a part of this prospectus.

PARTNERSHIP STRUCTURE AND MANAGEMENT

Our operations are conducted through, and our operating assets are owned by, our subsidiaries. We own our interests in our operating subsidiaries through an operating partnership, Regency Gas Services LP.

Regency GP LP, our general partner, or the General Partner, has direct responsibility for conducting our business and for managing our operations. Because our general partner is a limited partnership, its general partner, Regency GP LLC, or the Managing General Partner, is ultimately responsible for the business and operations of the General Partner and conducts our business and operations, and the board of directors and officers of Regency GP LLC make decisions on our behalf.

The chart on the following page depicts the organizational structure and ownership of Regency Energy Partners LP, the operating partnership and the operating subsidiaries after giving effect to this offering but excluding the underwriters option to purchase additional common units.

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Ownership of Regency Energy Partners LP

Public Common Units	65.7%
GE EFS, Management and Affiliates Subordinated Units	32.3%
GE EFS, Management and Affiliates General Partner Interest	2.0%
	100.0%

(1) Includes 17,763,809 subordinated units owned by GE EFS, 1,116,509 subordinated units owned by our management and 223,578 subordinated units held by two other individuals.

(2) Twenty-nine members of our management currently own or have subscribed to purchase interests in an affiliate of GE EFS that represent an indirect economic interest in approximately 8.2% of the equity of our Managing General Partner and our General Partner.

(3) Includes 8,148,672 Common Units owned by affiliates of HM Capital Partners LLC that are subject to contractual restrictions against sale for six months (57.6%) and a year (42.4%).

(4) Includes 355,000 restricted Common Units issued to our management and employees under our Long-Term Incentive Plan at the time of the GP Acquisition.

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The offering

Common units offered by Regency Energy Partners LP	10,000,000 common units 11,500,000 common units if the underwriters exercise in full their option to purchase additional common units.
Units outstanding after this offering	38,927,212 common units, or 40,427,212 common units if the underwriters exercise in full their option to purchase additional common units, and 19,103,896 subordinated units.
Use of proceeds	We expect to receive, based on an assumed offering price of $34.12 per common unit, approximately $332.8 million from the sale of the 10,000,000 common units offered hereby, including our general partner s proportionate capital contribution and after deducting underwriting discounts and commissions and estimated offering expenses. We will apply approximately $208.6 million of the net proceeds to redeem $192.5 million in principal amount, or 35%, of the $550 million in principal amount of our outstanding 83/8% senior notes due 2013. In addition, we will use $50.0 million of the net proceeds to repay the remaining term loan outstanding under our credit facility and $74.1 million of the net proceeds to repay outstanding revolving credit indebtedness under our credit facility. We will pay the accrued interest on all indebtedness repaid to the date of payment from cash on hand. We will use any net proceeds from the underwriters exercise of their option to purchase additional common units to repay additional borrowings outstanding under our revolving credit facility. Please read Use of Proceeds.
Cash distributions	We intend to make distributions on our common units equal to or greater than the minimum quarterly distribution of $0.35 per unit to the extent we have sufficient cash from our operations after establishment of cash reserves and payment of fees and expenses of our General Partner. On May 15, 2007, we paid a quarterly cash distribution for the quarter ended March 31, 2007 of $0.38 per unit to the holders of our common and subordinated units, or $1.52 per unit on an annualized basis. If cash distributions exceed $0.4025 per unit in a quarter, our general partner will receive increasing percentages, up to 50%, 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 prospectus.

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

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	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 prospectus for a description of available cash. The amount of available cash may be greater than or less than the minimum quarterly distribution. We expect to pay our distribution for the quarter ended June 30, 2007 on August 14, 2007 to the holders of our common units on August 7, 2007. If you purchase common units in this offering, you will receive this distribution.
Estimated ratio of taxable income to distributions	We estimate that if you own the common units you purchase in this offering through December 31, 2010, 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 Tax Considerations in this prospectus supplement for the basis of this estimate.
Exchange listing	Our common units are traded on the NASDAQ Global Select Market under the symbol RGNC.
Risk factors	There are risks associated with this offering and our business. You should consider carefully the risk factors beginning on page 4 of the accompanying prospectus before making a decision to purchase common units in this offering.

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Summary financial and other data

The summary historical financial information presented below for us and our predecessors, Regency Gas Services LLC (which for the period prior to December 1, 2004 we define as Regency LLC Predecessor) and its successor Regency Gas Services LP, was derived from our audited consolidated financial statements as of December 31, 2006, 2005, and 2004 and for the periods then ended, the one month period ended December 31, 2004, and the eleven month period ended November 30, 2004, and from our unaudited financial statements as of March 31, 2007 and for the three month period then ended. The summary historical financial data has been adjusted to reflect our results of operations, financial position and cash flows combined with those of TexStar Field Services, L.P. and TexStar GP, LLC (together TexStar) for all periods subsequent to December 1, 2004.

Historical results for our operations and those of our predecessors, Regency LLC Predecessor and Regency Gas Services LP, for the periods presented below may not be comparable, either from period to period or going forward, for the following reasons:

- Regency Gas Services LLC acquired certain natural gas gathering and processing assets from Duke Energy Field Services, LP in March 2004. As a result, our historical financial results for the periods prior to March 2004 do not include the financial results from the operation of these assets.

- In connection with the acquisition of Regency Gas Services LLC by investors affiliated with HM Capital Partners LLC on December 1, 2004 (the HM Acquisition), the purchase price was pushed down to the financial statements of Regency Gas Services LLC. As a result of this push-down accounting, the book basis of our assets was increased to reflect the purchase price, which had the effect of increasing our depreciation expense. Also, the increased amount of debt we incurred in connection with the acquisition increased our interest expense subsequent to December 1, 2004.

- In December 2004 we undertook a hedging program. Effective July 1, 2005 we designated certain commodity and interest rate swap instruments for hedge accounting treatment in accordance with SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. For the periods from December 1, 2004 through June 30, 2005, unrealized and realized gains and losses on the commodity swaps were recorded in unrealized/realized gain (loss) from risk management activities in our statement of operations. For the six months ended June 30, 2005, unrealized gains and losses on the interest rate swap were recorded in interest expense, net. Effective July 1, 2005, to the extent the hedges were effective, any unrealized gains or losses on these instruments were recorded in other comprehensive income (loss) during the lives of the instruments, which we believe results in financial results that are not comparable for the affected periods.

- TexStar acquired assets from subsidiaries of Enbridge Energy Partners L.P. on December 7, 2005. As a result, our historical results for periods prior to December 1, 2005 do not include the financial results from the operation of these assets. TexStar also acquired assets from Valence Midstream Ltd. and EEC Midstream, Ltd. on July 25, 2006. As a result, our historical results from the periods prior to August 1, 2006 do not include the financial results from the operation of these assets.

- We have spent $335.2 million in organic growth projects: $176.1 million in 2005, $121.8 million in 2006 and $37.3 million in the first quarter of 2007. We completed our Regency Intrastate Enhancement Project and other key projects included two new refrigeration dewpoint control facilities in north Louisiana; electrification and adding an acid gas injection well at our Tilden Processing Plant; adding acid gas injection at our Waha Processing Plant, re-building and activating an existing nitrogen rejection unit at our Eustace Processing Plant; and constructing 31 miles of 12 inch diameter pipeline in south Texas.

- Ø The TexStar acquisition is a transaction between commonly controlled entities and we accounted for this acquisition in a manner similar to a pooling of interests. As a result, our historical financial statements and the historical financial statements of TexStar have been combined to reflect the historical operations, financial position and cash flows at the dates and for the periods after December 1, 2004 (being the period of common control). Most of the TexStar operating activity occurred since December 2005. As a result, the TexStar historical operations, financial position and cash flows are not comparable to prior periods.

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Statement of Operations Data:	Regency LLC Predecessor Period from January 1, 2004 to November 30, 2004	Regency Energy Partners LP Period from Acquisition Date (December 1, 2004) to December 31, 2004	Year Ended December 31, 2005	Year Ended December 31, 2006	Three Months Ended March 31, 2006	Three Months Ended March 31, 2007
	($ in thousands except per unit data)					
Total revenue	$ 432,321	$ 47,857	$ 709,401	$ 896,865	$ 231,266	$ 256,428
Total operating expenses	(404,251)	(45,112)	(695,366)	(857,005)	(229,766)	(242,948)
Operating income	28,070	2,745	14,035	39,860	1,500	13,480
Other income and deductions:						
Interest expense, net	(5,097)	(1,335)	(17,880)	(37,182)	(8,001)	(14,885)
Loss on debt refinancing	(3,022)		(8,480)	(10,761)		
Equity income		56	312	532	91	43
Other income and deductions, net	186	8	421	307	91	67
Total other income and deductions	(7,933)	(1,271)	(25,627)	(47,104)	(7,819)	(14,775)
Net income (loss) from continuing operations	20,137	1,474	(11,592)	(7,244)	(6,319)	(1,295)
Discontinued operations	(121)		732			
Net (loss) income	$ 20,016	$ 1,474	$ (10,860)	$ (7,244)	$ (6,319)	$ (1,295)
Less:						
Net income through January 31, 2006				1,564	1,564	
Net loss for partners				$ (8,808)	$ (7,883)	$ (1,295)
General partner interest				(176)	(158)	(26)
Limited partner interest				$ (8,632)	$ (7,725)	$ (1,269)
Basic and diluted net loss per common and subordinated unit				$ (0.21)	$ (0.18)	$ (0.03)
Cash distributions declared per common and subordinated unit				0.94	0.2217	0.38
				(0.12)	(0.18)	

Basic and diluted net loss per Class B common unit				
Cash distributions declared per Class B common unit				
Basic and diluted net loss per Class C common unit				
Cash distributions declared per Class C common unit				
Balance Sheet Data (at period end):				
Property, plant and equipment, net	$ 328,784	$ 609,157	$ 734,034	$ 762,120
Total assets	492,170	806,740	1,013,085	1,031,559
Long-term debt (long-term portion only)	248,000	428,250	664,700	698,100
Partners capital or member interest	181,936	230,962	212,657	185,352

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	Regency LLC Predecessor	Regency Energy Partners LP				
	Period from January 1, 2004 to November 30, 2004	Period from Acquisition Date (December 1, 2004) to December 31, 2004	Year Ended December 31, 2005	Year Ended December 31, 2006	Three Months Ended March 31, 2006	Three Months Ended March 31, 2007
	($ in thousands except per unit data)					
Cash Flow Data:						
Net cash flows provided by (used in):						
Operating activities	$ 32,401	$ (4,311)	$ 37,340	$ 44,156	$ (471)	$ 27,470
Investing activities	(84,721)	(130,478)	(279,963)	(223,650)	(30,378)	(46,891)
Financing activities	56,380	132,515	242,949	184,947	30,951	18,786
Other Financial Data:						
Total segment margin	$ 69,559	$ 6,870	$ 77,059	$ 158,049	$ 34,530	$ 44,491
EBITDA	35,242	4,470	30,191	69,592	10,851	25,017
Maintenance capital expenditures	5,548	358	9,158	16,433	3,833	864
Segment Financial and Operating Data:						
Gathering and Processing Segment:						
Financial Data:						
Segment margin	$ 61,347	$ 6,262	$ 61,387	$ 113,002	$ 24,643	$ 30,178
Operating Data:						
Throughput (MMbtu/d)	303,345	314,812	345,398	529,467	423,593	729,218
NGL gross production (Bbls/d)	14,487	16,321	14,883	18,587	17,478	20,047
Transportation Segment:						
Financial data:						
Segment margin	$ 8,212	$ 608	$ 15,672	$ 45,047	$ 9,887	$ 14,313
Operating data:						
Throughput (MMbtu/d)	192,236	161,584	258,194	587,098	438,396	704,458

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Non-GAAP financial measures

The financial information on the preceding page includes the following non-GAAP financial measures: EBITDA and total segment margin. Provided below are our reconciliations of these non-GAAP financial measures to their most directly comparable financial measures as calculated and presented in accordance with GAAP.

EBITDA. We define EBITDA as net income (loss) plus interest expense, net and depreciation and amortization expense.

EBITDA is used as a supplemental measure by our management and by external users of our financial statements, such as investors, commercial banks, research analysts and others to assess:

- financial performance of our assets without regard to financing methods, capital structure or historical cost basis;
- the ability of our assets to generate cash sufficient to pay interest costs, support our indebtedness and make cash distributions to our unitholders and General Partner;
- our operating performance and return on capital as compared to those of other companies in the midstream energy sector, without regard to financing methods or capital structure; and
- the viability of acquisitions and capital expenditure projects and the overall rates of return on alternative investment opportunities.

EBITDA should not be considered as an alternative to net income, operating income, cash flows from operating activities or any other measure of financial performance presented in accordance with GAAP.

EBITDA does not include interest expense, income taxes or depreciation and amortization expense. Because we have borrowed money to finance our operations, interest expense is a necessary element of our costs and our ability to generate cash available for distribution. Because we use capital assets, depreciation and amortization are also necessary elements of our costs. Therefore, any measures that exclude these elements have material limitations. To compensate for these limitations, we believe that it is important to consider both net earnings determined under GAAP, as well as EBITDA, to evaluate our performance.

Total Segment Margin. We define total segment margin as total revenues, including service fees, less cost of gas and liquids.

Total segment margin is included as a supplemental disclosure because it is used by our management as a primary measure of the results of product sales, service fee revenues and product purchases, a key component of our operations. We believe total segment margin is an important measure because it is directly related to our volumes and commodity price changes. Operation and maintenance expenses are a separate measure used by management to evaluate operating performance of field operations. Direct labor, insurance, property taxes, repair and maintenance, utilities and contract services comprise the most significant portion of our operation and maintenance expenses. These expenses are largely independent of the volumes we transport or process and fluctuate depending on the activities performed during a specific period. We do not deduct operation and maintenance expenses from total revenues in calculating total segment margin because we separately evaluate commodity volume and price changes in total segment margin. As an indicator of our operating performance, total segment margin should not be considered an alternative to, or more meaningful than, net income as determined in accordance with GAAP. Our total segment margin may not be comparable to a similarly titled measure of another company because other entities may not calculate total segment margin in the same manner.

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	Regency LLC Predecessor	Regency Energy Partners LP				
	Period from January 1, 2004 to November 30, 2004	Period from Acquisition Date (December 1, 2004) to December 31, 2004	Year Ended December 31, 2005	Year Ended December 31, 2006	Three Months Ended March 31, 2006	Three Months Ended March 31, 2007
	($ in thousands)					
Reconciliation of EBITDA to net cash flows provided by (used in) operating activities and to net (loss) income:						
Net cash flows provided by (used in) operating activities	$ 32,401	$ (4,311)	$ 37,340	$ 44,156	$ (471)	$ 27,470
Add (deduct):						
Depreciation and amortization	(10,461)	(1,793)	(24,286)	(39,287)	(9,318)	(11,986)
Equity income		56	312	532	91	43
Loss on debt refinancing	(3,022)		(8,480)	(10,761)		
Risk management portfolio valuation changes		322	(11,191)	2,262	191	124
Loss on sale of assets						(1,808)
Unit based compensation expenses				(2,906)	(314)	(1,103)
Gain on the sale of Regency Gas Treating LP assets			626			
Gain on the sale of NGL line pack			628			
Accounts receivable	19,832	(2,568)	43,012	5,506	(16,938)	1,959
Other current assets	1,169	2,456	2,644	(104)	(921)	(598)
Accounts payable and accrued liabilities	(18,122)	(548)	(52,651)	1,359	23,535	(5,220)
Accrued taxes payable	(1,475)	921	(806)	(492)	(273)	(203)
Interest payable						(11,918)
Other current liabilities	(502)	242	(1,269)	(3,148)	(12)	1,504
Proceeds from termination of interest rate swap				(4,940)		

Amount of swap termination proceeds reclassified into earnings				3,862		
Other assets	196	6,697	3,261	(3,014)	(2,515)	441
Other liabilities				(269)	626	
Net (loss) income	$ 20,016	$ 1,474	$ (10,860)	$ (7,244)	$ (6,319)	$ (1,295)
Add:						
Interest expense, net	5,097	1,335	17,880	37,182	8,001	14,885
Depreciation and amortization	10,129	1,661	23,171	39,654	9,169	11,427
EBITDA	$ 35,242	$ 4,470	$ 30,191	$ 69,592	$ 10,851	$ 25,017

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	Regency LLC Predecessor	Regency Energy Partners LP				
	Period from January 1, 2004 to November 30, 2004	Period from Acquisition Date (December 1, 2004) to December 31, 2004	Year Ended December 31, 2005	Year Ended December 31, 2006	Three Months Ended March 31, 2006	Three Months Ended March 31, 2007
	($ in thousands)					
Reconciliation of total segment margin to net (loss) income:						
Net (loss) income	$ 20,016	$ 1,474	$ (10,860)	$ (7,244)	$ (6,319)	$ (1,295)
Add (deduct):						
Operation and maintenance	17,786	1,819	24,291	39,496	9,445	10,925
General and administrative	6,571	645	15,039	22,826	5,416	6,851
Management services contract termination fees				12,542	9,000	
Loss on sale of assets						1,808
Related party expenses			523	1,630		
Transaction expenses	7,003			2,041		
Depreciation and amortization	10,129	1,661	23,171	39,654	9,169	11,427
Interest expense, net	5,097	1,335	17,880	37,182	8,001	14,885
Equity income		(56)	(312)	(532)	(91)	(43)
Loss on debt refinancing	3,022		8,480	10,761		
Other income and deductions, net	(186)	(8)	(421)	(307)	(91)	(67)
Discontinued operations	121		(732)			
Total segment margin	$ 69,559	$ 6,870	$ 77,059	$ 158,049	$ 34,530	$ 44,491

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Risk factors

An investment in our common units involves risk. You should carefully read the risk factors included under the caption Risk Factors beginning on page 4 of the accompanying prospectus, as well as the risk factors discussed in our 2006 annual report on Form 10-K and in our quarterly report for the quarter ended March 31, 2007, which are incorporated by reference herein.

Use of proceeds

Based on an assumed offering price of $34.12 per common unit, we expect to receive proceeds of approximately $332.8 million from the sale of the 10,000,000 common units offered hereby, including our general partner s proportionate capital contribution and after deducting underwriting discounts and commissions and estimated offering expenses payable by us. We estimate that the total expenses of this offering payable by us, not including the underwriting discount, will be approximately $1.5 million. An increase or decrease in the public offering price of $1.00 per common unit would cause the net proceeds from the offering, including our general partner s proportionate capital contribution and after deducting applicable underwriting discounts and commissions, to increase or decrease by $9.8 million.

We will use approximately $208.6 million of the net proceeds to redeem $192.5 million, or 35%, of the $550 million in aggregate principal amount of our 83/8% senior notes due December 15, 2013, or senior notes, that were issued by us in a private placement to qualified institutional buyers pursuant to an indenture dated as of December 12, 2006. Under the terms of the indenture, we may, prior to December 15, 2009 but within 90 days following an Equity Offering (as defined therein), redeem out of the net cash proceeds of that Equity Offering up to 35% of the $550 million in aggregate principal amount of the senior notes originally issued at a redemption price equal to 108.375% of the aggregate principal amount of the notes being redeemed, plus accrued and unpaid interest to the date of redemption. We used the proceeds from the sale of the senior notes, plus additional revolving credit borrowings under our credit facility, to repay $550 million in term loans outstanding under our credit facility.

In addition, we intend to apply $50.0 million of the net proceeds to repay the remaining term loan outstanding under our credit facility and the remaining $74.1 million of net proceeds to pay outstanding indebtedness under our revolving credit facility. The remaining term loan under our credit facility had an average interest rate for the six months ended June 30, 2007 of 7.835% and matures on August 15, 2013. Indebtedness under our revolving credit facility, which matures on August 15, 2011, was $178.9 million as of July 12, 2007 and had a weighted average annual interest rate of 7.57%, without giving effect to interest rate hedges. Substantially all of the outstanding indebtedness under the term loan and the revolving credit facility was incurred to fund our acquisition of TexStar Field Service, L.P., or TexStar, in August 2006, to refinance our existing indebtedness prior to our acquisition of TexStar, to fund organic growth projects and to fund a portion of the acquisition price for Pueblo Midstream Gas Corporation. Some of the underwriters or their affiliates are lenders under our credit facility and will receive a portion of the net proceeds of this offering as a result of our repayment of outstanding indebtedness thereunder.

We will pay the accrued interest on all indebtedness redeemed or repaid to the date of redemption or payment from cash on hand.

We will use any net proceeds from the underwriters exercise of their option to purchase additional common units to repay additional borrowings outstanding under our revolving credit facility. If the underwriters exercise their option to purchase additional common units after August 7, 2007, the record date for our distribution for the quarter ended June 30, 2007, the underwriters will pay an amount equal to this distribution on those units and will deduct this amount from the proceeds we receive.

Pending application of the net proceeds to redeem senior notes, we intend to use those net proceeds to pay outstanding indebtedness under our revolving credit agreement.

Capitalization

The following table sets forth our capitalization as of March 31, 2007:

Ø on a consolidated historical basis;

Ø on an unaudited pro forma combined basis to reflect the acquisition of Pueblo Midstream Gas Corporation by us on April 2, 2007; and

Ø as adjusted to reflect this offering of common units and the application of the estimated net proceeds therefrom as described in Use of Proceeds.

You should read our financial statements and notes that are included or incorporated by reference elsewhere in this prospectus supplement for additional information regarding us.

	As of March 31, 2007 (unaudited)		
	Historical	Pro Forma(1)	Pro Forma As Adjusted(2)
	($ in thousands)		
Debt:			
Revolving credit facility	$ 98,100	$ 132,944	$ 58,829
Term loan	50,000	50,000	
Senior notes	550,000	550,000	357,500
Total Debt	698,100	732,944	416,329
Partner s Capital:			
Common unitholders	$ 155,613	$ 176,520	$ 481,325
Subordinated unitholders	35,988	35,988	35,988
General partner	5,231	5,231	11,916
Accumulated other comprehensive loss	(11,480)	(11,585)	(10,808)
Total partners capital(3)	185,352	206,154	518,421
Total Capitalization	$ 883,452	$ 939,098	$ 934,750

(1) The pro forma combined financial statements relating to our acquisition of Pueblo Midstream Gas Corporation were filed with the SEC on our Current Report on Form 8-K/A on June 12, 2007.

(2) Assumes 10,000,000 unit offering at $34.12 per unit, a 4% underwriting gross spread, $1.5 million of offering expenses and our general partner s proportionate capital contribution of $6.7 million, for net proceeds of $332.8 million, and repayment of debt as described in Use of Proceeds. Also assumes the expensing of the premium paid for the redemption of our senior notes ($16.1 million), the expensing of the proportionate amount

of deferred financing costs related to the term loan and senior notes ($5.1 million), and reclassification of unamortized gain on early termination of interest rate swaps from other comprehensive loss ($0.8 million).

(3) A $1.00 increase (decrease) in the assumed public offering price per common unit would increase (decrease) the net proceeds of this offering and our as adjusted total partners capital by $9.8 million, assuming the number of common units offered by us, as set forth on the cover page of this prospectus supplement, remains the same and including our general partner s proportionate capital contribution and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

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Price range of common units and distributions

Our common units were first offered and sold to the public on February 3, 2006. Our common units are listed on the NASDAQ Global Select Market under the symbol RGNC. As of July 10, 2007, the number of holders of record of common units was 56, including Cede & Co., as nominee for the Depository Trust Company, which held of record 15,787,502 common units. Additionally, there were 12 unitholders of record of our subordinated units. The following table sets forth, for the periods indicated, the high and low quarterly sales prices per common unit, as reported on the NASDAQ Global Select Market, and the cash distributions declared per common unit.

Period Ended:	Price Ranges Low	Price Ranges High	Cash Distributions Per Unit
Fiscal 2007			
September 30, 2007 (through July 19, 2007)	$ 33.45	$ 34.32	(3)
June 30, 2007	$ 24.97	$ 33.18	(3)
March 31, 2007	$ 26.11	$ 28.40	$ 0.3800
Fiscal 2006			
December 31, 2006(2)	$ 24.75	$ 27.20	$ 0.3700
September 30, 2006(2)	$ 22.21	$ 24.52	$ 0.3700
June 30, 2006	$ 21.30	$ 23.00	$ 0.3500
March 31, 2006(1)	$ 19.47	$ 22.10	$ 0.2217

(1) *The distribution for the quarter ended March 31, 2006 reflects a pro rata portion of our $0.35 per unit minimum quarterly distribution, covering the period from the February 3, 2006 closing of our initial public offering through March 31, 2006.*

(2) *Represents the minimum quarterly distribution per common unit plus $0.02 per unit excluding the Class B and Class C common units, which were not entitled to any distributions until after they were converted into common units. The Class B Units and the Class C Units converted into common units on a one-for-one basis on February 15, 2007 and February 8, 2007, respectively, and as such, will be entitled to future cash distributions.*

(3) *The distributions attributable to the quarters ended June 30, 2007 and September 30, 2007 have not yet been declared or paid.*

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Regency GP LP is our General Partner. Our General Partner manages and directs all of our activities. The activities of the General Partner are managed and directed by its general partner, Regency GP LLC, our Managing General Partner. Our officers and directors are officers and directors of our Managing General Partner. The owners of our Managing General Partner may appoint up to ten persons to serve on the Board of Directors of the Managing General Partner. Although there is no requirement that he do so, the President and Chief Executive Officer of our Managing General Partner is currently a director of the Managing General Partner and serves as Chairman of the Board of Directors.

CHANGES IN BOARD COMPOSITION

The board of directors of our Managing General Partner was, until the resignation of Robert W. Shower in February 2007 for reasons of health, in compliance with the NASDAQ Stock Market, LLC., or NASDAQ, requirement that limited partnerships have three directors who qualify as independent under the NASDAQ standards for independence for audit committee members. In accordance with Marketplace rule 4350(d)(4), NASDAQ has provided us a cure period of one year within which to reestablish compliance. We are currently in the process of identifying a suitable nominee and must appoint another independent director by February 2008 to remain in compliance with NASDAQ rules.

In connection with the consummation of the acquisition of our Managing General Partner and our General Partner by GE EFS and the resulting change in control, effective June 18, 2007, four members of the board of directors of the Managing General Partner, Joe Colonnetta, Jason H. Downie, Jack E. Furst and J. Edward Herring, all of whom are partners of HM Capital Partners LLC, together with two additional directors, Robert D. Kincaid and Gary W. Luce, resigned as directors of our Managing General Partner. An indirect subsidiary of GE EFS designated James Burgoyne, Daniel Castagnola, Paul Halas, Mark Mellana and Brian Ward to serve as directors of our Managing General Partner. A. Dean Fuller and J. Otis Winters continue to serve as independent directors of our Managing General Partner and our Chief Executive Officer, James W. Hunt, continues to serve as a director and Chairman of the Board.

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DIRECTORS AND EXECUTIVE OFFICERS

The following table shows information regarding the current directors and executive officers of Regency GP LLC. Directors are elected for one-year terms.

Name	Age	Position with Regency GP LLC
James W. Hunt(1)(4)(5)(6)	63	Chairman of the Board, President and Chief Executive Officer
Richard D. Moncrief	48	Executive Vice President and Chief Operating Officer
Stephen L. Arata	41	Executive Vice President and Chief Financial Officer
William E. Joor III	67	Executive Vice President, Chief Legal and Administrative Officer and Secretary
Charles M. Davis, Jr.	45	Senior Vice President, Corporate Development
James A. Scott	49	Senior Vice President, Gas Supply and Business Development
Alvin Suggs	54	Senior Vice President and General Counsel
Lawrence B. Connors	56	Vice President, Finance and Chief Accounting Officer
James M. Richter	54	Vice President, Human Resources
Houston C. Ross III	37	Vice President, Financial Analysis and Planning
Christofer D. Rozzell	31	Vice President, Corporate Development
Ramon Suarez, Jr.	44	Vice President, Treasurer
James F. Burgoyne(1)	49	Director
Daniel R. Castagnola(4)(5)(6)	41	Director
A. Dean Fuller(2)(3)	59	Director
Paul J. Halas(6)	51	Director
Mark T. Mellana(4)(5)	42	Director
Brian P. Ward(1)(5)	48	Director
J. Otis Winters(2)(3)(4)	74	Director

(1) *Member of the Executive Committee. Mr. Burgoyne is chairman of this committee.*

(2) *Member of the Audit Committee. Mr. Winters is chairman of this committee.*

(3) *Member of Conflicts Committee. Mr. Fuller is chairman of this committee.*

(4) *Member of Compensation Committee. Mr. Castagnola is chairman of this committee.*

(5) *Member of Risk Management Committee. Mr. Mellana is chairman of this committee.*

(6) *Member of Nominating Committee. Mr. Castagnola is chairman of this committee.*

James W. Hunt was elected Chairman of the Board of Directors of Regency GP LLC and Regency Gas Services in November 2005. Mr. Hunt has served as President and Chief Executive Officer of Regency GP LLC from September

2005 to present. Mr. Hunt has, since his election effective December 1, 2004, served as President, Chief Executive Officer and Director of Regency Gas Services LP and its predecessor. From 1978 until January 1981, Mr. Hunt served as President and Chief Executive Officer of Diamond M Company, a major offshore drilling company and the predecessor of Diamond Offshore Company. From 1981 through 1987, he served as Chairman and Chief Executive Officer of Cenergy Corporation, a NYSE listed oil and gas exploration, production and pipeline company. During the period from 1987 to 1989, Mr. Hunt was an independent financial consultant. From 1989 until December 2004, Mr. Hunt was engaged in energy investment banking, three years as head of the Houston office of Lehman Brothers Incorporated and most recently as head of the U.S. Energy Group of UBS Securities LLC. Mr. Hunt is an attorney and member of the State Bar of Texas.

