

Regency Energy Partners LP  
Form S-4/A  
February 19, 2014  
Table of Contents

As filed with the Securities and Exchange Commission on February 18, 2014

Registration No. 333-192184

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

**Amendment No. 3**  
**to**  
**FORM S-4**  
**REGISTRATION STATEMENT**  
***UNDER***  
***THE SECURITIES ACT OF 1933***

**REGENCY ENERGY PARTNERS LP**  
**(Exact Name of Registrant as Specified in its Charter)**

<b>Delaware</b> (State or other jurisdiction of Incorporation or Organization)	<b>1311</b> (Primary Standard Industrial Classification Code Number) 2001 Bryan Street, Suite 3700	<b>16-1731691</b> (I.R.S. Employer Identification Number)
--	---	---

Dallas, Texas 75201

(214) 750-1771

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Thomas E. Long

Regency GP LLC

2001 Bryan Street

Suite 3700

Dallas, Texas 75201

(214) 750-1771

(Name, address, including zip code, and telephone number, including area code, of agent for service)

*Copies to:*

Neel Lemon  
Joshua Davidson  
M. Breen Haire  
Baker Botts L.L.P.  
2001 Ross Avenue  
Dallas, Texas 75201

Bruce D. Davis, Jr.  
PVR GP, LLC  
Three Radnor Corporate Center  
100 Matsonford Road  
Suite 301  
Radnor, Pennsylvania 19087  
(610) 975-8200

Michael Swidler  
Mike Rosenwasser  
Vinson & Elkins L.L.P.  
666 Fifth Avenue  
26th Floor  
New York, NY 10103  
(212) 237-0000

(214) 953-6500

**Approximate date of commencement of proposed sale of the securities to the public:** As soon as practicable after the effectiveness of this registration statement and the satisfaction or waiver of all other conditions to the closing of the merger described herein.

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

(Do not check if a smaller reporting company)

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

**Table of Contents**

**The information in this document is not complete and may be changed. Regency Energy Partners LP may not issue the securities described herein until the registration statement filed with the Securities and Exchange Commission is effective. This document is not an offer to sell these securities and is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.**

**PRELIMINARY SUBJECT TO COMPLETION, DATED FEBRUARY 18, 2014**

**MERGER PROPOSAL YOUR VOTE IS VERY IMPORTANT**

February 18, 2014

Dear Unitholder:

On October 9, 2013, PVR Partners, L.P., which is referred to as PVR, and Regency Energy Partners LP, which is referred to as Regency, entered into a merger agreement, as amended, pursuant to which PVR will merge with and into Regency, with Regency continuing as the surviving entity. The board of directors of PVR GP, LLC, which is referred to as PVR GP, the general partner of PVR, has determined that the merger and the merger agreement are advisable and in the best interests of PVR and its unitholders, and has unanimously approved the merger agreement and the merger.

Under the terms of the merger agreement, holders of PVR common units and Class B units will receive 1.020 common units of Regency for each PVR unit held. In addition, PVR unitholders will receive a one-time cash payment at the closing of the merger estimated to be approximately \$36.7 million in the aggregate. The consideration to be received by PVR unitholders is valued at \$28.68 per common unit based on Regency's closing price as of October 9, 2013, representing a 25.7% premium to the closing price of PVR's common units of \$22.81 on October 9, 2013, and a 24.8% premium to the volume weighted average closing price of PVR's common units for the 10 trading days ending October 9, 2013.

Immediately following completion of the merger, it is expected that PVR unitholders will own approximately 40% of the outstanding common units of Regency, based on the number of common units of Regency outstanding, on a fully diluted basis, as of February 14, 2014. The common units of PVR are traded on the New York Stock Exchange under the symbol PVR, and the common units of Regency are traded on the New York Stock Exchange under the symbol RGP.

We are holding a special meeting of unitholders on March 20, 2014 at 10:00 a.m., local time, at The Villanova University Conference Center, 601 County Line Road, Radnor, Pennsylvania 19087, to obtain your vote to adopt the merger agreement and the transactions contemplated thereby. **Your vote is very important, regardless of the number of units you own. The merger cannot be completed unless the holders of at least a majority of the outstanding PVR common units and PVR Class B units, voting together as a single class, vote for the adoption**

**of the merger agreement and the transactions contemplated thereby at the special meeting.**

**The board of directors of PVR GP recommends that PVR unitholders vote FOR the adoption of the merger agreement and the transactions contemplated thereby, FOR the adjournment of the PVR special meeting if necessary to solicit additional proxies if there are not sufficient votes to adopt the merger agreement at the time of the PVR special meeting and FOR the related compensation proposal.**

On behalf of the board of directors of PVR GP, I invite you to attend the special meeting. Whether or not you expect to attend the PVR special meeting in person, we urge you to submit your proxy as promptly as possible through one of the delivery methods described in the accompanying proxy statement/prospectus.

In addition, we urge you to read carefully the accompanying proxy statement/prospectus (and the documents incorporated by reference into the accompanying proxy statement/prospectus), which includes important information about the merger agreement, the proposed merger, PVR, Regency and the special meeting. **Please pay particular attention to the section titled Risk Factors beginning on page 32 of the accompanying proxy statement/prospectus.**

On behalf of PVR GP's board of directors, thank you for your continued support.

Sincerely,

William H. Shea, Jr.

*President and Chief Executive Officer of PVR GP, LLC, the  
general partner of PVR Partners, L.P.*

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued under the accompanying proxy statement/prospectus or determined that the accompanying proxy statement/prospectus is accurate or complete. Any representation to the contrary is a criminal offense.**

The accompanying proxy statement/prospectus is dated February 18, 2014 and is first being mailed to the unitholders of PVR on or about February 20, 2014.

Table of Contents

**Three Radnor Corporate Center, Suite 301**

**100 Matsonford Road**

**Radnor, Pennsylvania 19087**

**NOTICE OF SPECIAL MEETING OF UNITHOLDERS**

To the Unitholders of PVR Partners, L.P.:

Notice is hereby given that a special meeting of unitholders of PVR Partners, L.P., which is referred to as PVR, a Delaware limited partnership, will be held on March 20, 2014, at 10:00 a.m., local time, at The Villanova University Conference Center, 601 County Line Road, Radnor, Pennsylvania 19087, solely for the following purposes:

***Proposal 1:*** to consider and vote on a proposal to adopt the Agreement and Plan of Merger, dated as of October 9, 2013 (as it may be amended from time to time), which is referred to as the merger agreement, by and among PVR, PVR GP, LLC, the general partner of PVR (or PVR GP), Regency Energy Partners LP (or Regency), Regency GP LP and the general partner of Regency (or Regency GP), a copy of which agreement and an amendment thereto are attached as Annexes A-1 and A-2 to the proxy statement/prospectus accompanying this notice, and the transactions contemplated thereby;

***Proposal 2:*** to consider and vote on a proposal to approve the adjournment of the PVR special meeting, if necessary to solicit additional proxies if there are not sufficient votes to adopt the merger agreement at the time of the special meeting; and

***Proposal 3:*** to consider and vote on a proposal to approve, on an advisory (non-binding) basis, the related compensation payments that will or may be paid by PVR to its named executive officers in connection with the merger.

These items of business, including the merger agreement and the proposed merger, are described in detail in the accompanying proxy statement/prospectus. **PVR GP's board of directors has determined that the merger agreement and the transactions contemplated by the merger agreement, including the merger, are advisable and in the best interests of PVR and its unitholders and recommends that PVR unitholders vote FOR the proposal to adopt the merger agreement and the transactions contemplated thereby, FOR the adjournment of the PVR special meeting if necessary to solicit additional proxies in favor of such adoption and FOR the related compensation proposal.**

Only unitholders of record as of the close of business on February 18, 2014 are entitled to notice of the PVR special meeting and to vote at the PVR special meeting or at any adjournment or postponement thereof. A list of unitholders entitled to vote at the special meeting will be available in our offices located at Three Radnor Corporate Center, Suite 301, 100 Matsonford Road, Radnor, Pennsylvania 19087, during regular business hours for a period of ten days before the special meeting, and at the place of the special meeting during the meeting.

Adoption of the merger agreement and the transactions contemplated thereby by the PVR unitholders is a condition to the consummation of the merger and requires the affirmative vote of holders of at least a majority of the outstanding PVR common units and PVR Class B units, voting together as a single class. Therefore, your vote is very important. **Your failure to vote your units will have the same effect as a vote AGAINST the adoption of the merger agreement and the transactions contemplated thereby.**

**Table of Contents**

By order of the board of directors,

Bruce D. Davis, Jr.

*Executive Vice President, General Counsel and*

*Secretary*

Radnor, Pennsylvania

February 18, 2014

**YOUR VOTE IS IMPORTANT!**

**WHETHER OR NOT YOU EXPECT TO ATTEND THE PVR SPECIAL MEETING IN PERSON, WE URGE YOU TO SUBMIT YOUR PROXY AS PROMPTLY AS POSSIBLE (1) BY TELEPHONE, (2) VIA THE INTERNET OR (3) BY MARKING, SIGNING AND DATING THE ENCLOSED PROXY CARD AND RETURNING IT IN THE PREPAID ENVELOPE PROVIDED.** You may revoke your proxy or change your vote at any time before the PVR special meeting. If your common units are held in the name of a bank, broker or other fiduciary, please follow the instructions on the voting instruction card furnished to you by such record holder.

We urge you to read the accompanying proxy statement/prospectus, including all documents incorporated by reference into the accompanying proxy statement/prospectus, and its annexes carefully and in their entirety. If you have any questions concerning the merger, the adjournment vote, the advisory (non-binding) vote on the related compensation payments that will or may be paid by PVR to its named executive officers in connection with the merger, the special meeting or the accompanying proxy statement/prospectus, would like additional copies of the accompanying proxy statement/prospectus or need help voting your PVR units, please contact PVR's proxy solicitor:

Morrow & Co., LLC

470 West Avenue 3rd Floor

Stamford, Connecticut 06902

Unitholders, call toll-free: (800) 460-1014

Banks and brokers, call collect: (203) 658-9400



**Table of Contents**

**ADDITIONAL INFORMATION**

This proxy statement/prospectus incorporates by reference important business and financial information about Regency and PVR from other documents filed with the Securities and Exchange Commission, referred to as the SEC, that are not included in or delivered with this proxy statement/prospectus. See [Where You Can Find More Information](#).

Documents incorporated by reference are available to you without charge upon written or oral request. You can obtain any of these documents by requesting them in writing or by telephone from the appropriate party at the following addresses and telephone numbers.

Regency Energy Partners LP	PVR Partners, L.P.
Investor Relations	Investor Relations
2001 Bryan Street, Suite 3700	Three Radnor Corporate Center
Dallas, Texas 75201	100 Matsonford Road, Suite 301
(214) 750-1771	Radnor, Pennsylvania 19087
	(610) 975-8200

**To receive timely delivery of the requested documents in advance of the PVR special meeting, you should make your request no later than March 11, 2014.**

**ABOUT THIS DOCUMENT**

This document, which forms part of a registration statement on Form S-4 filed with the SEC by Regency (File No. 333-192184), constitutes a prospectus of Regency under Section 5 of the Securities Act of 1933, as amended, which is referred to as the Securities Act, with respect to the Regency common units to be issued pursuant to the merger agreement. This document also constitutes a notice of meeting and a proxy statement under Section 14(a) of the Securities Exchange Act of 1934, as amended, which is referred to as the Exchange Act, with respect to the special meeting of PVR unitholders, at which PVR unitholders will be asked to consider and vote on, among other matters, a proposal to adopt the merger agreement and the transactions contemplated thereby.

You should rely only on the information contained in or incorporated by reference into this proxy statement/prospectus. No one has been authorized to provide you with information that is different from that contained in, or incorporated by reference into, this proxy statement/prospectus. This proxy statement/prospectus is dated February 18, 2014. The information contained in this proxy statement/prospectus is accurate only as of that date or, in the case of information in a document incorporated by reference, as of the date of such document, unless the information specifically indicates that another date applies. Neither the mailing of this proxy statement/prospectus to PVR unitholders nor the issuance by Regency of its common units pursuant to the merger agreement will create any implication to the contrary.

This proxy statement/prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any securities, or the solicitation of a proxy, in any jurisdiction in which or from any person to whom it is unlawful to make any such

offer or solicitation in such jurisdiction.

The information concerning Regency contained in this proxy statement/prospectus or incorporated by reference has been provided by Regency, and the information concerning PVR contained in this proxy statement/prospectus or incorporated by reference has been provided by PVR.