Richard D. Moncrief was elected Executive Vice President and Chief Operating Officer of Regency GP LLC in June 2007. From April 2006 to June 2007, Mr. Moncrief served as Senior Vice President of Gas Supply and Business Development of Regency GP LLC. Prior to April 2006, Mr. Moncrief was associated with Sid Richardson Energy Services, of Fort Worth, Texas, where, until that company s sale,

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he was Vice President, Business Development, and more recently Vice President, Engineering & Business Development. He previously held management positions at Koch Midstream Services Company and at Delhi Gas Pipeline Corporation.

Stephen L. Arata was elected Executive Vice President and Chief Financial Officer of Regency GP LLC in September 2005. From June 2005 to the present, Mr. Arata served as Executive Vice President and Chief Financial Officer of Regency Gas Services LP and its predecessor. From September 1996 to June 2005, Mr. Arata worked for UBS Investment Bank, covering the power and pipeline sectors; he was Executive Director from 2000 through June 2005. Prior to UBS, Mr. Arata worked for Deloitte Consulting, focusing on the energy sector.

William E. Joor III was elected Executive Vice President, Chief Legal and Administrative Officer and Secretary of Regency GP LLC in September 2005. Mr. Joor has, since his election effective January 1, 2005, served as Executive Vice President, Chief Legal and Administrative Officer and Secretary of Regency Gas Services LP and its predecessor. From May 1966 through December 1973, Mr. Joor was associated with, and from then until December 31, 2004 was a partner of, Vinson & Elkins LLP. Mr. Joor s area of specialization was the law of corporate finance and mergers and acquisitions with particular emphasis in the energy sector.

Charles M. Davis, Jr. was elected Senior Vice President, Corporate Development for Regency GP LLC in March 2006. From September 2004 to February 2005, Mr. Davis was Managing Director and Head of Mergers and Acquisitions for Challenger Capital Group Ltd. From July 2002 until September 2004, Mr. Davis was a Managing Director in the Energy and Power Group of UBS Investment Bank. From March 1992 until August 2002, Mr. Davis was a Managing Director in the Global Energy and Power Group of Merrill Lynch. Prior to Merrill, Mr. Davis worked in the Energy Groups of The First Boston Corporation and McKinsey & Co. Mr. Davis has over 20 years experience with mergers and acquisitions as well as financing in the pipeline industry.

James A. Scott was elected to serve as Senior Vice President, Gas Supply and Business Development in June 2007. From May 2006 to present, Mr. Scott served in various roles at Regency GP LLC relating to gas supply and business development. From 2003 to May 2006, Mr. Scott served as the Vice President, Corporate Development of Crosstex Energy Services with responsibilities including development of Crosstex s grass roots pipeline and processing assets in the Fort Worth Basin and lead roles in Crosstex s acquisition efforts. From 1998 to 2003, Mr. Scott served as Vice President, Business Development of J-W Operating Company with responsibilities for growth initiatives including approximately 20 acquisitions in the energy services business. Prior to 1998, Mr. Scott held management positions with Koch Midstream Services Company and Delhi Gas Pipeline Corporation.

Alvin Suggs was elected Senior Vice President and General Counsel of Regency GP LLC in March 2007. From June 2005 to March 2007, Mr. Suggs served as Vice President and General Counsel of Regency Gas Services LLC. From June 2003 to June 2005, Mr. Suggs engaged in the private practice of law representing clients in the energy sector, first as a sole practitioner and, after June 2004, with Thompson & Knight, LLP. From September 1997 to June 2003, Mr. Suggs served as counsel to three entities controlled by El Paso Corporation, mostly recently (after September 1999) as Vice President and Associate General Counsel with El Paso Energy Corporation and General Counsel of El Paso Field Services, L.P. From 1987 to 1999 he served Texas Oil & Gas Corp., American Oil and Gas Corporation and KN Energy, Inc. in various capacities as legal counsel. Prior to that service, Mr. Suggs was in private practice of law for five years, and also served as Assistant District Attorney for the Fifth Circuit Court District in Mississippi in 1978.

Lawrence B. Connors was elected Vice President of Finance and Chief Accounting Officer of Regency GP LLC in September 2005. From December 2004 to the present, Mr. Connors served as Vice President, Finance and Chief Accounting Officer of Regency Gas Services LLC. From June 2003 through November 2004, Mr. Connors served as Controller of Regency Gas Services LLC. From August

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2000 through November 2001, Mr. Connors was an independent accounting and financial consultant. From 2001 through May 2003, Mr. Connors was a Registered Representative with Foster Financial Group. From 1996 through July 2000, Mr. Connors was the Controller and Chief Accounting Officer of Central and South West Corporation, or CSW; he had managerial responsibilities at three CSW operating companies and CSW Services. Prior to his employment at CSW, he was with Arthur Andersen working with energy and health care audit clients. Mr. Connors is a Certified Public Accountant.

James M. Richter was elected Vice President, Human Resources in June 2007. From January 2007 to the present, Mr. Richter served as the human resources manager at Regency GP LLC. From October 2005 to August 2006, Mr. Richter worked for USAA as Senior People Officer. From June 2001 to August 2005, Mr. Richter was employed by Argonaut Group, Inc. as Vice President, Human Resources. Prior to Argonaut Group, Mr. Richter held the position of Vice President, Human Resources for PG&E s National Energy Group from August 1997 to March 2001. Prior to joining PG&E, Mr. Richter held various senior management positions at Aquila Energy and Honeywell, Inc.

Houston C. Ross III was elected Vice President of Financial Analysis and Planning of Regency GP LLC in March 2007. From February 2004 until the present, Mr. Ross served as Director of Financial Analysis and Planning for Regency Gas Services LP and its predecessor. From February 2003 until February 2004, Mr. Ross worked for Energy, Economic, and Environmental Consultants, Inc., as a Senior Economic Analyst specializing in natural gas royalty litigation support. From May 2002 until February 2003, Mr. Ross was an independent consultant. From May 1998 until May 2002, Mr. Ross worked for Engage Energy US LP and its corporate successor, El Paso Merchant Energy, trading electricity in the US markets from May 1999 until May 2002. Mr. Ross graduated from Rice University in 1998 with a B.S. in Mechanical Engineering.

Christofer D. Rozzell was elected Vice President of Corporate Development of Regency GP LLC in March 2007. From June 2005 to the present, Mr. Rozzell served in various roles at Regency GP LLC, most recently as Director of Corporate Development. From May 2001 to May 2005, Mr. Rozzell held managerial positions in the strategic planning and enterprise risk groups of TXU Corp. Prior to TXU Corp., Mr. Rozzell worked in the investment banking division of Bear, Stearns & Co. Inc., focusing on mergers and acquisitions advisory and financings across multiple industries.

Ramon Suarez, Jr. was elected Vice President, Treasurer of Regency GP LLC in March 2007. From February 2006 to the present, Mr. Suarez was Director of Treasury for Regency GP LLC. Mr. Suarez worked for CompUSA as Director of Corporate Finance from March 1999 to December 2005. Prior to March 1999, Mr. Suarez worked for Raytheon as a Director of Finance. Mr. Suarez has over 21 years of financial experience.

James F. Burgoyne is a Managing Director and global leader of GE Energy Financial Services Diversified Energy business, which invests in mid- and downstream oil & gas infrastructure, producing oil, gas and coal reserves, and in a broad range of energy infrastructure in Europe. Mr. Burgoyne has headed this commercial unit within GE Energy Financial Services since it was formed in 2004. Prior to this position, Mr. Burgoyne was a Managing Director with GE Structured Finance s global energy team, where he was responsible for client development and the origination of business opportunities with US energy companies domestically and internationally. Before joining GE in 1997, Mr. Burgoyne was an Executive Director at SBC Warburg.

Daniel R. Castagnola is a Managing Director at GE Energy Financial Services and is responsible for a team of professionals investing in North America. Additionally, Mr. Castagnola leads all equity origination efforts for GE Energy Financial Services in Latin America. Mr. Castagnola joined GE in 2002. Mr. Castagnola serves as a director of

Port Berre, LLC, a gas storage company, and Cash Creek LLC, a coal gasification company. Prior to joining GE, Mr. Castagnola worked for nine years at Enron Corp. in its international division and three years at KPMG.

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A. Dean Fuller was elected to the Board of Directors of Regency GP LLC on November 14, 2005. Having sold in 1993 a company he co-founded, Mr. Fuller became President and Chief Executive Officer of Transok, Inc., the natural gas pipeline subsidiary of Central and South West Corporation, until its sale in 1996. Mr. Fuller continued to manage the fuels and gas marketing function of CSW until late 2000 at which time he became Senior Vice President of the midstream business of Aquila, Inc. At the time of the acquisition of Aquila s midstream business by Energy Transfer, Mr. Fuller continued to manage those assets as Senior Vice President, and served as President of Oasis Pipeline Company after its acquisition by Energy Transfer. Mr. Fuller resigned his positions with Energy Transfer in August 2004.

Paul J. Halas was elected to the Board of Directors of Regency GP LLC in June 2007, at the time of the change in ownership of our General Partner. From June 2006 to the present, Mr. Halas has served as a Managing Director and General Counsel of GE EFS. Mr. Halas served as the Senior Vice President Business Development at the National Grid USA Service Company Inc. from May 2005 to June 2006. From August 2003 to May 2005, Mr. Halas served as the President of GridAmerica LLC (Independent Electric Transmission Company, subsidiary of National Grid USA). He also served as Senior VP & General Counsel of GridAmerica LLC from May 2002 to August 2003. Prior to joining GridAmerica LLC, he held positions at Ropes & Gray, Oak Industries Inc., Timex Group Limited and All Energy Marketing Company LLC, a subsidiary of New England Electric System.

Mark T. Mellana is a Managing Director at GE Energy Financial Services, and has been with the firm since 1999. Mr. Mellana has held various positions at GE Energy Financial Services and is currently a Managing Director Operations and Development responsible for equity and development investments. Prior to joining GE, Mr. Mellana worked for the unregulated subsidiary of GPU, Inc. as the Director of Finance, Director of Mergers and Acquisitions and the Director of New Business Development. Mr. Mellana serves on a number of boards, including those of Source Gas LLC and Bobcat Gas Storage LLC.

Brian P. Ward is Managing Director and Chief Risk Officer for GE Energy Financial Services. In this role, he is responsible for underwriting and portfolio risk management for GE EFS s domestic and international assets. He has held this position since January 2004. Immediately prior to joining this unit, Mr. Ward served as Quality Leader for GE Structured Finance, the predecessor business of GE Energy Financial Services. Mr. Ward has worked for GE for more than 25 years. He has held a number of management roles in Risk, Finance and Business Development in a variety of industries and regions.

J. Otis Winters was elected to the Board of Directors of Regency GP LLC on November 14, 2005. The following are exemplary of Mr. Winters extensive business experience: Vice President of Warren American Oil Company from 1964 to 1965; President and a director of Educational Development Corporation from 1966 to 1973; Executive Vice President and a director of The Williams Companies, Inc. from 1973 to 1977; Executive Vice President and a director of First National Bank of Tulsa from 1978 to 1979; President and a director of Avanti Energy Corporation from 1980 to 1987; Managing Director of Mason Best Company from 1988 to 1989; Chairman, director and co-founder of the PWS Group from 1990 to 2000 and from 2001 to date Chairman and Chief Executive Officer of Oriole Oil Company. Mr. Winters has served on the board of directors of 20 publicly owned corporations, including Alton Box Board Company, AMFM, Inc., AMX Corporation, Dynegy, Inc., Liberty Bancorp., Inc., Tidel Engineering, Inc., Trident NGL, Inc. and Walden Residential Properties, Inc.

Tax considerations

The tax consequences to you of an investment in our common units will depend in part on your own tax circumstances. For a discussion of the principal federal income tax considerations associated with our operations and the purchase, ownership and disposition of our common units, please read Material Tax Considerations in the accompanying prospectus. You are urged to consult with your own tax advisor about the federal, state, local and foreign tax consequences peculiar to your circumstances.

The anticipated after-tax economic benefit of an investment in our common units depends largely on our being treated as a partnership for federal income tax purposes. We have not requested, and do not plan to request, a ruling from the IRS on this or any other tax matter affecting us.

If we were treated as a corporation for federal income tax purposes, we would pay federal income tax on our taxable income at the corporate tax rate, which is currently a maximum of 35%, and would likely pay state income tax at varying rates. Distributions to you would generally be taxed again as corporate distributions, and no income, gains, losses or deductions would flow through to you. Because a tax would be imposed upon us as a corporation, our cash available for distribution to you would be substantially reduced. Therefore, treatment of us as a corporation would result in a material reduction in the anticipated cash flow and after-tax return to the unitholders, likely causing a substantial reduction in the value of our common units.

We will be considered to have been terminated for federal income tax purposes if, within a twelve-month period, there is a sale or exchange of 50% or more of the total interests in our capital and profits interests, which includes sales of our general partner s interest, together with all other common units and subordinated units sold during such period. We believe, and will take the position, that the combination of the GP Acquisition and the public trading of our common units in the twelve months preceding the GP Acquisition resulted in our termination and immediate reconstitution as a new partnership for federal income tax purposes on June 18, 2007. Accordingly, our taxable year closed for all existing unitholders. We were required to make new tax elections after the termination, including a new election under Section 754 of the Internal Revenue Code. Moreover, because our termination results in a significant deferral to unitholders of depreciation deductions allowable in computing taxable income this year, you will be allocated an increased amount of federal taxable income for this year as a percentage of the cash distributed to you with respect to that period.

We estimate that, taking into account the tax termination described above, if you purchase common units in this offering and own them through December 31, 2010, then 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 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 the minimum quarterly distribution 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, 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

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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 make minimum quarterly distributions on all units, yet we only distribute the minimum quarterly distributions 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.

Ownership of common units by tax-exempt entities, regulated investment companies and non-U.S. investors raises issues unique to such persons. Please read Tax Considerations Tax-Exempt Organizations and Other Investors in the accompanying prospectus.

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Underwriting

We are offering our common units described in this prospectus through the underwriters named below. UBS Securities LLC, Goldman, Sachs & Co. and Morgan Stanley & Co. Incorporated are the representatives of the underwriters. Subject to the terms and conditions of an underwriting agreement, which will be filed as an exhibit to the registration statement, each of the underwriters has severally agreed to purchase the number of common units listed next to its name in the following table:

	Number of Common Units
UBS Securities LLC	
Goldman, Sachs & Co.	
Morgan Stanley & Co. Incorporated	
A.G. Edwards & Sons, Inc.	
Credit Suisse Securities (USA) LLC	
J.P. Morgan Securities Inc.	
Wachovia Capital Markets, LLC	
Total	10,000,000

The underwriting agreement provides that the underwriters must buy all of the common units if they buy any of them. However, the underwriters are not required to take or pay for the common units covered by the underwriters option to purchase additional common units described below.

Our common units and the common units to be sold upon the exercise of the underwriters option to purchase additional common units, if any, are offered subject to a number of conditions, including:

Ø receipt and acceptance of our common units by the underwriters, and

Ø the underwriters right to reject orders in whole or in part.

We have been advised by the representatives that the underwriters intend to make a market in our common units, but that they are not obligated to do so and may discontinue making a market at any time without notice.

In connection with this offering, certain of the underwriters or securities dealers may distribute prospectuses electronically.

OPTION TO PURCHASE ADDITIONAL COMMON UNITS

We have granted the underwriters an option to buy up to an aggregate 1,500,000 additional common units. This option may be exercised if the underwriters sell more than 10,000,000 common units in connection with this offering. The underwriters have 30 days from the date of this prospectus to exercise this option. If the underwriters exercise this option, they will each purchase additional common units approximately in proportion to the amounts specified in the table above.

COMMISSIONS AND DISCOUNTS

Common units sold by the underwriters to the public will initially be offered at the offering price set forth on the cover of this prospectus. Any common units sold by the underwriters to securities dealers may be sold at a discount of up to $ per common unit from the offering price. Any of these securities dealers may resell any common units purchased from the underwriters to other brokers or dealers at a discount of up to $ per common unit from the public offering price. If all the common units are not sold at the offering price, the representatives may change the offering price and the other selling terms. Sales of common units made outside of the United States may be made by affiliates of the

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Underwriting

underwriters. Upon execution of the underwriting agreement, the underwriters will be obligated to purchase the common units at the prices and upon the terms stated therein, and, as a result, will thereafter bear any risk associated with changing the offering price to the public or other selling terms.

The following table shows the per unit and total underwriting discounts and commissions we will pay to the underwriters assuming both no exercise and full exercise of the underwriters option to purchase up to an additional 1,500,000 units.

	No exercise	Full exercise
Per Unit	$	$
Total	$	$

We estimate that the total expenses of this offering payable by us, not including the underwriting discounts and commissions, will be approximately $1.5 million.

INDEMNIFICATION

We and certain of our affiliates have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended, and to contribute to payments that may be required to be made in respect of these liabilities. If we are unable to provide this indemnification, we will contribute to payments the underwriters may be required to make in respect of those liabilities.

LOCK-UP AGREEMENTS

We, our subsidiaries, our General Partner and its affiliates, including the executive officers and directors of our General Partner, have entered into lock-up agreements with the underwriters. Under these agreements, we and each of the these persons may not, without the prior written approval of UBS Securities LLC, Goldman, Sachs & Co. and Morgan Stanley & Co. Incorporated, offer, sell, contract to sell or otherwise dispose of or hedge our common units or securities convertible into or exchangeable for our common units, enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the common units, make any demand for or exercise any right or file or cause to be filed a registration statement with respect to the registration of any common units or securities convertible, exercisable or exchangeable into common units or any of our other securities or publicly disclose the intention to do any of the foregoing, provided that the foregoing restrictions do not apply to sales made by certain executive officers of our Managing General Partner in connection with pre-existing contractual obligations to acquire an indirect ownership interest in our Managing General Partner and the General Partner and the sale by GE EFS or its affiliates of certain subordinated units to certain executive officers of our Managing General Partner. These restrictions will be in effect for a period of 90 days after the date of this prospectus. The lock-up period will be extended under certain circumstances where we release, or pre-announce a release of our earnings or announce material news or a material event during the 17 days before or 16 days after the termination of the 90-day period in which case the restrictions described will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the announcement of the materials news or material event.

At any time and without public notice, UBS Securities LLC, Goldman, Sachs & Co. and Morgan Stanley & Co. Incorporated may in their discretion, release all or some of the securities from these lock-up agreements.

Underwriting

PRICE STABILIZATION, SHORT POSITIONS AND PENALTY BIDS

In connection with this offering, the underwriters may engage in activities that stabilize, maintain or otherwise affect the price of our common units including:

- stabilizing transactions;
- short sales;
- purchases to cover positions created by short sales;
- imposition of penalty bids; and
- syndicate covering transactions.

Stabilizing transactions consist of bids or purchases made for the purpose of preventing or retarding a decline in the market price of our common units while this offering is in progress. These transactions may also include making short sales of our common units, which involves the sale by the underwriters of a greater number of common units than they are required to purchase in this offering, and purchasing common units on the open market to cover positions created by short sales. Short sales may be covered shorts, which are short positions in an amount not greater than the underwriters option to purchase additional common units referred to above, or may be naked shorts, which are short positions in excess of that amount.

The underwriters may close out any covered short position by either exercising their option to purchase additional common units, in whole or in part, or by purchasing common units in the open market. In making this determination, the underwriters will consider, among other things, the price of common units available for purchase in the open market as compared to the price at which they may purchase common units through their option to purchase additional common units.

Naked short sales are in excess of the underwriters option to purchase additional common units. The underwriters must close out any naked short position by purchasing common units in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common units in the open market that could adversely affect investors who purchased in this offering.

LISTING

Our common units are traded on the NASDAQ Global Select Market under the symbol RGNC.

AFFILIATIONS

The underwriters and their affiliates may from time to time in the future engage in transactions with us and perform services for us in the ordinary course of business. In addition, some of the underwriters have engaged in, and may in the future engage in, transactions with us and our predecessor and perform services for us in the ordinary course of their business. In particular, affiliates of UBS Securities LLC, J.P. Morgan Securities Inc., Credit Suisse Securities (USA) LLC and Wachovia Capital Markets LLC are lenders under Regency Gas Services LLC s credit facilities.

Morgan Stanley served as an advisor to us in connection with the GE Acquisition. Additionally, an affiliate of UBS Securities LLC is the counterparty to one of our interest rate swaps and an affiliate of J.P. Morgan Securities Inc. was a counterparty to some of our prior interest rate swaps.

NASD CONDUCT RULES

Because the National Association of Securities Dealers, Inc., or NASD, views the common units offered by this prospectus supplement as interests in a direct participation program, this offering is being made in compliance with Rule 2810 of the NASD s Conduct Rules.

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Underwriting

Pursuant to a requirement by the NASD, the maximum commission or discount to be received by any NASD member or independent broker/dealer may not be greater than eight percent (8%) of the gross proceeds received by us for the sale of any securities being registered pursuant to SEC Rule 415 under the Securities Act of 1933.

ELECTRONIC DISTRIBUTION

A prospectus supplement in electronic format may be made available by one or more of the underwriters or their affiliates. The representatives may agree to allocate a number of common units to underwriters for sale to their online brokerage account holders. The representatives will allocate common units to underwriters that may make Internet distributions on the same basis as other allocations. In addition, common units may be sold by the underwriters to securities dealers who resell common units to online brokerage account holders.

Other than the prospectus supplement in electronic format, the information on any underwriter s web site and any information contained in any other web site maintained by an underwriter is not part of the prospectus supplement or the registration statement of which this prospectus supplement forms a part, has not been approved and/or endorsed by us or any underwriter in its capacity as an underwriter and should not be relied upon by investors.

DISCRETIONARY SALES

The underwriters have informed us they do not intend to confirm sales to discretionary accounts that exceed 5% of the total number of units offered by them.

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Legal matters

The validity of the common units will be passed upon for us by Vinson & Elkins L.L.P., Houston, Texas. Certain legal matters in connection with the common units offered hereby will be passed upon for the underwriters by Andrews Kurth LLP, Houston, Texas.

Experts

The (1) consolidated financial statements of Regency Energy Partners LP and subsidiaries and (2) the consolidated balance sheet of Regency GP LP incorporated in this prospectus supplement by reference from Regency Energy Partners LP s Annual Report on Form 10-K have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their reports, which are incorporated herein by reference, and have been so incorporated in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

The consolidated financial statements of Pueblo Midstream Gas Corporation and subsidiary as of and for the year ended December 31, 2006 incorporated in this prospectus supplement by reference from the Regency Energy Partners LP s Current Report on Form 8-K dated May 10, 2007 have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report, which is incorporated herein by reference, and have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

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Information regarding forward-looking statements

Some of this information in this prospectus supplement and the documents that we have incorporated herein by reference may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are identified as any statement that does not relate strictly to historical or current facts. Statements using words such as anticipate, believe, intend, project, plan, expect, continue, estimate, goal, forecast, may or similar expressions help identify forwar statements. Although we believe our forward-looking statements are based on reasonable assumptions and current expectations and projections about future events, we cannot give assurances that such expectations will prove to be correct. Forward-looking statements are subject to a variety of risks, uncertainties and assumptions including the following:

- changes in laws and regulations impacting the midstream sector of the natural gas industry;
- the level of creditworthiness of our counterparties;
- our ability to access the debt and equity markets;
- our use of derivative financial instruments to hedge commodity and interest rate risks;
- the amount of collateral required to be posted from time to time in our transactions;
- changes in commodity prices, interest rates and demand for our services;
- weather and other natural phenomena;
- industry changes including the impact of consolidations and changes in competition;
- our ability to obtain required approvals for construction or modernization of our facilities and the timing of production from such facilities; and
- the effect of accounting pronouncements issued periodically by accounting standard setting boards.

If one or more of these risks or uncertainties materialize, or if underlying assumptions prove incorrect, our actual results may differ materially from those anticipated, estimated, projected or expected.

Each forward-looking statement speaks only as of the date of the particular statement and we undertake no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements in this prospectus supplement and the documents that we have incorporated by reference. We will not update these statements unless the securities laws require us to do so.

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Where you can find more information

We file annual, quarterly and current reports and other information with the SEC. You may read and copy any document we file with the SEC at the principal offices of the SEC located at Public Reference Room, 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Copies of such materials can be obtained by mail at prescribed rates from the Public Reference Room of the SEC, 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call 1-800-SEC-0330 for further information about the operation of the Public Reference Room. Materials also may be obtained from the SEC s web site (http://www.sec.gov), which contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC.

Incorporation of certain documents by reference

We incorporate by reference information into this prospectus supplement, which means that we disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is deemed to be part of this prospectus supplement, except for any information superseded by information contained expressly in this prospectus supplement, and the information we file later with the SEC will automatically supersede this information. You should not assume that the information in this prospectus supplement is current as of any date other than the date on the front page of this prospectus supplement.

Any information that we file under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, and that is deemed filed with the SEC will automatically update and supersede this information. We incorporate by reference the documents listed below:

- Our Annual Report on Form 10-K for the year ended December 31, 2006;
- Our Quarterly Report on Form 10-Q for the quarter ended March 31, 2007;
- Our Current Reports on Form 8-K filed on April 3, 2007, April 27, 2007, May 15, 2007, June 19, 2007, June 28, 2007, July 3, 2007 and July 12, 2007; and
- Our Current Report on Form 8-K/A filed on May 11, 2007, May 25, 2007, and June 12, 2007.

You may request a copy of these filings at no cost, by making written or telephone requests for such copies to:

Regency Energy Partners LP
Investor Relations
1700 Pacific Avenue, Suite 2900
Dallas, Texas 75201
(214) 750-1771

You should rely only on the information incorporated by reference or provided in this prospectus supplement. If information in incorporated documents conflicts with information in this prospectus supplement, you should rely on the most recent information. If information in an incorporated document conflicts with information in another incorporated document, you should rely on the most recent incorporated document. You should not assume that the information in this prospectus supplement or any document incorporated by reference is accurate as of any date other than the date of those documents. We have not authorized anyone else to provide you with any information.

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Prospectus

$691,322,449

Regency Energy Partners LP
Regency Energy Finance Corp.

Common Units

Debt Securities

We may offer, from time to time, in one or more series, the following securities under this prospectus:

- common units representing limited partnership interests in Regency Energy Partners LP; and
- debt securities, which may be secured or unsecured senior debt securities or secured or unsecured subordinated debt securities.

Regency Energy Finance Corp. may act as co-issuer of the debt securities, and all other direct or indirect subsidiaries of Regency Energy Partners LP, other than minor subsidiaries as such item is interpreted in the securities regulation governing financial reporting for guarantors, may guarantee the debt securities.

Our common units are listed on the Nasdaq Stock Market LLC under the symbol RGNC. We will provide information in the prospectus supplement for the trading market, if any, for any debt securities we may offer.

We may offer and sell these securities to or through one or more underwriters, dealers and agents, or directly to purchasers, on a continuous or delayed basis. This prospectus describes the general terms of these securities. The specific terms of any securities and the specific manner in which we will offer them will be included in a supplement to this prospectus relating to that offering.

You should carefully read this prospectus and any prospectus supplement before you invest. You also should read the documents we have referred you to in the Where You Can Find More Information section of this prospectus for information on us and our financial statements. This prospectus may not be used to consummate sales of securities unless accompanied by a prospectus supplement.

Investing in our securities involves risks. Limited partnerships are inherently different from corporations. You should carefully consider the risk factors beginning on page 4 of this prospectus and in the applicable prospectus supplement before you make an investment in our securities.

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

The date of this prospectus is July 23, 2007.

In making your investment decision, you should rely only on the information contained or incorporated by reference in this prospectus. We have not authorized anyone to provide you with any other information. If anyone provides you with different or inconsistent information, you should not rely on it.

You should not assume that the information contained in this prospectus is accurate as of any date other than the date on the front cover of this prospectus. You should not assume that the information contained in the documents incorporated by reference in this prospectus is accurate as of any date other than the respective dates of those documents. Our business, financial condition, results of operations and prospects may have changed since those dates.

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement on Form S-3 that we filed with the Securities and Exchange Commission, or SEC, using a shelf registration process. Under this shelf process, we may offer from time to time up to $691,322,449 of our securities in one or more offerings. Each time we offer securities, we will provide you with a prospectus supplement that will describe, among other things, the specific amounts and prices of the securities being offered and the terms of the offering, including, in the case of debt securities, the specific terms of the securities. The prospectus supplement may include additional risk factors or other specific considerations applicable to those securities. The prospectus supplement may also add, update or change information contained in this prospectus. If there is any inconsistency between the information in this prospectus and any prospectus supplement, you should rely on the information in that prospectus supplement. Additional information, including our financial statements and the notes thereto, is incorporated in this prospectus by reference to our reports filed with the SEC. Please read Where You Can Find More Information. You are urged to read this prospectus carefully, including the Risk Factors, and our SEC reports in their entirety before investing in our common units or debt securities. You should read this prospectus and any attached prospectus supplements relating to the securities offered to you together with the additional information described under the heading Where You Can Find More Information.

As used in this prospectus, Regency Energy Partners, we, our, us or like terms mean Regency Energy Partners LP, the Partnership, and its subsidiaries. References to our general partner or the General Partner refer to Regency GP LP, the general partner of the Partnership, except where otherwise indicated, and to the Managing General Partner refer to Regency GP LLC, the general partner of the General Partner, which effectively manages the business and affairs of the Partnership.

REGENCY ENERGY PARTNERS LP

We are a growth-oriented publicly-traded Delaware limited partnership engaged in the gathering, processing, transportation and marketing of natural gas. We provide these services through systems located in Louisiana, Texas, Kansas, Oklahoma and Colorado. The Partnership was formed in September 2005 to capitalize on opportunities in the midstream sector of the natural gas industry.

We divide our operations into two business segments:

Gathering and Processing: in which we provide wellhead-to-market services to producers of natural gas, which include transporting raw natural gas from the wellhead through gathering systems, treating to remove impurities such as hydrogen sulfide and carbon dioxide, processing raw natural gas to separate natural gas liquids, or NGLs, from the raw natural gas and selling or delivering the pipeline-quality natural gas and NGLs to various markets and pipeline systems; and

Transportation: in which we deliver natural gas from northwest Louisiana to more favorable markets in northeast Louisiana through our 320-mile Regency Intrastate Pipeline system.

All of our assets are located in well-established areas of natural gas production that are characterized by long-lived, predictable reserves. These areas are generally experiencing increased levels of natural gas exploration, development and production activities as a result of strong demand for natural gas, attractive recent discoveries, infill drilling opportunities and the implementation of new exploration and production techniques.

Regency Energy Finance Corp., our wholly-owned subsidiary, has no material assets or any liabilities other than as a co-issuer of our debt securities. Its activities will be limited to co-issuing our debt securities and engaging in other activities incidental thereto.

Our principal executive offices are located in 1700 Pacific Avenue, Suite 2900, Dallas, Texas 75201 and our phone number is (214) 750-1771.

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Change of Control of Regency Energy Partners

On June 18, 2007, GE Energy Financial Services, or GE EFS, a unit of General Electric Company, or GE, indirectly acquired 100% of the general and limited partner interests in our General Partner as well as 17,763,809 subordinated units, representing 37.3% of the common and subordinated units outstanding or 37.0% after giving effect to the contemporaneous awards of 355,000 restricted units under our long-term incentive plan. Pursuant to this acquisition, which we refer to as the GP Acquisition, GE EFS acquired 91.3% of both the member interest in our Managing General Partner and the outstanding limited partner interests in our General Partner from an affiliate of HM Capital Partners LLC. GE EFS also indirectly acquired from members of our management the remaining 8.7% of the member interest in the Managing General Partner and the remaining 8.7% of the outstanding limited partner interests in our General Partner. In addition, also as a result of this acquisition, GE EFS acquired 17,763,809 subordinated units in us, of which 1,222,717 subordinated units were owned directly or indirectly by certain members of our management team. Members of our management team re-acquired or agreed to acquire interests in an affiliate of GE EFS that entitle them to an indirect 8.2% ownership interest in the Managing General Partner and the General Partner, as well as approximately 58,000 subordinated units.

As a result of these acquisitions and contemporaneous awards under our Long-Term Incentive Plan, GE EFS owns (i) a 37.0% limited partner interest in us, (ii) the 2% general partner interest in us, and (iii) the right to receive the incentive distributions associated with the general partner interest. As a result of its ownership of our Managing General Partner, GE EFS appoints all of the directors of our Managing General Partner and has appointed five directors to serve on its board of directors. Four partners of HM Capital Partners LLC and two others resigned as directors concurrently with the GP Acquisition, and our chief executive officer and two independent directors remained on the board of directors of our Managing General Partner.

This change of control caused all outstanding unvested option and restricted unit awards under our Long-Term Incentive Plan to vest. As a result, the Partnership will record a non-cash charge of approximately $11.5 million to its results of operations for quarter ending June 30, 2007.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

Certain matters discussed in this prospectus and the documents we incorporate by reference herein are forward-looking statements intended to qualify for the safe harbors from liability established by the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (the Securities Act) and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). These forward-looking statements are identified as any statement that does not relate strictly to historical or current facts. Statements using words such as anticipate, believe, intend, project, plan, expect, continue, estimate, goal, forecast, expressions help identify forward-looking statements. Although we and our Managing General Partner believe such forward-looking statements are based on reasonable assumptions and current expectations and projections about future events, neither we nor our Managing General Partner can give assurances that such expectations will prove to be correct. Forward-looking statements are subject to a variety of risks, uncertainties and assumptions.

These risks and uncertainties include, but are not limited to:

- changes in laws and regulations impacting the gathering and processing industry;
- the level of creditworthiness of our counterparties;
- our ability to access the debt and equity markets;

our use of derivative financial instruments to hedge commodity and interest rate risks;

the amount of collateral required to be posted from time to time in our transactions;

changes in commodity prices, interest rates, demand for our services;

weather and other natural phenomena;

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- industry changes including the impact of consolidations and changes in competition;
- our ability to obtain required approvals for construction or modernization of our facilities and the timing of production from such facilities; and
- the effect of accounting pronouncements issued periodically by accounting standard setting boards.

If one or more of these risks or uncertainties materialize or if underlying assumptions prove incorrect, our actual results may vary materially from those anticipated, estimated, projected or expected. When considering forward-looking statements, please read the section titled Risk Factors included in this prospectus.

Except as required by applicable securities laws, we do not intend to update these forward-looking statements and information.

RISK FACTORS

You should carefully consider the following risk factors together with all of the other information included in this prospectus, any prospectus supplement and the information that we have incorporated herein by reference in evaluating an investment in Regency Energy Partners LP. If any of the following risks were actually to occur, our business, financial condition, results of operations or cash flows could be materially adversely affected. In that case, we might not be able to pay the minimum quarterly distribution on our common units to pay debt service on our debt securities, the trading price of our common units or debt securities could decline and you could lose all or part of your investment. When we offer and sell any securities pursuant to a prospectus supplement, we may include additional risk factors relevant to such securities in the prospectus supplement.

Risks Related to Our Business

We may not have sufficient cash from operations to enable us to pay our current quarterly distribution following the establishment of cash reserves and payment of fees and expenses, including reimbursement of fees and expenses of our general partner.

We may not have sufficient available cash from operating surplus each quarter to pay our current quarterly distribution. The amount of cash we can distribute on our units depends principally on the amount of cash we generate from our operations, which will fluctuate from quarter to quarter based on, among other things:

- the fees we charge and the margins we realize for our services and sales;
- the prices of, level of production of, and demand for natural gas and NGLs;
- the volumes of natural gas we gather, process and transport;
- the level of our operating costs, including reimbursement of fees and expenses of our general partner; and
- prevailing economic conditions.

In addition, the actual amount of cash we will have available for distribution will depend on other factors, some of which are beyond our control, including:

- our debt service requirements;
- fluctuations in our working capital needs;
- our ability to borrow funds and access capital markets;
- restrictions contained in our debt agreements;
- the level of capital expenditures we make;
- the cost of acquisitions, if any; and
- the amount of cash reserves established by our general partner.

You should be aware that the amount of cash we have available for distribution depends primarily upon our cash flow and not solely on profitability, which will be affected by non-cash items. As a result, we may make cash distributions during periods when we record losses for financial accounting purposes and may not make cash distributions during periods when we record net earnings for financial accounting purposes.

We may be unable to integrate successfully the operations of TexStar or future acquisitions with our operations and we may not realize all the anticipated benefits of the acquisition of TexStar or any future acquisition.

Integration of TexStar with our business and operations has been a complex, time consuming and costly process. We cannot assure you that we will achieve the desired profitability from TexStar or any other acquisitions we may complete in the future. In addition, failure to assimilate future acquisitions successfully could adversely affect our financial condition and results of operations.

Our acquisitions involve numerous risks, including:

- operating a significantly larger combined organization and adding operations;
- difficulties in the assimilation of the assets and operations of the acquired businesses, especially if the assets acquired are in a new business segment or geographic area;
- the risk that natural gas reserves expected to support the acquired assets may not be of the anticipated magnitude or may not be developed as anticipated;
- the loss of significant producers or markets or key employees from the acquired businesses;
- the diversion of management s attention from other business concerns;
- the failure to realize expected profitability or growth;
- the failure to realize expected synergies and cost savings;
- coordinating geographically disparate organizations, systems and facilities; and
- coordinating or consolidating corporate and administrative functions.

Further, unexpected costs and challenges may arise whenever businesses with different operations or management are combined, and we may experience unanticipated delays in realizing the benefits of an acquisition. If we consummate any future acquisition, our capitalization and results of operation may change significantly, and you may not have the opportunity to evaluate the economic, financial and other relevant information that we will consider in evaluating future acquisitions.

While substantial amounts of the transportation capacity of the Regency Intrastate Pipeline System have been contracted, if we are unable to utilize the remaining transportation capacity, our business and our operating results could be adversely affected.

As of March 1, 2007, we had definitive agreements for 562,900 MMBtu/d of firm transportation on the Regency Intrastate Pipeline System, of which 500,679 MMBtu/d was utilized in February 2007. During the month of February 2007, we also provided 195,395 MMBtu/d of interruptible transportation. If we are unable to commit the remaining uncommitted capacity on the system to firm gas transportation contracts and the parties to existing interruptible transportation contracts fail to utilize the capacity, our business and operating results could be adversely affected.

Because of the natural decline in production from existing wells, our success depends on our ability to obtain new supplies of natural gas, which involves factors beyond our control. Any decrease in supplies of natural gas in our areas of operation could adversely affect our business and operating results.

Our gathering and transportation pipeline systems are dependent on the level of production from natural gas wells that supply our systems and from which production will naturally decline over time. As a result, our cash flows associated with these wells will also decline over time. In order to maintain or increase through-put volume levels on our gathering and transportation pipeline systems and the asset utilization rates at our natural gas processing plants, we must continually obtain new supplies. The primary factors affecting our ability to obtain new supplies of natural gas and attract new customers to our assets are: the level of successful drilling activity near these systems and our ability to compete with other gathering and processing companies for volumes from successful new wells.

The level of natural gas drilling activity is dependent on economic and business factors beyond our control. The primary factor that impacts drilling decisions is natural gas prices. Natural gas prices reached historic highs in 2005 and early 2006 but have declined substantially in the second half of 2006. The averages of the NYMEX daily settlement prices per MMBtu of natural gas for the year ended December 31, 2005 and 2006 were $9.02 per MMBtu and $6.98 per MMBtu, respectively. A sustained decline in natural gas prices

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could result in a decrease in exploration and development activities in the fields served by our gathering and processing facilities and pipeline transportation systems, which would lead to reduced utilization of these assets. Other factors that impact production decisions include producers capital budget limitations, the ability of producers to obtain necessary drilling and other governmental permits and regulatory changes. Because of these factors, even if additional natural gas reserves were discovered in areas served by our assets, producers may choose not to develop those reserves. If we were not able to obtain new supplies of natural gas to replace the natural decline in volumes from existing wells due to reductions in drilling activity or competition, through-put volumes on our pipelines and the utilization rates of our processing facilities would decline, which could have a material adverse effect on our business, results of operations and financial condition.

We depend on certain key producers and other customers for a significant portion of our supply of natural gas. The loss of, or reduction in volumes from, any of these key producers or customers could adversely affect our business and operating results.

We rely on a limited number of producers and other customers for a significant portion of our natural gas supplies. Three customers represented 44 percent of our natural gas supply in our transportation segment for the year ended December 31, 2006. These contracts have terms that are either month-to-month or year-to-year. As these contracts expire, we will have to negotiate extensions or renewals or replace the contracts with those of other suppliers. For example, a significant contract with ExxonMobil expired in August 2006 and was not renewed. We may be unable to obtain new or renewed contracts on favorable terms, if at all. The loss of all or even a portion of the volumes of natural gas supplied by these producers and other customers, as a result of competition or otherwise, could have a material adverse effect on our business, results of operations and financial condition.

In accordance with industry practice, we do not obtain independent evaluations of natural gas reserves dedicated to our gathering systems. Accordingly, volumes of natural gas gathered on our gathering systems in the future could be less than we anticipate, which could adversely affect our business and operating results.

In accordance with industry practice, we do not obtain independent evaluations of natural gas reserves connected to our gathering systems due to the unwillingness of producers to provide reserve information as well as the cost of such evaluations. Accordingly, we do not have estimates of total reserves dedicated to our systems or the anticipated lives of such reserves. If the total reserves or estimated lives of the reserves connected to our gathering systems is less than we anticipate and we are unable to secure additional sources of natural gas, then the volumes of natural gas gathered on our gathering systems in the future could be less than we anticipate. A decline in the volumes of natural gas gathered on our gathering systems could have an adverse effect on our business, results of operations and financial condition.

Natural gas, NGLs and other commodity prices are volatile, and a reduction in these prices could adversely affect our cash flow and operating results.

We are subject to risks due to frequent and often substantial fluctuations in commodity prices. NGL prices generally fluctuate on a basis that correlates to fluctuations in crude oil prices. In the past, the prices of natural gas and crude oil have been extremely volatile, and we expect this volatility to continue. For example, natural gas prices reached historic highs in 2005 and early 2006, but declined substantially in the second half of 2006. The NYMEX daily settlement price for natural gas for the prompt month contract in 2005 ranged from a high of $15.38 per MMBtu to a low of $5.79 per MMBtu and for the year ended December 31, 2006 ranged from a high of $10.63 per MMBtu to a low of $4.20 per MMBtu. The NYMEX daily settlement price for crude oil for the prompt month contract in 2005 ranged from a high of $69.81 per barrel to a low of $42.12 per barrel and for the year ended December 31, 2006 ranged from a high of $77.03 per barrel to a low of $55.81 per barrel. The markets and prices for natural gas and NGLs depend upon factors beyond our control. These factors include demand for oil, natural gas and NGLs, which fluctuate with changes in market and economic conditions and other factors, including:

the impact of weather on the demand for oil and natural gas;

the level of domestic oil and natural gas production;

the availability of imported oil and natural gas;

actions taken by foreign oil and gas producing nations;

the availability of local, intrastate and interstate transportation systems;

the availability and marketing of competitive fuels;

the impact of energy conservation efforts; and

the extent of governmental regulation and taxation.

Our natural gas gathering and processing businesses operate under two types of contractual arrangements that expose our cash flows to increases and decreases in the price of natural gas and NGLs: percentage-of-proceeds and keep-whole arrangements. Under percentage-of-proceeds arrangements, we generally purchase natural gas from producers and retain an agreed percentage of the proceeds (in cash or in-kind) from the sale at market prices of pipeline-quality gas and NGLs or NGL products resulting from our processing activities. Under keep-whole arrangements, we receive the NGLs removed from the natural gas during our processing operations as the fee for providing our services in exchange for replacing the thermal content removed as NGLs with a like thermal content in pipeline-quality gas or its cash equivalent. Under these types of arrangements our revenues and our cash flows increase or decrease as the prices of natural gas and NGLs fluctuate. The relationship between natural gas prices and NGL prices may also affect our profitability. When natural gas prices are low relative to NGL prices, it is more profitable for us to process natural gas under keep-whole arrangements. When natural gas prices are high relative to NGL prices, it is less profitable for us and our customers to process natural gas both because of the higher value of natural gas and of the increased cost (principally that of natural gas as a feedstock and a fuel) of separating the mixed NGLs from the natural gas. As a result, we may experience periods in which higher natural gas prices relative to NGL prices reduce our processing margins or reduce the volume of natural gas processed at some of our plants.

In our gathering and processing operations, we purchase raw natural gas containing significant quantities of NGLs, process the raw natural gas and sell the processed gas and NGLs. If we are unsuccessful in balancing the purchase of raw natural gas with its component NGLs and our sales of pipeline quality gas and NGLs, our exposure to commodity price risks will increase.

We purchase from producers and other customers a substantial amount of the natural gas that flows through our natural gas gathering and processing systems and our transportation pipeline for resale to third parties, including natural gas marketers and utilities. We may not be successful in balancing our purchases and sales. In addition, a producer could fail to deliver promised volumes or could deliver volumes in excess of contracted volumes, a purchaser could purchase less than contracted volumes, or the natural gas price differential between the regions in which we operate could vary unexpectedly. Any of these actions could cause our purchases and sales not to be balanced. If our purchases and sales are not balanced, we will face increased exposure to commodity price risks and could have increased volatility in our operating results.

Our results of operations and cash flow may be adversely affected by risks associated with our hedging activities.

In performing our functions in the Gathering and Processing segment, we are a seller of NGLs and are exposed to commodity price risk associated with downward movements in NGL prices. As a result of the volatility of NGL, we have executed swap contracts settled against ethane, propane, butane and natural gasoline market prices, supplemented with crude oil put options. (Historically, changes in the prices of heavy NGLs, such as natural gasoline, have generally correlated with changes in the price of crude oil.) As of March 29, 2007, we have hedged approximately 71 percent of our expected exposure to NGL prices in 2007 and 2008 and approximately 28 percent in 2009. We have hedged approximately 66 percent of our expected exposure to condensate prices in 2007 and approximately 64 percent in 2008 and 2009. We have hedged approximately 60 percent of our expected exposure to natural gas prices in 2007. We continually monitor our hedging and contract portfolio and expect to continue to adjust our hedge position as conditions warrant. Also, we may seek to limit our exposure to changes in interest rates by using financial derivative instruments and other hedging mechanisms from time to time. For more information about our risk management activities, please read Item 7A Quantitative and Qualitative Disclosures about Market Risk of our Annual Report on Form 10-K incorporated by reference herein.

Even though our management monitors our hedging activities, these activities can result in substantial losses. Such losses could occur under various circumstances, including any circumstance in which a counterparty does not perform its obligations under the applicable hedging arrangement, the hedging arrangement is imperfect, or our hedging policies and procedures are not followed or do not work as planned.

To the extent that we intend to grow internally through construction of new, or modification of existing, facilities, we may not be able to manage that growth effectively, which could decrease our cash flow and adversely affect our results of operation.

A principal focus of our strategy is to continue to grow by expanding our business both internally and through acquisitions. Our ability to grow internally will depend on a number of factors, some of which will be beyond our control. In general, the construction of additions or modifications to our existing systems, and the construction of new midstream assets involve numerous regulatory, environmental, political and legal uncertainties beyond our control. Any project that we undertake may not be completed on schedule, at budgeted cost or at all. Construction may occur over an extended period, and we are not likely to receive a material increase in revenues related to such project until it is completed. Moreover, our revenues may not increase immediately upon its completion because the anticipated growth in gas production that the project was intended to capture does not materialize, our estimates of the growth in production prove inaccurate or for other reasons. For any of these reasons, newly constructed or modified midstream facilities may not generate our expected investment return and that, in turn, could adversely affect our cash flows and results of operations.

In addition, our ability to undertake to grow in this fashion will depend on our ability to finance the construction or modification project and on our ability to hire, train and retain qualified personnel to manage and operate these facilities when completed.

Because we distribute all of our available cash to our unitholders, our future growth may be limited.

Since we will distribute all of our available cash to our unitholders, subject to the limitations on restricted payments contained in the indenture governing our senior notes and our credit facility, we will depend on financing provided by commercial banks and other lenders and the issuance of debt and equity securities to finance any significant internal organic growth or acquisitions. For a definition of available cash, please see our partnership agreement. If we are unable to obtain adequate financing from these sources, our ability to grow will be limited.

Our industry is highly competitive, and increased competitive pressure could adversely affect our business and operating results.

We compete with similar enterprises in each of our areas of operations. Some of our competitors are large oil, natural gas and petrochemical companies that have greater financial resources and access to supplies of natural gas than we do. In addition, our customers who are significant producers or consumers of NGLs may develop their own processing facilities in lieu of using ours. Similarly, competitors may establish new connections with pipeline systems that would create additional competition for services that we provide to our customers. Our ability to renew or replace existing contracts with our customers at rates sufficient to maintain current revenues and cash flows could be adversely affected by the activities of our competitors. All of these competitive pressures could have a material adverse effect on our business, results of operations and financial condition.

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If third-party pipelines interconnected to our processing plants become unavailable to transport NGLs, our cash flow and results of operations could be adversely affected.

We depend upon third party pipelines that provide delivery options to and from our processing plants for the benefit of our customers. If any of these pipelines become unavailable to transport the NGLs produced at our related processing plants, we would be required to find alternative means to transport the NGLs out of our processing plants, which could increase our costs, reduce the revenues we might obtain from the sale of NGLs or reduce our ability to process natural gas at these plants.

We are exposed to the credit risks of our key customers, and any material nonpayment or nonperformance by our key customers could adversely affect our cash flow and results of operations.

We are subject to risks of loss resulting from nonpayment or nonperformance by our customers. Any material nonpayment or nonperformance by our key customers could reduce our ability to make distributions to our unitholders. Furthermore, some of our customers may be highly leveraged and subject to their own operating and regulatory risks, which increases the risk that they may default on their obligations to us.

Our business involves many hazards and operational risks, some of which may not be fully covered by insurance. If a significant accident or event occurs that is not fully insured, our operations and financial results could be adversely affected.

Our operations are subject to the many hazards inherent in the gathering, processing and transportation of natural gas and NGLs, including:

- damage to our gathering and processing facilities, pipelines, related equipment and surrounding properties caused by tornadoes, floods, fires and other natural disasters and acts of terrorism;
- inadvertent damage from construction and farm equipment;
- leaks of natural gas, NGLs and other hydrocarbons or losses of natural gas or NGLs as a result of the malfunction of pipelines, measurement equipment or facilities at receipt or delivery points;
- fires and explosions;
- weather related hazards, such as hurricanes; and
- other hazards, including those associated with high-sulfur content, or sour gas, such as an accidental discharge of hydrogen sulfide gas, that could also result in personal injury and loss of life, pollution and suspension of operations.

These risks could result in substantial losses due to personal injury or loss of life, severe damage to and destruction of property and equipment and pollution or other environmental damage and may result in curtailment or suspension of our related operations. A natural disaster or other hazard affecting the areas in which we operate could have a material adverse effect on our operations. We are not insured against all environmental events that might occur. If a significant accident or event occurs that is not insured or fully insured, it could adversely affect our operations and financial condition.

Due to our lack of asset diversification, adverse developments in our midstream operations would adversely affect our cash flows and results of operations.

We rely exclusively on the revenues generated from our midstream energy business, and as a result, our financial condition depends upon prices of, and continued demand for, natural gas and NGLs. Due to our lack of diversification in asset type, an adverse development in this business would have a significantly greater impact on our financial condition and results of operations than if we maintained more diverse assets.

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Failure of the gas that we ship on our pipelines to meet the specifications of interconnecting interstate pipelines could result in curtailments by the interstate pipelines.

The markets to which the shippers on our pipelines ship natural gas include interstate pipelines. These interstate pipelines establish specifications for the natural gas that they are willing to accept, which include requirements such as hydrocarbon dewpoint, temperature, and foreign content including water, sulfur, carbon dioxide and hydrogen sulfide. These specifications vary by interstate pipeline. If the total mix of natural gas shipped by the shippers on our pipeline fails to meet the specifications of a particular interstate pipeline, it may refuse to accept all or a part of the natural gas scheduled for delivery to it. In those circumstances, we may be required to find alternative markets for that gas or to shut-in the producers of the non-conforming gas, potentially reducing our through-put volumes or revenues.

Terrorist attacks, the threat of terrorist attacks, continued hostilities in the Middle East or other sustained military campaigns may adversely impact our results of operations.

The long-term impact of terrorist attacks, such as the attacks that occurred on September 11, 2001, and the magnitude of the threat of future terrorist attacks on the energy transportation industry in general and on us in particular are not known at this time. Uncertainty surrounding continued hostilities in the Middle East or other sustained military campaigns may affect our operations in unpredictable ways, including disruptions of natural gas supplies and markets for natural gas and NGLs and the possibility that infrastructure facilities could be direct targets of, or indirect casualties of, an act of terror.

Changes in the insurance markets attributable to terrorist attacks may make certain types of insurance more difficult for us to obtain. Moreover, the insurance that may be available to us may be significantly more expensive than our existing insurance coverage. Instability in the financial markets as a result of terrorism or war could also affect our ability to raise capital.

We do not own all of the land on which our pipelines and facilities have been constructed, and we are therefore subject to the possibility of increased costs or the inability to retain necessary land use.

We obtain the rights to construct and operate our pipelines on land owned by third parties and governmental agencies for specified periods of time. Many of these rights-of-way are perpetual in duration; others have terms ranging from five to ten years. Many are subject to rights of reversion in the case of non-utilization for periods ranging from one to three years. In addition, some of our processing facilities are located on leased premises. Our loss of these rights, through our inability to renew right-of-way contracts or leases or otherwise, could have a material adverse effect on our business, results of operations and financial condition.

In addition, the construction of additions to our existing gathering assets may require us to obtain new rights-of-way prior to constructing new pipelines. We may be unable to obtain such rights-of-way to connect new natural gas supplies to our existing gathering lines or to capitalize on other attractive expansion opportunities. If the cost of obtaining new rights-of-way increases, then our cash flows and growth opportunities could be adversely affected.

A successful challenge to the rates we charge on our Regency Intrastate Pipeline may reduce the amount of cash we generate.

To the extent our Regency Intrastate Pipeline transports natural gas in interstate commerce, the rates, terms and conditions of that transportation service are subject to regulation by the FERC, pursuant to Section 311 of the NGPA, which regulates, among other things, the provision of transportation services by an intrastate natural gas pipeline on behalf of an interstate natural gas pipeline. Under Section 311, rates charged for transportation must be fair and equitable, and the FERC is required to approve the terms and conditions of the service. Rates established pursuant to Section 311 are generally analogous to the cost based rates FERC deems just and reasonable for interstate pipelines under the NGA. FERC may therefore apply its NGA policies to determine costs that can be included in cost of service used to establish Section 311 rates. These rate policies include the recent FERC policy on income tax allowance that permits interstate pipelines to include, as part of the cost of service, a full income tax allowance for all entities owning the utility asset provided such entities or individuals are subject to an actual or potential tax liability. If the Section 311 rates presently approved for Regency through May 1, 2008 are successfully challenged in a complaint or after such date the FERC disallows the inclusion of costs in the cost of service, changes its regulations or policies, or establishes more onerous terms and conditions applicable to Section 311 service, this may adversely affect our business. Any reduction in our rates could have an adverse effect on our business, results of operations and financial condition.

A change in the characterization of some of our assets by federal, state or local regulatory agencies or a change in policy by those agencies may result in increased regulation of our assets, which may cause our revenues to decline and operating expenses to increase.

Our natural gas gathering and intrastate transportation operations are generally exempt from FERC regulation under the NGA, but FERC regulation still affects these businesses and the markets for products derived from these businesses. FERC s policies and practices, including, for example, its policies on open access transportation, ratemaking, capacity release, and market center promotion, indirectly affect intrastate markets. In recent years, FERC has pursued pro-competitive regulatory policies. We cannot assure you, however, that FERC will continue this approach as it considers matters such as pipeline rates and rules and policies that may affect rights of access to natural gas transportation capacity. In addition, the distinction between FERC-regulated transmission service and federally unregulated gathering services is the subject of regular litigation at FERC and in the courts and of policy discussions at FERC, so, in such circumstances, the classification and regulation of some of our gathering facilities or our intrastate transportation pipeline may be subject to change based on future determinations by FERC, the courts or Congress. Such a change could result in increased regulation by FERC.

Other state and local regulations also affect our business. Our gathering lines are subject to ratable take and common purchaser statutes in states in which we operate. Ratable take statutes generally require gatherers to take, without undue discrimination, oil or natural gas production that may be tendered to the gatherer for handling. Similarly, common purchaser statutes generally require gatherers to purchase without undue discrimination as to source of supply or producer. These statutes restrict our right as an owner of gathering facilities to decide with whom we contract to purchase or transport natural gas. Federal law leaves any economic regulation of natural gas gathering to the states. States in which we operate have adopted complaint-based regulation of oil and natural gas gathering activities, which allows oil and natural gas producers and shippers to file complaints with state regulators in an effort to resolve grievances relating to oil and natural gas gathering access and rate discrimination.

We may incur significant costs and liabilities in the future resulting from a failure to comply with new or existing environmental regulations or an accidental release of hazardous substances into the environment.

Our operations are subject to stringent and complex federal, state and local environmental laws and regulations governing, among other things, air emissions, wastewater discharges, the use, management and disposal of hazardous and nonhazardous materials and wastes, and the cleanup of contamination. Noncompliance with such laws and regulations, or incidents resulting in environmental releases, could cause us to incur substantial costs, penalties, fines and other criminal sanctions, third party claims for personal injury or property damage, investments to retrofit or upgrade our facilities and programs, or curtailment of operations. Certain environmental statutes, including CERCLA and comparable state laws, impose strict, joint and several liability for costs required to clean up and restore sites where hazardous substances have been disposed or otherwise released.

There is inherent risk of the incurrence of environmental costs and liabilities in our business due to the necessity of handling natural gas and petroleum products, air emissions related to our operations, and historical industry operations and waste disposal practices. For example, an accidental release from one of our pipelines or processing facilities could subject us to substantial liabilities arising from environmental cleanup and restoration costs, claims made by neighboring landowners and other third parties for personal injury and property damage, and fines or penalties for related violations of environmental laws or regulations. Moreover, the possibility exists that stricter laws, regulations or enforcement policies could significantly increase our compliance costs and the cost of any remediation that may become necessary. We may not be able to recover these costs from insurance. We believe, based on current information, that any costs we may incur relating to environmental matters will not adversely affect us. We cannot be certain, however, that identification of presently unidentified conditions, more vigorous enforcement by regulatory agencies, enactment of more stringent laws and regulations, or other unanticipated events will not arise in the future and give rise to material environmental liabilities that could have a material adverse effect on our business, financial condition or results of operations.

We may incur significant costs and liabilities as a result of pipeline integrity management program testing and any related pipeline repair, or preventative or remedial measures.

The United States Department of Transportation, or DOT, has adopted regulations requiring pipeline operators to develop integrity management programs for transportation pipelines located where a leak or rupture could do the most harm in high consequence areas. The regulations require operators to:

- perform ongoing assessments of pipeline integrity;
- identify and characterize applicable threats to pipeline segments that could impact a high consequence area;
- improve data collection, integration and analysis;
- repair and remediate the pipeline as necessary; and
- implement preventive and mitigating actions.

We currently estimate that we will incur costs of approximately $2.0 million between 2007 and 2010 to implement pipeline integrity management program testing along certain segments of our pipeline, as required by existing DOT regulations. This estimate does not include the costs, if any, for repair, remediation, preventative or mitigating actions that may be determined to be necessary as a result of the testing program, which could be substantial.

If we fail to develop or maintain an effective system of internal controls, we may not be able to report our financial results accurately or prevent fraud.