Table of Contents

## TABLE OF CONTENTS

	<b>Page</b>
<u>QUESTIONS AND ANSWERS</u>	1
<u>SUMMARY</u>	9
<u>The Parties</u>	9
<u>The Merger</u>	9
<u>Merger Consideration</u>	9
<u>Treatment of Equity Awards</u>	9
<u>PVR Special Unitholder Meeting: Unitholders Entitled to Vote; Vote Required</u>	10
<u>Recommendation of PVR GP's Board of Directors and Its Reasons for the Merger</u>	11
<u>Opinion of the Financial Advisor to the Board of Directors of PVR GP</u>	11
<u>Regency Unitholder Approval is Not Required</u>	12
<u>Directors and Executive Officers of Regency After the Merger</u>	12
<u>Ownership of Regency After the Merger</u>	12
<u>Interests of Directors and Executive Officers of PVR in the Merger</u>	12
<u>Risks Relating to the Merger and Ownership of Regency Common Units</u>	13
<u>Material U.S. Federal Income Tax Consequences of the Merger</u>	14
<u>Accounting Treatment of the Merger</u>	15
<u>Listing of Regency Common Units; Delisting and Deregistration of PVR Common Units</u>	15
<u>No Appraisal Rights</u>	15
<u>Conditions to Completion of the Merger</u>	15
<u>Regulatory Approvals and Clearances Required for the Merger</u>	17
<u>No Solicitation by PVR of Alternative Proposals</u>	17
<u>Change in PVR GP Board Recommendation</u>	18
<u>Termination of the Merger Agreement</u>	18
<u>Expenses</u>	19
<u>Termination Fee</u>	19
<u>Comparison of Rights of Regency Unitholders and PVR Unitholders</u>	20
<u>Litigation Relating to the Merger</u>	20
<u>Organizational Chart</u>	20
<u>Recent Developments</u>	21
<u>Selected Historical Consolidated Financial Data of Regency</u>	24
<u>Selected Historical Consolidated Financial Data of PVR</u>	26
<u>Selected Unaudited Pro Forma Combined Financial Information</u>	28
<u>Unaudited Comparative Per Unit Information</u>	29
<u>Comparative Unit Prices and Distributions</u>	31
<u>RISK FACTORS</u>	32
<u>Risk Factors Relating to the Merger</u>	32
<u>Risk Factors Relating to the Ownership of Regency Common Units</u>	39
<u>CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS</u>	48
<u>THE PARTIES</u>	50
<u>THE PVR SPECIAL MEETING</u>	52
<u>PROPOSAL 1: THE MERGER</u>	57
<u>Effect of the Merger</u>	57
<u>Background of the Merger</u>	58

<u>Certain Relationships Between Regency and PVR</u>	70
<u>Recommendation of PVR GP's Board of Directors and Its Reasons for the Merger</u>	70
<u>Opinion of the Financial Advisor to the Board of Directors of PVR GP</u>	72
<u>Unaudited Financial Projections of PVR</u>	87
<u>Regency's Reasons for the Merger</u>	88
<u>Interests of Certain Persons in the Transactions - Evercore</u>	89
<u>Interests of Certain Persons in the Transactions - Citi</u>	89

**Table of Contents**

	<b>Page</b>
<u>Interests of Directors and Executive Officers of PVR in the Merger</u>	89
<u>No Appraisal Rights</u>	95
<u>Accounting Treatment of the Merger</u>	95
<u>Regulatory Approvals and Clearances Required for the Merger</u>	95
<u>Directors and Executive Officers of Regency After the Merger</u>	96
<u>Listing of Regency Common Units</u>	96
<u>Delisting and Deregistration of PVR Common Units</u>	96
<u>Regency Unitholder Approval is Not Required</u>	96
<u>Ownership of Regency After the Merger</u>	96
<u>Restrictions on Sales of Regency Common Units Received in the Merger</u>	96
<u>Litigation Relating to the Merger</u>	97
<b><u>THE MERGER AGREEMENT</u></b>	98
<u>The Merger</u>	98
<u>Effective Time; Closing</u>	98
<u>Conditions to Consummation of the Merger</u>	99
<u>PVR Unitholder Approval</u>	101
<u>No Solicitation by PVR of Alternative Proposals</u>	102
<u>Change in PVR GP Board Recommendation</u>	103
<u>Merger Consideration</u>	104
<u>Treatment of Equity Awards</u>	105
<u>Adjustments to Prevent Dilution</u>	106
<u>Withholding</u>	106
<u>Distributions</u>	106
<u>Regulatory Matters</u>	106
<u>Termination of the Merger Agreement</u>	107
<u>Termination Fee</u>	108
<u>Expenses</u>	109
<u>Conduct of Business Pending the Consummation of the Merger</u>	109
<u>Indemnification; Directors and Officers Insurance</u>	112
<u>Employee Matters</u>	113
<u>Financing Matters</u>	114
<u>Amendment of PVR Partnership Agreement</u>	114
<u>Amendment and Waiver</u>	114
<u>Remedies; Specific Performance</u>	114
<u>Representations and Warranties</u>	115
<u>Issuance of PIK Units; Distributions</u>	116
<u>Additional Agreements</u>	116
<b><u>UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION</u></b>	117
<b><u>MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER</u></b>	124
<b><u>MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES OF REGENCY COMMON UNIT</u></b>	
<b><u>OWNERSHIP</u></b>	129
<b><u>DESCRIPTION OF REGENCY COMMON UNITS</u></b>	150
<b><u>COMPARISON OF RIGHTS OF REGENCY UNITHOLDERS AND PVR UNITHOLDERS</u></b>	151
<u>Purpose</u>	151
<u>Outstanding Units</u>	151
<u>Issuance of Additional Securities</u>	152
<u>Distributions of Available Cash</u>	152

<u>Incentive Distribution Rights</u>	157
<u>Adjustment to the Minimum Quarterly Distribution and Target Distribution Levels</u>	158
<u>Distributions of Cash upon Liquidation</u>	159
<u>Merger, Sale or Other Disposition of Assets</u>	159

**Table of Contents**

	<b>Page</b>
<u>Election of General Partner and Directors of the General Partner</u>	160
<u>Meetings: Voting</u>	161
<u>Advance Notice Requirements for Nominations and Other Proposals</u>	164
<u>Withdrawal or Removal of the General Partner</u>	166
<u>Transfer of General Partner Interests</u>	168
<u>Transfer of Incentive Distribution Rights</u>	168
<u>Limited Preemptive Right</u>	169
<u>Limited Call Right</u>	169
<u>Amendment of Partnership Agreement</u>	170
<u>Indemnification</u>	173
<u>Conflicts of Interest</u>	174
<u>Change of Management Provisions</u>	175
<u>Termination and Dissolution</u>	175
<u>Liquidation</u>	176
<u>Non-Citizen Assignees; Redemption</u>	177
<u>Transfer of Common Units; Status as Unitholder or Assignee</u>	177
<u>PROPOSAL 2: ADJOURNMENT OF THE PVR SPECIAL MEETING</u>	179
<u>PROPOSAL 3: ADVISORY VOTE ON RELATED COMPENSATION</u>	179
<u>PVR UNITHOLDER PROPOSALS</u>	180
<u>LEGAL MATTERS</u>	181
<u>EXPERTS</u>	181
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	182
<u>ANNEXES</u>	
<u>ANNEX A-1 AGREEMENT AND PLAN OF MERGER</u>	A-1-1
<u>ANNEX A-2 AMENDMENT NO. 1 TO AGREEMENT AND PLAN OF MERGER</u>	A-2-1
<u>ANNEX B OPINION OF EVERCORE GROUP, L.L.C.</u>	B-1

**Table of Contents**

**QUESTIONS AND ANSWERS**

*Set forth below are questions that you, as a unitholder of PVR, may have regarding the merger, the adjournment proposal, the related compensation proposal and the PVR special meeting, and brief answers to those questions. You are urged to read carefully this proxy statement/prospectus and the other documents referred to in this proxy statement/prospectus in their entirety, including the merger agreement and an amendment thereto, which are attached as Annexes A-1 and A-2 to this proxy statement/prospectus, and the documents incorporated by reference into this proxy statement/prospectus, because this section may not provide all of the information that is important to you with respect to the merger and the special meeting. You may obtain a list of the documents incorporated by reference into this proxy statement/prospectus in the section titled *Where You Can Find More Information*.*

**Q: Why am I receiving this proxy statement/prospectus?**

A: Regency and PVR have agreed to a merger, pursuant to which PVR will merge with and into Regency. Regency will continue its existence as the surviving entity, the separate existence of PVR will cease, and PVR will cease to be a publicly held limited partnership. In order to complete the merger, PVR unitholders must vote to adopt the Agreement and Plan of Merger, dated as of October 9, 2013, among PVR, PVR GP, Regency and Regency GP, which agreement, as amended by an amendment thereto dated as of November 7, 2013 and as may be further amended from time to time, is referred to as the merger agreement, and the transactions contemplated thereby. PVR is holding a special meeting of unitholders to obtain such unitholder approval. PVR unitholders will also be asked to approve, on an advisory (non-binding) basis, the related compensation payments that will or may be paid by PVR to its named executive officers in connection with the merger.

In the merger, Regency will issue Regency common units as the consideration to be paid to holders of PVR common units and Class B units. This document is being delivered to you as both a proxy statement of PVR and a prospectus of Regency in connection with the merger. It is the proxy statement by which the PVR GP board of directors is soliciting proxies from you to vote on the adoption of the merger agreement and the transactions contemplated thereby at the special meeting or at any adjournment or postponement of the special meeting. It is also the prospectus by which Regency will issue Regency common units to you in the merger.

**Q: What will happen in the merger?**

A: In the merger, PVR will merge with and into Regency. Regency will be the surviving limited partnership in the merger. The separate existence of PVR will cease following completion of the merger.

**Q: What will I receive in the merger?**

A: If the merger is completed, your PVR common units and Class B units will be cancelled and converted automatically into the right to receive (i) a number of Regency common units, which is referred to as the unit consideration, equal to 1.020 multiplied by the number of your PVR common units or Class B units and (ii) an



## Edgar Filing: Regency Energy Partners LP - Form S-4/A

amount of cash, which is referred to as the cash consideration and, together with the unit consideration, as the merger consideration, equal to the difference (if positive) between (x) PVR's annualized quarterly distribution immediately prior to the effective time of the merger and (y) 1.020 times Regency's annualized quarterly distribution prior to the effective time. This one-time cash payment is estimated to equal approximately \$36.7 million in the aggregate. PVR unitholders will receive cash for any fractional Regency common units that they would otherwise receive in the merger.

Based on the closing price for Regency common units on the New York Stock Exchange, which is referred to as the NYSE, on October 9, 2013, the last trading day before the public announcement of the merger

**Table of Contents**

agreement, and the last quarterly distributions declared by each of PVR and Regency prior to that date, the merger consideration represented approximately \$28.68 in value for each PVR unit. Based on the closing price of \$26.77 for Regency common units on the NYSE on February 18, 2014, the most recent practicable trading day prior to the date of this proxy statement/prospectus, and the last quarterly distributions declared by each of PVR and Regency prior to that date, the merger consideration represented approximately \$27.57

in value for each PVR common unit. The market price of Regency common units will fluctuate prior to the merger, and the market price of Regency common units when received by PVR unitholders after the merger is completed could be greater or less than the current market price of Regency common units. See **Risk Factors** beginning on page 32 of this proxy statement/prospectus.

**Q: What will happen to my PVR phantom units, restricted units and deferred common units in the merger?**

A: If the merger is completed, each outstanding PVR phantom unit, restricted unit and deferred common unit will be converted into the right to receive the merger consideration. PVR equity award holders will receive cash for any fractional Regency common units that they would otherwise receive in the merger. In the case of performance-based phantom units, except as otherwise expressly provided in the original grant terms of a particular award, performance will be deemed to be attained at target. See **The Merger Agreement Treatment of Equity Awards** beginning on page 105 of this proxy statement/prospectus.

**Q: What happens if the merger is not completed?**

A: If the merger agreement is not adopted by PVR unitholders or if the merger is not completed for any other reason, you will not receive any form of consideration for your PVR units in connection with the merger. Instead, PVR will remain an independent publicly traded limited partnership and its common units will continue to be listed and traded on the NYSE. If the merger agreement is terminated under specified circumstances, including if unitholder approval is not obtained, PVR will be required to pay all of the reasonably documented out-of-pocket expenses incurred by Regency and its affiliates in connection with the merger agreement and the transactions contemplated thereby, up to a maximum amount of \$20.0 million. In addition, if the merger agreement is terminated in specified circumstances, including due to an adverse recommendation change having occurred, PVR will be required to pay Regency a termination fee of \$134.5 million, less any expenses previously paid by PVR to Regency. Following payment of the termination fee, PVR will not be obligated to pay any additional expenses incurred by Regency or its affiliates. Please read **The Merger Agreement Expenses and Termination Fee** beginning on page 108 of this proxy statement/prospectus.

**Q: Will I continue to receive future distributions?**

A: Before completion of the merger, PVR expects to continue to pay its regular quarterly cash distribution on its common units, which currently is \$0.55 per PVR common unit. However, PVR and Regency will coordinate the timing of distribution declarations leading up to the merger so that, in any quarter, a holder of PVR common units

will either receive distributions in respect of its PVR common units and Class B units or distributions in respect of Regency common units that such holder will receive in the merger (but will not receive distributions in respect of both in any quarter). Receipt of the regular quarterly distribution will not reduce the merger consideration you receive. After completion of the merger, you will be entitled only to distributions on any Regency common units you receive in the merger and hold through the applicable distribution record date. While Regency provides no assurances as to the level or payment of any future distributions on its common units, and Regency determines the amount of its distributions each quarter, for the quarter ended December 31, 2013, Regency paid a cash distribution of \$0.475 per Regency common unit on February 14, 2014 to holders of record as of the close of business on February 7, 2014.

**Table of Contents**

**Q: What am I being asked to vote on?**

A: PVR's unitholders are being asked to vote on the following proposals:

***Proposal 1:*** to adopt the merger agreement and an amendment thereto, copies of which are attached as Annexes A-1 and A-2 to this proxy statement/prospectus, and the transactions contemplated thereby;

***Proposal 2:*** to approve the adjournment of the PVR special meeting, if necessary to solicit additional proxies if there are not sufficient votes to adopt the merger agreement at the time of the special meeting; and

***Proposal 3:*** to approve, on an advisory (non-binding) basis, the related compensation payments that will or may be paid by PVR to its named executive officers in connection with the merger.

The approval of the proposal to adopt the merger agreement and the transactions contemplated thereby by PVR unitholders is a condition to the obligations of PVR and Regency to complete the merger. Neither the approval of the proposal to adjourn the PVR special meeting, if necessary, nor the approval of the related compensation proposal is a condition to the obligations of PVR or Regency to complete the merger.