We became subject to the public reporting requirements of the Securities Exchange Act of 1934 on February 3, 2006. We produce our consolidated financial statements in accordance with the requirements of GAAP, but we do not become subject to certain of the internal controls standards applicable to most companies with publicly traded securities until 2008. We may not currently meet all those standards. Effective internal controls are necessary for us to provide reliable financial reports to prevent fraud and to operate successfully as a publicly traded partnership. Our efforts to develop and maintain our internal controls compliance program may not be successful, and we may be unable to maintain adequate controls over our financial processes and reporting in the future, including compliance with the obligations under Section 404 of the Sarbanes-Oxley Act of 2002, which we refer to as Section 404. For example, Section 404 will require us, among other things, annually to review and report on, and our independent registered public accounting firm to attest to, our internal control over financial reporting. We must comply with Section 404 for our fiscal year ending December 31, 2007. Any failure to develop or maintain an effective internal controls compliance program or difficulties encountered in its implementation or other effective improvement of our internal controls could harm our operating results or cause us to fail to meet our reporting obligations. Given the difficulties inherent in the design and operation of internal controls over financial reporting, we can provide no assurance as to our conclusions under Section 404, or those of our independent registered public accounting firm, regarding the effectiveness of our internal controls. Ineffective internal controls subject us to regulatory scrutiny and a loss of confidence in our reported financial information, which could have an adverse effect on our business, results of operations and financial condition.

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

Our leverage is significant in relation to our partners capital. Our debt to capital ratio (calculated as total debt divided by the sum of total debt and partners capital) as of December 31, 2006 was 76 percent. As of March 22, 2007, our total outstanding long-term debt was $698.1 million. We will be prohibited from making cash distributions during an event of default under any of our indebtedness. Various limitations in our credit facility, as well as the indentures for the notes, may reduce our ability to incur additional debt, to engage in some transactions and to capitalize on business opportunities. Any subsequent refinancing of our current indebtedness or any new indebtedness could have similar or greater restrictions.

Our leverage may adversely affect our ability to fund future working capital, capital expenditures and other general partnership requirements, future acquisition, construction or development activities, or to otherwise fully realize the value of our assets and opportunities because of the need to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness or to comply with any restrictive terms of our indebtedness.

Our leverage may also make our results of operations more susceptible to adverse economic and industry conditions by limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate and may place us at a competitive disadvantage as compared to our competitors that have less debt.

Restrictions in our credit agreement could limit our ability to make distributions upon the occurrence of certain events.

Our payment of principal and interest on our debt will reduce cash available for distributions on our common units. Our credit agreement limits our ability to make distributions upon the occurrence of the following events, among others:

- failure to pay any principal, interest, fees or other amounts when due;
- any representation or warranty proves to be false or misleading in any material respect;
- failure to perform or otherwise comply with the covenants in the credit agreement or any loan document;
- failure to pay any other material debt or failure to perform or otherwise to comply with the covenants of the agreements governing any material debt;
- a bankruptcy or insolvency event involving us, our general partner or any of our subsidiaries;
- the entry of, and failure to pay, one or more adverse judgments in excess of a specified amount against which enforcement proceedings are brought or that are not stayed pending appeal;
- a change in control of us (waived by our lenders in the case of the GP Acquisition);
- the occurrence of certain events with respect to employee benefit plans subject to ERISA;
- any security interest or lien in excess of a specified amount is no longer valid or in effect; and

any loan document is declared null and void or a proceeding is initiated to challenge the validity or enforceability of the loan document.

Any subsequent refinancing of our current debt or any new debt could have similar or more restrictive provisions. For more information regarding our credit agreement, please read Management s Discussion and Analysis of Financial Condition and Results of Operations Capital Requirements Fourth Amended and Restated Credit Agreement of our Annual Report on Form 10-K incorporated by reference herein.

Increases in interest rates, which have recently experienced record lows, could adversely impact our unit price and our ability to issue additional equity, in order to make acquisitions, to reduce debt or for other purposes.

During 2004 and 2005, the credit markets experienced 50-year record lows in interest rates. During the latter half of 2005 and in 2006, interest rates increased. If the overall economy continues to strengthen, monetary policy may tighten further, resulting in higher interest rates to counter possible inflation. The interest rate on our senior notes is fixed and the loans outstanding under our credit facility bear interest at a floating rate. An increase of 100 basis points in the LIBOR rate would increase our annual payment by approximately $1,100,000. Additionally, interest rates on future credit facilities and debt offerings could be higher than current levels, causing our financing costs to increase accordingly. As with other yield-oriented securities, the market price for our units will be affected by the level of our cash distributions and implied distribution yield. The distribution yield is often used by investors to compare and rank yield-oriented securities for investment decision-making purposes. Therefore, changes in interest rates, either positive or negative, may affect the yield requirements of investors who invest in our units, and a rising interest rate environment could have an adverse effect on our unit price and our ability to issue additional equity, in order to make acquisitions, to reduce debt or for other purposes.

You may not be able to sell large blocks of our common units in a single day without realizing a lower than expected sales price.

During the six months ended March 15, 2007, the average daily volume of our common units traded on the NASDAQ was 43,000. The median of the daily volume for the same period was 39,200. The maximum and minimum daily volume for the same period was 120,400 and 8,500, respectively. If we are unable to increase the market demand for our equity securities, you may be adversely affected.

We may not have the ability to raise funds necessary to finance any change of control offer required under our senior notes.

If a change of control (as defined in the indenture) occurs, we will be required to offer to purchase our outstanding senior notes at 101 percent of their principal amount plus accrued and unpaid interest. If a purchase offer obligation arises under the indenture governing the senior notes, a change of control could also have occurred under the senior secured credit facilities, which could result in the acceleration of the indebtedness outstanding thereunder. Any of our future debt agreements may contain similar restrictions and provisions. If a purchase offer were required under the indenture for our debt, we may not have sufficient funds to pay the purchase price of all debt that we are required to purchase or repay.

Risks Related to Our Structure

GE owns 37.0 percent of the limited partner units outstanding and controls our general partner, which has sole responsibility for conducting our business and managing our operations.

GE owns 37.0 percent of the limited partner units outstanding and controls our general partner. Although our general partner has a fiduciary duty to manage us in a manner beneficial to us and our unitholders, the directors and officers of our general partner have a fiduciary duty to manage our general partner in a manner beneficial to its owner, GE. Conflicts of interest may arise between GE and its affiliates, including our general partner, on the one hand, and us, on the other hand. In resolving these conflicts of interest, our general partner may favor its own interests and the interests of its affiliates over our interests. These conflicts include, among others, the following situations:

- neither our partnership agreement nor any other agreement requires GE or its affiliates to pursue a business strategy that favors us;

our general partner is allowed to take into account the interests of parties other than us, such as GE, in resolving conflicts of interest;

GE and its affiliates may engage in competition with us;

- our General Partner has limited its liability and reduced its fiduciary duties, and has also restricted the remedies available to our unitholders for actions that, without such limitations, might constitute breaches of fiduciary duty;

- our General Partner determines the amount and timing of asset purchases and sales, capital expenditures, borrowings and repayments of debt, issuance of additional partnership securities, and cash reserves, each of which can affect the amount of cash available to pay interest on, and principal of, the notes;

- our General Partner determines which costs incurred by it and its affiliates are reimbursable by us;

- our partnership agreement does not restrict our General Partner from causing us to pay it or its affiliates for any services rendered to us or entering into additional contractual arrangements with any of these entities on our behalf;

- our General Partner intends to limit its liability regarding our contractual and other obligations; and

- our General Partner controls the enforcement of obligations owed to us by our General Partner and its affiliates.

GE and its affiliates may compete directly with us.

GE and its affiliates are not prohibited from owning assets or engaging in businesses that compete directly or independently with us. GE and its affiliates currently own various midstream assets and conduct midstream business that may potentially compete with us. In addition, GE or its affiliates may acquire, construct or dispose of any additional midstream or other assets in the future, without any obligation to offer us the opportunity to purchase or construct or dispose of those assets.

Our reimbursement of our general partner s expenses will reduce our cash available for distribution to you.

Prior to making any distribution on the common units, we will reimburse our general partner and its affiliates for all expenses they incur on our behalf. These expenses will include all costs incurred by our general partner and its affiliates in managing and operating us, including costs for rendering corporate staff and support services to us. Please read Item 13. Certain Relationships and Related Party Transactions of our Annual Report on Form 10-K incorporated by reference herein. The reimbursement of expenses of our general partner and its affiliates could adversely affect our ability to pay cash distributions to you.

Our partnership agreement limits our general partner s fiduciary duties to our unitholders and restricts the remedies available to unitholders for actions taken by our general partner that might otherwise constitute breaches of fiduciary duty.

Our partnership agreement contains provisions that reduce the standards to which our general partner would otherwise be held by state fiduciary duty law. For example, our partnership agreement:

- permits our general partner to make a number of decisions in its individual capacity, as opposed to its capacity as our general partner. This entitles our general partner to consider only the interests and factors that it desires, and it has no duty or obligation to give any consideration to any interest of, or factors affecting, us, our affiliates or any limited partner. Examples include the exercise of its limited call right, its voting rights with respect to the units it owns, its registration rights and its determination whether or not to consent to any merger or consolidation of the partnership;

provides that our general partner will not have any liability to us or our unitholders for decisions made in its capacity as a general partner so long as it acted in good faith, meaning it believed the decision was in the best interests of our partnership;

provides that our general partner is entitled to make other decisions in good faith if it believes that the decision is in our best interests;

provides generally that affiliated transactions and resolutions of conflicts of interest not approved by the conflicts committee of our general partner and not involving a vote of unitholders must be on terms no less favorable to us than those generally being provided to or available from unrelated third parties or be fair and reasonable to us, as determined by our general partner in good faith, and that, in determining whether a transaction or resolution is fair and reasonable, our general partner may consider the totality of the relationships between the parties involved, including other transactions that may be particularly advantageous or beneficial to us; and

provides that our general partner and its officers and directors will not be liable for monetary damages to us, our limited partners or assignees for any acts or omissions unless there has been a final and non- appealable judgment entered by a court of competent jurisdiction determining that the general partner or those other persons acted in bad faith or engaged in fraud or willful misconduct.

By purchasing a common unit, a common unitholder will become bound by the provisions in the partnership agreement, including the provisions discussed above.

Unitholders have limited voting rights and are not entitled to elect our general partner or its directors.

Unlike the holders of common stock in a corporation, unitholders have only limited voting rights on matters affecting our business and, therefore, limited ability to influence management s decisions regarding our business. Unitholders did not elect our general partner or its board of directors and will have no right to elect our general partner or its board of directors on an annual or other continuing basis. The board of directors of our general partner is chosen by the members of our general partner. Furthermore, if the unitholders were dissatisfied with the performance of our general partner, they will have little ability to remove our general partner. As a result of these limitations, the price at which the common units will trade could be diminished because of the absence or reduction of a takeover premium in the trading price.

Even if unitholders are dissatisfied, they cannot remove our general partner without its consent.

The unitholders are currently unable to remove the general partner without its consent because the general partner and its affiliates own sufficient units to be able to prevent its removal. The vote of the holders of at least 662/3 percent of all outstanding units voting together as a single class is required to remove the general partner. Our general partner and its affiliates own 37.0 percent of the total of our common and subordinated units. Moreover, if our general partner is removed without cause during the subordination period and units held by our general partner and its affiliates are not voted in favor of that removal, all remaining subordinated units will automatically convert into common units and any existing arrearages on the common units will be extinguished. A removal of the general partner under these circumstances would adversely affect the common units by prematurely eliminating their distribution and liquidation preference over the subordinated units, which would otherwise have continued until we had met certain distribution and performance tests.

Our partnership agreement restricts the voting rights of those unitholders owning 20 percent or more of our common units.

Unitholders voting rights are further restricted by the partnership agreement provision providing that any units held by a person that owns 20 percent or more of any class of units then outstanding, other than our general partner, its affiliates, their transferees, and persons who acquired such units with the prior approval of our general partner, cannot vote on any matter. Our partnership agreement also contains provisions limiting the ability of unitholders to call meetings or to acquire information about our operations, as well as other provisions limiting the unitholders ability to influence the manner or direction of management.

Control of our general partner may be transferred to a third party without unitholder consent.

Our general partner may transfer its general partner interest to a third party in a merger or in a sale of all or substantially all of its assets without the consent of the unitholders. Furthermore, our partnership agreement does not restrict the ability of the partners of our general partner from transferring their ownership in our general partner to a third party. The new partners of our general partner would then be in a position to replace the board of directors and officers of Regency GP LLC with their own choices and to control the decisions taken by the board of directors and officers.

We may issue an unlimited number of additional units without your approval, which would dilute your existing ownership interest.

Our general partner, without the approval of our unitholders, may cause us to issue an unlimited number of additional common units. For example, in the registration statement of which this prospectus is a part, we have registered a total of $691,322,449 of equity and debt securities, some of which we expect to offer as common units.

The issuance by us of additional common units or other equity securities of equal or senior rank will have the following effects:

- our unitholders proportionate ownership interest in us will decrease;
- the amount of cash available for distribution on each unit may decrease;
- because a lower percentage of total outstanding units will be subordinated units, the risk that a shortfall in the payment of the minimum quarterly distribution will be borne by our common unitholders will increase;
- the relative voting strength of each previously outstanding unit may be diminished; and
- the market price of the common units may decline.

Our general partner has a limited call right that may require you to sell your units at an undesirable time or price.

If at any time our general partner and its affiliates own more than 80 percent of the common units, our general partner will have the right, but not the obligation (which it may assign to any of its affiliates or to us) to acquire all, but not less than all, of the common units held by unaffiliated persons at a price not less than their then-current market price. As a result, you may be required to sell your common units at an undesirable time or price and may not receive any return on your investment. You may also incur a tax liability upon a sale of your units. Our general partner and its affiliates do not currently own any of our common units. At the end of the subordination period, assuming no additional issuances of common units, our general partner and its affiliates will own approximately 37.0 percent of the common units.

Your liability may not be limited if a court finds that unitholder action constitutes control of our business.

A general partner of a partnership generally has unlimited liability for the obligations of the partnership, except for those contractual obligations of the partnership that are expressly made without recourse to the general partner. Our partnership is organized under Delaware law and we conduct business in a number of other states. The limitations on the liability of holders of limited partner interests for the obligations of a limited partnership have not been clearly established in some of the other states in which we do business. In most states, a limited partner is only liable if he participates in the control of the business of the partnership. These statutes generally do not define control, but do permit limited partners to engage in certain activities, including, among other actions, taking any action with respect to the dissolution of the partnership, the sale, exchange, lease or mortgage of any asset of the partnership, the admission or removal of the general partner and the amendment of the partnership agreement. You could, however, be liable for any and all of our obligations as if you were a general partner if:

a court or government agency determined that we were conducting business in a state but had not complied with that particular state s partnership statute; or

your right to act with other unitholders to take other actions under our partnership agreement is found to constitute control of our business.

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Unitholders may have liability to repay distributions that were wrongfully distributed to them.

Under certain circumstances, unitholders may have to repay amounts wrongfully returned or distributed to them. Under Section 17-607 of the Delaware Revised Uniform Limited Partnership Act, we may not make a distribution to you if the distribution would cause our liabilities to exceed the fair value of our assets. Delaware law provides that for a period of three years from the date of the distribution, limited partners who received an impermissible distribution and who knew at the time of the distribution that it violated Delaware law will be liable to the limited partnership for the distribution amount. Substituted limited partners are liable for the obligations of the assignor to make required contributions to the partnership other than contribution obligations that are unknown to the substituted limited partner at the time it became a limited partner and that could not be ascertained from the partnership agreement. Liabilities to partners on account of their partnership interest and liabilities that are non-recourse to the partnership are not counted for purposes of determining whether a distribution is permitted.

Risks Related to the Debt Securities

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

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

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

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

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

Although our payment obligations to our unitholders are subordinate to our payment obligations to debtholders, the value of our units will decrease in direct correlation with any decrease in the amount we distribute per unit.

Accordingly, if we experience a liquidity problem in the future, we may not be able to issue equity to recapitalize.

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We require a significant amount of cash to service our indebtedness. Our ability to generate cash depends on many factors beyond our control.

Our ability to make payments on and to refinance our indebtedness, including our outstanding senior notes and any future issuance of debt securities, and to fund planned capital expenditures depends on our ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

We cannot assure you that we will generate sufficient cash flow from operations or that future borrowings will be available to us under the senior secured revolving credit facility or otherwise in an amount sufficient to enable us to pay our indebtedness, including our outstanding senior notes and any future issuance of debt securities, or to fund our other liquidity needs. We may need to refinance all or a portion of our indebtedness, including our outstanding senior notes and any future issuance of debt securities, on or before maturity. We cannot assure you that we will be able to refinance any of our indebtedness, including our outstanding senior notes and any future issuances of debt securities, on commercially reasonable terms or at all.

The guarantees by certain of our subsidiaries of our outstanding senior notes and any future issuances of debt securities could be deemed fraudulent conveyances under certain circumstances, and a court may try to subordinate or void these subsidiary guarantees.

Under U.S. bankruptcy law and comparable provisions of state fraudulent transfer laws, a guarantee can be voided or claims under a guarantee may be subordinated to all other debts of that guarantor if, among other things, the guarantor, at the time it incurred the indebtedness evidenced by its guarantee:

- intended to hinder, delay or defraud any present or future creditor or received less than reasonably equivalent value or fair consideration for the incurrence of the guarantee;
- was insolvent or rendered insolvent by reason of such incurrence;
- was engaged in a business or transaction for which the guarantor s remaining assets constituted unreasonably small capital; or
- intended to incur, or believed that it would incur, debts beyond its ability to pay those debts as they mature.

In addition, any payment by that guarantor under a guarantee could be voided and required to be returned to the guarantor or to a fund for the benefit of the creditors of the guarantor. The measures of insolvency for purposes of these fraudulent transfer laws will vary depending upon the law applied in any proceeding to determine whether a fraudulent transfer has occurred. Generally, however, a subsidiary guarantor would be considered insolvent if:

- the sum of its debts, including contingent liabilities, was greater than the fair saleable value of all of its assets;
- the present saleable value of its assets was less than the amount that would be required to pay its probable liability, including contingent liabilities, on its existing debts as they become absolute and mature; or
- it could not pay its debts as they became due.

Tax Risks to Common Unitholders

In addition to reading the following risk factors, you should read Material Tax Consequences for a more complete discussion of the expected material federal income tax consequences of owning and disposing of common units.

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

The anticipated after-tax economic benefit of an investment in our common units depends largely on our being treated as a partnership for federal income tax purposes. We have not requested, and do not plan to request, a ruling from the IRS on this or any other tax matter affecting us.

If we were treated as a corporation for federal income tax purposes, we would pay federal income tax on our taxable income at the corporate tax rate, which is currently a maximum of 35%, and would likely pay state income tax at varying rates. Distributions to you would generally be taxed again as corporate distributions, and no income, gains, losses or deductions would flow through to you. Because a tax would be imposed upon us as a corporation, our cash available for distribution to you would be substantially reduced. Therefore, treatment of us as a corporation would result in a material reduction in the anticipated cash flow and after-tax return to the unitholders, likely causing a substantial reduction in the value of our common units.

Current law may change so as to cause us to be treated as a corporation for federal income tax purposes or otherwise subject us to entity-level taxation. In addition, because of widespread state budget deficits and other reasons, several states are evaluating ways to subject partnerships to entity-level taxation through the imposition of state income, franchise and other forms of taxation. For example, beginning in 2008, we will be required to pay Texas franchise tax at a maximum effective rate of 0.7% of our gross income apportioned to Texas in the prior year. Imposition of such a tax on us by Texas and, if applicable, by any other state will reduce the cash available for distribution to you.

Our partnership agreement provides that if a law is enacted or existing law is modified or interpreted in a manner that subjects us to taxation as a corporation or otherwise subjects us to entity-level taxation for federal, state or local income tax purposes, the minimum quarterly distribution amount and the target distribution amounts will be adjusted to reflect the impact of that law on us.

If the IRS contests the federal income tax positions we take, the market for our common units may be adversely impacted and the cost of any IRS contest will reduce our cash available for distribution to you.

We have not requested a ruling from the IRS with respect to our treatment as a partnership for federal income tax purposes or any other matter affecting us. The IRS may adopt positions that differ from the conclusions of our counsel expressed in this prospectus or from the positions we take. It may be necessary to resort to administrative or court proceedings to sustain some or all of our counsel s conclusions or the positions we take. A court may not agree with some or all of our counsel s conclusions or positions we take. Any contest with the IRS may materially and adversely impact the market for our common units and the price at which they trade. In addition, our costs of any contest with the IRS will be borne indirectly by our unitholders and our general partner because the costs will reduce our cash available for distribution.

You may be required to pay taxes on your share of our income even if you do not receive any cash distributions from us.

Because our unitholders will be treated as partners to whom we will allocate taxable income that could be different in amount than the cash we distribute, you will be required to pay any federal income taxes and, in some cases, state and local income taxes on your share of our taxable income even if you receive no cash distributions from us. You may not receive cash distributions from us equal to your share of our taxable income or even equal to the actual tax liability that results from that income.

Tax gain or loss on disposition of our common units could be more or less than expected.

If you sell your common units, you will recognize a gain or loss equal to the difference between the amount realized and your tax basis in those common units. Because distributions in excess of your allocable share of our net taxable income decrease your tax basis in your common units, the amount, if any, of such

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prior excess distributions with respect to the units you sell will, in effect, become taxable income to you if you sell such units at a price greater than your tax basis in those units, even if the price you receive is less than your original cost. Furthermore, a substantial portion of the amount realized, whether or not representing gain, may be taxed as ordinary income due to potential recapture items, including depreciation recapture. In addition, because the amount realized includes a unitholder s share of our nonrecourse liabilities, if you sell your units, you may incur a tax liability in excess of the amount of cash you receive from the sale. Please read Material Tax Consequences Disposition of Common Units Recognition of Gain or Loss for a further discussion of the foregoing.

Tax-exempt entities and foreign persons face unique tax issues from owning our common units that may result in adverse tax consequences to them.

Investment in common units by tax-exempt entities, such as individual retirement accounts (known as IRAs), and non-U.S. persons raises issues unique to them. For example, virtually all of our income allocated to organizations that are exempt from federal income tax, including individual retirement accounts and other retirement plans, will be unrelated business taxable income and will be taxable to them. Distributions to non-U.S. persons will be reduced by withholding taxes at the highest applicable effective tax rate, and non-U.S. persons will be required to file United States federal tax returns and pay tax on their share of our taxable income. If you are a tax exempt entity or a foreign person, you should consult your tax advisor before investing in our common units.

We will treat each purchaser of common units as having the same tax benefits without regard to the actual common units purchased. The IRS may challenge this treatment, which could adversely affect the value of the common units.

Because we cannot match transferors and transferees of common units and because of other reasons, we will adopt depreciation and amortization positions that may not conform to all aspects of existing Treasury Regulations. A successful IRS challenge to those positions could adversely affect the amount of tax benefits available to you. It also could affect the timing of these tax benefits or the amount of gain from your sale of common units and could have a negative impact on the value of our common units or result in audit adjustments to your tax returns. Please read Material Tax Consequences Tax Consequences of Unit Ownership Section 754 Election for a further discussion of the effect of the depreciation and amortization positions we adopted.

We have adopted certain valuation methodologies that may result in a shift of income, gain, loss and deduction between the general partner and the unitholders. The IRS may challenge this treatment, which could adversely affect the value of the common units.

When we issue additional units or engage in certain other transactions, we determine the fair market value of our assets and allocate any unrealized gain or loss attributable to our assets to the capital accounts of our unitholders and our general partner. Although we may from time to time consult with professional appraisers regarding valuation matters, including the valuation of our assets, we make many of the fair market value estimates of our assets ourselves using a methodology based on the market value of our common units as a means to measure the fair market value of our assets. Our methodology may be viewed as understating the value of our assets. In that case, there may be a shift of income, gain, loss and deduction between certain unitholders and the general partner, which may be unfavorable to such unitholders. Moreover, under our current valuation methods, subsequent purchasers of common units may have a greater portion of their Internal Revenue Code Section 743(b) adjustment allocated to our tangible assets and a lesser portion allocated to our intangible assets. The IRS may challenge our valuation methods, or our allocation of the Section 743(b) adjustment attributable to our tangible and intangible assets, and allocations of income, gain, loss and deduction between the general partner and certain of our unitholders.

A successful IRS challenge to these methods or allocations could adversely affect the amount of taxable income or loss being allocated to our unitholders. It also could affect the amount of gain from our unitholders

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sale of common units and could have a negative impact on the value of the common units or result in audit adjustments to our unitholders tax returns without the benefit of additional deductions.

The sale or exchange of 50% or more of our capital and profits interests during any twelve-month period will result in the termination of our partnership for federal income tax purposes.

We will be considered to have terminated for federal income tax purposes if there is a sale or exchange of 50% or more of the total interests in our capital and profits within a twelve-month period. Pursuant to the GP Acquisition, GE EFS acquired (i) a 37.3% limited partner interest in us (reduced to 37.0% after giving effect to the contemporaneous awards under our long-term incentive plan), (ii) the 2% general partner interest in us, and (iii) the right to receive the incentive distributions associated with the general partner interest. We believe, and will take the position, that the GP Acquisition, together with all other common units sold within the prior twelve-month period, represented a sale or exchange of 50% or more of the total interest in our capital and profits interests. Our termination would, among other things, result in the closing of our taxable year for all unitholders on June 18, 2007 and upon any future termination. Such a closing of the books could result in a significant deferral of depreciation deductions allowable in computing our taxable income. We anticipate that the impact of this termination to our unitholders will be an increased amount of taxable income as a percentage of the cash distributed to our unitholders. Although the amount of increase cannot be estimated because it depends upon numerous factors including the timing of the termination, the amount could be material. Moreover, in the case of a unitholder reporting on a taxable year other than a fiscal year ending December 31, the closing of our taxable year may result in more than twelve months of our taxable income or loss being includable in his taxable income for the year of termination. Our termination currently would not affect our classification as a partnership for federal income tax purposes, but instead, we would be treated as a new partnership for tax purposes. If treated as a new partnership, we must make new tax elections and could be subject to penalties if we are unable to determine that a termination occurred. Please read Material Tax Consequences Disposition of Common Units Constructive Termination for a discussion of the consequences of our termination for federal income tax purposes.

You will likely be subject to state and local taxes and return filing requirements in states where you do not live as a result of investing in our common units.

In addition to federal income taxes, you will likely be subject to other taxes, including foreign, state and local taxes, unincorporated business taxes and estate, inheritance or intangible taxes that are imposed by the various jurisdictions in which we do business or own property, even if you do not live in any of those jurisdictions. You will likely be required to file foreign, state and local income tax returns and pay state and local income taxes in some or all of these various jurisdictions. Further, you may be subject to penalties for failure to comply with those requirements. We will initially own assets and do business in Arkansas, Colorado, Kansas, Louisiana, Oklahoma, and Texas. Each of these states, other than Texas, currently imposes a personal income tax on individuals. Most of these states also impose an income tax on corporations and other entities. As we make acquisitions or expand our business, we may own assets or conduct business in additional states that impose a personal income tax. It is your responsibility to file all United States federal, foreign, state and local tax returns. Our counsel has not rendered an opinion on the state or local tax consequences of an investment in our common units.

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USE OF PROCEEDS

Unless otherwise indicated to the contrary in an accompanying prospectus supplement, we will use the net proceeds from the sale of securities covered by this prospectus for general partnership purposes, which may include repayment of indebtedness and other capital expenditures and additions to working capital.

The actual application of proceeds from the sale of any particular offering of securities using this prospectus will be described in the applicable prospectus supplement relating to such offering. The precise amount and timing of the application of these proceeds will depend upon our funding requirements and the availability and cost of other funds.

RATIO OF EARNINGS TO FIXED CHARGES

The following table presents the ratios of earnings to fixed charges of the Partnership and its predecessor for the periods indicated. For purposes of computing the ratios of earnings to fixed charges, earnings consist of income from continuing operations before adjustment for equity income from equity method investees plus fixed charges, amortization of capitalized interest and distributed income from investees accounted for under the equity method. Fixed charges consist of interest expensed and capitalized and an estimated interest component of rent expense.

	Regency Predecessor LLC		Regency Energy Partners LP				
	Period from Inception (April 2, 2003) to December 31, 2003(1)	Period from January 1, 2004 to November 30, 2004	Period from Acquisition Date (December 1, 2004) to December 31, 2004	Year Ended December 31, 2005(2)	Year Ended December 31, 2006(2)	Three Months Ended March 31, 2006(2)	Three Months Ended March 31, 2007(2)
Ratio of earnings to fixed charges	3.39	4.67	2.03				

(1) The predecessor of the Partnership was organized on April 2, 2003 and commenced active operations in June 2003.

(2) Earnings were inadequate to cover fixed charges for the years ended December 31, 2006 and 2005 by $8.2 million and $14.5 million, respectively and for the three months ended March 31, 2006 and 2007 by $7.0 million and $1.4 million, respectively.

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DESCRIPTION OF OUR COMMON UNITS

The Units

The common units and the subordinated units are separate classes of our limited partner interests. The holders of units are entitled to participate in partnership distributions and exercise the rights or privileges available to limited partners under our partnership agreement. For a description of the relative rights and preferences of holders of common units and subordinated units in and to partnership distributions, please read this section and How We Make Cash Distributions. For a description of the rights and privileges of limited partners under our partnership agreement, including voting rights, please read The Partnership Agreement.

Our outstanding common units are listed on The Nasdaq Stock Market LLC, or Nasdaq, and trade in the Nasdaq Global Select Market under the symbol RGNC.

The transfer agent and registrar for our common units is American Stock Transfer & Trust Company.

Transfer of Common Units

By transfer of our common units in accordance with our partnership agreement, each transferee of our common units will be admitted as a unitholder with respect to the common units transferred when such transfer and admission is reflected in our books and records. Additionally, each transferee of our common units:

- represents that the transferee has the capacity, power and authority to become bound by our partnership agreement;
- automatically agrees to be bound by the terms and conditions of, and is deemed to have executed, our partnership agreement; and
- gives the consents and approvals contained in our partnership agreement.

An assignee will become a substituted limited partner of our partnership for the transferred common units automatically upon the recording of the transfer on our books and records. The general partner will cause any transfers to be recorded on our books and records no less frequently than quarterly.

We may, at our discretion, treat the nominee holder of a common unit as the absolute owner. In that case, the beneficial holder s rights are limited solely to those that it has against the nominee holder as a result of any agreement between the beneficial owner and the nominee holder.

Common units are securities and are transferable according to the laws governing transfers of securities. In addition to other rights acquired upon transfer, the transferor gives the transferee the right to become a substituted limited partner in our partnership for the transferred common units.

Until a common unit has been transferred on our books, we and the transfer agent, notwithstanding any notice to the contrary, may treat the record holder of the unit as the absolute owner for all purposes, except as otherwise required by law or stock exchange regulations.

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DESCRIPTION OF OUR DEBT SECURITIES

We will issue our debt securities under an indenture among us, as issuer, the Trustee and any subsidiary guarantors. The debt securities will be governed by the provisions of the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939. We, the Trustee and any subsidiary guarantors may enter into supplements to the Indenture from time to time. If we decide to issue subordinated debt securities, we will issue them under a separate Indenture containing subordination provisions.

This description is a summary of the material provisions of the debt securities and the Indentures. We urge you to read the forms of senior indenture and subordinated indenture filed as exhibits to the registration statement of which this prospectus is a part because those Indentures, and not this description, govern your rights as a holder of debt securities. References in this prospectus to an Indenture refer to the particular Indenture under which we issue a series of debt securities. References in this prospectus to Trustee refer to the trustee that we appoint for any series of debt, as further described in The Trustee .

Regency Energy Partners LP may issue debt securities in one or more series, and Regency Energy Finance Corp. may be a co-issuer of one or more series of debt securities. Regency Energy Finance Corp. was incorporated under the laws of the State of Delaware in 2006, is wholly-owned by Regency Energy Partners LP, and has no material assets or any liabilities other than as a co-issuer of debt securities. Its activities will be limited to co-issuing debt securities and engaging in other activities incidental thereto. When used in this section Description of the Debt Securities, the terms we, us, our and issuers refer jointly to Regency Energy Partners LP and Regency Energy Finance Corp., and the ter Regency and Regency Finance Corp refer strictly to Regency Energy Partners LP and Regency Energy Finance Corp., respectively.

General

The Debt Securities

Any series of debt securities that we issue:

- will be our general obligations;
- will be general obligations of any Subsidiary Guarantors that guarantee that series; and
- may be subordinated to our senior indebtedness, with any guarantees also being subordinated to any senior indebtedness.

The Indenture does not limit the total amount of debt securities that we may issue. We may issue debt securities under the Indenture from time to time in separate series, up to the aggregate amount authorized for each such series.

We will prepare a prospectus supplement and either an indenture supplement or a resolution of the board of directors of our general partner and accompanying officers certificate relating to any series of debt securities that we offer, which will include specific terms relating to some or all of the following:

- whether Regency Finance Corp. will be a co-issuer of the debt securities;
- whether the debt securities are entitled to the benefits of any guarantees by the Subsidiary Guarantors;

the form and title of the debt securities;

the total principal amount of the debt securities;

the date or dates on which the debt securities may be issued;

the portion of the principal amount that will be payable if the maturity of the debt securities is accelerated;

any right we may have to defer payments of interest by extending the dates payments are due and whether interest on those deferred amounts will be payable;

the dates on which the principal and premium, if any, of the debt securities will be payable;

- the interest rate that the debt securities will bear and the interest payment dates for the debt securities;
- any optional redemption provisions;
- any sinking fund or other provisions that would obligate us to repurchase or otherwise redeem the debt securities;
- whether the debt securities may be issued in amounts other than $1,000 each or multiples thereof;
- any changes to or additional Events of Default or covenants;
- the subordination, if any, of the debt securities and any changes to the subordination provisions of the Indenture; and
- any other terms of the debt securities.

This description of debt securities will be deemed modified, amended or supplemented by any description of any series of debt securities set forth in a prospectus supplement related to that series.

The prospectus supplement will also describe any material United States federal income tax consequences or other special considerations regarding the applicable series of debt securities, including those relating to:

- debt securities with respect to which payments of principal, premium or interest are determined with reference to an index or formula, including changes in prices of particular securities, currencies or commodities;
- debt securities with respect to which principal, premium or interest is payable in a foreign or composite currency;
- debt securities that are issued at a discount below their stated principal amount, bearing no interest or interest at a rate that at the time of issuance is below market rates; and
- variable rate debt securities that are exchangeable for fixed rate debt securities.

At our option, we may make interest payments by check mailed to the registered holders of any debt securities not in global form or, if so stated in the applicable prospectus supplement, at the option of a holder by wire transfer to an account designated by the holder.

Unless otherwise provided in the applicable prospectus supplement, fully registered securities may be transferred or exchanged at the office of the Trustee at which its corporate trust business is principally administered in the United States, subject to the limitations provided in the Indenture, without the payment of any service charge, other than any applicable tax or governmental charge.

Any funds we pay to a paying agent for the payment of amounts due on any debt securities that remain unclaimed for two years will be returned to us, and the holders of the debt securities must look only to us for payment after that time.

The Subsidiary Guarantees

Our payment obligations under any series of debt securities may be jointly and severally, fully and unconditionally guaranteed by one or more Subsidiary Guarantors. If a series of debt securities is so guaranteed, the Subsidiary Guarantors will execute a notation of guarantee as further evidence of their guarantee. The applicable prospectus supplement will describe the terms of any guarantee by the Subsidiary Guarantors.

The obligations of each Subsidiary Guarantor under its guarantee of the debt securities will be limited to the maximum amount that will not result in the obligations of the Subsidiary Guarantor under the guarantee constituting a fraudulent conveyance or fraudulent transfer under federal or state law, after giving effect to:

- all other contingent and fixed liabilities of the Subsidiary Guarantor; and

- any collections from or payments made by or on behalf of any other Subsidiary Guarantors in respect of the obligations of the Subsidiary Guarantor under its guarantee.

The guarantee of any Subsidiary Guarantor may be released under certain circumstances. If no default has occurred and is continuing under the Indenture and to the extent not otherwise prohibited by the Indenture, a Subsidiary Guarantor will be unconditionally released and discharged from the guarantee:

- automatically upon any sale, exchange or transfer, to any person that is not our affiliate, of all of our direct or indirect limited partnership or other equity interests in the Subsidiary Guarantor;

- automatically upon the merger of the Subsidiary Guarantor into us or any other Subsidiary Guarantor or the liquidation and dissolution of the Subsidiary Guarantor; or

- upon our delivery of a written notice to the Trustee of the release of all guarantees by the Subsidiary Guarantor of any debt of ours for borrowed money (or a guarantee of such debt), except for any series of debt securities, other than a release resulting from a payment of such guarantees.

If a series of debt securities is guaranteed by the Subsidiary Guarantors and is designated as subordinate to our senior indebtedness, then the guarantees by the Subsidiary Guarantors will be subordinated to the senior indebtedness of the Subsidiary Guarantors to substantially the same extent as the series is subordinated to our senior indebtedness. See Subordination.

Covenants

Reports

The Indenture contains the following covenant for the benefit of the holders of all series of debt securities:

So long as any debt securities are outstanding, we will:

- for as long as we are required to file information with the SEC pursuant to the Exchange Act, file with the Trustee, within 30 days after we file with the SEC, copies of the annual reports and of the information, documents and other reports that we are required to file with the SEC pursuant to the Exchange Act; and

- if we are not required to file information with the SEC pursuant to the Exchange Act, file with the Trustee, within 30 days after we would have been required to file with the SEC, financial statements and a Management s Discussion and Analysis of Financial Condition and Results of Operations, both comparable to what we would have been required to file with the SEC had we been subject to the reporting requirements of the Exchange Act.

Other Covenants

A series of debt securities may contain additional financial and other covenants applicable to us and our subsidiaries. The applicable prospectus supplement will contain a description of any such covenants that are added to the Indenture specifically for the benefit of holders of a particular series.

Events of Default, Remedies and Notice

Events of Default

Each of the following events will be an Event of Default under the Indenture with respect to a series of debt securities:

- default in any payment of interest on any debt securities of that series when due that continues for 30 days;

- default in the payment of principal of or premium, if any, on any debt securities of that series when due at its stated maturity, upon redemption, upon required repurchase or otherwise;

default in the payment of any sinking fund payment on any debt securities of that series when due;

failure by us or, if the series of debt securities is guaranteed by the Subsidiary Guarantors, by a Subsidiary Guarantor, to comply for 60 days after notice with the other agreements contained in the Indenture, any supplement to the Indenture or any board resolution authorizing the issuance of that series;

certain events of bankruptcy, insolvency or reorganization of us or, if the series of debt securities is guaranteed by the Subsidiary Guarantors, of the Subsidiary Guarantors; or

if the series of debt securities is guaranteed by the Subsidiary Guarantors:

any of the guarantees by the Subsidiary Guarantors ceases to be in full force and effect, except as otherwise provided in the Indenture;

any of the guarantees by the Subsidiary Guarantors is declared null and void in a judicial proceeding; or

any Subsidiary Guarantor denies or disaffirms its obligations under the Indenture or its guarantee.

Exercise of Remedies

If an Event of Default, other than an Event of Default with respect to us described in the fifth bullet point above, occurs and is continuing, the Trustee or the holders of at least 25% in principal amount of the outstanding debt securities of that series may declare the entire principal of, premium, if any, and accrued and unpaid interest, if any, on all the debt securities of that series to be due and payable immediately.

A default under the fourth bullet point above will not constitute an Event of Default until the Trustee or the holders of 25% in principal amount of the outstanding debt securities of that series notify us and, if the series of debt securities is guaranteed by the Subsidiary Guarantors, the Subsidiary Guarantors, of the default and such default is not cured within 60 days after receipt of notice.

If an Event of Default with respect to us described in the fifth bullet point above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest on all outstanding debt securities of all series will become immediately due and payable without any declaration of acceleration or other act on the part of the Trustee or any holders.

The holders of a majority in principal amount of the outstanding debt securities of a series may rescind any declaration of acceleration by the Trustee or the holders with respect to the debt securities of that series, but only if:

rescinding the declaration of acceleration would not conflict with any judgment or decree of a court of competent jurisdiction; and

all existing Events of Default with respect to that series have been cured or waived, other than the nonpayment of principal, premium, if any, or interest on the debt securities of that series that have become due solely by the declaration of acceleration.

If an Event of Default occurs and is continuing, the Trustee will be under no obligation, except as otherwise provided in the Indenture, to exercise any of the rights or powers under the Indenture at the request or direction of any of the holders unless such holders have offered to the Trustee reasonable indemnity or security against any costs, liability or expense. No holder may pursue any remedy with respect to the Indenture or the debt securities of any series, except to enforce the right to receive payment of principal, premium, if any, or interest when due with respect to its own debt securities, unless:

such holder has previously given the Trustee notice that an Event of Default with respect to that series is continuing;

holders of at least 25% in principal amount of the outstanding debt securities of that series have requested that the Trustee pursue the remedy;

such holders have offered the Trustee reasonable indemnity or security against any cost, liability or expense;

the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of indemnity or security; and

the holders of a majority in principal amount of the outstanding debt securities of that series have not given the Trustee a direction that is inconsistent with such request within such 60-day period.

The holders of a majority in principal amount of the outstanding debt securities of a series have the right, subject to certain restrictions, to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any right or power conferred on the Trustee with respect to that series of debt securities. The Trustee, however, may refuse to follow any direction that:

conflicts with law;

is inconsistent with any provision of the Indenture;

the Trustee determines is unduly prejudicial to the rights of any other holder; or

would involve the Trustee in personal liability.

Notice of Event of Default

Within 30 days after the occurrence of an Event of Default, we are required to give written notice to the Trustee and indicate the status of the default and what action we are taking or propose to take to cure the default. In addition, we and any Subsidiary Guarantors are required to deliver to the Trustee, within 120 days after the end of each fiscal year, a compliance certificate indicating that we and any Subsidiary Guarantors have complied with all covenants contained in the Indenture or whether any default or Event of Default has occurred during the previous year.

If an Event of Default occurs and is continuing, the Trustee must mail to each holder a notice of the Event of Default by the later of 90 days after the Event of Default occurs or 30 days after the Trustee knows of the Event of Default. Except in the case of a default in the payment of principal, premium, if any, or interest with respect to any debt securities, the Trustee may withhold such notice, but only if and so long as the board of directors, the executive committee or a committee of directors or responsible officers of the Trustee in good faith determines that withholding such notice is in the interests of the holders.

Amendments and Waivers

We may amend the Indenture without the consent of any holder of debt securities to:

provide for the assumption by a successor of our obligations under the Indenture;

add covenants for the benefit of the holders or surrender any right or power conferred upon us or any Subsidiary Guarantor;

cure any ambiguity, omission, defect or inconsistency;

convey, transfer, assign, mortgage or pledge any property to or with the Trustee;

comply with any requirement of the SEC in connection with the qualification of the Indenture under the Trust Indenture Act;

add Subsidiary Guarantors with respect to the debt securities;

secure the debt securities or any guarantee;

make any change that does not adversely affect the rights under the Indenture of any holder;

add or appoint a successor or separate Trustee;

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change or eliminate any restriction on the payment of principal of, or premium, if any, on any subordinated debt securities; or

establish the form or terms of any new series of debt securities.

In addition, we may amend the Indenture if the holders of a majority in principal amount of all debt securities of each series that would be affected under the Indenture consent to it. We may not, however, without the consent of each holder of outstanding debt securities that would be affected, amend the Indenture to:

reduce the percentage in principal amount of debt securities of any series whose holders must consent to an amendment;

reduce the rate of or extend the time for payment of interest on any debt securities;

reduce the principal of or extend the stated maturity of any debt securities;

reduce any premium payable upon the redemption of any debt securities or change the time at which any debt securities may or shall be redeemed;

make any debt securities payable in other than U.S. dollars;

impair the right of any holder to receive payment of premium, if any, principal or interest with respect to such holder s debt securities on or after the applicable due date;

impair the right of any holder to institute suit for the enforcement of any payment with respect to such holder s debt securities;

release any security that has been granted in respect of the debt securities, other than in accordance with the Indenture;

make any change in the amendment provisions that require each holder s consent;

make any change in the waiver provisions; or

release a Subsidiary Guarantor other than as provided in the Indenture or modify such Subsidiary Guarantor s guarantee in any manner adverse to the holders.

The consent of the holders is not necessary under the Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment. After an amendment under the Indenture requiring the consent of the holders of any series of debt securities becomes effective, we are required to mail to all holders a notice briefly describing the amendment with respect to other holders. The failure to give, or any defect in, such notice to any holder, however, will not impair or affect the validity of the amendment with respect to other holders.

The holders of a majority in principal amount of the outstanding debt securities of each affected series, on behalf of all such holders, may waive:

compliance by us or a Subsidiary Guarantor with certain restrictive provisions of the Indenture; and any past default under the Indenture; except that such majority of holders may not waive a default:

in the payment of principal, premium, if any, or interest; or

in respect of a provision that under the Indenture cannot be amended without the consent of all holders of the series of debt securities that is affected.

Defeasance

At any time, we may terminate, with respect to debt securities of a particular series, all our obligations under such series of debt securities and the Indenture, which we call a legal defeasance. If we decide to make a legal defeasance, however, we may not terminate certain of our obligations, including those:

relating to the defeasance trust;

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to register the transfer or exchange of the debt securities of that series;

to replace mutilated, destroyed, lost or stolen debt securities of that series; or

to maintain a registrar and paying agent in respect of the debt securities of that series.

At any time we may also affect a covenant defeasance, which means we have elected to terminate our obligations under or the operation of:

covenants applicable to a series of debt securities and described in the prospectus supplement applicable to such series, other than as described in such prospectus supplement;

the bankruptcy provisions with respect to the Subsidiary Guarantors, if any; and

the guarantee provision described under Events of Default, Remedies and Notice Events of Default above with respect to that series of debt securities.

If we exercise either our legal defeasance option or our covenant defeasance option, any subsidiary guarantee will terminate with respect to that series of debt securities.

We may exercise our legal defeasance option notwithstanding our prior exercise of our covenant defeasance option. If we exercise our legal defeasance option, payment of the affected series of debt securities may not be accelerated because of an Event of Default with respect to that series. If we exercise our covenant defeasance option, payment of the affected series of debt securities may not be accelerated because of an Event of Default specified in the fourth, fifth (with respect only to a Subsidiary Guarantor, if any) or sixth bullet points under Events of Default, Remedies and Notice Events of Default above or an Event of Default that is added specifically for such series and described in a prospectus supplement.

If we exercise either our legal defeasance option or our covenant defeasance option, any subsidiary guarantee will terminate with respect to that series of debt securities. In order to exercise either defeasance option, we must:

irrevocably deposit in trust with the Trustee money or certain U.S. government obligations for the payment of principal, premium, if any, and interest on the series of debt securities to redemption or final maturity, as the case may be;

comply with certain other conditions, including that no default has occurred and is continuing after the deposit in trust; and

deliver to the Trustee an opinion of counsel to the effect that holders of the series of debt securities will not recognize income, gain or loss for federal income tax purposes as a result of such defeasance and will be subject to federal income tax on the same amounts and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred. In the case of legal defeasance only, such opinion of counsel must be based on a ruling of the Internal Revenue Service or other change in applicable federal income tax law.

No Personal Liability of General Partner

Regency GP LP, our general partner, and its directors, officers, employees and partners, as such, will not be liable for:

any of our obligations or the obligations of any Subsidiary Guarantors under the debt securities, the Indenture or the guarantees; or

any claim based on, in respect of, or by reason of, such obligations or their creation.

By accepting a debt security, each holder will be deemed to have waived and released all such liability. This waiver and release are part of the consideration for our issuance of the debt securities. This waiver may not be effective, however, to waive liabilities under the federal securities laws and it is the view of the SEC that such a waiver is against public policy.

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Subordination

Debt securities of a series may be subordinated to our Senior Indebtedness, which we define generally to include any obligation created or assumed by us (or, if the series is guaranteed, the Subsidiary Guarantors) for the repayment of borrowed money and any guarantee therefor, whether outstanding or hereafter issued, unless, by the terms of the instrument creating or evidencing such obligation, it is provided that such obligation is subordinate or not superior in right of payment to the debt securities (or, if the series is guaranteed, the guarantee of the Subsidiary Guarantors), or to other obligations that are pari passu with or subordinated to the debt securities (or, if the series is guaranteed, the guarantee of the Subsidiary Guarantors). Subordinated debt securities will be subordinate in right of payment, to the extent and in the manner set forth in the Indenture and the prospectus supplement relating to such series, to the prior payment of all of our indebtedness and that of any Subsidiary Guarantor that is designated as Senior Indebtedness with respect to the series.

The holders of our Senior Indebtedness or, if applicable, of a Subsidiary Guarantor, will receive payment in full of the Senior Indebtedness before holders of subordinated debt securities will receive any payment of principal, premium, if any, or interest with respect to the subordinated debt securities upon any payment or distribution of our assets or, if applicable to any series of outstanding debt securities, the Subsidiary Guarantors assets, to creditors:

- upon a liquidation or dissolution of us or, if applicable to any series of outstanding debt securities, the Subsidiary Guarantors; or

- in a bankruptcy, receivership or similar proceeding relating to us or, if applicable to any series of outstanding debt securities, to the Subsidiary Guarantors.

Until the Senior Indebtedness is paid in full, any distribution to which holders of subordinated debt securities would otherwise be entitled will be made to the holders of Senior Indebtedness, except that the holders of subordinated debt securities may receive units representing limited partner interests in us and any debt securities that are subordinated to Senior Indebtedness to at least the same extent as the subordinated debt securities.

If we do not pay any principal, premium, if any, or interest with respect to Senior Indebtedness within any applicable grace period (including at maturity), or any other default on Senior Indebtedness occurs and the maturity of the Senior Indebtedness is accelerated in accordance with its terms, we may not:

- make any payments of principal, premium, if any, or interest with respect to subordinated debt securities;

- make any deposit for the purpose of defeasance of the subordinated debt securities; or

- repurchase, redeem or otherwise retire any subordinated debt securities, except that in the case of subordinated debt securities that provide for a mandatory sinking fund, we may deliver subordinated debt securities to the Trustee in satisfaction of our sinking fund obligation,

unless, and until,

- the default has been cured or waived and any declaration of acceleration has been rescinded;

- the Senior Indebtedness has been paid in full in cash; or

- we and the Trustee receive written notice approving the payment from the representatives of each issue of Designated Senior Indebtedness.

Generally, Designated Senior Indebtedness will include:

- any specified issue of Senior Indebtedness of at least $100 million; and

- any other Senior Indebtedness that we may designate in respect of any series of subordinated debt securities.

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During the continuance of any default, other than a default described in the immediately preceding paragraph, that may cause the maturity of any Designated Senior Indebtedness to be accelerated immediately without further notice, other than any notice required to effect such acceleration, or the expiration of any applicable grace periods, we may not pay the subordinated debt securities for a period called the Payment Blockage Period. A Payment Blockage Period will commence on the receipt by us and the Trustee of written notice of the default, called a Blockage Notice, from the representative of any Designated Senior Indebtedness specifying an election to effect a Payment Blockage Period and will end 179 days thereafter.

The Payment Blockage Period may be terminated before its expiration:

- by written notice from the person or persons who gave the Blockage Notice;
- by repayment in full in cash of the Designated Senior Indebtedness with respect to which the Blockage Notice was given; or
- if the default giving rise to the Payment Blockage Period is no longer continuing.

Unless the holders of the Designated Senior Indebtedness have accelerated the maturity of the Designated Senior Indebtedness, we may resume payments on the subordinated debt securities after the expiration of the Payment Blockage Period.

Generally, not more than one Blockage Notice may be given in any period of 360 consecutive days. The total number of days during which any one or more Payment Blockage Periods are in effect, however, may not exceed an aggregate of 179 days during any period of 360 consecutive days.

After all Senior Indebtedness is paid in full and until the subordinated debt securities are paid in full, holders of the subordinated debt securities shall be subrogated to the rights of holders of Senior Indebtedness to receive distributions applicable to Senior Indebtedness.

As a result of the subordination provisions described above, in the event of insolvency, the holders of Senior Indebtedness, as well as certain of our general creditors, may recover more, ratably, than the holders of the subordinated debt securities.

Book Entry, Delivery and Form

We may issue debt securities of a series in the form of one or more global certificates deposited with a depositary. We expect that The Depository Trust Company, New York, New York, or DTC, will act as depositary. If we issue debt securities of a series in book-entry form, we will issue one or more global certificates that will be deposited with or on behalf of DTC and will not issue physical certificates to each holder. A global security may not be transferred unless it is exchanged in whole or in part for a certificated security, except that DTC, its nominees and their successors may transfer a global security as a whole to one another.

DTC will keep a computerized record of its participants, such as brokers, whose clients have purchased the debt securities. The participants will then keep records of their clients who purchased the debt securities. Beneficial interests in global securities will be shown on, and transfers of beneficial interests in global securities will be made only through, records maintained by DTC and its participants.

DTC advises us that it is:

a limited-purpose trust company organized under the New York Banking Law;

a banking organization within the meaning of the New York Banking Law;

a member of the United States Federal Reserve System;

a clearing corporation within the meaning of the New York Uniform Commercial Code; and

a clearing agency registered under the provisions of Section 17A of the Securities Exchange Act of 1934.

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DTC is owned by a number of its participants and by The Nasdaq Stock Market LLC, The American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. The rules that apply to DTC and its participants are on file with the SEC.

DTC holds securities that its participants deposit with DTC. DTC also records the settlement among participants of securities transactions, such as transfers and pledges, in deposited securities through computerized records for participants accounts. This eliminates the need to exchange certificates. Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations.

We will wire principal, premium, if any, and interest payments due on the global securities to DTC s nominee. We, any Subsidiary Guarantors, the Trustee and any paying agent will treat DTC s nominee as the owner of the global securities for all purposes. Accordingly, we, any Subsidiary Guarantors, the Trustee and any paying agent will have no direct responsibility or liability to pay amounts due on the global securities to owners of beneficial interests in the global securities.

It is DTC s current practice, upon receipt of any payment of principal, premium, if any, or interest, to credit participants accounts on the payment date according to their respective holdings of beneficial interests in the global securities as shown on DTC s records. In addition, it is DTC s current practice to assign any consenting or voting rights to participants, whose accounts are credited with debt securities on a record date, by using an omnibus proxy.

Payments by participants to owners of beneficial interests in the global securities, as well as voting by participants, will be governed by the customary practices between the participants and the owners of beneficial interests, as is the case with debt securities held for the account of customers registered in street name. Payments to holders of beneficial interests are the responsibility of the participants and not of DTC, the Trustee, any Subsidiary Guarantors or us.

Beneficial interests in global securities will be exchangeable for certificated securities with the same terms in authorized denominations only if:

- DTC notifies us that it is unwilling or unable to continue as depositary or if DTC ceases to be a clearing agency registered under applicable law and, in either event, a successor depositary is not appointed by us within 90 days; or

- an Event of Default occurs and DTC notifies the Trustee of its decision to require that all of the debt securities of a series be represented by certificated securities.

The Trustee

We may appoint a separate trustee for any series of debt securities. We use the term Trustee to refer to the trustee appointed with respect to any such series of debt securities. We may maintain banking and other commercial relationships with the Trustee and its affiliates in the ordinary course of business, and the Trustee may own debt securities.

Governing Law

The Indenture and the debt securities will be governed by, and construed in accordance with, the laws of the State of New York.

HOW WE MAKE CASH DISTRIBUTIONS

Set forth below is a summary of the significant provisions of our partnership agreement that relate to cash distributions.

General

Our partnership agreement requires that, within 45 days after the end of each quarter, we distribute all of our available cash to the holders of record of our common units on the applicable record date. All cash distributed to unitholders will be characterized as either operating surplus or capital surplus. We treat distributions of available cash from operating surplus differently than distributions of available cash from capital surplus.

Operating Surplus and Capital Surplus

Characterization of Cash Distributions

We will treat all available cash distributed as coming from operating surplus until the sum of all available cash distributed since we began operations equals the operating surplus as of the most recent date of determination of available cash. We will treat any amount distributed in excess of operating surplus, regardless of its source, as capital surplus. We do not anticipate that we will make any distributions from capital surplus.

Definition of Available Cash

Available cash is defined in our partnership agreement and generally means, for each fiscal quarter, all cash on hand at the end of such quarter:

- less the amount of cash reserves established by our general partner:
  - to provide for the proper conduct of our business (including reserves for future capital expenditures and for our anticipated credit needs);
  - to comply with applicable law, any of our debt instruments or other agreements; and
  - to provide funds for distribution to our unitholders and to our general partner for any one or more of the next four quarters;
- plus all cash on hand on the date of determination of available cash for the quarter resulting from working capital borrowings made after the end of the quarter for which the determination is being made. Working capital borrowings are generally borrowings that will be made under our credit facility and in all cases are used solely for working capital purposes or to pay distributions to partners.

Definition of Operating Surplus

Operating surplus is defined in our partnership agreement, and for any period it generally means:

- our cash balance on the closing date of our initial public offering in February 2006 offering; plus

$20.0 million (as described below); plus

all of our cash receipts after the closing of our initial public offering, excluding cash from (1) borrowings that are not working capital borrowings, (2) sales of equity and debt securities and (3) sales or other dispositions of assets outside the ordinary course of business; plus

working capital borrowings made after the end of a quarter but before the date of determination of operating surplus for the quarter; less

operating expenses; less

the amount of cash reserves established by our general partner for future operating expenditures.

If a working capital borrowing, which increases operating surplus, is not repaid during the twelve-month period following the borrowing, it will be deemed repaid at the end of such period, thus decreasing operating surplus at such time. When such working capital is in fact repaid, it will not be treated as a reduction in operating surplus because operating surplus will have been previously reduced by the deemed repayment.

As described above, operating surplus does not reflect actual cash on hand at closing that is available for distribution to our unitholders. For example, it includes a provision that will enable us, if we choose, to distribute as operating surplus up to $20.0 million of cash we receive in the future from non-operating sources, such as asset sales, issuances of securities, and long-term borrowings, that would otherwise be distributed as capital surplus.

Definition of Capital Surplus

Capital surplus is defined in our partnership agreement, and it will generally be generated only by:

- borrowings other than working capital borrowings;
- sales of debt and equity securities; and
- sales or other disposition of assets for cash, other than inventory, accounts receivable and other current assets sold in the ordinary course of business or non-current assets sold as part of normal retirements or replacements of assets.

Subordination Period

Overview

During the subordination period, which we define below and is defined in our partnership agreement, the common units have the right to receive distributions of available cash from operating surplus in an amount equal to the minimum quarterly distribution of $0.35 per quarter, plus any arrearages in the payment of the minimum quarterly distribution on the common units from prior quarters, before any distributions of available cash from operating surplus may be made on the subordinated units. Distribution arrearages do not accrue on the subordinated units. The purpose of the subordinated units is to increase the likelihood that during the subordination period there will be available cash from operating surplus to be distributed on the common units.

Definition of Subordination Period

The subordination period is defined in our partnership agreement. Except as described below under Early Termination of Subordination Period, the subordination period will extend until the first day of any quarter beginning after December 31, 2008 that each of the following tests are met:

- distributions of available cash from operating surplus on each of the outstanding common units and subordinated units equaled or exceeded the minimum quarterly distribution for each of the three consecutive, non-overlapping four-quarter periods immediately preceding that date;
- the adjusted operating surplus (as defined below) generated during each of the three consecutive, non-overlapping four-quarter periods immediately preceding that date equaled or exceeded the sum of the minimum quarterly distributions on all of the outstanding common units and subordinated units during those periods on a fully diluted basis and the related distribution on the 2% general partner interest during those

periods; and

there are no arrearages in payment of the minimum quarterly distribution on the common units.