**Q: Does the board of directors of PVR's general partner recommend that unitholders adopt the merger agreement and the transactions contemplated thereby?**

A: Yes. The board of directors of PVR GP, the general partner of PVR, has unanimously approved the merger agreement and the transactions contemplated thereby, including the merger, and determined that these transactions are advisable and in the best interests of the PVR unitholders. Therefore, the board of directors of PVR GP unanimously recommends that you vote **FOR** the proposal to adopt the merger agreement and the transactions contemplated thereby at the special meeting. See **Proposal 1: The Merger Recommendation of PVR GP's Board of Directors and Its Reasons for the Merger** beginning on page 70 of this proxy statement/prospectus. In considering the recommendation of the board of directors of PVR GP with respect to the merger agreement and the transactions contemplated thereby, including the merger, you should be aware that directors and executive officers of PVR are parties to agreements or participants in other arrangements that give them interests in the merger that may be different from, or in addition to, your interests as a unitholder of PVR. You should consider these interests in voting on this proposal. These different interests are described under **Proposal 1: The Merger Interests of Directors and Executive Officers of PVR in the Merger** beginning on page 89 of this proxy statement/prospectus.

**Q: Does PVR GP's board of directors recommend that unitholders approve the adjournment of the PVR special meeting, if necessary?**

A: Yes. PVR GP's board of directors unanimously recommends that you vote **FOR** the proposal to adjourn the PVR special meeting if necessary to solicit additional proxies if there are not sufficient votes to adopt the merger

agreement at the time of the PVR special meeting. See Proposal 2: Adjournment of the PVR Special Meeting beginning on page 179 of this proxy statement/prospectus.

**Q: What are the related compensation payments and why am I being asked to vote on them?**

A: The SEC has adopted rules that require PVR to seek an advisory (non-binding) vote on the related compensation payments. The related compensation payments are certain compensation payments that are tied to or based on the merger and that will or may be paid by PVR to its named executive officers in connection with the merger. This proposal is referred to as the related compensation proposal.

**Q: Does PVR GP's board of directors recommend that unitholders approve the related compensation proposal?**

A: Yes. The PVR GP board of directors unanimously recommends that you vote FOR the proposal to approve the related compensation payments that will or may be paid by PVR to its named executive officers in connection with the merger. See Proposal 3: Advisory Vote on Related Compensation beginning on page 179 of this proxy statement/prospectus.

**Table of Contents**

**Q: What happens if the related compensation proposal is not approved?**

A: Approval of the related compensation proposal is not a condition to completion of the merger. The vote is an advisory vote and is not binding. If the merger is completed, PVR will pay the related compensation to its named executive officers in connection with the merger even if PVR unitholders fail to approve the related compensation proposal.

**Q: What unitholder vote is required for the approval of each proposal?**

A: The following are the vote requirements for the proposals:

***Proposal 1: Adoption of the Merger Agreement.*** The affirmative vote of holders of at least a majority of the outstanding PVR common units and Class B units, voting together as a single class. Accordingly, abstentions and unvoted units will have the same effect as votes AGAINST adoption.

***Proposal 2: Adjournment of the PVR Special Meeting (if necessary).*** If a quorum is present at the meeting, the affirmative vote of at least a majority of the outstanding PVR common units and Class B units, voting together as a single class; *provided* that, if a quorum is not present at the meeting, the affirmative vote of holders of a majority of the outstanding PVR common units and Class B units entitled to vote at such meeting represented either in person or by proxy, voting together as a single class, will be required to approve the proposal. Accordingly, abstentions and unvoted units will have the same effect as votes AGAINST the proposal.

***Proposal 3: Approval of Related Compensation.*** The affirmative vote of at least a majority of the outstanding PVR common units and Class B units, voting together as a single class. Accordingly, abstentions and unvoted units will have the same effect as votes AGAINST the proposal.

**Q: What constitutes a quorum for the special meeting?**

A: At least a majority of the outstanding PVR common units and Class B units, voting together as a single class, must be represented in person or by proxy at the meeting in order to constitute a quorum.

**Q: When is this proxy statement/prospectus being mailed?**

A: This proxy statement/prospectus and the proxy card are first being sent to PVR unitholders on or about February 20, 2014.

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

A: Holders of each of PVR's common units outstanding and Class B units outstanding (as each is defined in PVR's agreement of limited partnership) as of the close of business on February 18, 2014, the record date, are entitled to one vote per unit at the special meeting.

As of the record date, there were 112,274,703 common units outstanding and 24,811,083 Class B units outstanding, all of which are entitled to vote at the special meeting.

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

A: The special meeting will be held at The Villanova University Conference Center, 601 County Line Road, Radnor, Pennsylvania 19087, on March 20, 2014, at 10:00 a.m., local time.

**Q: How do I vote my units at the special meeting?**

A: There are four ways you may cast your vote. You may vote:

*In Person.* If you are a unitholder of record, you may vote in person at the special meeting. Units held by a broker, bank or other nominee may be voted in person by you only if you obtain a legal proxy from the record holder (which is your broker, bank or other nominee) giving you the right to vote the units;

**Table of Contents**

*Via the Internet.* You may vote electronically via the Internet by accessing the Internet address provided on each proxy card (if you are a unitholder of record) or vote instruction card (if your units are held by a broker, bank or other nominee);

*By Telephone.* You may vote by using the toll-free telephone number listed on the enclosed proxy card (if you are a unitholder of record) or vote instruction card (if your units are held by a broker, bank or other nominee); or

*By Mail.* You may vote by filling out, signing and dating the enclosed proxy card (if you are a unitholder of record) or vote instruction card (if your units are held by a broker, bank or other nominee) and returning it by mail in the prepaid envelope provided.

Even if you plan to attend the special meeting in person, your plans may change, thus you are encouraged to submit your proxy as described above so that your vote will be counted if you later decide not to attend the special meeting.

If your units are held by a broker, bank or other nominee, also known as holding units in street name, you should receive instructions from the broker, bank or other nominee that you must follow in order to have your units voted. Please review such instructions to determine whether you will be able to vote via Internet or by telephone. The deadline for voting by telephone or electronically through the Internet is 11:59 p.m. Eastern Time, March 19, 2014 (the Telephone/Internet deadline ).

**Q: If my units are held in street name by my broker, will my broker automatically vote my units for me?**

A: No. If your units are held in an account at a broker or through another nominee, you must instruct the broker or other nominee on how to vote your units by following the instructions that the broker or other nominee provides to you with these materials. Most brokers offer the ability for unitholders to submit voting instructions by mail by completing a voting instruction card, by telephone and via the Internet.

If you do not provide voting instructions to your broker, your units will not be voted on any proposal on which your broker does not have discretionary authority to vote. This is referred to in this proxy statement/prospectus and in general as a broker non-vote. In these cases, the broker can register your units as being present at the special meeting for purposes of determining a quorum, but will not be able to vote on those matters for which specific authorization is required. Under the current rules of the NYSE, brokers do not have discretionary authority to vote on the proposal to adopt the merger agreement and the transactions contemplated thereby. A broker non-vote will have the same effect as a vote AGAINST adoption of the merger agreement and the transactions contemplated thereby, the adjournment proposal and the related compensation proposal.

**Q: How will my units be represented at the special meeting?**

A: If you submit your proxy by telephone, the Internet website or by signing and returning your proxy card, the officers named in your proxy card will vote your units in the manner you requested if you correctly submitted your proxy. If you sign your proxy card and return it without indicating how you would like to vote your units,



your proxy will be voted as PVR GP's board of directors recommends, which is:

**Proposal 1:** FOR the adoption of the merger agreement and the transactions contemplated thereby;

**Proposal 2:** FOR the approval of the adjournment of the PVR special meeting, if necessary to solicit additional proxies if there are not sufficient votes to adopt the merger agreement at the time of the special meeting; and

**Proposal 3:** FOR the approval, on an advisory (non-binding) basis, of the related compensation payments that will or may be paid by PVR to its named executive officers in connection with the merger.

**Table of Contents**

**Q: Who may attend the special meeting?**

A: PVR unitholders (or their authorized representatives) and PVR's invited guests may attend the special meeting. All attendees should be prepared to present government-issued photo identification (such as a driver's license or passport) for admittance.

**Q: Is my vote important?**

A: Yes, your vote is very important. If you do not submit a proxy or vote in person at the special meeting, it will be more difficult for PVR to obtain the necessary quorum to hold the special meeting. In addition, an abstention or your failure to submit a proxy or to vote in person will have the same effect as a vote **AGAINST** the adoption of the merger agreement and the transactions contemplated thereby. If you hold your units through a broker or other nominee, your broker or other nominee will not be able to cast a vote on such adoption without instructions from you. PVR GP's board of directors recommends that you vote **FOR** the adoption of the merger agreement and the transactions contemplated thereby.

**Q: Can I revoke my proxy or change my voting instructions?**

A: Yes. If you are a unitholder of record, you may revoke or change your vote at any time before the Telephone/Internet deadline or before the polls close at the special meeting by:

    sending a written notice, no later than the Telephone/Internet deadline, to PVR at Three Radnor Corporate Center, Suite 301, 100 Matsonford Road, Radnor, Pennsylvania 19087, Attn: Corporate Secretary, that bears a date later than the date of the proxy and is received prior to the special meeting and states that you revoke your proxy;

    submitting a valid, later-dated proxy by mail, telephone or Internet that is received prior to the special meeting; or

    attending the special meeting and voting by ballot in person (your attendance at the special meeting will not, by itself, revoke any proxy that you have previously given).

If you hold your PVR units through a broker or other nominee, you must follow the directions you receive from your broker or other nominee in order to revoke your proxy or change your voting instructions.

**Q: What happens if I sell my units after the record date but before the special meeting?**

A:

The record date for the special meeting is earlier than the date of the special meeting and the date that the merger is expected to be completed. If you sell or otherwise transfer your PVR units after the record date but before the date of the special meeting, you will retain your right to vote at the special meeting. However, you will not have the right to receive the merger consideration to be received by PVR s unitholders in the merger. In order to receive the merger consideration, you must hold your units through completion of the merger.

**Q: What does it mean if I receive more than one proxy card or vote instruction card?**

A: Your receipt of more than one proxy card or vote instruction card means that you have multiple accounts with PVR s transfer agent or with a brokerage firm, bank or other nominee. If voting by mail, please sign and return all proxy cards or vote instruction cards to ensure that all of your units are voted. Each proxy card or vote instruction card represents a distinct number of units and it is the only means by which those particular units may be voted by proxy.

**Q: Am I entitled to appraisal rights if I vote against the adoption of the merger agreement?**

A: No. Appraisal rights are not available in connection with the merger under the Delaware Revised Uniform Limited Partnership Act, which is referred to as the Delaware LP Act, or under the PVR partnership agreement.

**Table of Contents**

**Q: Is completion of the merger subject to any conditions?**

A: Yes. In addition to the adoption of the merger agreement by PVR unitholders, completion of the merger requires the receipt of the necessary governmental clearances and the satisfaction or, to the extent permitted by applicable law, waiver of the other conditions specified in the merger agreement.

**Q: When do you expect to complete the merger?**

A: PVR and Regency are working towards completing the merger promptly. PVR and Regency currently expect to complete the merger in the first quarter of 2014, subject to receipt of PVR's unitholder approval, regulatory approvals and clearances and other usual and customary closing conditions. However, no assurance can be given as to when, or if, the merger will occur.

**Q: What are the expected U.S. federal income tax consequences to a PVR unitholder as a result of the transactions contemplated by the merger agreement?**

A: It is anticipated that no gain or loss will be recognized by a PVR unitholder solely as a result of the merger, other than (i) such unitholder's distributive share of any gain recognized by PVR as a result of the merger (which, as described below, is expected to be zero) or (ii) to the extent the aggregate amount of cash consideration and cash in lieu of fractional Regency common units received by such PVR unitholder, plus any net decrease in such PVR unitholder's share of partnership liabilities pursuant to Section 752 of the Internal Revenue Code of 1986, as amended (the Code), exceeds such PVR unitholder's adjusted tax basis in its PVR units at the closing of the merger.

Please read Risk Factors Risk Factors Relating to the Merger and Material U.S. Federal Income Tax Consequences of the Merger Tax Consequences of the Merger to PVR Unitholders.

**Q: Under what circumstances could the merger result in a PVR unitholder recognizing taxable income or gain?**

A: For U.S. federal income tax purposes, PVR will be deemed to contribute all of its assets to Regency in exchange for Regency common units, cash, and the assumption of PVR's liabilities, followed by a liquidation of PVR in which Regency common units and cash are distributed to PVR unitholders. The deemed receipt of cash by PVR in the merger could trigger gain to PVR either because it would be treated as part of a sale or because it exceeds PVR's adjusted tax basis in its assets at the closing of the merger, and any such gain would be allocated to the PVR unitholders pursuant to the PVR partnership agreement. The deemed receipt of cash by PVR will qualify for one or more exceptions to sale treatment and PVR does not currently expect that it will recognize gain as a result of the deemed receipt of cash in the merger exceeding its adjusted tax basis in its assets. In addition, as a result of the merger, PVR unitholders who receive Regency common units will become limited partners of Regency for U.S. federal income tax purposes and will be allocated a share of Regency's nonrecourse liabilities. Each PVR unitholder will be treated as receiving a deemed cash distribution equal to the excess, if any, of such PVR

unitholder's share of nonrecourse liabilities of PVR immediately before the merger over such common unitholder's share of nonrecourse liabilities of Regency immediately following the merger. If the amount of cash actually received plus any deemed cash distribution received by a PVR unitholder exceeds the common unitholder's basis in his PVR units, such common unitholder will recognize gain in an amount equal to such excess. While there can be no assurance, Regency and PVR expect that most PVR unitholders will not recognize gain in this manner. The amount and effect of any gain that may be recognized by PVR unitholders will depend on the PVR unitholder's particular situation, including the ability of the PVR unitholder to utilize any suspended passive losses. For additional information, please read "Material U.S. Federal Income Tax Consequences of the Merger" Tax Consequences of the Merger to PVR, "Material U.S. Federal Income Tax Consequences of the Merger" Tax Consequences of the Merger to PVR Unitholders and "Risk Factors Relating to the Merger."

**Table of Contents**

**Q: What are the expected U.S. federal income tax consequences for a PVR unitholder of the ownership of Regency common units after the merger is completed?**

A: Each PVR unitholder who becomes a Regency unitholder as a result of the merger will, as is the case for existing Regency common unitholders, be allocated such unitholder's distributive share of Regency's income, gains, losses, deductions and credits. In addition to U.S. federal income taxes, such a holder will be subject to other taxes, including state and local income taxes, unincorporated business taxes, and estate, inheritance or intangibles taxes that may be imposed by the various jurisdictions in which Regency conducts business or owns property or in which the unitholder is resident. Please read Material U.S. Federal Income Tax Consequences of Regency Common Unit Ownership.

**Q: Assuming the merger closes before December 31, 2014, how many Schedule K-1s will I receive if I am a PVR unitholder?**

A: You will receive two Schedule K-1s, one from PVR, which will describe your share of PVR's income, gain, loss and deduction for the portion of the tax year that you held PVR units prior to the effective time of the merger, and one from Regency, which will describe your share of Regency's income, gain, loss and deduction for the portion of the tax year you held Regency common units following the effective time of the merger.

**Q: What do I need to do now?**

A: Carefully read and consider the information contained in and incorporated by reference into this proxy statement/prospectus, including its annexes. Then, please vote your PVR units in accordance with the instructions described above.

If you hold units through a broker or other nominee, please instruct your broker or nominee to vote your units by following the instructions that the broker or nominee provides to you with these materials.

**Q: Should I send in my unit certificates now?**

A: No. PVR unitholders should not send in their unit certificates at this time. After completion of the merger, Regency's exchange agent will send you a letter of transmittal and instructions for exchanging your PVR common units for the merger consideration. Unless you specifically request to receive Regency unit certificates, the Regency common units you receive in the merger will be issued in book-entry form.

**Q: Whom should I call with questions?**

A: PVR unitholders should call Morrow & Co., LLC, PVR's proxy solicitor, toll-free at (800) 460-1014 (banks and brokers call collect at (203) 658-9400) with any questions about the merger or the special meeting, or to obtain

additional copies of this proxy statement/prospectus, proxy cards or voting instruction forms.

**Table of Contents**

**SUMMARY**

*This summary highlights selected information from this proxy statement/prospectus. You are urged to read carefully the entire proxy statement/prospectus and the other documents referred to in this proxy statement/prospectus because the information in this section does not provide all the information that might be important to you with respect to the merger agreement, the merger and the other matters being considered at the PVR special meeting. See Where You Can Find More Information. Each item in this summary refers to the page of this proxy statement/prospectus on which that subject is discussed in more detail.*

**The Parties (See page 50)**

Regency Energy Partners LP, which is referred to as Regency, is a Delaware limited partnership with common units traded on the NYSE under the symbol RGP. Regency is a growth-oriented limited partnership engaged in the gathering and processing, compression, treating and transportation of natural gas and the transportation, fractionation and storage of natural gas liquids, which are referred to as NGLs. Regency GP LP, a Delaware limited partnership, which is referred to as Regency GP, is Regency's general partner.

PVR Partners, L.P., which is referred to as PVR, is a Delaware limited partnership with common units traded on the NYSE under the symbol PVR. PVR is principally engaged in the gathering and processing of natural gas and the management of coal and natural resource properties in the United States. PVR's assets are primarily located in Pennsylvania, Texas, Oklahoma and West Virginia. PVR GP, LLC, a Delaware limited liability company, which is referred to as PVR GP, is PVR's general partner.

**The Merger (See page 57)**

Subject to the terms and conditions of the merger agreement and in accordance with Delaware law, the merger agreement provides for the merger of PVR with and into Regency. Regency will survive the merger, and the separate limited partnership existence of PVR will cease.

**Merger Consideration (See page 104)**

The merger agreement provides that, at the effective time of the merger, which is referred to as the effective time, each PVR common unit and Class B unit issued and outstanding or deemed issued and outstanding as of immediately prior to the effective time will be converted into the right to receive (i) 1.020 Regency common units and (ii) an amount of cash equal to the difference (if positive) between (x) the PVR annualized distribution and (y) the Regency adjusted annualized distribution. The PVR annualized distribution is the product of four times the amount of the quarterly cash distribution most recently declared by PVR prior to the closing of the merger. The Regency adjusted annualized distribution is the product of four times the amount of the quarterly cash distribution most recently declared by Regency prior to the closing of the merger, multiplied by the exchange ratio of 1.020. This one-time cash payment is estimated to equal approximately \$36.7 million in the aggregate. Any PVR securities that are owned by PVR or Regency or any of their respective subsidiaries immediately prior to the effective time will be cancelled without any conversion or payment of consideration in respect thereof.

**Treatment of Equity Awards (See page 105)**

**Phantom Units.** Except as otherwise expressly provided in the original grant terms of a particular award, each phantom PVR common unit that was granted under a PVR equity incentive plan and that is outstanding immediately prior to the effective time, automatically and without any action on the part of the holder of such phantom PVR



common unit, will at the effective time vest in full (in the case of performance-based phantom PVR common units, based on achievement of target level of performance), the restrictions with respect thereto

**Table of Contents**

will lapse, and each PVR common unit deemed to be issued in settlement thereof will be deemed issued and outstanding as of immediately prior to the effective time and at the effective time will be converted into the right to receive the merger consideration in accordance with the terms of the merger agreement. In addition, any then-accumulated distribution equivalents payable pursuant to distribution equivalent rights with respect to each phantom PVR common unit that vests in accordance with the merger agreement will at the effective time and without any action on the part of any holder thereof vest in full and become immediately payable in cash.

***Restricted Units.*** Each restricted PVR common unit that was granted under a PVR equity incentive plan and that is outstanding immediately prior to the effective time, automatically and without any action on the part of the holder of such restricted PVR common unit, will at the effective time vest in full and the restrictions with respect thereto will lapse, and each restricted PVR common unit will be treated as an issued and outstanding PVR common unit as of immediately prior to the effective time and at the effective time will be converted into the right to receive the merger consideration in accordance with the terms of the merger agreement.

***Deferred Common Units.*** Restrictions with respect to each deferred PVR common unit that is outstanding immediately prior to the effective time, automatically and without any action on the part of the holder of such deferred PVR common unit, will at the effective time lapse, and each deferred PVR common unit will be treated as an issued and outstanding PVR common unit as of immediately prior to the effective time and at the effective time will be converted into the right to receive the merger consideration in accordance with the terms of the merger agreement.

**PVR Special Unitholder Meeting; Unitholders Entitled to Vote; Vote Required (See page 52)**

***Meeting.*** The special meeting will be held on March 20, 2014, at 10:00 a.m., local time, at The Villanova University Conference Center, 601 County Line Road, Radnor, Pennsylvania 19087. At the special meeting, PVR unitholders will be asked to vote on the following proposals:

***Proposal 1:*** to adopt the merger agreement and the transactions contemplated thereby;

***Proposal 2:*** to approve the adjournment of the special meeting, if necessary to solicit additional proxies if there are not sufficient votes to adopt the merger agreement at the time of the special meeting; and

***Proposal 3:*** to approve, on an advisory (non-binding) basis, the related compensation payments that will or may be paid by PVR to William H. Shea, Jr., President and Chief Executive Officer of PVR GP, Robert B. Wallace, Executive Vice President and Chief Financial Officer of PVR GP, Keith D. Horton, Executive Vice President and Chief Operating Officer Coal of PVR GP, Ronald K. Page, Former Executive Vice President and Chief Operating Officer Midstream, Midcontinent of PVR GP, and Bruce D. Davis, Jr., Executive Vice President and General Counsel of PVR GP (together referred to as PVR's named executive officers), in connection with the merger.

***Record Date.*** Only PVR unitholders of record at the close of business on February 18, 2014 will be entitled to receive notice of and to vote at the special meeting. As of the close of business on the record date of February 18, 2014, there were 112,274,703 PVR common units and 24,811,083 Class B units outstanding and entitled to vote at the meeting. Each holder of PVR common units and Class B units is entitled to one vote for each unit owned as of the record date.

**Required Vote.** To adopt the merger agreement and the transactions contemplated thereby, holders of at least a majority of the outstanding PVR common units and Class B units, voting together as a single class, must vote in favor of such adoption. **PVR cannot complete the merger unless its unitholders adopt the merger agreement and the transactions contemplated thereby.** Because approval is based on the affirmative vote of at least a majority of the outstanding PVR common units and Class B units, voting together as a single class, **a PVR unitholder's failure to vote, an abstention from voting or the failure of a PVR unitholder who holds his or her units in street name through a broker or other nominee to give voting instructions to such broker or other nominee will have the same effect as a vote AGAINST adoption of the merger agreement.**

---

**Table of Contents**

To approve the adjournment of the PVR special meeting, if necessary to solicit additional proxies if there are not sufficient votes to adopt the merger agreement at the time of the special meeting and if a quorum is present at the meeting, holders of at least a majority of the outstanding PVR common units and Class B units, voting together as a single class, must vote in favor of the proposal; provided that, if a quorum is not present at the meeting, the affirmative vote of holders of a majority of the outstanding PVR common units and Class B units entitled to vote at such meeting represented either in person or by proxy, voting together as a single class, is required to approve the proposal. Because approval of this proposal is based on the affirmative vote of at least a majority of the outstanding PVR common units and Class B units, voting together as a single class, a PVR unitholder's failure to vote, an abstention from voting or the failure of a PVR unitholder who holds his or her units in street name through a broker or other nominee to give voting instructions to such broker or other nominee will have the same effect as a vote AGAINST approval of this proposal.

To approve, on an advisory (non-binding) basis, the related compensation payments that will or may be paid by PVR to its named executive officers in connection with the merger, holders of at least a majority of the outstanding PVR common units and Class B units, voting together as a single class, must vote in favor of the proposal. Because approval of this proposal is based on the affirmative vote of at least a majority of the outstanding PVR common units and Class B units, voting together as a single class, a PVR unitholder's failure to vote, an abstention from voting or the failure of a PVR unitholder who holds his or her units in street name through a broker or other nominee to give voting instructions to such broker or other nominee will have the same effect as a vote AGAINST approval of this proposal.

***Unit Ownership of and Voting by PVR's Directors and Executive Officers.*** At the close of business on the record date for the special meeting, PVR's directors and executive officers and their affiliates beneficially owned and had the right to vote 363,037 PVR common units at the special meeting, which represents less than 1% of the PVR units entitled to vote at the special meeting. It is expected that PVR's directors and executive officers will vote their units FOR the adoption of the merger agreement and the transactions contemplated thereby, although none of them has entered into any agreement requiring them to do so.

**Recommendation of PVR GP's Board of Directors and Its Reasons for the Merger (See page 70)**

The board of directors of PVR GP recommends that PVR unitholders vote **FOR** adoption of the merger agreement and the transactions contemplated thereby.

In the course of reaching its decision to approve the merger agreement and the transactions contemplated by the merger agreement, PVR GP's board of directors considered a number of factors in its deliberations. For a more complete discussion of these factors, see Proposal 1: The Merger Recommendation of PVR GP's Board of Directors and Its Reasons for the Merger.

**Opinion of the Financial Advisor to the Board of Directors of PVR GP (See page 72)**

On October 9, 2013, Evercore Group L.L.C. delivered its oral opinion to the board of directors of PVR GP, which opinion was subsequently confirmed by delivery of a written opinion dated October 9, 2013, to the effect that, as of such date and based upon and subject to assumptions made, matters considered and limitations on the scope of review undertaken by Evercore as set forth in its opinion, the merger consideration of (i) an amount of cash equal to the difference (if positive) between (x) PVR's annualized quarterly distribution prior to the effective time and (y) 1.020 times Regency's annualized quarterly distribution prior to the effective time, and (ii) 1.020 Regency common units to be transferred as consideration in respect of each PVR common unit was fair, from a financial point of view, to the holders of the PVR common units (other than affiliates of PVR).

Evercore's opinion was addressed to, and provided for the information and benefit of, the board of directors of PVR GP (in its capacity as such), in connection with its evaluation of the merger and addresses only

## **Table of Contents**

the fairness, from a financial point of view, of the merger consideration to the holders of the outstanding PVR common units (other than affiliates of PVR). Evercore's opinion should not be construed as creating any fiduciary duty on Evercore's part to any party, did not address any other aspect of the merger and was not intended to be, and did not constitute a recommendation to the board of directors of PVR GP or to any other persons in respect of the merger, including as to how any holder of PVR common units or Class B units should vote or act in respect of the merger. Evercore's opinion did not address the relative merits of the merger as compared to other business or financial strategies that might be available to PVR, nor does it address the underlying business decision of PVR to engage in the merger. The summary of the Evercore opinion set forth herein is qualified in its entirety by reference to the full text of the opinion included as Annex B.

### **Regency Unitholder Approval is Not Required (See page 96)**

Regency unitholders are not required to adopt the merger agreement or approve the merger or the issuance of Regency common units in connection with the merger.

### **Directors and Executive Officers of Regency After the Merger (See page 96)**

Regency GP has direct responsibility for conducting Regency's business and for managing its operations. Because Regency GP is a limited partnership, its general partner, Regency GP LLC, is ultimately responsible for the business and operations of Regency GP and conducts its business and operations. Thus, the board of directors and officers of Regency GP LLC make decisions on Regency's behalf. The directors and executive officers of Regency GP LLC immediately prior to the merger will continue as the directors and executive officers of Regency GP LLC after the merger. In this proxy statement/prospectus, each of Regency GP LP and Regency GP LLC are sometimes referred to as Regency GP.