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Early Termination of Subordination Period

The subordination period will automatically terminate and all of the subordinated units will convert into common units on an one-for-one basis if each of the following occurs:

distributions of available cash from operating surplus on each outstanding common unit and subordinated unit equaled or exceeded $2.10 (150% of the annualized minimum quarterly distribution) for any four-quarter period ending on or after December 31, 2006;

the adjusted operating surplus (as defined below) generated during any four-quarter period immediately preceding that date equaled or exceeded the sum of a distribution of $2.10 (150% of the annualized minimum quarterly distribution) on all of the outstanding common units and subordinated units on a fully diluted basis; and

there are no arrearages in payment of the minimum quarterly distribution on the common units.

Definition of Adjusted Operating Surplus

Adjusted operating surplus is defined in our partnership agreement, and for any period it generally means:

operating surplus generated with respect to that period; less

any net increase in working capital borrowings with respect to that period; less

any net reduction in cash reserves for operating expenditures made with respect to that period not relating to an operating expenditure made with respect to that period; plus

any net decrease in working capital borrowings with respect to that period; plus

any net increase in cash reserves for operating expenditures with respect to that period required by any debt instrument for the repayment of principal, interest or premium.

Adjusted operating surplus is intended to reflect the cash generated from operations during a particular period and therefore excludes net increases in working capital borrowings and net drawdowns of reserves of cash generated in prior periods.

Effect of Expiration of the Subordination Period

Upon expiration of the subordination period, each outstanding subordinated unit will convert into one common unit and will then participate pro rata with the other common units in distributions of available cash. In addition, if the unitholders remove our general partner other than for cause and units held by our general partner and its affiliates are not voted in favor of such removal:

The subordination period will end and each subordinated unit will immediately convert into one common unit;

any existing arrearages in payment of the minimum quarterly distribution on the common units will be extinguished; and our general partner will have the right to convert its general partner interest and, if any, its incentive distribution rights into common units or to receive cash in exchange for those interests.

Distributions of Available Cash from Operating Surplus During the Subordination Period

We will make distributions of available cash from operating surplus for any quarter during the subordination period in the following manner:

First, 98% to the common unitholders, pro rata, and 2% to our general partner, until we distribute for each outstanding common unit an amount equal to the minimum quarterly distribution for that quarter;

second, 98% to the common unitholders, pro rata, and 2% to our general partner, until we distribute for each outstanding common unit an amount equal to any arrearages in payment of the minimum quarterly distribution on the common units for any prior quarters during the subordination period;

third, 98% to the subordinated unitholders, pro rata, and 2% to our general partner, until we distribute for each subordinated unit an amount equal to the minimum quarterly distribution for that quarter; and

thereafter, in the manner described in Incentive Distribution Rights below.

The preceding discussion is based on the assumptions that our general partner maintains its 2% general partner interest and that we do not issue additional classes of equity securities.

Distributions of Available Cash from Operating Surplus After the Subordination Period

We will make distributions of available cash from operating surplus for any quarter after the subordination period in the following manner:

First, 98% to all unitholders, pro rata, and 2% to our general partner, until we distribute for each outstanding unit an amount equal to the minimum quarterly distribution for that quarter; and

thereafter, in the manner described in Incentive Distribution Rights below.

The preceding discussion is based on the assumptions that our general partner maintains its 2% general partner interest and that we do not issue additional classes of equity securities.

Incentive Distribution Rights

Incentive distribution rights represent the right to receive an increasing percentage of quarterly distributions of available cash from operating surplus after the minimum quarterly distribution and the target distribution levels have been achieved. Our general partner currently holds the incentive distribution rights, but may transfer these rights separately from its general partner interest, subject to restrictions in the partnership agreement.

If for any quarter:

we have distributed available cash from operating surplus to the common and subordinated unitholders in an amount equal to the minimum quarterly distribution; and

we have distributed available cash from operating surplus on outstanding common units in an amount necessary to eliminate any cumulative arrearages in payment of the minimum quarterly distribution;

then, we will distribute any additional available cash from operating surplus for that quarter among the unitholders and our general partner in the following manner:

first, 98% to all unitholders, pro rata, and 2% to our general partner, until each unitholder receives a total of $0.4025 per unit for that quarter (the first target distribution);

second, 85% to all unitholders, pro rata, and 15% to our general partner, until each unitholder receives a total of $0.4375 per unit for that quarter (the second target distribution);

third, 75% to all unitholders, pro rata, and 25% to our general partner, until each unitholder receives a total of $0.5250 per unit for that quarter (the third target distribution); and

thereafter, 50% to all unitholders, pro rata, and 50% to our general partner.

In each case, the amount of the target distribution set forth above is exclusive of any distributions to common unitholders to eliminate any cumulative arrearages in payment of the minimum quarterly distribution. The percentage interests set forth above for our general partner assume that our general partner maintains its 2% general partner interest, that our general partner has not transferred the incentive distribution rights and that we do not issue additional classes of equity securities.

Percentage Allocations of Available Cash from Operating Surplus

The following table illustrates the percentage allocations of the additional available cash from operating surplus among the unitholders and our general partner up to the various target distribution levels. The amounts set forth under Marginal Percentage Interest in Distributions are the percentage interests of the unitholders and our general partner in any available cash from operating surplus we distribute up to and including the corresponding amount in the column Total Quarterly Distribution Target Amount, until available cash from operating surplus we distribute reaches the next target distribution level, if any. The percentage interests shown for the unitholders and our general partner for the minimum quarterly distribution are also applicable to quarterly distribution amounts that are less than the minimum quarterly distribution. The percentage interests set forth below for our general partner include its 2% general partner interest and assume our general partner has contributed additional capital to maintain its 2% general partner interest, that our general partner has not transferred the incentive distribution rights and that we do not issue additional classes of equity securities.

	Total Quarterly Distribution Target Amount	Marginal Percentage Interest in Distributions	
		Unitholders	General Partner
Minimum Quarterly Distribution	$0.3500	98%	2%
First Target Distribution	up to $0.4025	98%	2%
Second Target Distribution	above $0.4025 up to $0.4375	85%	15%
Third Target Distribution	above $0.4375 up to $0.5250	75%	25%
Thereafter	above $0.5250	50%	50%

Distributions from Capital Surplus

How Distributions from Capital Surplus Will Be Made

We will make distributions of available cash from capital surplus, if any, in the following manner:

first, 98% to all unitholders, pro rata, and 2% to our general partner, until we distribute for each common unit an amount of available cash from capital surplus equal to the initial public offering price;

second, 98% to the common unitholders, pro rata, and 2% to our general partner, until we distribute for each common unit an amount of available cash from capital surplus equal to any unpaid arrearages in payment of the minimum quarterly distribution on the common units; and

thereafter, we will make all distributions of available cash from capital surplus as if they were from operating surplus.

The preceding discussion is based on the assumption that our general partner maintains its 2% general partner interest and that we do not issue additional classes of equity securities.

Effect of a Distribution from Capital Surplus

The partnership agreement treats a distribution of capital surplus as the repayment of the initial unit price from this initial public offering, which is a return of capital. The initial public offering price less any distributions of capital surplus per unit is referred to as the unrecovered initial unit price. Each time a distribution of capital surplus is made the minimum quarterly distribution and the target distribution levels will be reduced in the same proportion as the corresponding reduction in the unrecovered initial unit price. Because distributions of capital surplus will reduce the minimum quarterly distribution, after any of these distributions are made it may be easier for our general partner to receive incentive distributions and for the subordinated units to convert into common units. Any distribution of capital surplus before the unrecovered initial unit price is reduced to zero cannot be applied to the payment of the minimum quarterly distribution or any arrearages.

Once we distribute capital surplus on a unit issued in this offering in an amount equal to the initial unit price, we will reduce the minimum quarterly distribution and the target distribution levels to zero. We will then make all future distributions from operating surplus, with 50% being paid to the holders of units and 50% to our general partner.

Adjustment to the Minimum Quarterly Distribution and Target Distribution Levels

In addition to adjusting the minimum quarterly distribution and target distribution levels to reflect a distribution of capital surplus, if we combine our units into fewer units or subdivide our units into a greater number of units, we will proportionately adjust:

- the minimum quarterly distribution;
- the target distribution levels;
- the unrecovered initial unit price; and
- the number of common units into which a subordinated unit is convertible.

For example, if a two-for-one split of the common units should occur, the minimum quarterly distribution, the target distribution levels and the unrecovered initial unit price would each be reduced to 50% of its initial level and each subordinated unit would be convertible into two common units. We will not make any adjustment by reason of the issuance of additional units for cash or property.

In addition, if legislation is enacted or if existing law is modified or interpreted by a governmental taxing authority so that we become taxable as a corporation or otherwise subject to taxation as an entity for federal, state or local income tax purposes, we will reduce the minimum quarterly distribution and the target distribution levels for each quarter by multiplying each distribution level by a fraction, the numerator of which is available cash for that quarter and the denominator of which is the sum of available cash for that quarter plus our general partner s estimate of our aggregate liability for the quarter for such income taxes payable by reason of such legislation or interpretation. To the extent that the actual tax liability differs from the estimated tax liability for any quarter, the difference will be accounted for in subsequent quarters.

Distributions of Cash Upon Liquidation

Overview

If we dissolve in accordance with the partnership agreement, we will sell or otherwise dispose of our assets in a process called liquidation. We will first apply the proceeds of liquidation to the payment of our creditors. We will distribute any remaining proceeds to the unitholders and our general partner in accordance with their capital account balances, as adjusted to reflect any gain or loss upon the sale or other disposition of our assets in liquidation.

The allocations of gain and loss upon liquidation are intended, to the extent possible, to entitle the holders of outstanding common units to a preference over the holders of outstanding subordinated units upon our liquidation, to the extent required to permit common unitholders to receive their unrecovered initial unit price plus the minimum quarterly distribution for the quarter during which liquidation occurs plus any unpaid arrearages in payment of the minimum quarterly distribution on the common units. There may not, however, be sufficient gain upon our liquidation to enable the holders of common units to recover fully all of these amounts, even though there may be cash available to pay distributions to the holders of subordinated units. Any further net gain recognized upon liquidation will be allocated in a manner that takes into account the incentive distribution rights of our general partner.

Manner of Adjustments for Gain

The manner of the adjustment for gain is set forth in the partnership agreement. If our liquidation occurs before the end of the subordination period, we will allocate any gain to the partners in the following manner:

First, to our general partner and the holders of units who have negative balances in their capital accounts to the extent of and in proportion to those negative balances;

second, 98% to the common unitholders, pro rata, and 2% to our general partner, until the capital account for each common unit is equal to the sum of:

(1) the unrecovered initial unit price for that common unit;

(2) the amount of the minimum quarterly distribution for the quarter during which our liquidation occurs; and

(3) any unpaid arrearages in payment of the minimum quarterly distribution;

third, 98% to the subordinated unitholders, pro rata, and 2% to our general partner until the capital account for each subordinated unit is equal to the sum of:

(1) the unrecovered initial unit price for that subordinated unit; and

(2) the amount of the minimum quarterly distribution for the quarter during which our liquidation occurs;

fourth, 98% to all unitholders, pro rata, and 2% to our general partner, until we allocate under this paragraph an amount per unit equal to:

(1) the sum of the excess of the first target distribution per unit over the minimum quarterly distribution per unit for each quarter of our existence; less

(2) the cumulative amount per unit of any distributions of available cash from operating surplus in excess of the minimum quarterly distribution per unit that we distributed 98% to the unitholders, pro rata, and 2% to our general partner, for each quarter of our existence;

fifth, 85% to all unitholders, pro rata, and 15% to our general partner, until we allocate under this paragraph an amount per unit equal to:

(1) the sum of the excess of the second target distribution per unit over the first target distribution per unit for each quarter of our existence; less

(2) the cumulative amount per unit of any distributions of available cash from operating surplus in excess of the first target distribution per unit that we distributed 85% to the unitholders, pro rata, and 15% to our general partner for each quarter of our existence;

sixth, 75% to all unitholders, pro rata, and 25% to our general partner, until we allocate under this paragraph an amount per unit equal to:

(1) the sum of the excess of the third target distribution per unit over the second target distribution per unit for each quarter of our existence; less

(2) the cumulative amount per unit of any distributions of available cash from operating surplus in excess of the second target distribution per unit that we distributed 75% to the unitholders, pro rata, and 25% to our general partner for each quarter of our existence; and

thereafter, 50% to all unitholders, pro rata, and 50% to our general partner.

The percentage interests set forth above for our general partner assume that our general partner maintains its 2% general partner interest, that our general partner has not transferred the incentive distribution rights and that we do not issue additional classes of equity securities.

If the liquidation occurs after the end of the subordination period, the distinction between common units and subordinated units will disappear, so that clause (3) of the second bullet point above and all of the third bullet point above will no longer be applicable.

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Manner of Adjustments for Losses

If our liquidation occurs before the end of the subordination period, we will generally allocate any loss to our general partner and the unitholders in the following manner:

first, 98% to holders of subordinated units in proportion to the positive balances in their capital accounts and 2% to our general partner, until the capital accounts of the subordinated unitholders have been reduced to zero;

second, 98% to the holders of common units in proportion to the positive balances in their capital accounts and 2% to our general partner, until the capital accounts of the common unitholders have been reduced to zero; and

thereafter, 100% to our general partner.

The percentage interests set forth above for our general partner assume that our general partner maintains its 2% general partner interest, that our general partner has not transferred the incentive distribution rights and that we do not issue additional classes of equity securities.

If the liquidation occurs after the end of the subordination period, the distinction between common units and subordinated units will disappear, so that all of the first bullet point above will no longer be applicable.

Adjustments to Capital Accounts

We will make adjustments to capital accounts upon the issuance of additional units. In doing so, we will allocate any unrealized and, for tax purposes, unrecognized gain or loss resulting from the adjustments to the unitholders and our general partner in the same manner as we allocate gain or loss upon liquidation. If we make positive adjustments to the capital accounts upon the issuance of additional units, we will allocate any later negative adjustments to the capital accounts resulting from the issuance of additional units or upon our liquidation in a manner which results, to the extent possible, in our general partner s capital account balances equaling the amount that they would have been if no earlier positive adjustments to the capital accounts had been made.

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MATERIAL PROVISIONS OF THE PARTNERSHIP AGREEMENT OF REGENCY ENERGY PARTNERS, L.P.

The following is a summary of the material provisions of the Amended and Restated Agreement of Limited Partnership of Regency Energy Partners LP, as amended, which is referred to in this prospectus as our partnership agreement. Our partnership agreement is available as described under Where You Can Find More Information. We will provide prospective investors with a copy of this agreement upon request at no charge.

We summarize the following provisions of our partnership agreement elsewhere in this Prospectus:

- with regard to distributions of available cash, please read How We Make Cash Distributions ;
- with regard to the transfer of common units, please read Description of the Common Units Transfer of Common Units ; and
- with regard to allocations of taxable income and taxable loss, please read Material Tax Consequences.

Organization and Duration

Our partnership was organized in September 2005 and will have a perpetual existence.

Purpose

Our purpose under the partnership agreement is to engage in any business activities that are approved by our general partner. Our general partner, however, may not cause us to engage in any business activities that it determines would cause us to be treated as a corporation for federal income tax purposes. Our general partner is authorized in general to perform all acts it determines to be necessary or appropriate to carry out our purposes and to conduct our business.

Power of Attorney

Each limited partner, and each person who acquires a unit from a unitholder, by accepting the common unit, automatically grants to our general partner and, if appointed, a liquidator, a power of attorney, among other things, to execute and file documents required for our qualification, continuance or dissolution. The power of attorney also grants our general partner the authority to amend, and to grant consents and waivers on behalf of the limited partners under, our partnership agreement.

Capital Contributions

Unitholders are not obligated to make additional capital contributions, except as described below under Limited Liability.

Voting Rights

The following table includes a summary of the unitholder vote required for the matters specified below. Matters requiring the approval of a unit majority require:

during the subordination period, the approval of a majority of the common units, excluding those common units held by our general partner and its affiliates, and a majority of the subordinated units, voting as separate classes; and

after the subordination period, the approval of a majority of the common units.

In voting their common and subordinated units, our general partner and its affiliates will have no fiduciary duty or obligation whatsoever to us or the limited partners, including any duty to act in good faith or in the best interests of us or the limited partners.

Issuance of additional units	No approval right.
Amendment of the partnership agreement	Certain amendments may be made by the general partner without the approval of the unitholders. Other amendments generally require the approval of a unit majority. Please read Amendment of the Partnership Agreement.
Merger of our partnership or the sale of all or substantially all of our assets	Unit majority in certain circumstances. Please read Merger, Sale or Other Disposition of Assets.
Dissolution of our partnership	Unit majority. Please read Termination and Dissolution.
Reconstitution of our partnership upon dissolution	Unit majority. Please read Termination and Dissolution.
Withdrawal of the general partner	Under most circumstances, the approval of a majority of the common units, excluding common units held by our general partner and its affiliates, is required for the withdrawal of our general partner prior to December 31, 2015 in a manner that would cause a dissolution of our partnership. Please read Withdrawal or Removal of the General Partner.
Removal of the general partner	Not less than 662/3% of the outstanding units, including units held by our general partner and its affiliates. Please read Withdrawal or Removal of the General Partner.
Transfer of the general partner interest	Our general partner may transfer all, but not less than all, of its general partner interest in us without a vote of our unitholders to an affiliate or another person in connection with its merger or consolidation with or into, or sale of all or substantially all of its assets, to such person. The approval of a majority of the common units, excluding common units held by the general partner and its affiliates, is required in other circumstances for a transfer of the general partner interest to a third party prior to December 31, 2015. See Transfer of General Partner Interest.
Transfer of incentive distribution rights	Except for transfers to an affiliate or another person as part of our general partner s merger or consolidation, sale of all or substantially all of its assets or the sale of all of the ownership interests in such holder, the approval of a majority of the common units, excluding common units held by the general partner and its affiliates, is required in most circumstances for a transfer of the incentive distribution rights to a third party prior to December 31, 2015. Please read Transfer of Incentive Distribution Rights.
Transfer of ownership interests in our general partner	No approval required at any time. Please read Transfer of Ownership Interests in the General Partner.

Limited Liability

Assuming that a limited partner does not participate in the control of our business within the meaning of the Delaware Act and that he otherwise acts in conformity with the provisions of the partnership agreement, his liability under the

Delaware Act will be limited, subject to possible exceptions, to the amount of capital he is obligated to contribute to us for his common units plus his share of any undistributed profits and assets. If it were determined, however, that the right, or exercise of the right, by the limited partners as a group:

- to remove or replace the general partner;
- to approve some amendments to the partnership agreement; or
- to take other action under the partnership agreement;

constituted participation in the control of our business for the purposes of the Delaware Act, then the limited partners could be held personally liable for our obligations under the laws of Delaware, to the same extent as the general partner. This liability would extend to persons who transact business with us who reasonably believe that the limited partner is a general partner. Neither the partnership agreement nor the Delaware Act specifically provides for legal recourse against the general partner if a limited partner were to lose limited liability through any fault of the general partner. While this does not mean that a limited partner could not seek legal recourse, we know of no precedent for this type of a claim in Delaware case law.

Under the Delaware Act, a limited partnership may not make a distribution to a partner if, after the distribution, all liabilities of the limited partnership, other than liabilities to partners on account of their partnership interests and liabilities for which the recourse of creditors is limited to specific property of the partnership, would exceed the fair value of the assets of the limited partnership. For the purpose of determining the fair value of the assets of a limited partnership, the Delaware Act provides that the fair value of property subject to liability for which recourse of creditors is limited shall be included in the assets of the limited partnership only to the extent that the fair value of that property exceeds the nonrecourse liability. The Delaware Act provides that a limited partner who receives a distribution and knew at the time of the distribution that the distribution was in violation of the Delaware Act shall be liable to the limited partnership for the amount of the distribution for three years. Under the Delaware Act, a substituted limited partner of a limited partnership is liable for the obligations of his assignor to make contributions to the partnership, except that such person is not obligated for liabilities unknown to him at the time he became a limited partner and that could not be ascertained from the partnership agreement.

Our subsidiaries conduct business in five states. Maintenance of our limited liability as a member of the operating company may require compliance with legal requirements in the jurisdictions in which the operating company conducts business, including qualifying our subsidiaries to do business there.

Limitations on the liability of limited partners for the obligations of a limited partner have not been clearly established in many jurisdictions. If, by virtue of our membership interest in the operating company or otherwise, it were determined that we were conducting business in any state without compliance with the applicable limited partnership or limited liability company statute, or that the right or exercise of the right by the limited partners as a group to remove or replace the general partner, to approve some amendments to the partnership agreement, or to take other action under the partnership agreement constituted participation in the control of our business for purposes of the statutes of any relevant jurisdiction, then the limited partners could be held personally liable for our obligations under the law of that jurisdiction to the same extent as the general partner under the circumstances. We will operate in a manner that the general partner considers reasonable and necessary or appropriate to preserve the limited liability of the limited partners.

Issuance of Additional Securities

Our partnership agreement authorizes us to issue an unlimited number of additional partnership securities for the consideration and on the terms and conditions determined by our general partner without the approval of the unitholders. We have in the past funded, and may in the future fund, acquisitions through the issuance of additional common units, subordinated units or other partnership securities. Holders of any additional common units we issue will be entitled to share equally with the then-existing holders of common units in our distributions of available cash. In addition, the issuance of additional common units or other partnership securities may dilute the value of the interests of the then-existing holders of common units in our net assets.

In accordance with Delaware law and the provisions of our partnership agreement, we may also issue additional partnership securities that, as determined by our general partner, may have special voting rights to which the common units are not entitled. In addition, our partnership agreement does not prohibit the issuance by our subsidiaries of equity securities that may effectively rank senior to the common units.

Upon issuance of additional partnership securities, our general partner will be entitled, but not required, to make additional capital contributions to the extent necessary to maintain its 2% general partner interest in us. Our general partner s 2% interest in us will be reduced if we issue additional units in the future and our general partner does not contribute a proportionate amount of capital to us to maintain its 2% general partner interest. Moreover, our general partner will have the right, which it may from time to time assign in whole or in part to any of its affiliates, to purchase common units, subordinated units or other partnership securities whenever, and on the same terms that, we issue those securities to persons other than our general partner and its affiliates, to the extent necessary to maintain the percentage interest of the general partner and its affiliates, including such interest represented by common units and subordinated units, that existed immediately prior to each issuance. The holders of common units will not have preemptive rights to acquire additional common units or other partnership securities.

Amendment of the Partnership Agreement

General. Amendments to our partnership agreement may be proposed only by or with the consent of our general partner. Our general partner, however, will have no duty or obligation to propose any amendment and may decline to do so free of any fiduciary duty or obligation whatsoever to us or the limited partners, including any duty to act in good faith or in the best interests of us or the limited partners. In order to adopt a proposed amendment, other than the amendments discussed below, our general partner is required to seek written approval of the holders of the number of units required to approve the amendment or to call a meeting of the limited partners to consider and vote upon the proposed amendment. Except as described below, an amendment must be approved by a unit majority.

Prohibited Amendments. No amendment may be made that would:

- enlarge the obligations of any limited partner without its consent, unless approved by at least a majority of the type or class of limited partner interests so affected; or

- enlarge the obligations of, restrict in any way any action by or rights of, or reduce in any way the amounts distributable, reimbursable or otherwise payable by us to our general partner or any of its affiliates without the consent of our general partner, which consent may be given or withheld at its option.

The provision of our partnership agreement preventing the amendments having the effects described in any of the clauses above can only be amended upon the approval of the holders of at least 90% of the outstanding units voting together as a single class (including units owned by our general partner and its affiliates). As of the date of this prospectus, General Electric Company and its affiliates, including our general partner, own approximately 37.0 percent of our outstanding limited partner units.

No Unitholder Approval. Our general partner may generally make amendments to our partnership agreement without the approval of any limited partner or assignee to reflect:

- a change in our name, the location of our principal place of our business, our registered agent or our registered office;

- the admission, substitution, withdrawal or removal of partners in accordance with our partnership agreement;

- a change that our general partner determines to be necessary or appropriate to qualify or continue our qualification as a limited partnership or a partnership in which the limited partners have limited liability under the laws of any state or to ensure that neither we nor the operating company nor any of its subsidiaries will be treated as an association taxable as a corporation or otherwise taxed as an entity for federal income tax purposes;

- an amendment that is necessary, in the opinion of our counsel, to prevent us or our general partner or its directors, officers, agents or trustees from in any manner being subjected to the provisions of the Investment Company Act of 1940, the Investment Advisors Act of 1940, or plan asset regulations adopted under the

Employee Retirement Income Security Act of 1974, or ERISA, whether or not substantially similar to plan asset regulations currently applied or proposed;

an amendment that our general partner determines to be necessary or appropriate for the authorization of additional partnership securities or rights to acquire partnership securities;

any amendment expressly permitted by our partnership agreement to be made by our general partner acting alone;

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an amendment effected, necessitated or contemplated by a merger agreement that has been approved under the terms of our partnership agreement;

any amendment that our general partner determines to be necessary or appropriate for the formation by us of, or our investment in, any corporation, partnership or other entity, as otherwise permitted by our partnership agreement;

a change in our fiscal year or taxable year and related changes;

mergers with or conveyances to another limited liability entity that is newly formed and has no assets, liabilities or operations at the time of the merger or conveyance other than those it receives by way of the merger or conveyance; or

any other amendments substantially similar to any of the matters described in the clauses above.

In addition, our general partner may make amendments to our partnership agreement without the approval of any limited partner or transferee in connection with a merger or consolidation approved in accordance with our partnership agreement, or if our general partner determines that those amendments:

do not adversely affect the limited partners (or any particular class of limited partners) in any material respect;

are necessary or appropriate to satisfy any requirements, conditions or guidelines contained in any opinion, directive, order, ruling or regulation of any federal or state agency or judicial authority or contained in any federal or state statute;

are necessary or appropriate to facilitate the trading of limited partner interests or to comply with any rule, regulation, guideline or requirement of any securities exchange on which the limited partner interests are or will be listed for trading;

are necessary or appropriate for any action taken by our general partner relating to splits or combinations of units under the provisions of our partnership agreement; or

are required to effect the intent expressed in this prospectus or the intent of the provisions of our partnership agreement or are otherwise contemplated by our partnership agreement.

Opinion of Counsel and Unitholder Approval. Our general partner will not be required to obtain an opinion of counsel that an amendment will not result in a loss of limited liability to the limited partners or result in our being treated as an entity for federal income tax purposes in connection with any of the amendments described under No Unitholder Approval. No other amendments to our partnership agreement will become effective without the approval of holders of at least 90% of the outstanding units voting as a single class unless we first obtain an opinion of counsel to the effect that the amendment will not affect the limited liability under applicable law of any of our limited partners.

In addition to the above restrictions, any amendment that would have a material adverse effect on the rights or preferences of any type or class of outstanding units in relation to other classes of units will require the approval of at least a majority of the type or class of units so affected. Any amendment that reduces the voting percentage required to take any action is required to be approved by the affirmative vote of limited partners whose aggregate outstanding units constitute not less than the voting requirement sought to be reduced.

Merger, Sale or Other Disposition of Assets

A merger or consolidation of us requires the prior consent of our general partner. Our general partner, however, will have no duty or obligation to consent to any merger or consolidation and may decline to do so free of any fiduciary duty or obligation whatsoever to us or the limited partners, including any duty to act in good faith or in the best interest of us or the limited partners.

In addition, the partnership agreement generally prohibits our general partner, without the prior approval of the holders of a unit majority, from causing us, among other things, to sell, exchange or otherwise dispose of all or substantially all of our assets in a single transaction or a series of related transactions, including by way of merger, consolidation or other combination, or approving on our behalf the sale, exchange or other disposition of all or substantially all of the assets of our subsidiaries. Our general partner may, however, mortgage, pledge, hypothecate or grant a security interest in all or substantially all of our assets without that approval. Our general partner may also sell all or substantially all of our assets under a foreclosure or other realization upon those encumbrances without that approval. Finally, our general partner may consummate any merger without the prior approval of our unitholders if we are the surviving entity in the transaction, the transaction would not result in a material amendment to the partnership agreement, and each of our units will be an identical unit of our partnership following the transaction.

If the conditions specified in the partnership agreement are satisfied, our general partner may convert us or any of our subsidiaries into a new limited liability entity or merge us or any of our subsidiaries into, or convey all of our assets to, a newly formed entity if the sole purpose of that merger or conveyance is to effect a mere change in our legal form into another limited liability entity. The unitholders are not entitled to dissenters rights of appraisal under the partnership agreement or applicable Delaware law in the event of a conversion, merger or consolidation, a sale of substantially all of our assets or any other transaction or event.

Termination and Dissolution

We will continue as a limited partnership until terminated under our partnership agreement. We will dissolve upon:

- the election of our general partner to dissolve us, if approved by the holders of units representing a unit majority;
- there being no limited partners, unless we are continued without dissolution in accordance with applicable Delaware law;
- the entry of a decree of judicial dissolution of our partnership; or
- the withdrawal or removal of our general partner or any other event that results in it ceasing to be our general partner other than by reason of a transfer of its general partner interest in accordance with our partnership agreement or withdrawal or removal following approval and admission of a successor.

Upon a dissolution under the last clause above, the holders of a unit majority, may also elect, within specific time limitations, to reconstitute us and continue our business on the same terms and conditions described in our partnership agreement by forming a new limited partnership on terms identical to those in our partnership agreement and having as general partner an entity approved by the holders of units representing a unit majority, subject to our receipt of an opinion of counsel to the effect that:

- the action would not result in the loss of limited liability of any limited partner; and
- neither our partnership, the reconstituted limited partnership, our operating company nor any of our other subsidiaries, would be treated as an association taxable as a corporation or otherwise be taxable as an entity for federal income tax purposes upon the exercise of that right to continue.