### **Ownership of Regency After the Merger (See page 96)**

Regency will issue approximately 140 million Regency common units to former PVR unitholders pursuant to the merger. Based on the number of Regency units outstanding as of the date of this proxy statement/prospectus, immediately following the completion of the merger, Regency expects to have approximately 355 million common units outstanding. PVR unitholders are therefore expected to hold approximately 40% of the aggregate number of Regency common units outstanding immediately after the merger and approximately 39% of Regency's total units of all classes. Holders of Regency common units are not entitled to elect the directors of Regency GP LLC (unlike holders of PVR units) and have only limited voting rights on matters affecting Regency's business. Consequently, PVR unitholders, as a general matter, will have less influence over the management and policies of Regency than they currently exercise over the management and policies of PVR.

### **Interests of Directors and Executive Officers of PVR in the Merger (See page 89)**

PVR's directors and executive officers have financial interests in the merger that are different from, or in addition to, the interests of PVR unitholders generally. The members of the PVR board of directors were aware of and considered these interests, among other matters, in evaluating and negotiating the merger agreement and the merger, and in recommending to PVR's unitholders that the merger agreement be adopted.

These interests include:

PVR's directors and executive officers are participants in the PVR GP Sixth Amended and Restated Long-Term Incentive Plan (the PVR LTIP). Each phantom PVR common unit that was granted under the PVR LTIP and is outstanding immediately prior to the closing of the merger will vest in full (in the case of performance-based phantom PVR common units, based on achievement of target level of performance) and the restrictions with respect to such phantom PVR common units will lapse, and each PVR common unit deemed to be issued in settlement thereof will be deemed issued and outstanding as of immediately prior to the effective time and at the effective time will be converted into the right to

**Table of Contents**

receive the merger consideration. In addition, any then-accumulated distribution equivalent payable pursuant to distribution equivalent rights with respect to each phantom PVR common unit that vests in connection with the merger will vest in full and become immediately payable in cash. Similarly, each award of restricted PVR common units and deferred PVR common units that is outstanding immediately prior to the effective time will vest in full in the case of restricted PVR common units and the restrictions with respect to each type of award will lapse, and each restricted PVR common unit or deferred PVR common unit will be treated as an issued and outstanding common unit and will be converted into the right to receive the merger consideration.

Pursuant to separate employment agreements with PVR GP, PVR's named executive officers are entitled to severance payments and benefits in the event of certain qualifying terminations of employment in connection with or following the merger.

Under the merger agreement, in the event that the merger closes in 2013, each participant (including each of the executive officers) in PVR GP's Annual Incentive Plan (or the Annual Incentive Plan) will be entitled to a prorated 2013 annual incentive payment based on the previously established target bonus set for the individual for the 2013 year and the number of days that have elapsed during the 2013 year, which amount is payable upon the earlier to occur of March 1, 2014 and the date which is 30 days after the closing of the merger.

PVR's directors and executive officers are entitled to continued indemnification and insurance coverage under the merger agreement.

Riverstone Holdings LLC, which is referred to as Riverstone, has two designees to the PVR board of directors, Andrew W. Ward, a Partner and Managing Director, and E. Bartow Jones, a Managing Director of Riverstone. In connection with the merger, immediately prior to the effective time of the merger (i) 24,811,083 PVR Class B units held by Riverstone and outstanding as of the date of the merger and (ii) any PVR Class B units issued as part of a distribution in kind after the date of the merger agreement and held by Riverstone as of the effective time will be converted into PVR common units on a one-for-one basis and thereby become entitled to receive the merger consideration per PVR common unit.

Prior to the effective time, Regency and its affiliates may initiate negotiations of agreements, arrangements and understandings with certain of PVR's executive officers regarding compensation and benefits and may enter into definitive agreements regarding employment with, or the right to participate in the equity of, Regency or its affiliates, in each case on a going-forward basis following completion of the merger.

**Risks Relating to the Merger and Ownership of Regency Common Units (See page 32)**

PVR unitholders should consider carefully all the risk factors together with all of the other information included or incorporated by reference in this proxy statement/prospectus before deciding how to vote. Risks relating to the merger and ownership of Regency common units are described in the section titled "Risk Factors." Some of these risks include, but are not limited to, those described below:



Because the exchange ratio is fixed and because the market price of Regency common units will fluctuate prior to the consummation of the merger, PVR unitholders cannot be sure of the market value of the Regency common units they will receive as merger consideration relative to the value of the PVR common units they exchange.

Regency and PVR may be unable to obtain the regulatory clearances required to complete the merger or, in order to do so, Regency and PVR may be required to comply with restrictions or satisfy conditions.

The merger agreement contains provisions that limit PVR's ability to pursue alternatives to the merger, could discourage a potential competing acquirer of PVR from making a favorable alternative

**Table of Contents**

transaction proposal and, in specified circumstances, including if unitholder approval is not obtained or if the merger agreement is terminated due to an adverse recommendation change having occurred, could require PVR to reimburse up to \$20.0 million of Regency's out-of-pocket expenses and pay a termination fee to Regency of \$134.5 million, less any previous expense reimbursements by PVR. Following payment of the termination fee, PVR will not be obligated to pay any additional expenses incurred by Regency or its affiliates.

Directors and executive officers of PVR have certain interests that are different from those of PVR unitholders generally.

PVR unitholders will have a reduced ownership and voting interest in the combined organization after the merger and will exercise less influence over management.

Regency common units to be received by PVR unitholders as a result of the merger have different rights from PVR common units.

No ruling has been requested with respect to the U.S. federal income tax consequences of the merger.

The intended U.S. federal income tax consequences of the merger are dependent upon Regency and PVR being treated as partnerships for U.S. federal income tax purposes.

PVR common unitholders could recognize taxable income or gain for U.S. federal income tax purposes as a result of the merger.

Regency GP is owned by Energy Transfer Equity, L.P., which also owns Southern Union Company and the general partner of Energy Transfer Partners, L.P. and Sunoco Logistics Partners L.P. This may result in conflicts of interest.

Regency common unitholders have limited voting rights and are not entitled to elect Regency GP or the directors of its general partner.

Regency's tax treatment depends on its status as a partnership for federal income tax purposes, as well as its not being subject to a material amount of entity-level taxation by individual states or local entities. If the IRS treats Regency as a corporation or Regency becomes subject to a material amount of entity-level taxation for state or local tax purposes, it would substantially reduce the amount of cash available for payment for distributions on Regency's common units.

**Material U.S. Federal Income Tax Consequences of the Merger (See page 124)**

Tax matters associated with the merger are complicated. The U.S. federal income tax consequences of the merger to a PVR unitholder will depend, in part, on such common unitholder's own personal tax situation. The tax discussions contained herein focus on the U.S. federal income tax consequences generally applicable to individuals who are residents or citizens of the United States that hold their PVR units as capital assets, and these discussions have only limited application to other unitholders, including those subject to special tax treatment. PVR unitholders are urged to consult their tax advisors for a full understanding of the U.S. federal, state, local and foreign tax consequences of the merger that will be applicable to them.

In connection with the merger, PVR expects to receive an opinion from Vinson & Elkins L.L.P. to the effect that (i) PVR will recognize gain as a result of the merger only to the extent, if any, that the sum of the aggregate amount of cash consideration, the aggregate amount of cash received in lieu of fractional Regency common units, and any net reduction in PVR's share of liabilities for purposes of Section 752 of the Code, exceeds the adjusted tax basis of PVR's assets at the closing of the merger; (ii) a holder of PVR units will not recognize gain as a result of the merger except (a) for its distributive share of any gain recognized by PVR as a result of the merger, if any, and (b) to the extent the aggregate amount of cash consideration and cash in lieu of fractional Regency

## **Table of Contents**

common units received by such PVR unitholder, plus any net reduction in such PVR unitholder's share of liabilities for purposes of Section 752 of the Code, exceeds such PVR unitholder's adjusted tax basis in its PVR units immediately prior to the closing of the merger; provided that such opinion shall not extend to any holder who acquired PVR units from PVR in exchange for property other than cash; and (iii) at least 90% of the gross income of PVR for the most recent four complete calendar quarters ending before the closing date of the merger for which the necessary financial information is available is from sources treated as "qualifying income" within the meaning of Section 7704(d) of the Code.

In connection with the merger, Regency expects to receive an opinion from Baker Botts L.L.P. to the effect that (i) Regency will not recognize any income or gain as a result of the merger (other than any gain resulting from any decrease in partnership liabilities pursuant to Section 752 of the Code), (ii) no gain or loss will be recognized by holders of Regency common units as a result of the merger (other than any gain resulting from any decrease in partnership liabilities pursuant to Section 752 of the Code), and (iii) at least 90% of the combined gross income of each of Regency and PVR for the most recent four complete calendar quarters ending before the closing date of the merger for which the necessary financial information is available is from sources treated as "qualifying income" within the meaning of Section 7704(d) of the Code.

Opinions of counsel, however, are subject to certain limitations and are not binding on the Internal Revenue Service ( "IRS" ) and no assurance can be given that the IRS would not successfully assert a contrary position regarding the merger and the opinions of counsel. In addition, such opinions will be based upon certain factual assumptions and representations made by the officers of Regency, Regency GP and PVR and any of their respective affiliates. Please read "Material U.S. Federal Income Tax Consequences of the Merger" for a more complete discussion of the U.S. federal income tax consequences of the merger.

### **Accounting Treatment of the Merger (See page 95)**

In accordance with accounting principles generally accepted in the United States and in accordance with the Financial Accounting Standards Board's Accounting Standards Codification Topic 805 Business Combinations, Regency will account for the merger as an acquisition of a business.

### **Listing of Regency Common Units; Delisting and Deregistration of PVR Common Units (See page 96)**

Regency common units are currently listed on the NYSE under the ticker symbol "RGP". It is a condition to closing that the common units to be issued in the merger to PVR unitholders be approved for listing on the NYSE, subject to official notice of issuance.

PVR common units are currently listed on the NYSE under the ticker symbol "PVR". If the merger is completed, PVR common units will cease to be listed on the NYSE and will be deregistered under the Exchange Act.

### **No Appraisal Rights (See page 95)**

Appraisal rights are not available in connection with the merger under the Delaware LP Act or under the PVR partnership agreement.

### **Conditions to Completion of the Merger (See page 99)**

Regency and PVR currently expect to complete the merger in the first quarter of 2014, subject to receipt of required PVR unitholder and regulatory approvals and clearances and to the satisfaction or waiver of the other conditions to the

transactions contemplated by the merger agreement described below.

**Table of Contents**

As more fully described in this proxy statement/prospectus, each party's obligation to complete the transactions contemplated by the merger agreement depends on a number of customary closing conditions being satisfied or, where legally permissible, waived, including the following:

the merger agreement and the transactions contemplated thereby must have been approved by the affirmative vote or consent of the holders of at least a majority of the outstanding PVR common units and Class B units as of the record date, voting together as a single class;

the waiting period applicable to the merger under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, which is referred to as the HSR Act, must have been terminated or expired;

no law, injunction, judgment or ruling enacted, promulgated, issued, entered, amended or enforced by any governmental authority will be in effect enjoining, restraining, preventing or prohibiting the consummation of the transactions contemplated by the merger agreement or making the consummation of such transactions illegal;

the registration statement of which this proxy statement/prospectus forms a part must have been declared effective by the SEC and must not be subject to any stop order or proceedings initiated or threatened by the SEC; and

the Regency common units to be issued in the merger must have been approved for listing on the NYSE, subject to official notice of issuance.

The obligations of Regency to effect the merger are subject to the satisfaction or waiver of the following additional conditions:

the representations and warranties of PVR in the merger agreement being true and correct both when made and at and as of the date of the closing of the merger, subject to certain standards, including materiality and material adverse effect qualifications, as described under "The Merger Agreement - Conditions to Consummation of the Merger";

PVR and PVR GP having performed, in all material respects, all obligations required to be performed by them under the merger agreement;

the receipt of an officer's certificate executed by an executive officer of PVR certifying that the two preceding conditions have been satisfied;

Regency must have received from Baker Botts L.L.P., tax counsel to Regency, a written opinion regarding certain U.S. federal income tax matters, as described under The Merger Agreement Conditions to Consummation of the Merger; and

the conversion of the 10,346,257 special units of PVR outstanding as of the date of the merger agreement into an aggregate of 10,346,257 PVR common units prior to the effective time, which conversion occurred on November 7, 2013.

The obligation of PVR to effect the merger is subject to the satisfaction or waiver of the following additional conditions:

the representations and warranties of Regency in the merger agreement being true and correct both when made and at and as of the date of the closing of the merger, subject to certain standards, including materiality and material adverse effect qualifications, as described under The Merger Agreement Conditions to Consummation of the Merger;

Regency and Regency GP having performed, in all material respects, all obligations required to be performed by them under the merger agreement;

the receipt of an officer's certificate executed by an executive officer of Regency certifying that the two preceding conditions have been satisfied; and

---

**Table of Contents**

PVR must have received from Vinson & Elkins L.L.P., tax counsel to PVR, a written opinion regarding certain U.S. federal income tax matters, as described under The Merger Agreement Conditions to Consummation of the Merger.

**Regulatory Approvals and Clearances Required for the Merger (See page 95)**

Consummation of the merger is subject to the expiration or termination of any applicable waiting period under the HSR Act. On October 30, 2013, Regency and PVR filed Notification and Report Forms with the Antitrust Division of the Department of Justice, which is referred to as the Antitrust Division, and the Federal Trade Commission, which is referred to as the FTC. On November 8, 2013 the FTC granted early termination of the waiting period. See Proposal 1: The Merger Regulatory Approvals and Clearances Required for the Merger.

**No Solicitation by PVR of Alternative Proposals (See page 102)**

Under the merger agreement, PVR has agreed that it will not, and will cause its subsidiaries and use reasonable best efforts to cause its and its subsidiaries directors, officers, employees, investment bankers, financial advisors, attorneys, accountants, agents and other representatives not to, directly or indirectly:

solicit, initiate, knowingly facilitate, knowingly encourage (including by way of furnishing confidential information) or knowingly induce or take any other action intended to lead to any inquiries or any proposals that constitute the submission of an alternative proposal (as defined under The Merger Agreement PVR Unitholder Approval );

grant approval to any person to acquire 20% or more of any partnership securities issued by PVR without such person being subject to the limitations in the PVR partnership agreement that prevents certain persons or groups that beneficially own 20% or more of any outstanding partnership securities of any class then outstanding from voting any partnership securities of PVR on any matter; or

except as permitted by the merger agreement, enter into any confidentiality agreement, merger agreement, letter of intent, agreement in principle, unit purchase agreement, asset purchase agreement or unit exchange agreement, option agreement or other similar agreement relating to an alternative proposal.

In addition, the merger agreement requires PVR and its subsidiaries to (i) cease and cause to be terminated any discussions or negotiations with any persons conducted prior to the execution of the merger agreement regarding an alternative proposal, (ii) request the return or destruction of all confidential information previously provided to any such persons and (iii) immediately prohibit any access by any persons (other than Regency and its representatives) to any physical or electronic data room relating to a possible alternative proposal.

Notwithstanding these restrictions, the merger agreement provides that, under specified circumstances at any time prior to PVR unitholders voting in favor of adopting the merger agreement, PVR may furnish information, including confidential information, with respect to it and its subsidiaries to, and participate in discussions or negotiations with, any third party that makes a written alternative proposal that PVR GP's board of directors believes is *bona fide*, and (after consultation with its financial advisors and outside legal counsel) PVR GP's board of directors determines in good faith constitutes or could reasonably be expected to lead to or result in a superior proposal and such alternative proposal did not result from a material breach of the no solicitation provisions in the merger agreement. In addition, if PVR desires to waive any of the standstill provisions of any confidentiality agreement entered into with another



person as permitted by the merger agreement, PVR is required to give written notice of the specific aspect of the standstill provision desired to be waived and will thereafter be permitted to waive such provisions, which waiver will constitute a waiver of the standstill provisions of Regency's confidentiality agreement with PVR in the same manner and to the same extent as such provisions are waived with respect to such person.

## **Table of Contents**

PVR has also agreed in the merger agreement that it (i) will promptly, and in any event within 24 hours after receipt, notify Regency of any alternative proposal or any request for information or inquiry with regard to any alternative proposal and the identity of the person making any such alternative proposal, request or inquiry (including providing Regency with copies of any written materials received from or on behalf of such person relating to such proposal, offer, request or inquiry) and (ii) will provide Regency the terms, conditions and nature of any such alternative proposal, request or inquiry. In addition, PVR will keep Regency reasonably informed of all material developments affecting the status and terms of any such alternative proposals, offers, inquiries or requests (and promptly provide Regency with copies of any written materials received by PVR or that PVR has delivered to any third party making an alternative proposal that relate to such proposals, offers, requests or inquiries) and of the status of any such discussions or negotiations.

### **Change in PVR GP Board Recommendation (See page 103)**

The merger agreement provides that PVR will not, and will cause its subsidiaries and use reasonable best efforts to cause its representatives not to, directly or indirectly, withdraw, modify or qualify, or propose publicly to withdraw, modify or qualify, in a manner adverse to Regency, the recommendation of PVR GP's board of directors that PVR's unitholders adopt the merger agreement or publicly recommend the approval or adoption of, or publicly approve or adopt, or propose to publicly recommend, approve or adopt, any alternative proposal. In addition, subject to certain limitations, within five business days of receipt of a written request from Regency following receipt by PVR of an alternative proposal, PVR will publicly reconfirm the recommendation of PVR GP's board of directors that PVR's unitholders adopt the merger agreement and PVR may not unreasonably withhold, delay (beyond the five business day period) or condition such public reconfirmation.

PVR taking or failing to take, as applicable, any of the actions described above is referred to as an adverse recommendation change.

Subject to the satisfaction of specified conditions in the merger agreement described under The Merger Agreement Change in PVR GP Board Recommendation, PVR GP's board of directors may, at any time prior to the adoption of the merger agreement by the unitholders of PVR, effect an adverse recommendation change in response to either (i) any alternative proposal constituting a superior proposal or (ii) a changed circumstance that was not known to or reasonably foreseeable by the PVR GP board of directors prior to the date of the merger agreement, in each case if PVR GP's board of directors, after consultation with its outside legal counsel and financial advisors, determines in good faith that the failure to take such action would be inconsistent with its duties under the PVR partnership agreement or applicable law.

### **Termination of the Merger Agreement (See page 107)**

Regency or PVR may terminate the merger agreement at any time prior to the effective time, whether before or after PVR unitholders have approved the merger agreement:

by mutual written consent;

by either Regency or PVR:

if the merger has not occurred on or before May 31, 2014, which is referred to as the outside date; *provided*, that if on such date the conditions to closing requiring the termination or expiration of the HSR waiting period and the absence of any injunctions or restraints attributable to antitrust laws have not been satisfied but all other conditions to closing have been satisfied or shall be capable of being satisfied, then such date may be extended on one or more occasions at the option of either PVR or Regency, by notice to the other, to a date not later than August 31, 2014;

if any governmental authority has issued a final and nonappealable law, injunction, judgment or ruling that enjoins or otherwise prohibits the consummation of the transactions contemplated by the merger agreement or makes the transactions contemplated by the merger agreement illegal; or

**Table of Contents**

if unitholders of PVR do not adopt the merger agreement at a special meeting of PVR unitholders or any adjournment or postponement of such meeting;

by Regency:

if an adverse recommendation change shall have occurred;

if prior to the adoption of the merger agreement by the unitholders of PVR, PVR is in willful breach of its obligations to (i) duly call, give notice of and hold a special meeting of PVR unitholders for the purpose of obtaining unitholder approval of the merger agreement, use its reasonable best efforts to solicit proxies from unitholder in favor of such adoption and, through PVR GP's board of directors, recommend the adoption of the merger agreement to PVR's unitholders or (ii) comply with the requirements described under The Merger Agreement No Solicitation by PVR of Alternative Proposals, in each case, subject to certain exceptions discussed in The Merger Agreement Termination of the Merger Agreement; or

if there is a breach by PVR of any of its representations, warranties, covenants or agreements in the merger agreement such that certain closing conditions would not be satisfied, or if capable of being cured, such breach has not been cured within 30 days following delivery of written notice of such breach by Regency, subject to certain exceptions discussed in The Merger Agreement Termination of the Merger Agreement;

by PVR:

if there is a breach by Regency of any of its representations, warranties, covenants or agreements in the merger agreement such that certain closing conditions would not be satisfied, or if capable of being cured, such breach has not been cured within 30 days following delivery of written notice of such breach by PVR, subject to certain exceptions discussed in The Merger Agreement Termination of the Merger Agreement; or

if prior to the adoption of the merger agreement by the unitholders of PVR, in order to enter into (concurrently with such termination) any agreement, understanding or arrangement providing for a superior proposal, subject to payment of the termination fee and certain exceptions discussed in The Merger Agreement Termination of the Merger Agreement.

**Expenses (See page 109)**

Generally, all fees and expenses incurred in connection with the transactions contemplated by the merger agreement will be the obligation of the respective party incurring such fees and expenses, except that Regency and PVR will each pay one-half of the expenses incurred in connection with the filing, printing and mailing of this proxy statement/prospectus.

In addition, following a termination of the merger agreement in specified circumstances, including if unitholder approval is not obtained, PVR will be required to pay all of the reasonably documented out-of-pocket expenses incurred by Regency and its affiliates in connection with the merger agreement and the transactions contemplated thereby, up to a maximum amount of \$20.0 million. Following payment of the termination fee, PVR will not be obligated to pay any additional expenses incurred by Regency or its affiliates.

**Termination Fee (See page 108)**

Following termination of the merger agreement under specified circumstances, including due to an adverse recommendation change having occurred, PVR will be required to pay Regency a termination fee of \$134.5 million, less any expenses previously reimbursed by PVR to Regency pursuant to the merger agreement. Following payment of the termination fee, PVR will not be obligated to pay any additional expenses incurred by Regency or its affiliates.

**Table of Contents**

**Comparison of Rights of Regency Unitholders and PVR Unitholders (See page 151)**

PVR unitholders will own Regency common units following the completion of the merger, and their rights associated with those Regency common units will be governed by the Regency partnership agreement, which differs in a number of respects from the PVR partnership agreement, and the Delaware LP Act.

**Litigation Relating to the Merger (See page 97)**

In connection with the merger, purported unitholders of PVR have filed putative unitholder class action and/or derivative action lawsuits against PVR and the current directors of PVR GP, among other defendants. Among other remedies, the plaintiffs seek to enjoin the transactions contemplated by the merger agreement. There is an agreement in principle to settle certain of these lawsuits, but the settlement is subject to customary conditions, including consummation of the merger, completion of certain confirmatory discovery, class certification, and final approval by the Court of Common Pleas for Delaware County, Pennsylvania.

**Organizational Chart**

The following diagram shows the simplified organizational structure of PVR and Regency as of the date of this proxy statement/prospectus and of Regency immediately after the merger.

**Current Structure**

**Table of Contents**

**Post-Merger Structure**

**Recent Developments**

In December 2013, Regency entered into definitive agreements for two separate acquisition transactions described below. The merger is not conditioned upon completion of either of these transactions, and neither of these transactions is conditioned upon completion of the merger or the other transaction.

*Eagle Rock Transaction*

On December 23, 2013, Regency and a wholly owned subsidiary of Regency entered into a contribution agreement with Eagle Rock Energy Partners, L.P., which is referred to as Eagle Rock. Pursuant to the contribution agreement, Eagle Rock has agreed to contribute to Regency's subsidiary all of the issued and outstanding equity interests in certain subsidiaries that collectively comprise Eagle Rock's midstream business. The midstream business is located in the Texas Panhandle, East Texas/Louisiana, South Texas and the Gulf of Mexico, and its operations include gathering, compressing, treating, processing and transporting natural gas;

**Table of Contents**

fractionating, transporting and marketing natural gas liquids; crude oil and condensate logistics and marketing; and natural gas marketing and trading. The following is a map of Eagle Rock's midstream business:

(1) Volumes based on quarter ended September 30, 2013.

The transaction is expected to complement Regency's core gathering and processing business, and, when combined with the merger with PVR, further diversify Regency's basin exposure in the Texas Panhandle, East Texas and South Texas.

The consideration to be paid by Regency in exchange for Eagle Rock's contribution of its midstream business is valued at approximately \$1.3 billion and consists of (a) the issuance of 8,245,859 Regency common units to Eagle Rock, (b) the assumption of up to \$550 million of outstanding 8 3/8% senior unsecured notes due 2019 of Eagle Rock, which we refer to as the Eagle Rock senior notes, and resulting exchange offer for up to \$550 million of outstanding senior unsecured notes of Regency, which we refer to as the Regency senior notes, and (c) a cash payment to Eagle Rock equal to the remainder of the purchase price. If less than \$550 million of the Eagle Rock senior notes are tendered for exchange, then Regency has agreed to pay Eagle Rock an amount equal to 1.1 times the principal amount of the Eagle Rock senior notes not tendered and accepted for exchange. Any Eagle Rock senior notes not tendered and accepted for exchange for Regency senior notes will remain as an obligation of Eagle Rock upon consummation of the transaction. Regency intends to finance the cash portion of the purchase price through an issuance of Regency common units having an aggregate value of approximately \$400 million to Energy Transfer Equity, L.P. and borrowings under Regency's revolving credit facility. The consideration is subject to customary post-closing adjustments.

In light of the expected cash flow accretion from the Eagle Rock transaction, Regency management expects to recommend to the Regency board of directors quarterly distribution increases that would represent a growth



**Table of Contents**

rate of between 6% and 8% for full year 2014. The recommended increases are subject to board approval based on Regency's future operating results, including the performance of the acquired businesses.

Completion of the transactions contemplated by the contribution agreement is subject to customary closing conditions, including the expiration or termination of the waiting period under the HSR Act, the approval of Eagle Rock's unitholders and the satisfaction of the conditions to the consummation of the exchange offer for the Eagle Rock senior notes. The contribution agreement contains certain termination rights for both Regency and Eagle Rock.

*Hoover Transaction*

On December 22, 2013, Regency and a wholly owned subsidiary of Regency entered into a contribution agreement with Hoover Energy Partners L.P., which is referred to as Hoover. Pursuant to the contribution agreement, Hoover agreed to contribute to Regency's subsidiary all of the issued and outstanding membership interests in certain subsidiaries of Hoover that collectively comprise substantially all of Hoover's business. Hoover's operations include crude oil gathering, transportation and terminaling, condensate handling, natural gas gathering, treating and processing, and water gathering and disposal services in the Southern Delaware Basin in West Texas. Hoover's Perry Ranch Station is a major destination for crude gathered by a customer in the region and is backed by a 20-year dedication. In addition, Hoover's Delaware Water System is the only open-access water gathering and disposal system in the Delaware Basin. These assets are expected to complement Regency's existing footprint in the southern portion of the Delaware Basin and expand its services offered to producers to include crude and water gathering.

On February 3, 2014, Regency completed the transaction. The consideration paid by Regency in exchange for Hoover's contribution consisted of (a) the issuance of 4,040,471 Regency common units to Hoover and (b) a \$183.6 million cash payment to Hoover. A portion of the contribution consideration will be held in escrow as security for certain indemnification claims. Regency funded the cash portion of the purchase price through borrowings under its revolving credit facility.