Liquidation and Distribution of Proceeds

Upon our dissolution, unless we are reconstituted and continued as a new limited partnership, the liquidator authorized to wind up our affairs will, acting with all of the powers of our general partner that are necessary or appropriate to liquidate our assets and apply the proceeds of the liquidation as provided in How We Make Cash

Distributions Distributions of Cash upon Liquidation. The liquidator may defer liquidation or distribution of our assets for a reasonable period of time or distribute assets to partners in kind if it determines that a sale would be impractical or would cause undue loss to our partners.

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Withdrawal or Removal of the General Partner

Except as described below, our general partner has agreed not to withdraw voluntarily as our general partner prior to December 31, 2015 without obtaining the approval of the holders of at least a majority of the outstanding common units, excluding common units held by the general partner and its affiliates, and furnishing an opinion of counsel regarding limited liability and tax matters. On or after December 31, 2015, our general partner may withdraw as general partner without first obtaining approval of any unitholder by giving 90 days written notice, and that withdrawal will not constitute a violation of our partnership agreement. Notwithstanding the information above, our general partner may withdraw without unitholder approval upon 90 days notice to the limited partners if at least 50% of the outstanding common units are held or controlled by one person and its affiliates other than the general partner and its affiliates. In addition, the partnership agreement permits our general partner in some instances to sell or otherwise transfer all of its general partner interest in us without the approval of the unitholders. Please read Transfer of General Partner Interest and Transfer of Incentive Distribution Rights.

Upon withdrawal of our general partner under any circumstances, other than as a result of a transfer by our general partner of all or a part of its general partner interest in us, the holders of a unit majority may select a successor to that withdrawing general partner. If a successor is not elected, or is elected but an opinion of counsel regarding limited liability and tax matters cannot be obtained, we will be dissolved, wound up and liquidated, unless within a specified period after that withdrawal, the holders of a unit majority agree in writing to continue our business and to appoint a successor general partner. Please read Termination and Dissolution.

Our general partner may not be removed unless that removal is approved by the vote of the holders of not less than 662/3% of the outstanding units, voting together as a single class, including units held by our general partner and its affiliates, and we receive an opinion of counsel regarding limited liability and tax matters. Any removal of our general partner is also subject to the approval of a successor general partner by the vote of the holders of a majority of the outstanding common units and subordinated units, voting as separate classes. The ownership of more than 331/3% of the outstanding units by our general partner and its affiliates would give them the practical ability to prevent our general partner s removal. General Electric Company and its affiliates, including our general partner, own approximately 37.0 percent of our outstanding limited partner units.

Our partnership agreement also provides that, if our general partner is removed as our general partner under circumstances in which cause does not exist and units held by the general partner and its affiliates are not voted in favor of that removal:

- the subordination period will end, and all outstanding subordinated units will immediately convert into common units on a one-for-one basis;
- any existing arrearages in payment of the minimum quarterly distribution on the common units will be extinguished without payment; and
- our general partner will have the right to convert its general partner interest and its incentive distribution rights into common units or to receive cash in exchange for those interests based on the fair market value of those interests at that time.

In the event of removal of a general partner under circumstances in which cause exists or withdrawal of a general partner where that withdrawal violates our partnership agreement, a successor general partner will have the option to purchase the general partner interest and incentive distribution rights of the departing general partner for a cash payment equal to the fair market value of those interests. Under all other circumstances where a general partner withdraws or is removed by the limited partners, the departing general partner will have the option to require the successor general partner to purchase the general partner interest of the departing general partner and its incentive distribution rights for fair market value. In each case, this fair market value will be determined by agreement between the departing general partner and the successor general partner. If no agreement is reached, an independent investment banking firm or other independent expert selected by the departing general partner and the successor general partner will determine the fair market value. Or, if the departing general partner and the successor general partner cannot agree upon an expert, then an expert chosen by agreement of the experts selected by each of them will determine the fair market value.

If the option described above is not exercised by either the departing general partner or the successor general partner, the departing general partner s general partner interest and its incentive distribution rights will automatically convert into common units equal to the fair market value of those interests as determined by an investment banking firm or other independent expert selected in the manner described in the preceding paragraph.

In addition, we will be required to reimburse the departing general partner for all amounts due the departing general partner, including all employee-related liabilities, including severance liabilities, incurred for the termination of any employees employed by the departing general partner or its affiliates for our benefit.

Transfer of General Partner Interest

Except for a transfer by our general partner of all, but not less than all, of its general partner interest in our partnership to:

- an affiliate of our general partner (other than an individual); or
- another entity as part of the merger or consolidation of our general partner with or into another entity or the transfer by our general partner of all or substantially all of its assets to another entity;

our general partner may not transfer all or any part of its general partner interest in our partnership to another person prior to December 31, 2015 without the approval of the holders of at least a majority of the outstanding common units, excluding common units held by our general partner and its affiliates. As a condition of this transfer, the transferee must assume, among other things, the rights and duties of our general partner, agree to be bound by the provisions of our partnership agreement, and furnish an opinion of counsel regarding limited liability and tax matters.

Our general partner and its affiliates may at any time, transfer subordinated units or units to one or more persons, without unitholder approval, except that they may not transfer subordinated units to us.

Transfer of Ownership Interests in the General Partner

At any time, the General Electric Company and its affiliates may sell or transfer all or part of their membership interest in Regency GP LLC or their limited partner interests in our general partner to an affiliate or third party without the approval of our unitholders.

Transfer of Incentive Distribution Rights

Our general partner or its affiliates or a subsequent holder may transfer its incentive distribution rights to an affiliate of the holder (other than an individual) or another entity as part of the merger or consolidation of such holder with or into another entity, the sale of all of the ownership interest of the holder or the sale of all or substantially all of its assets to that entity, in each case without the prior approval of the unitholders. Prior to December 31, 2015, other transfers of incentive distribution rights will require the affirmative vote of holders of a majority of the outstanding common units, excluding common units held by our general partner and its affiliates. On or after December 31, 2015, the incentive distribution rights will be freely transferable.

Change of Management Provisions

Our partnership agreement contains specific provisions that are intended to discourage a person or group from attempting to remove our general partner or otherwise change our management. If any person or group other than our general partner and its affiliates acquires beneficial ownership of 20% or more of any class of units, that person or group loses voting rights on all of its units. This loss of voting rights does not apply to any person or group that acquires the units from our general partner or its affiliates and any transferees of that person or group approved by our general partner or to any person or group who acquires the units with the prior approval of our general partner.

Our partnership agreement also provides that if our general partner is removed under circumstances in which cause does not exist and units held by our general partner and its affiliates are not voted in favor of that removal:

- the subordination period will end and all outstanding subordinated units will immediately convert into common units on a one-for-one basis;
- any existing arrearages in payment of the minimum quarterly distribution on the common units will be extinguished without payment; and
- our general partner will have the right to convert its general partner interest and its incentive distribution rights into common units or to receive cash in exchange for those interests.

Limited Call Right

If at any time our general partner and its affiliates own more than 80% of the then issued and outstanding limited partner interests of any class, our general partner will have the right, which it may assign in whole or in part to any of its affiliates or to us, to acquire all, but not less than all, of the remaining partnership securities of the class held by unaffiliated persons as of a record date to be selected by our general partner, on at least 10 but not more than 60 days notice. The purchase price shall be the greater of:

- the highest cash price paid by our general partner or any of its affiliates for any partnership securities of the class purchased within the 90 days preceding the date on which our general partner first mails notice of its election to purchase those limited partner interests; and
- the current market price as of the date three days before the date the notice is mailed.

As a result of our general partner s right to purchase outstanding partnership securities, a holder of partnership securities may have his partnership securities purchased at an undesirable time or price. The tax consequences to a unitholder of the exercise of this call right are the same as a sale by that unitholder of his common units in the market. Please read Material Tax Consequences Disposition of Common Units.

Meetings; Voting

Except as described below regarding a person or group owning 20% or more of any class of units then outstanding, unitholders or transferees who are record holders of units on the record date will be entitled to notice of, and to vote at, meetings of our limited partners and to act upon matters for which approvals may be solicited. In the case of common units held by our general partner on behalf of non-citizen assignees, our general partner will distribute the votes on those common units in the same ratios as the votes of limited partners on other units are cast.

Our general partner does not anticipate that any meeting of unitholders will be called in the foreseeable future. Any action that is required or permitted to be taken by the unitholders may be taken either at a meeting of the unitholders or without a meeting if consents in writing describing the action so taken are signed by holders of the number of units necessary to authorize or take that action at a meeting. Meetings of the unitholders may be called by our general partner or by unitholders owning at least 20% of the outstanding units of the class for which a meeting is proposed. Unitholders may vote either in person or by proxy at meetings. The holders of a majority of the outstanding units of the class or classes for which a meeting has been called represented in person or by proxy will constitute a quorum unless any action by the unitholders requires approval by holders of a greater percentage of the units, in which case the quorum will be the greater percentage.

Each record holder of a unit has a vote according to his percentage interest in us; although additional limited partner interests having special voting rights could be issued. Please read Issuance of Additional Securities. If, however, at any time any person or group, other than our general partner and its affiliates or a direct or subsequently approved transferee of our general partner or its affiliates, acquires, in the aggregate, beneficial ownership of 20% or more of any class of units then outstanding, that person or group will lose voting rights on all of its units and the units may not be voted on any matter and will not be considered to be

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outstanding when sending notices of a meeting of unitholders, calculating required votes, determining the presence of a quorum or for other similar purposes. Common units held in nominee or street name account will be voted by the broker or other nominee in accordance with the instruction of the beneficial owner unless the arrangement between the beneficial owner and his nominee provides otherwise. Except as our partnership agreement otherwise provides, subordinated units will vote together with common units as a single class.

Any notice, demand, request, report or proxy material required or permitted to be given or made to record holders of common units under our partnership agreement will be delivered to the record holder by us or by the transfer agent.

Status as Limited Partner

By the transfer of common units in accordance with our partnership agreement, each transferee of common units shall be admitted as a limited partner with respect to the common units transferred when such transfer and admission is reflected in our books and records. Except as described under Limited Liability, the common units will be fully paid, and unitholders will not be required to make additional contributions.

Non-Citizen Assignees; Redemption

If we are or become subject to federal, state or local laws or regulations that, in the reasonable determination of our general partner, create a substantial risk of cancellation or forfeiture of any property in which we have an interest because of the nationality, citizenship or other related status of any limited partner, we may redeem the units held by the limited partner at their current market price. In order to avoid any cancellation or forfeiture, our general partner may require each limited partner to furnish information about his nationality, citizenship or related status. If a limited partner fails to furnish information about his nationality, citizenship or other related status within 30 days after a request for the information or our general partner determines after receipt of the information that the limited partner is not an eligible citizen; the limited partner may be treated as a non-citizen assignee. A non-citizen assignee, is entitled to an interest equivalent to that of a limited partner for the right to share in allocations and distributions from us, including liquidating distributions. A non-citizen assignee does not have the right to direct the voting of his units and may not receive distributions in kind upon our liquidation.

Indemnification

Under our partnership agreement, in most circumstances, we will indemnify the following persons, to the fullest extent permitted by law, from and against all losses, claims, damages or similar events:

- our general partner;
- any departing general partner;
- any person who is or was an affiliate of a general partner or any departing general partner;
- any person who is or was a director, officer, member, partner, fiduciary or trustee of any entity set forth in the preceding three bullet points;
- any person who is or was serving as director, officer, member, partner, fiduciary or trustee of another person at the request of our general partner or any departing general partner; and
- any person designated by our general partner.

Any indemnification under these provisions will only be out of our assets. Unless it otherwise agrees, our general partner will not be personally liable for, or have any obligation to contribute or loan funds or assets to us to enable us to effectuate, indemnification. We may purchase insurance against liabilities asserted against and expenses incurred by persons for our activities, regardless of whether we would have the power to indemnify the person against liabilities under our partnership agreement.

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Reimbursement of Expenses

Our partnership agreement requires us to reimburse our general partner for all direct and indirect expenses it incurs or payments it makes on our behalf and all other expenses allocable to us or otherwise incurred by our general partner in connection with operating our business. These expenses include salary, bonus, incentive compensation and other amounts paid to persons who perform services for us or on our behalf and expenses allocated to our general partner by its affiliates and include amounts paid pursuant to indemnification obligations of our general partner or its general partner. The general partner is entitled to determine in good faith the expenses that are allocable to us.

Books and Reports

Our general partner is required to keep appropriate books of our business at our principal offices. The books will be maintained for both tax and financial reporting purposes on an accrual basis. For tax and financial reporting purposes, our fiscal year is the calendar year.

We will furnish or make available to record holders of common units, within 120 days after the close of each fiscal year, an annual report containing audited financial statements and a report on those financial statements by our independent public accountants. Except for our fourth quarter, we will also furnish or make available summary financial information within 90 days after the close of each quarter.

We will furnish each record holder of a unit with information reasonably required for tax reporting purposes within 90 days after the close of each calendar year. This information is expected to be furnished in summary form so that some complex calculations normally required of partners can be avoided. Our ability to furnish this summary information to unitholders will depend on the cooperation of unitholders in supplying us with specific information. Every unitholder will receive information to assist him in determining his federal and state tax liability and filing his federal and state income tax returns, regardless of whether he supplies us with information.

Right to Inspect Our Books and Records

Our partnership agreement provides that a limited partner can, for a purpose reasonably related to his interest as a limited partner, upon reasonable demand and at his own expense, have furnished to him:

- a current list of the name and last known address of each partner;
- a copy of our tax returns;
- information as to the amount of cash, and a description and statement of the agreed value of any other property or services, contributed or to be contributed by each partner and the date on which each partner became a partner;
- copies of our partnership agreement, our certificate of limited partnership, related amendments and powers of attorney under which they have been executed;
- information regarding the status of our business and financial condition; and
- any other information regarding our affairs as is just and reasonable.

Our general partner may, and intends to, keep confidential from the limited partners trade secrets or other information the disclosure of which our general partner believes in good faith is not in our best interests or that we are required by law or by agreements with third parties to keep confidential.

Registration Rights

Under our partnership agreement, we have agreed to register for resale under the Securities Act and applicable state securities laws any common units, subordinated units or other partnership securities proposed to be sold by our general partner or any of its affiliates or their assignees if an exemption from the registration requirements is not otherwise available. These registration rights continue for two years following any withdrawal or removal of our general partner. We are obligated to pay all expenses incidental to the registration, excluding underwriting discounts and commissions.

MATERIAL TAX CONSEQUENCES

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 Vinson & Elkins L.L.P., counsel to our general partner and us, insofar as it relates to legal conclusions with respect to matters of United States federal income tax law. This section is based upon current provisions of the Internal Revenue Code, existing and proposed 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. Accordingly, we encourage each prospective unitholder to consult, and depend on, his own tax advisor in analyzing the federal, state, local and foreign tax consequences particular to him of the ownership or disposition of common units.

All statements as to matters of law and legal conclusions, but not as to factual matters, contained in this section, unless otherwise noted, are the opinion of Vinson & Elkins L.L.P. and are based on the accuracy of the representations made by us.

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 Vinson & Elkins L.L.P. 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.

For the reasons described below, Vinson & Elkins L.L.P. has not rendered an opinion with respect to the following specific federal income tax issues: (1) 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); (2) 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 (3) whether our method for depreciating Section 743 adjustments is sustainable in certain cases (please read Tax Consequences of Unit Ownership Section 754 Election).

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 unless the amount of cash distributed 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 crude oil, 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 3% 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, Vinson & Elkins L.L.P. is of the opinion that at least 90% of our current gross income constitutes qualifying income.

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 the 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 Vinson & Elkins L.L.P. on such matters. It is the opinion of Vinson & Elkins L.L.P. that, based upon the Internal Revenue Code, its regulations, published revenue rulings and court decisions and the representations described below, we will be classified as a partnership and our operating company will be disregarded as an entity separate from us for federal income tax purposes.

In rendering its opinion, Vinson & Elkins L.L.P. has relied on factual representations made by us and our general partner. The representations made by us and our general partner upon which Vinson & Elkins L.L.P. has relied are:

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

(b) For each taxable year, more than 90% of our gross income has been and will be income that Vinson & Elkins L.L.P. has opined or will opine is qualifying income within the meaning of Section 7704(d) of the Internal Revenue Code.

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 treated 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 income would be taxed to us at corporate rates. In addition, any distribution made to a unitholder would be treated as either taxable dividend income, to the extent of our current or 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 Vinson & Elkins L.L.P. s opinion that we will be classified as a partnership for federal income tax purposes.

Limited Partner Status

Unitholders who have become limited partners of Regency Energy Partners LP will be treated as partners of Regency Energy Partners LP for federal income tax purposes. Also:

(a) assignees who have executed and delivered transfer applications, and are awaiting admission as limited partners, and

(b) 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 own tax advisors with respect to their tax consequences of holding common units in Regency Energy Partners LP.

Tax Consequences of Unit Ownership

Flow-Through of Taxable Income. 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 below. 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 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.

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. 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, both as defined in the Internal Revenue Code, and collectively, Section 751 Assets. To that extent, he will be treated as having been distributed his proportionate share of the Section 751 Assets and 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 (1) the non-pro rata portion of that distribution over (2) the unitholder s tax basis for the share of Section 751 Assets deemed relinquished in the exchange.

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 his share of profits, of our nonrecourse liabilities. Please read Disposition of Common Units Recognition of Gain or Loss.

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Limitations on Deductibility of Losses. The deduction by a unitholder of his share of our losses will be limited to the tax basis in his units and, in the case of an individual unitholder or a corporate unitholder, if more than 50% of the value of the corporate unitholder s stock is owned directly or indirectly by or for five or fewer individuals or some tax-exempt organizations, to the amount for which the unitholder is considered to be at risk with respect to our activities, if that is less than his tax basis. A unitholder must recapture losses deducted in previous years to the extent that distributions cause his at risk amount to be less than zero at the end of any taxable year. Losses disallowed to a unitholder or recaptured as a result of these limitations will carry forward and will be allowable to the extent that his tax basis or at risk amount, whichever is the limiting factor, is subsequently increased. Upon the taxable disposition of a unit, any gain recognized by a unitholder can be offset by losses that were previously suspended by the at risk limitation but may not be offset by losses suspended by the basis limitation. Any excess loss above that gain previously suspended by the at risk or basis limitations is no longer utilizable.

In general, a unitholder will be at risk to the extent of the tax basis of his units, excluding any portion of that basis attributable to his share of our nonrecourse liabilities, reduced by (i) any portion of that basis representing amounts otherwise protected against loss because of a guarantee, stop loss agreement or other similar arrangement and (ii) any amount of money he borrows to acquire or hold his units, if the lender of those borrowed funds owns an interest in us, is related to the unitholder or can look only to the units for repayment. A unitholder s at risk amount will increase or decrease as the tax basis of the unitholder s units increases or decreases, other than tax basis increases or decreases attributable to increases or decreases in his share of our nonrecourse liabilities.

The passive loss limitations generally provide that individuals, estates, trusts and some closely-held corporations and personal service corporations can deduct losses from passive activities, which are generally trade or business activities in which the taxpayer does not materially participate, only to the extent of the taxpayer s income from those passive activities. The passive loss limitations are applied separately with respect to each publicly traded partnership. Consequently, any passive losses we generate will only be available to offset our passive income generated in the future and will not be available to offset income from other passive activities or investments, including our investments or investments in other publicly traded partnerships, or salary or active business income. Passive losses that are not deductible because they exceed a unitholder s share of income we generate may be deducted in full when he disposes of his entire investment in us in a fully taxable transaction with an unrelated party. The passive loss limitations are applied after other applicable limitations on deductions, including the at risk rules and the basis limitation.

A unitholder s share of our net income may be offset by any of our suspended passive losses, but it may not be offset by any other current or carryover losses from other passive activities, including those attributable to other publicly traded partnerships.

Limitations on Interest Deductions. The deductibility of a non-corporate taxpayer s investment interest expense is generally limited to the amount of that taxpayer s net investment income. Investment interest expense includes:

interest on indebtedness properly allocable to property held for investment;

our interest expense attributed to portfolio income; and

the portion of interest expense incurred to purchase or carry an interest in a passive activity to the extent attributable to portfolio income.

The computation of a unitholder s investment interest expense will take into account interest on any margin account borrowing or other loan incurred to purchase or carry a unit. Net investment income includes gross income from property held for investment and amounts treated as portfolio income under the passive loss rules, less deductible expenses, other than interest, directly connected with the production of investment income, but generally does not include gains attributable to the disposition of property held for investment. The IRS has indicated that the net passive income earned by a publicly traded partnership will be treated as investment income to its unitholders. In addition, the unitholder s share of our portfolio income will be treated as investment income.

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Entity-Level Collections. If we are required or elect under applicable law to pay any federal, state, local or foreign income tax on behalf of any unitholder or our general partner or any former unitholder, we are authorized to pay those taxes from our funds. That payment, if made, will be treated as a distribution of cash to the unitholder on whose behalf the payment was made. If the payment is made on behalf of a person whose identity cannot be determined, we are authorized to treat the payment as a distribution to all current unitholders. We are authorized to amend our partnership agreement in the manner necessary to maintain uniformity of intrinsic tax characteristics of units and to adjust later distributions, so that after giving effect to these distributions, the priority and characterization of distributions otherwise applicable under our partnership agreement is maintained as nearly as is practicable. Payments by us as described above could give rise to an overpayment of tax on behalf of an individual unitholder in which event the unitholder would be required to file a claim in order to obtain a credit or refund.

Allocation of Income, Gain, Loss and Deduction. In general, if we have a net profit, our items of income, gain, loss and deduction will be allocated among our general partner and the unitholders in accordance with their percentage interests in us. At any time that distributions are made to the common units in excess of distributions to the subordinated units, or incentive distributions are made to our general partner, gross income will be allocated to the recipients to the extent of these distributions. If we have a net loss for the entire year, that loss will be allocated first to our general partner and the unitholders in accordance with their percentage interests in us to the extent of their positive capital accounts and, second, to our general partner.

Specified items of our income, gain, loss and deduction will be allocated to account for the difference between the tax basis and fair market value of our assets at the time of an offering, referred to in this discussion as Contributed Property. The effect of these allocations, referred to as Section 704(c) allocations, to a unitholder purchasing common units in this offering will be essentially the same as if the tax basis of our assets were equal to their fair market value at the time of this offering. In the event we issue additional common units or engage in certain other transactions in the future reverse Section 704(c) allocations, similar to the Section 704(c) allocations described above, will be made to all holders of partnership interests, including purchasers of common units in this offering, to account for the difference between the book basis for purposes of maintaining capital accounts and the fair market value of all property held by us at the time of the future transaction. In addition, items of recapture income will be allocated to the extent possible to the unitholder who was allocated the deduction giving rise to the treatment of that gain as recapture income in order to minimize the recognition of ordinary income by some unitholders. Finally, although we do not expect that our operations will result in the creation of negative capital accounts, if negative capital accounts nevertheless result, items of our income and gain will be allocated in an amount and manner to eliminate the negative balance as quickly as possible.

An allocation of items of our income, gain, loss or deduction, other than an allocation required by the Internal Revenue Code to eliminate the difference between a partner s book capital account, credited with the fair market value of Contributed Property, and tax capital account, credited with the tax basis of Contributed Property, referred to in this discussion as the Book-Tax Disparity, will generally be given effect for federal income tax purposes in determining a partner s share of an item of income, gain, loss or deduction only if the allocation has substantial economic effect. In any other case, a partner s share of an item will be determined on the basis of his interest in us, which will be determined by taking into account all the facts and circumstances, including:

his relative contributions to us;

the interests of all the partners in profits and losses;

the interest of all the partners in cash flow; and the rights of all the partners to distributions of capital upon liquidation.

Vinson & Elkins L.L.P. is of the opinion that, with the exception of the issues described in Section 754 Election and Disposition of Common Units Allocations Between Transferors and Transferees, allocations under our partnership agreement will be given effect for federal income tax purposes in determining a partner s share of an item of income, gain, loss or deduction.

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Treatment of Short Sales. A unitholder whose units are loaned to a short seller to cover a short sale of units may be considered as having disposed of those units. If so, he would no longer be treated for tax purposes as a partner with respect to those units during the period of the loan and may recognize gain or loss from the disposition. As a result, during this period:

any of our income, gain, loss or deduction with respect to those units would not be reportable by the unitholder;

any cash distributions received by the unitholder as to those units would be fully taxable; and

all of these distributions would appear to be ordinary income.

Vinson & Elkins L.L.P. has not rendered an opinion regarding the treatment of a unitholder where common units are loaned to a short seller to cover a short sale of common units; therefore, unitholders desiring to assure their status as partners and avoid the risk of gain recognition from a loan to a short seller are urged to modify any applicable brokerage account agreements to prohibit their brokers from loaning their units. The IRS has announced that it is actively studying issues relating to the tax treatment of short sales of partnership interests. Please also read Disposition of Common Units Recognition of Gain or Loss.

Alternative Minimum Tax. Each unitholder will be required to take into account his distributive share of any items of our income, gain, loss or deduction for purposes of the alternative minimum tax. The current minimum tax rate for noncorporate taxpayers is 26% on the first $175,000 of alternative minimum taxable income in excess of the exemption amount and 28% on any additional alternative minimum taxable income. Prospective unitholders are urged to consult with their tax advisors as to the impact of an investment in units on their liability for the alternative minimum tax.

Tax Rates. In general, the highest effective United States federal income tax rate for individuals is currently 35.0% and the maximum United States federal income tax rate for net capital gains of an individual is currently 15.0% if the asset disposed of was held for more than twelve months at the time of disposition.

Section 754 Election. We have made the election permitted by Section 754 of the Internal Revenue Code. That election is irrevocable without the consent of the IRS. The election will generally permit us to adjust a common unit purchaser s tax basis in our assets (inside basis) under Section 743(b) of the Internal Revenue Code to reflect his purchase price. This election does not apply to a person who purchases common units directly from us. The Section 743(b) adjustment belongs to the purchaser and not to other unitholders. For purposes of this discussion, a unitholder s inside basis in our assets will be considered to have two components: (1) his share of our tax basis in our assets (common basis) and (2) his Section 743(b) adjustment to that basis.

Where the remedial allocation method is adopted (which we have adopted as to property other than certain goodwill properties), the Treasury Regulations under Section 743 of the Internal Revenue Code require a portion of the Section 743(b) adjustment that is attributable to recovery property under Section 168 of the Internal Revenue Code to be depreciated over the remaining cost recovery period for the Section 704(c) built-in gain. If we elect a method other than the remedial method with respect to a goodwill property, Treasury Regulation Section 1.197-2(g)(3) generally requires that the Section 743(b) adjustment attributable to an amortizable Section 197 intangible, which includes goodwill property, should be treated as a newly-acquired asset placed in service in the month when the purchaser acquires the common unit. Under Treasury Regulation Section 1.167(c)-1(a)(6), a Section 743(b) adjustment attributable to property subject to depreciation under Section 167 of the Internal Revenue Code, rather than cost recovery deductions under Section 168, is generally required to be depreciated using either the straight-line method or the 150% declining balance method. If we elect a method other than the remedial method, the depreciation and amortization methods and useful lives associated with the Section 743(b) adjustment, therefore, may differ from the methods and useful lives generally used to depreciate the inside basis in such properties. Under our partnership agreement, our general partner is authorized to take a position to preserve the uniformity of units even if that position is not consistent with these and any other Treasury Regulations. If we elect a method other than the remedial method with respect to a goodwill property, the common basis of such property is not amortizable. Please read Uniformity of Units.

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Although Vinson & Elkins L.L.P. is unable to opine as to the validity of this approach because there is no direct or indirect controlling authority on this issue, we intend to depreciate the portion of a Section 743(b) adjustment attributable to unrealized appreciation in the value of Contributed Property, to the extent of any unamortized Book-Tax Disparity, using a rate of depreciation or amortization derived from the depreciation or amortization method and useful life applied to the common basis of the property, or treat that portion as non-amortizable to the extent attributable to property the common basis of which is not amortizable. This method is consistent with the methods employed by other publicly traded partnerships but is arguably inconsistent with Treasury Regulation Section 1.167(c)-1(a)(6), which is not expected to directly apply to a material portion of our assets, and Treasury Regulation Section 1.197-2(g)(3). To the extent this Section 743(b) adjustment is attributable to appreciation in value in excess of the unamortized Book-Tax Disparity, we will apply the rules described in the Treasury Regulations and legislative history. If we determine that this position cannot reasonably be taken, we may take a depreciation or amortization position under which all purchasers acquiring units in the same month would receive depreciation or amortization, whether attributable to common basis or a Section 743(b) adjustment, based upon the same applicable rate as if they had purchased a direct interest in our assets. This kind of aggregate approach may result in lower annual depreciation or amortization deductions than would otherwise be allowable to some unitholders. Please read Uniformity of Units. A unitholder s tax basis for his common units is reduced by his share of our deductions (whether or not such deductions were claimed on an individual s income tax return) so that any position we take that understates deductions will overstate the common unitholder s basis in his common units, which may cause the unitholder to understate gain or overstate loss on any sale of such units. Please read Disposition of Common Units Recognition of Gain or Loss. The IRS may challenge our position with respect to depreciating or amortizing the Section 743(b) adjustment we take to preserve the uniformity of the units. If such a challenge were sustained, the gain from the sale of units might be increased without the benefit of additional deductions.

A Section 754 election is advantageous if the transferee s tax basis in his units is higher than the units share of the aggregate tax basis of our assets immediately prior to the transfer. In that case, as a result of the election, the transferee would have, among other items, a greater amount of depreciation and depletion deductions and his share of any gain or loss on a sale of our assets would be less. Conversely, a Section 754 election is disadvantageous if the transferee s tax basis in his units is lower than those units share of the aggregate tax basis of our assets immediately prior to the transfer. Thus, the fair market value of the units may be affected either favorably or unfavorably by the election. A basis adjustment is required regardless of whether a Section 754 election is made in the case of a transfer of an interest in us if we have a substantial built in loss immediately after the transfer, or if we distribute property and have a substantial basis reduction. Generally a built in loss or a basis reduction is substantial if it exceeds $250,000.