**Table of Contents****Selected Historical Consolidated Financial Data of Regency**

The following summary historical consolidated balance sheet data as of December 31, 2012, 2011, 2010, 2009 and 2008 and the summary historical consolidated statement of operations for the years ended December 31, 2012, 2011, 2009 and 2008 and for the period from January 1, 2010 to May 25, 2010 and the period from May 26, 2010 to December 31, 2010, are derived from Regency's audited historical consolidated financial statements. The following selected historical consolidated financial data as of and for the nine months ended September 30, 2013 and 2012 are derived from Regency's unaudited condensed consolidated financial statements. On April 30, 2013, Regency acquired Southern Union Gathering Company, LLC, which is referred to as SUGS. Regency accounted for the acquisition in a manner similar to the pooling of interest method of accounting as it was a transaction between commonly controlled entities. Under this method of accounting, Regency reflected historical balance sheet data for Regency and SUGS instead of reflecting the fair market value of SUGS assets and liabilities from the date of acquisition forward. Regency retrospectively adjusted its financial statements to include the balances and operations of SUGS from March 26, 2012 (the date upon which common control began). The SUGS acquisition does not impact historical earnings per unit as pre-acquisition earnings were allocated to predecessor equity.

You should read the following historical consolidated financial data in conjunction with Regency's Annual Report on Form 10-K for the year ended December 31, 2012, its Quarterly Report on Form 10-Q for the quarter ended September 30, 2013 and its Current Report on Form 8-K filed with the SEC on August 9, 2013, as well as Regency's historical financial statements and notes thereto, which are incorporated by reference into this proxy statement/prospectus. See [Where You Can Find More Information](#).

	Successor				Predecessor			
	Nine Months Ended		Nine Months Ended		Period from Acquisition to		Period from	
	September 30, 2013	September 30, 2012	December 31, 2012	December 31, 2011	December 31, 2010	January 1, 2010 to May 25, 2010	December 31, 2009	December 31, 2008
	(Unaudited)		(Unaudited)					
<b>Statement of Operations Data:</b>								
Total revenues	\$ 1,844	\$ 1,413	\$ 2,000	\$ 1,434	\$ 716	\$ 505	\$ 1,043	\$ 1,785
Total operating costs and expenses	1,801	1,391	1,970	1,394	702	485	816	1,635
Operating income	43	22	30	40	14	20	227	150
Other income and deductions:								
Income from unconsolidated affiliates	103	87	105	120	54	16	8	
Interest expense, net	(119)	(86)	(122)	(103)	(48)	(35)	(78)	(63)
	(7)	(8)	(8)		(16)	(2)		

Edgar Filing: Regency Energy Partners LP - Form S-4/A

Loss on debt refinancing, net									
Other income and deductions, net	3	26	29	17	(8)	(4)	(15)		
Income (loss) from continuing operations before income taxes	23	41	34	74	(4)	(5)	142	87	
Income tax expense (benefit)	(1)	(1)			1		(1)		
Income (loss) from continuing operations	24	42	34	74	(5)	(5)	143	87	
Discontinued operations:									
Net income (loss) from operations of east Texas assets					(1)		(3)	14	
Net income (loss)	24	42	34	74	(6)	(5)	140	101	
Net income (loss) attributable to noncontrolling interest	(4)	(2)	(2)	(2)					
Net income (loss) attributable to Regency Energy Partners LP	\$ 20	\$ 40	\$ 32	\$ 72	\$ (6)	\$ (5)	\$ 140	\$ 101	

**Table of Contents**

	Successor				Predecessor			
	Period from Acquisition		Period from Acquisition		Period from Acquisition		Period from Acquisition	
	September 30, 2013		September 30, 2012		May 26, 2010 to December 31, 2010		January 1, 2010 to December 31, 2009	
	September 30, 2013	September 30, 2012	December 31, 2012	December 31, 2011	December 31, 2010	May 25, 2010	December 31, 2009	December 31, 2008
	(Unaudited)		(Unaudited)		(Unaudited)		(Unaudited)	
<b>Basic and diluted income (loss) from continuing operations per common and subordinated unit:</b>								
Basic income (loss) from continuing operations per common and subordinated unit	\$ 0.21	\$ 0.25	\$ 0.16	\$ 0.39	\$ (0.09)	\$ (0.10)	\$ 1.63	\$ 1.14
Diluted income (loss) from continuing operations per common and subordinated units	\$ 0.21	\$ 0.22	0.13	0.32	(0.09)	(0.10)	1.63	1.10
Distributions per common and subordinated unit	1.395	1.38	1.84	1.81	0.89	0.89	1.78	1.71
Basic and diluted income (loss) from discontinued operations	\$	\$	\$	\$	\$ (0.01)	\$	\$ (0.03)	\$ 0.21
<b>Basic and diluted net income (loss) per unit:</b>								
Basic net income (loss) per common and subordinated unit	\$ 0.21	\$ 0.25	\$ 0.16	\$ 0.39	\$ (0.10)	\$ (0.10)	\$ 1.61	\$ 1.34
Diluted net income (loss) per common and subordinated unit	0.21	0.22	0.13	0.32	(0.10)	(0.10)	1.60	1.28
Income per Class D common unit due to beneficial conversion feature	\$	\$	\$	\$	\$	\$	\$ 0.11	\$ 0.99

	<b>Successor</b>				
	<b>September 30,</b>	<b>September 30,</b>	<b>December 31,</b>	<b>December 31,</b>	<b>December 31,</b>
	<b>2013</b>	<b>2012</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
<i>(Dollars in millions)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>			
<b>Balance Sheet Data (at period end):</b>					
Property, plant and equipment, net	\$ 4,242	\$ 4,167	\$ 3,686	\$ 1,886	\$ 1,660
Total assets	8,566	8,779	8,123	5,568	4,770
Long-term debt (long-term portion only)	2,976	1,960	2,157	1,687	1,141
Series A Preferred Units	32	73	73	71	71
Partners capital	4,918	3,628	5,340	3,531	3,294

**Table of Contents****Selected Historical Consolidated Financial Data of PVR**

The following historical consolidated financial data as of and for each of the years ended December 31, 2012, 2011, 2010, 2009 and 2008 are derived from PVR's audited consolidated financial statements. The following selected historical condensed consolidated financial data as of and for the nine months ended September 30, 2013 and 2012 are derived from PVR's unaudited consolidated financial statements. You should read the following data in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and the related notes thereto for the year ended December 31, 2012 included in the Annual Report on Form 10-K of PVR, dated February 27, 2013 and the Quarterly Report on Form 10-Q for the quarter ended September 30, 2013, incorporated by reference into this proxy statement/prospectus. See Where You Can Find More Information.

	Nine Months Ended		Year Ended December 31,				
	September 30, 2013	2012	2012	2011	2010	2009	2008
	(unaudited)						
	(in millions, except per unit data)						
<b>Statement of Income Data:</b>							
Revenues (1)	\$ 826	\$ 738	\$ 1,008	\$ 1,160	\$ 864	\$ 657	\$ 882
Expenses (1)	\$ 718	\$ 759	\$ 1,012	\$ 1,006	\$ 743	\$ 551	\$ 768
Operating income (loss)	\$ 108	\$ (21)	\$ (5)	\$ 154	\$ 122	\$ 106	\$ 113
Net income (loss)	\$ 31	\$ (64)	\$ (71)	\$ 96	\$ 64	\$ 63	\$ 103
Net income (loss) attributable to PVR Partners, L.P.	\$ 31	\$ (64)	\$ (71)	\$ 97	\$ 37	\$ 38	\$ 53
<b>Common Unit Data:</b>							
Net income (loss) per limited partner unit, basic and diluted (2)	\$ (0.47)	\$ (1.14)	\$ (1.43)	\$ 1.45	\$ 0.97	\$ 0.99	\$ 1.38
Distributions paid (3)	\$ 158	\$ 129	\$ 176	\$ 135	\$ 122	\$ 120	\$ 108
Distributions paid per unit (3)	\$ 1.65	\$ 1.56	\$ 2.10	\$ 1.94	\$ 1.88	\$ 1.88	\$ 1.82
<b>Balance Sheet and Other Financial Data:</b>							
Property, plant and equipment, net	\$ 2,166		\$ 1,989	\$ 1,282	\$ 971	\$ 901	\$ 895
Total assets (4)	\$ 3,100		\$ 2,999	\$ 1,594	\$ 1,304	\$ 1,219	\$ 1,228
Long-term debt	\$ 1,633		\$ 1,490	\$ 841	\$ 708	\$ 620	\$ 568
Cash flows provided by operating activities	\$ 179	\$ 135	\$ 145	\$ 190	\$ 178	\$ 158	\$ 137
Additions to property, plant and equipment	\$ 346	\$ 1,199	\$ 1,363	\$ 377	\$ 124	\$ 81	\$ 332

(1) In 2012, PVR incurred two impairment charges, \$124.8 million related to its North Texas Gathering System and \$8.7 million related to PVR's equity investment in Thunder Creek. PVR also sold the Crossroads Gathering System for a gain of \$31.3 million. Both of the impairments and the sale of Crossroads were incurred in PVR's Midcontinent Midstream segment. In 2010, 2009 and 2008, PVR recorded \$27.8 million, \$72.5 million and \$127.9 million of natural gas midstream revenue and \$27.8 million, \$72.5 million and \$127.9 million for the cost of midstream gas purchased related to the purchase of natural gas from PVOG LP, a subsidiary of Penn Virginia Corporation and considered a related party company up to June 7, 2010, and the subsequent sale of that gas to third

parties. PVR took title to the gas prior to transporting it to third parties. These transactions do not impact the gross margin, nor do they impact operating income.

- (2) In 2011, PVR consummated a transaction pursuant to a plan and agreement of merger with PVR GP, Penn Virginia GP Holdings, L.P. ( PVG ), PVG GP LLC ( PVG GP ) and PVR Radnor, LLC ( PVR Radnor ), PVR's wholly-owned subsidiary. Pursuant to the Merger Agreement PVR GP, PVG and PVG GP were merged into PVR Radnor. Subsequently, PVR Radnor was merged into PVR GP, with PVR GP being the surviving entity as a subsidiary of PVR. In the transaction, PVG unitholders received consideration of 0.98 PVR common units for each PVG common unit, representing aggregate consideration of approximately 38.3 million PVR common units. The incentive distribution rights held by PVR GP were extinguished, the 2% general partner interest in PVR held by PVR GP was converted to a noneconomic management interest and approximately 19.6 million PVR common units owned by PVG were cancelled. The merger closed on March 10, 2011. After the effective date of that merger and related transactions, the separate existence of each of PVG, and PVG GP and PVR Radnor ceased, and PVR GP survives as a wholly owned subsidiary of PVR. As a result of the transaction, PVR's common units outstanding increased from 52.3 million to 71.0 million. However, for historical reporting purposes, the impact of this change was accounted for as a reverse unit split of 0.98 to

**Table of Contents**

1.0. Therefore, since PVG was the surviving entity for accounting purposes, the weighted average common units outstanding used for basic and diluted earnings per unit calculations are PVG's historical weighted average common units outstanding adjusted for the retrospective application of the reverse unit split. Amounts reflecting historical PVG common unit and per common unit amounts included in this report have been restated for the reverse unit split.

- (3) Distributions paid and distributions paid per unit have been retroactively restated to only include the amounts paid to public unitholders of PVR and PVG's common units. The distributions paid are consistent with the distributions to partners noted in the consolidated statements of cash flows. The distributions paid per unit represent the distributions declared and paid by PVR for the noted time periods.
- (4) Total assets for the year ended December 31, 2012 include PVR's Chief acquisition, which expanded PVR's coverage and operations in the Marcellus Shale region. The 2011 amounts include PVR's Middle Fork acquisition, which expanded PVR's geographic scope in the Central Appalachian coal region. During 2012, 2011 and 2010, PVR increased internal growth project spending in its Marcellus and Panhandle Systems to expand its natural gas gathering and operational footprint in these areas.



**Table of Contents****Selected Unaudited Pro Forma Combined Financial Information**

The following selected unaudited pro forma condensed combined balance sheet as of September 30, 2013 reflects the merger and the acquisition transactions described under *Recent Developments* as if they occurred on September 30, 2013. The unaudited pro forma combined statements of operations for the year ended December 31, 2012 and the nine months ended September 30, 2013 reflect the merger and such transactions as if they occurred on January 1, 2012.

The following selected unaudited pro forma combined financial information has been prepared for illustrative purposes only and is not necessarily indicative of what the combined organization's condensed financial position or results of operations actually would have been had the merger and such transactions been completed as of the dates indicated. In addition, the unaudited pro forma combined financial information does not purport to project the future financial position or operating results of the combined organization. Future results may vary significantly from the results reflected because of various factors. The following selected unaudited pro forma combined financial information should be read in conjunction with the section entitled *Unaudited Pro Forma Combined Financial Information* and related notes included in this proxy statement/prospectus.