The calculations involved in the Section 754 election are complex and will be made on the basis of assumptions as to the value of our assets and other matters. For example, the allocation of the Section 743(b) adjustment among our assets must be made in accordance with the Internal Revenue Code. The IRS could seek to reallocate some or all of any Section 743(b) adjustment allocated by us to our tangible assets to goodwill instead. Goodwill, as an intangible asset, is generally nonamortizable or amortizable over a longer period of time or under a less accelerated method than our tangible assets. We cannot assure you that the determinations we make will not be successfully challenged by the IRS and that the deductions resulting from them will not be reduced or disallowed altogether. Should the IRS require a different basis adjustment to be made, and should, in our opinion, the expense of compliance exceed the benefit of the election, we may seek permission from the IRS to revoke our Section 754 election. If permission is granted, a subsequent purchaser of units may be allocated more income than he would have been allocated had the election not been revoked.

Tax Treatment of Operations

Accounting Method and Taxable Year. We use the year ending December 31 as our taxable year and the accrual method of accounting for federal income tax purposes. Each unitholder will be required to include in income his share of our income, gain, loss and deduction for our taxable year ending within or with his taxable year. In addition, a unitholder who has a taxable year ending on a date other than December 31 and who disposes of all of his units following the close of our taxable year but before the close of his taxable year must include his share of our income, gain, loss and deduction in income for his taxable year, with the result that he will be required to include in income for his taxable year his share of more than one year of our income, gain, loss and deduction. Please read Disposition of Common Units Allocations Between Transferors and Transferees.

Initial Tax Basis, Depreciation and Amortization. The tax basis of our assets will be used for purposes of computing depreciation and cost recovery deductions and, ultimately, gain or loss on the disposition of these assets. The federal income tax burden associated with the difference between the fair market value of our assets and their tax basis immediately prior to this offering will be borne by our partners holding interests in us prior to the offering. Please read Tax Consequences of Unit Ownership Allocation of Income, Gain, Loss and Deduction.

To the extent allowable, we may elect to use the depreciation and cost recovery methods that will result in the largest deductions being taken in the early years after assets are placed in service. Because our general partner may determine not to adopt the remedial method of allocation with respect to any difference between the tax basis and the fair market value of goodwill immediately prior to this or any future offering, we may not be entitled to any amortization deductions with respect to any goodwill conveyed to us on formation or held by us at the time of any future offering. Please read Uniformity of Units. Property we subsequently acquire or construct may be depreciated using accelerated methods permitted by the Internal Revenue Code.

If we dispose of depreciable property by sale, foreclosure or otherwise, all or a portion of any gain, determined by reference to the amount of depreciation previously deducted and the nature of the property, may be subject to the recapture rules and taxed as ordinary income rather than capital gain. Similarly, a unitholder who has taken cost recovery or depreciation deductions with respect to property we own will likely be required to recapture some or all of those deductions as ordinary income upon a sale of his interest in us. Please read Tax Consequences of Unit Ownership Allocation of Income, Gain, Loss and Deduction and Disposition of Common Units Recognition of Gain or Loss.

The costs incurred in selling our units (called syndication expenses) must be capitalized and cannot be deducted currently, ratably or upon our termination. There are uncertainties regarding the classification of costs as organization expenses, which may be amortized by us, and as syndication expenses, which may not be amortized by us. The underwriting discounts and commissions we incur will be treated as syndication expenses.

Valuation and Tax Basis of Our Properties. The federal income tax consequences of the ownership and disposition of units will depend in part on our estimates of the relative fair market values, and the initial tax bases, of our assets. Although we may from time to time consult with professional appraisers regarding valuation matters, we will make many of the relative fair market value estimates ourselves. These estimates and determinations of basis are subject to challenge and will not be binding on the IRS or the courts. If the estimates of fair market value or basis are later found to be incorrect, the character and amount of items of income, gain, loss or deductions previously reported by unitholders might change, and unitholders might be required to adjust their tax liability for prior years and incur interest and penalties with respect to those adjustments.

Disposition of Common Units

Recognition of Gain or Loss. Gain or loss will be recognized on a sale of units equal to the difference between the amount realized and the unitholder s tax basis for the units sold. A unitholder s amount realized will be measured by the sum of the cash or the fair market value of other property received by him plus his share of our nonrecourse liabilities. Because the amount realized includes a unitholder s share of our nonrecourse liabilities, the gain recognized on the sale of units could result in a tax liability in excess of any cash received from the sale.

Prior distributions from us in excess of cumulative net taxable income for a common unit that decreased a unitholder s tax basis in that common unit will, in effect, become taxable income if the common unit is sold

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at a price greater than the unitholder s tax basis in that common unit, even if the price received is less than his original cost.

Except as noted below, gain or loss recognized by a unitholder, other than a dealer in units, on the sale or exchange of a unit held for more than one year will generally be taxable as capital gain or loss. Capital gain recognized by an individual on the sale of units held more than twelve months will generally be taxed at a maximum rate of 15%. However, a portion of this gain or loss will be separately computed and taxed as ordinary income or loss under Section 751 of the Internal Revenue Code to the extent attributable to assets giving rise to depreciation recapture or other unrealized receivables or to inventory items we own. The term unrealized receivables includes potential recapture items, including depreciation recapture. Ordinary income attributable to unrealized receivables, inventory items and depreciation recapture may exceed net taxable gain realized upon the sale of a unit and may be recognized even if there is a net taxable loss realized on the sale of a unit. Thus, a unitholder may recognize both ordinary income and a capital loss upon a sale of units. Net capital losses may offset capital gains and no more than $3,000 of ordinary income, in the case of individuals, and may only be used to offset capital gains in the case of corporations.

The IRS has ruled that a partner who acquires interests in a partnership in separate transactions must combine those interests and maintain a single adjusted tax basis for all those interests. Upon a sale or other disposition of less than all of those interests, a portion of that tax basis must be allocated to the interests sold using an equitable apportionment method, which generally means that the tax basis allocated to the interest sold equals an amount that bears the same relation to the partner s tax basis in his entire interest in the partnership as the value of the interest sold bears to the value of the partner s entire interest in the partnership. Treasury Regulations under Section 1223 of the Internal Revenue Code allow a selling unitholder who can identify common units transferred with an ascertainable holding period to elect to use the actual holding period of the common units transferred. Thus, according to the ruling, a common unitholder will be unable to select high or low basis common units to sell as would be the case with corporate stock, but, according to the regulations, may designate specific common units sold for purposes of determining the holding period of units transferred. A unitholder electing to use the actual holding period of common units transferred must consistently use that identification method for all subsequent sales or exchanges of common units. A unitholder considering the purchase of additional units or a sale of common units purchased in separate transactions is urged to consult his tax advisor as to the possible consequences of this ruling and application of the regulations.

Specific provisions of the Internal Revenue Code affect the taxation of some financial products and securities, including partnership interests, by treating a taxpayer as having sold an appreciated partnership interest, one in which gain would be recognized if it were sold, assigned or terminated at its fair market value, if the taxpayer or related persons enter(s) into:

a short sale;

an offsetting notional principal contract; or

a futures or forward contract with respect to the partnership interest or substantially identical property.

Moreover, if a taxpayer has previously entered into a short sale, an offsetting notional principal contract or a futures or forward contract with respect to the partnership interest, the taxpayer will be treated as having sold that position if the taxpayer or a related person then acquires the partnership interest or substantially identical property. The Secretary of the Treasury is also authorized to issue regulations that treat a taxpayer that enters into transactions or positions that have substantially the same effect as the preceding transactions as having constructively sold the financial position.

Allocations Between Transferors and Transferees. In general, our taxable income and losses will be determined annually, will be prorated on a monthly basis and will be subsequently apportioned among the unitholders in proportion to the number of units owned by each of them as of the opening of the applicable exchange on the first business day of the month, which we refer to in this prospectus as the Allocation Date. However, gain or loss realized on a sale or other disposition of our assets other than in the ordinary course of business will be allocated among the unitholders on the Allocation Date in the month in which that gain or loss is recognized. As a result, a unitholder transferring units may be allocated income, gain, loss and deduction realized after the date of transfer.

The use of this method may not be permitted under existing Treasury Regulations. Accordingly, Vinson & Elkins L.L.P. is unable to opine on the validity of this method of allocating income and deductions between transferor and transferee unitholders. If this method is not allowed under the Treasury Regulations, or only applies to transfers of less than all of the unitholder s interest, our taxable income or losses might be reallocated among the unitholders. We are authorized to revise our method of allocation between transferor and transferee unitholders, as well as unitholders whose interests vary during a taxable year, to conform to a method permitted under future Treasury Regulations.

A unitholder who owns units at any time during a quarter and who disposes of them prior to the record date set for a cash distribution for that quarter will be allocated items of our income, gain, loss and deductions attributable to that quarter but will not be entitled to receive that cash distribution.

Notification Requirements. A unitholder who sells any of his units is generally required to notify us in writing of that sale within 30 days after the sale (or, if earlier, January 15 of the year following the sale). A purchaser of units who purchases units from another unitholder is also generally required to notify us in writing of that purchase within 30 days after the purchase. Upon receiving such notifications, we are required to notify the IRS of that transaction and to furnish specified information to the transferor and transferee. Failure to notify us of a purchase may, in some cases, lead to the imposition of penalties. However, these reporting requirements do not apply to a sale by an individual who is a citizen of the United States and who effects the sale or exchange through a broker who will satisfy such requirements.

Constructive Termination. We will be considered to have terminated for federal income tax purposes if there is a sale or exchange of 50% or more of the total interests in our capital and profits within a twelve-month period. Pursuant to the GP Acquisition, GE EFS acquired (i) a 37.3% limited partner interest in us (reduced to 37.0% after giving effect to the contemporaneous awards under our long-term incentive plan), (ii) the 2% general partner interest in us, and (iii) the right to receive the incentive distributions associated with the general partner interest. We believe, and will take the position, that the GP Acquisition, together with all other common units sold within the prior twelve-month period, represented a sale or exchange of 50% or more of the total interest in our capital and profits interests. Our termination would, among other things, result in the closing of our taxable year for all unitholders on June 18, 2007 and upon any future termination. Such a closing of the books could result in a significant deferral of depreciation deductions allowable in computing our taxable income. We anticipate that the impact of this termination to our unitholders will be an increased amount of taxable income as a percentage of the cash distributed to our unitholders. Although the amount of increase cannot be estimated because it depends upon numerous factors including the timing of the termination, the amount could be material. Moreover, in the case of a unitholder reporting on a taxable year other than a fiscal year ending December 31, the closing of our taxable year may result in more than twelve months of our taxable income or loss being includable in his taxable income for the year of termination. Our termination currently would not affect our classification as a partnership for federal income tax purposes, but instead, we would be treated as a new partnership for tax purposes. If treated as a new partnership, we must make new tax elections and could be subject to penalties if we are unable to determine that a termination occurred. Additionally, a termination might either accelerate the application of, or subject us to, any tax legislation enacted before the termination.

Uniformity of Units

Because we cannot match transferors and transferees of units, we must maintain uniformity of the economic and tax characteristics of the units to a purchaser of these units. In the absence of uniformity, we may be unable to completely comply with a number of federal income tax requirements, both statutory and regulatory. A lack of uniformity can result from a literal application of Treasury Regulation Section 1.167(c)-1(a)(6) and Treasury Regulation Section 1.197-2(g)(3). Any non-uniformity could have a negative impact on the value of the units. Please read Tax Consequences of Unit Ownership Section 754 Election.

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We intend to depreciate the portion of a Section 743(b) adjustment attributable to unrealized appreciation in the value of Contributed Property, to the extent of any unamortized Book-Tax Disparity, using a rate of depreciation or amortization derived from the depreciation or amortization method and useful life applied to the common basis of that property, or treat that portion as nonamortizable, to the extent attributable to property the common basis of which is not amortizable, consistent with the regulations under Section 743 of the Internal Revenue Code, even though that position may be inconsistent with Treasury Regulation Section 1.167(c)-1(a)(6), which is not expected to directly apply to a material portion of our assets, and Treasury Regulation Section 1.197-2(g)(3). Please read Tax Consequences of Unit Ownership Section 754 Election. To the extent that the Section 743(b) adjustment is attributable to appreciation in value in excess of the unamortized Book-Tax Disparity, we will apply the rules described in the Treasury Regulations and legislative history. If we determine that this position cannot reasonably be taken, we may adopt a depreciation and amortization position under which all purchasers acquiring units in the same month would receive depreciation and amortization deductions, whether attributable to a common basis or Section 743(b) adjustment, based upon the same applicable rate as if they had purchased a direct interest in our property. If this position is adopted, it may result in lower annual depreciation and amortization deductions than would otherwise be allowable to some unitholders and risk the loss of depreciation and amortization deductions not taken in the year that these deductions are otherwise allowable. This position will not be adopted if we determine that the loss of depreciation and amortization deductions will have a material adverse effect on the unitholders. If we choose not to utilize this aggregate method, we may use any other reasonable depreciation and amortization method to preserve the uniformity of the intrinsic tax characteristics of any units that would not have a material adverse effect on the unitholders. The IRS may challenge any method of depreciating the Section 743(b) adjustment described in this paragraph. If this challenge were sustained, the uniformity of units might be affected, and the gain from the sale of units might be increased without the benefit of additional deductions. Please read Disposition of Common Units Recognition of Gain or Loss.

Tax-Exempt Organizations and Other Investors

Ownership of units by employee benefit plans, other tax-exempt organizations, non-resident aliens, foreign corporations and other foreign persons raises issues unique to those investors and, as described below, may have substantially adverse tax consequences to them.

Employee benefit plans and most other organizations exempt from federal income tax, including individual retirement accounts and other retirement plans, are subject to federal income tax on unrelated business taxable income. Virtually all of our income allocated to a unitholder that is a tax-exempt organization will be unrelated business taxable income and will be taxable to them.

Non-resident aliens and foreign corporations, trusts or estates that own units will be considered to be engaged in business in the United States because of the ownership of units. As a consequence, they will be required to file federal tax returns to report their share of our income, gain, loss or deduction and pay federal income tax at regular rates on their share of our net income or gain. Moreover, under rules applicable to publicly traded partnerships, we will withhold at the highest applicable effective tax rate from cash distributions made quarterly to foreign unitholders. Each foreign unitholder must obtain a taxpayer identification number from the IRS and submit that number to our transfer agent on a Form W-8BEN or applicable substitute form in order to obtain credit for these withholding taxes. A change in applicable law may require us to change these procedures.

In addition, because a foreign corporation that owns units will be treated as engaged in a United States trade or business, that corporation may be subject to the United States branch profits tax at a rate of 30%, in addition to regular federal income tax, on its share of our income and gain, as adjusted for changes in the foreign corporation s U.S. net equity, which is effectively connected with the conduct of a United States trade or business. That tax may be reduced or eliminated by an income tax treaty between the United States and the country in which the foreign corporate unitholder is a qualified resident. In addition, this type of unitholder is subject to special information reporting requirements under Section 6038C of the Internal Revenue Code.

Under a ruling of the IRS, a foreign unitholder who sells or otherwise disposes of a unit will be subject to federal income tax on gain realized on the sale or disposition of that unit to the extent that this gain is effectively connected with a United States trade or business of the foreign unitholder. Because a foreign unitholder is considered to be engaged in business in the United States by virtue of the ownership of units, under this ruling a foreign unitholder who sells or otherwise disposes of a unit generally will be subject to federal income tax on gain realized on the sale or disposition of units. Apart from the ruling, a foreign unitholder will not be taxed or subject to withholding upon the sale or disposition of a unit if he has owned less than 5% in value of the units during the five-year period ending on the date of the disposition and if the units are regularly traded on an established securities market at the time of the sale or disposition.

Administrative Matters

Information Returns and Audit Procedures. We intend to furnish to each unitholder, within 90 days after the close of each calendar year, specific tax information, including a Schedule K-1, which describes his share of our income, gain, loss and deduction for our preceding taxable year. In preparing this information, which will not be reviewed by counsel, we will take various accounting and reporting positions, some of which have been mentioned earlier, to determine each unitholder s share of income, gain, loss and deduction. We cannot assure you that those positions will yield a result that conforms to the requirements of the Internal Revenue Code, Treasury Regulations or administrative interpretations of the IRS. Neither we nor Vinson & Elkins L.L.P. can assure prospective unitholders that the IRS will not successfully contend in court that those positions are impermissible. Any challenge by the IRS could negatively affect the value of the units.

The IRS may audit our federal income tax information returns. Adjustments resulting from an IRS audit may require each unitholder to adjust a prior year s tax liability, and possibly may result in an audit of his return. Any audit of a unitholder s return could result in adjustments not related to our returns as well as those related to our returns.

Partnerships generally are treated as separate entities for purposes of federal tax audits, judicial review of administrative adjustments by the IRS and tax settlement proceedings. The tax treatment of partnership items of income, gain, loss and deduction are determined in a partnership proceeding rather than in separate proceedings with the partners. The Internal Revenue Code requires that one partner be designated as the Tax Matters Partner for these purposes. Our partnership agreement names Regency GP LP as our Tax Matters Partner.

The Tax Matters Partner will make some elections on our behalf and on behalf of unitholders. In addition, the Tax Matters Partner can extend the statute of limitations for assessment of tax deficiencies against unitholders for items in our returns. The Tax Matters Partner may bind a unitholder with less than a 1% profits interest in us to a settlement with the IRS unless that unitholder elects, by filing a statement with the IRS, not to give that authority to the Tax Matters Partner. The Tax Matters Partner may seek judicial review, by which all the unitholders are bound, of a final partnership administrative adjustment and, if the Tax Matters Partner fails to seek judicial review, judicial review may be sought by any unitholder having at least a 1% interest in profits or by any group of unitholders having in the aggregate at least a 5% interest in profits. However, only one action for judicial review will go forward, and each unitholder with an interest in the outcome may participate.

A unitholder must file a statement with the IRS identifying the treatment of any item on his federal income tax return that is not consistent with the treatment of the item on our return. Intentional or negligent disregard of this consistency requirement may subject a unitholder to substantial penalties.

Nominee Reporting. Persons who hold an interest in us as a nominee for another person are required to furnish to us:

(a) the name, address and taxpayer identification number of the beneficial owner and the nominee;

(b) whether the beneficial owner is:

1. a person that is not a United States person;

2. a foreign government, an international organization or any wholly owned agency or instrumentality of either of the foregoing; or

3. a tax-exempt entity;

(c) the amount and description of units held, acquired or transferred for the beneficial owner; and

(d) specific information including the dates of acquisitions and transfers, means of acquisitions and transfers, and acquisition cost for purchases, as well as the amount of net proceeds from sales.

Brokers and financial institutions are required to furnish additional information, including whether they are United States persons and specific information on units they acquire, hold or transfer for their own account. A penalty of $50 per failure, up to a maximum of $100,000 per calendar year, is imposed by the Internal Revenue Code for failure to report that information to us. The nominee is required to supply the beneficial owner of the units with the information furnished to us.

Accuracy-Related Penalties. An additional tax equal to 20% of the amount of any portion of an underpayment of tax that is attributable to one or more specified causes, including negligence or disregard of rules or regulations, substantial understatements of income tax and substantial valuation misstatements, is imposed by the Internal Revenue Code. No penalty will be imposed, however, for any portion of an underpayment if it is shown that there was a reasonable cause for that portion and that the taxpayer acted in good faith regarding that portion.

For individuals, a substantial understatement of income tax in any taxable year exists if the amount of the understatement exceeds the greater of 10% of the tax required to be shown on the return for the taxable year or $5,000. The amount of any understatement subject to penalty generally is reduced if any portion is attributable to a position adopted on the return:

(1) for which there is, or was, substantial authority ; or

(2) as to which there is a reasonable basis and the pertinent facts of that position are disclosed on the return.

If any item of income, gain, loss or deduction included in the distributive shares of unitholders might result in that kind of an understatement of income for which no substantial authority exists, we must disclose the pertinent facts on our return. In addition, we will make a reasonable effort to furnish sufficient information for unitholders to make adequate disclosure on their returns and to take other actions as may be appropriate to permit unitholders to avoid liability for this penalty. More stringent rules apply to tax shelters, which we do not believe includes us.

A substantial valuation misstatement exists if the value of any property, or the adjusted basis of any property, claimed on a tax return is 200% or more of the amount determined to be the correct amount of the valuation or adjusted basis. No penalty is imposed unless the portion of the underpayment attributable to a substantial valuation misstatement exceeds $5,000 ($10,000 for most corporations). If the valuation claimed on a return is 400% or more than the correct valuation, the penalty imposed increases to 40%.

Reportable Transactions. If we were to engage in a reportable transaction, we (and possibly you and others) would be required to make a detailed disclosure of the transaction to the IRS. A transaction may be a reportable transaction based upon any of several factors, including the fact that it is a type of tax avoidance transaction publicly identified by the IRS as a listed transaction or that it produces certain kinds of losses for partnerships, individuals, S corporations, and trusts in excess of $2 million in any single year, or $4 million in any combination of tax years. Our participation in a reportable transaction could increase the likelihood that our federal income tax information return (and possibly your tax return) would be audited by the IRS. Please read Information Returns and Audit Procedures.

Moreover, if we were to participate in a reportable transaction with a significant purpose to avoid or evade tax, or in any listed transaction, you may be subject to the following provisions of the American Jobs Creation Act of 2004:

- accuracy-related penalties with a broader scope, significantly narrower exceptions, and potentially greater amounts than described above at Accuracy-Related Penalties,
- for those persons otherwise entitled to deduct interest on federal tax deficiencies, nondeductibility of interest on any resulting tax liability and
- in the case of a listed transaction, an extended statute of limitations.

We do not expect to engage in any reportable transactions.

State, Local, Foreign and Other Tax Considerations

In addition to federal income taxes, you likely will be subject to other taxes, such as state, local and foreign income taxes, unincorporated business taxes, and estate, inheritance or intangible taxes that may be imposed by the various jurisdictions in which we do business or own property or in which you are a resident. Although an analysis of those various taxes is not presented here, each prospective unitholder should consider their potential impact on his investment in us. We will initially own property or conduct business in Arkansas, Colorado, Kansas, Louisiana, Oklahoma, and Texas. Each of these states, other than Texas, currently imposes a personal income tax on individuals. Most of these states also impose an income tax on corporations and other entities. We may also own property or do business in other jurisdictions in the future. Although you may not be required to file a return and pay taxes in some jurisdictions because your income from that jurisdiction falls below the filing and payment requirement, you will be required to file income tax returns and to pay income taxes in many of these jurisdictions in which we do business or own property and may be subject to penalties for failure to comply with those requirements. In some jurisdictions, tax losses may not produce a tax benefit in the year incurred and may not be available to offset income in subsequent taxable years. Some of the jurisdictions may require us, or we may elect, to withhold a percentage of income from amounts to be distributed to a unitholder who is not a resident of the jurisdiction. Withholding, the amount of which may be greater or less than a particular unitholder s income tax liability to the jurisdiction, generally does not relieve a nonresident unitholder from the obligation to file an income tax return. Amounts withheld will be treated as if distributed to unitholders for purposes of determining the amounts distributed by us. Please read Tax Consequences of Unit Ownership Entity-Level Collections. Based on current law and our estimate of our future operations, our general partner anticipates that any amounts required to be withheld will not be material.

It is the responsibility of each unitholder to investigate the legal and tax consequences, under the laws of pertinent jurisdictions, of his investment in us. Accordingly, each prospective unitholder is urged to consult, and depend upon, his tax counsel or other advisor with regard to those matters. Further, it is the responsibility of each unitholder to file all state, local and foreign, as well as United States federal tax returns, that may be required of him. Vinson & Elkins L.L.P. has not rendered an opinion on the state, local or foreign tax consequences of an investment in us.

Tax Consequences of Ownership of Debt Securities

A description of the material federal income tax consequences of the acquisition, ownership and disposition of debt securities will be set forth on the prospectus supplement relating to the offering of debt securities.

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PLAN OF DISTRIBUTION

Under this prospectus, we intend to offer our securities to the public:

- through one or more broker-dealers;
- through underwriters; or
- directly to investors.

We will fix a price or prices of our securities at:

- market prices prevailing at the time of any sale under this registration statement;
- prices related to market prices; or
- negotiated prices.

We may change the price of the securities offered from time to time.

We will pay or allow distributors or sellers commissions that will not exceed those customary in the types of transactions involved. Broker-dealers may act as agent or may purchase securities as principal and thereafter resell the securities from time to time:

- in or through one or more transactions (which may involve crosses and block transactions) or distributions;
- on The Nasdaq Stock Market LLC;
- in the over-the-counter market; or
- in private transactions.

Broker-dealers or underwriters may receive compensation in the form of underwriting discounts or commissions and may receive commissions from purchasers of the securities for whom they may act as agents. If any broker-dealer purchases the securities as principal, it may effect resales of the securities from time to time to or through other broker-dealers, and other broker-dealers may receive compensation in the form of concessions or commissions from the purchasers of securities for whom they may act as agents.

To the extent required, the names of the specific managing underwriter or underwriters, if any, as well as other important information, will be set forth in prospectus supplements. In that event, the discounts and commissions we will allow or pay to the underwriters, if any, and the discounts and commissions the underwriters may allow or pay to dealers or agents, if any, will be set forth in, or may be calculated from, the prospectus supplements. Any underwriters, brokers, dealers and agents who participate in any sale of the securities may also engage in transactions with, or perform services for, us or our affiliates in the ordinary course of their businesses. We may indemnify underwriters, brokers, dealers and agents against specific liabilities, including liabilities under the Securities Act.

To the extent required, this prospectus may be amended or supplemented from time to time to describe a specific plan of distribution.

In connection with offerings under this shelf registration and in compliance with applicable law, underwriters, brokers or dealers may engage in transactions that stabilize or maintain the market price of the securities at levels above those that might otherwise prevail in the open market. Specifically, underwriters, brokers or dealers may over-allot in connection with offerings, creating a short position in the securities for their own accounts. For the purpose of covering a syndicate short position or stabilizing the price of the securities, the underwriters, brokers or dealers may place bids for the securities or effect purchases of the securities in the open market. Finally, the underwriters may impose a penalty whereby selling concessions allowed to syndicate members or other brokers or dealers for distribution the securities in offerings may be reclaimed by the syndicate if the syndicate repurchases previously distributed securities in transactions to cover short positions, in stabilization transactions or otherwise. These activities may stabilize, maintain or otherwise affect the market price of the securities, which may be higher than the price that might otherwise prevail in the open market, and, if commenced, may be discontinued at any time.

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LEGAL MATTERS

Vinson & Elkins L.L.P., Houston, Texas, and Kean Miller Hawthorne D Armond McCowan & Jarman, LLP Baton Rouge, Louisiana will pass upon the validity of the securities offered in this registration statement.

EXPERTS

The (1) consolidated financial statements of Regency Energy Partners LP and subsidiaries and (2) the consolidated balance sheet of Regency GP LP incorporated in this prospectus by reference from Regency Energy Partners LP s Annual Report on Form 10-K have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their reports, which are incorporated herein by reference, and have been so incorporated in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

The consolidated financial statements of Pueblo Midstream Gas Corporation and subsidiary as of and for the year ended December 31, 2006 incorporated in this prospectus by reference from the Regency Energy Partners LP s Current Report on Form 8-K dated May 10, 2007 have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report, which is incorporated herein by reference, and have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

This prospectus, including any documents incorporated herein by reference, constitutes a part of a registration statement on Form S-3 that we filed with the SEC under the Securities Act. This prospectus does not contain all the information set forth in the registration statement. You should refer to the registration statement and its related exhibits and schedules, and the documents incorporated herein by reference, for further information about our company and the securities offered in this prospectus. Statements contained in this prospectus concerning the provisions of any document are not necessarily complete and, in each instance, reference is made to the copy of that document filed as an exhibit to the registration statement or otherwise filed with the SEC, and each such statement is qualified by this reference. The registration statement and its exhibits and schedules, and the documents incorporated herein by reference, are on file at the offices of the SEC and may be inspected without charge.

We file annual, quarterly, and current reports, proxy statements and other information with the SEC. You can read and copy any materials we file with the SEC at the SEC s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You can obtain information about the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website that contains information that we file electronically with the SEC, which you can access over the Internet at http://www.sec.gov.

Our home page is located at http://www.regencyenergy.com. Our annual reports on Form 10-K, our quarterly reports on Form 10-Q, current reports on Form 8-K and other filings with the SEC are available free of charge through our web site as soon as reasonably practicable after those reports or filings are electronically filed or furnished to the SEC. Information on our web site or any other web site is not incorporated by reference in this prospectus and does not constitute a part of this prospectus.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

We are incorporating by reference in this prospectus information we file with the SEC, which means that we are disclosing important information to you by referring you to those documents. The information that we incorporate by reference is an important part of this prospectus, and later information that we file with the SEC automatically will update and supersede this information. We incorporate by reference the documents listed below and any future filings we make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the

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Exchange Act, excluding any information in those documents that is deemed by the rules of the SEC to be furnished not filed, until we close this offering:

- our Annual Report on Form 10-K for the year ended December 31, 2006; and
- Our Current Reports on Form 8-K and Form 8-K/A filed for January 26, 2007, February 16, 2007, March 6, 2007, April 3, 2007, April 27, 2007, May 11, 2007, May 25, 2007, June 12, 2007, June 19, 2007, June 28, 2007, July 3, 2007 and July 12, 2007.
- the description of our common units contained in our registration statement on Form 8-A filed on January 24, 2006, and including any other amendments or reports filed for the purpose of updating such description.

You may request a copy of these filings, which we will provide to you at no cost, by writing or telephoning us at the following address and telephone number:

Regency GP LLC
1700 Pacific, Suite 2900
Dallas, Texas 75201
(214) 750-1771
Attention: Investor Relations

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