**Unaudited Pro Forma Condensed Combined Balance Sheet Data as of September 30, 2013**

<i>(in millions)</i>	Historical				Pro	Regency
	Regency	PVR	EROC	HEP	Forma Adjustments	Pro Forma
Total assets	\$ 8,566	\$ 3,100	\$ 1,256	\$ 106	\$ 3,019	\$ 16,047
Long-term debt, less current portion	2,976	1,633	890	26	(48)	5,477
Total liabilities	3,552	1,829	1,065	32		6,430
Total partners' capital and noncontrolling interest	5,014	1,271	191	74	3,067	9,617
Total liabilities and partners' capital and noncontrolling interest	\$ 8,566	\$ 3,100	\$ 1,256	\$ 106	\$ 3,019	\$ 16,047

**Unaudited Pro Forma Combined Statement of Operations Data for the Year Ended December 31, 2012**

<i>(in millions except per unit data)</i>	Regency	PVR	EROC	HEP	Combined Historical	Pro Forma Combined
Revenues	\$ 2,000	\$ 981	\$ 796	\$ 36	\$ 3,813	\$ 3,813
Net income (loss)	\$ 34	\$ (71)	\$ (153)	\$	\$ (190)	\$ (187)
Limited partners' interest in net income (loss)	\$ 27					\$ (198)

**Basic and diluted net income (loss) per common unit**

Basic income (loss) per common unit	\$ 0.16					\$ (0.59)
Diluted income (loss) per common unit	\$ 0.13					\$ (0.59)



**Table of Contents****Unaudited Pro Forma Combined Statement of Operations Data for the Nine Months Ended September 30, 2013**

<i>(in millions except per unit data)</i>	<b>Regency</b>	<b>PVR</b>	<b>EROC</b>	<b>HEP</b>	<b>Combined Historical</b>	<b>Pro Forma Combined</b>
Revenues	\$ 1,844	\$ 810	\$ 760	\$ 28	\$ 3,442	\$ 3,442
Net income	\$ 24	\$ 31	\$ (64)	\$ (2)	\$ (11)	\$ (9)
Limited partners interest in net income	\$ 40					\$

**Basic and diluted net income (loss) per common unit**

Basic income (loss) per common unit	\$ 0.21					\$
Diluted income (loss) per common unit	\$ 0.21					\$

**Unaudited Comparative Per Unit Information**

The table below sets forth historical and unaudited pro forma combined per unit information of Regency and PVR.

**Historical Per Unit Information of Regency and PVR**

The historical per unit information of Regency and PVR set forth in the table below is derived from the audited consolidated financial statements as of and for the year ended December 31, 2012 and the unaudited condensed consolidated financial statements as of and for the nine months ended September 30, 2013 for each of Regency and PVR.

**Pro Forma Combined Per Unit Information of Regency**

The unaudited pro forma combined per unit information of Regency set forth in the table below gives effect to the merger under the purchase method of accounting, as if the merger had been effective on January 1, 2012, in the case of income from continuing operations per unit and cash distributions data, and September 30, 2013, in the case of book value per unit data, and, in each case, assuming that 1.020 Regency common units have been issued in exchange for each outstanding PVR unit, after giving effect to the settlement of outstanding PVR phantom units, restricted units deferred common units in accordance with the merger agreement. The unaudited pro forma combined per unit information of Regency is derived from the audited consolidated financial statements as of and for the year ended December 31, 2012 and the unaudited condensed consolidated financial statements as of and for the nine months ended September 30, 2013 for each of Regency and PVR.

**Equivalent Pro Forma Combined Per Unit Information of PVR**

The unaudited PVR equivalent pro forma per unit amounts set forth in the table below are calculated by multiplying the unaudited pro forma combined per unit amounts of Regency by the exchange ratio of 1.020.

**General**

You should read the information set forth below in conjunction with the selected historical financial information of Regency and PVR included elsewhere in this proxy statement/prospectus and the historical financial statements and related notes of Regency and PVR that are incorporated into this proxy statement/prospectus by reference. See

Selected Historical Consolidated Financial Data of Regency, Selected Historical Consolidated Financial Data of PVR  
and Where You Can Find More Information.

**Table of Contents**

The accounting for an acquisition of a business is based on the authoritative guidance for business combinations. Purchase accounting requires, among other things, that the assets acquired and liabilities assumed be recognized at their fair values as of the date the merger is completed. The allocation of the purchase price is dependent upon certain valuations of PVR's assets and liabilities and other studies that have yet to commence or progress to a stage where there is sufficient information for a definitive measurement. Accordingly, the pro forma adjustments reflect the assets and liabilities of PVR at their preliminary estimated fair values. Differences between these preliminary estimates and the final purchase accounting will occur, and these differences could have a material impact on the unaudited pro forma combined per unit information set forth in the following table.

The unaudited pro forma per unit information of Regency does not purport to represent the actual results of operations that Regency would have achieved or distributions that would have been declared had the companies been combined during these periods or to project the future results of operations that Regency may achieve or the distributions it may pay after the merger.

	<b>As of and for the Nine Months Ended September 30, 2013</b>	<b>As of and for the Year Ended December 31, 2012</b>
	(in millions, except per unit data)	
<b>Historical Regency</b>		
Income (loss) from continuing operations	\$ 24	\$ 34
Distribution per common unit declared for the period	\$ 1.395	\$ 1.84
Book value per limited partner unit	\$ 40.65	\$ 47.52
	<b>As of and for the Nine Months Ended September 30, 2013</b>	<b>As of and for the Year Ended December 31, 2012</b>
	(in millions, except per unit data)	
<b>Historical PVR</b>		
Income (loss) from continuing operations	\$ 31	\$ (71)
Distribution per common unit declared for the period	\$ 1.65	\$ 2.10
Book value per limited partner unit	\$ 30.62	\$ 31.36
	<b>As of and for the Nine Months Ended</b>	<b>As of and for the Year Ended December 31, 2012</b>

**September  
30,  
2013**

(in millions, except per unit data)

<b>Pro Forma Combined</b>			
Income (loss) from continuing operations	\$ 55	\$	(37)
Distribution per common unit declared for the period	\$ 1.47	\$	1.63
Book value per limited partner unit	\$40.77	\$	44.24

**Table of Contents****Comparative Unit Prices and Distributions**

Regency common units are currently listed on the NYSE under the ticker symbol RGP. PVR common units are currently listed on the NYSE under the ticker symbol PVR. The table below sets forth, for the calendar quarters indicated, the high and low sale prices per Regency common unit on the NYSE and per PVR common unit on the NYSE. The table also shows the amount of cash distributions declared on Regency common units and PVR common units, respectively, for the calendar quarters indicated.

	Regency Common Units			PVR Common Units		
	High	Low	Cash Distributions	High	Low	Cash Distributions
<b>2014</b>						
First quarter (through February 18, 2014)	\$ 27.60	\$ 25.28	\$ 0.475	\$ 28.25	\$ 25.82	\$ 0.550
<b>2013</b>						
Fourth quarter	29.52	23.86	0.470	27.71	22.76	0.550
Third quarter	29.35	25.57	0.465	29.26	22.40	0.550
Second quarter	27.15	23.70	0.460	27.43	23.21	0.550
First quarter	25.66	22.03	0.460	27.49	21.87	0.550
<b>2012</b>						
Fourth quarter	24.35	20.58	0.460	26.28	22.27	0.540
Third quarter	24.46	21.93	0.460	26.00	23.61	0.530
Second quarter	25.29	20.61	0.460	26.33	21.84	0.520
First quarter	27.40	23.59	0.460	27.50	21.34	0.510

In light of the expected cash flow accretion from the Eagle Rock transaction, Regency management expects to recommend to the Regency board of directors quarterly distribution increases that would represent a growth rate of between 6% and 8% for full year 2014. The recommended increases are subject to the Regency board's approval based on Regency's future operating results, including the performance of the acquired businesses. Please read Summary Recent Developments Eagle Rock Transaction for additional information.

The following table presents per unit closing prices for Regency common units and PVR common units on October 9, 2013, the last trading day before the public announcement of the merger agreement, and on February 18, 2014, the last practicable trading day before the date of this proxy statement/prospectus. This table also presents the equivalent market value per PVR common unit on such dates. The equivalent market value per PVR common unit has been determined by multiplying the closing prices of Regency common units on those dates by the exchange ratio of 1.020 of a Regency common unit and adding the cash consideration (based on the last quarterly distributions declared by each of PVR and Regency prior to each such date).

	Regency Common Units	PVR Common Units	Equivalent Market Value per PVR Common Unit
October 9, 2013	\$ 27.83	\$ 22.81	\$ 28.68
February 18, 2014	\$ 26.77	\$ 27.23	\$ 27.57

Although the exchange ratio is fixed, the market prices of Regency common units and PVR common units will fluctuate prior to the consummation of the merger and the market value of the merger consideration ultimately received by PVR unitholders will depend on the closing price of Regency common units on the day the merger is consummated. Thus, PVR unitholders will not know the exact market value of the merger consideration they will receive until the closing of the merger.



**Table of Contents**

**RISK FACTORS**

*In addition to the other information included and incorporated by reference into this proxy statement/prospectus, including the matters addressed in the section titled **Cautionary Statement Regarding Forward-Looking Statements**, you should carefully consider the following risks before deciding whether to vote for the adoption of the merger agreement. In addition, you should read and carefully consider the risks associated with each of Regency and PVR and their respective businesses. These risks can be found in Regency's and PVR's respective Annual Reports on Form 10-K for the year ended December 31, 2012, as updated by subsequent Quarterly Reports on Form 10-Q, all of which are filed with the SEC and incorporated by reference into this proxy statement/prospectus. For further information regarding the documents incorporated into this proxy statement/prospectus by reference, please see the section titled **Where You Can Find More Information**. Realization of any of the risks described below, any of the events described under **Cautionary Statement Regarding Forward-Looking Statements** or any of the risks or events described in the documents incorporated by reference could have a material adverse effect on Regency's, PVR's or the combined organization's respective businesses, financial condition, cash flows and results of operations and could result in a decline in the trading prices of their respective common units.*

**Risk Factors Relating to the Merger**

***Because the exchange ratio is fixed and because the market price of Regency common units will fluctuate prior to the consummation of the merger, PVR unitholders cannot be sure of the market value of the Regency common units they will receive as merger consideration relative to the value of PVR common units they exchange.***

The market value of the consideration that PVR unitholders will receive in the merger will depend on the trading price of Regency's common units at the closing of the merger. The exchange ratio that determines the number of Regency common units that PVR unitholders will receive in the merger is fixed. This means that there is no mechanism contained in the merger agreement that would adjust the number of Regency common units that PVR unitholders will receive based on any decreases in the trading price of Regency common units. Unit price changes may result from a variety of factors (many of which are beyond Regency's or PVR's control), including:

changes in Regency's business, operations and prospects;

changes in market assessments of Regency's business, operations and prospects;

interest rates, general market, industry and economic conditions and other factors generally affecting the price of Regency common units; and

federal, state and local legislation, governmental regulation and legal developments in the businesses in which Regency operates.

If Regency's common unit price at the closing of the merger is less than Regency's common unit price on the date that the merger agreement was signed, then the market value of the consideration received by PVR unitholders will be less than contemplated at the time the merger agreement was signed.

***Regency and PVR may be unable to obtain the regulatory clearances required to complete the merger or, in order to do so, Regency and PVR may be required to comply with material restrictions or satisfy material conditions.***

The merger is subject to review by the Antitrust Division and the FTC under the HSR Act, and potentially by state regulatory authorities. The closing of the merger is subject to the condition that there is no law, injunction, judgment or ruling by a governmental authority in effect enjoining, restraining, preventing or prohibiting the merger contemplated by the merger agreement. Regency and PVR can provide no assurance that all required regulatory clearances will be obtained. If a governmental authority asserts objections to the merger, Regency may be required to divest some assets in order to obtain antitrust clearance. There can be no assurance

---

**Table of Contents**

as to the cost, scope or impact of the actions that may be required to obtain antitrust or other regulatory approval. In addition, the merger agreement provides that Regency is not required to commit to dispositions of assets in order to obtain regulatory clearance unless such dispositions are, individually and in the aggregate, immaterial to PVR, Regency or the expected benefits of the merger. If Regency must take such actions, it could be detrimental to it or to the combined organization following the consummation of the merger. Furthermore, these actions could have the effect of delaying or preventing completion of the proposed merger or imposing additional costs on or limiting the revenues or cash available for distribution of the combined organization following the consummation of the merger. See The Merger Agreement Regulatory Matters.

Even though the parties received early termination of the statutory waiting period under the HSR Act, the Antitrust Division or the FTC could take action under the antitrust laws to prevent or rescind the merger, require the divestiture of assets or seek other remedies. Additionally, state attorneys general could seek to block or challenge the merger as they deem necessary or desirable in the public interest at any time, including after completion of the transaction. In addition, in some circumstances, a third party could initiate a private action under antitrust laws challenging or seeking to enjoin the merger, before or after it is completed. Regency may not prevail and may incur significant costs in defending or settling any action under the antitrust laws.

***The fairness opinion rendered to the board of directors of PVR GP by Evercore was based on the financial analysis performed by Evercore, which considered factors such as market and other conditions then in effect, and financial forecasts and other information made available to Evercore, as of the date of the opinion. As a result, this opinion does not reflect changes in events or circumstances after the date of such opinion. PVR has not obtained, and does not expect to obtain, an updated fairness opinion from Evercore reflecting changes in circumstances that may have occurred since the signing of the merger agreement.***

The fairness opinion rendered to the board of directors of PVR GP by Evercore Group, L.L.C., referred to as Evercore, was provided in connection with, and at the time of, the board's evaluation of the merger and the merger agreement. This opinion was based on the financial analyses performed, which considered market and other conditions then in effect, and financial forecasts and other information made available to Evercore, as of the date of the opinion, which may have changed, or may change, after the date of the opinion. PVR has not obtained an updated opinion as of the date of this proxy statement/prospectus from Evercore, and it does not expect to obtain an updated opinion prior to completion of the merger. Changes in the operations and prospects of Regency or PVR, general market and economic conditions and other factors which may be beyond the control of Regency and PVR, and on which the fairness opinion was based, may have altered the value of Regency or PVR or the prices of Regency common units or PVR common units since the date of such opinion, or may alter such values and prices by the time the merger is completed. The opinion does not speak as of any date other than the date of the opinion. For a description of the opinion that PVR received from Evercore, please refer to Proposal 1: The Merger Opinion of the Financial Advisor to the Board of Directors of PVR GP.

***PVR is subject to provisions that limit its ability to pursue alternatives to the merger, could discourage a potential competing acquirer of PVR from making a favorable alternative transaction proposal and, in specified circumstances under the merger agreement, would require PVR to reimburse up to \$20.0 million of Regency's out-of-pocket expenses and pay a termination fee to Regency of \$134.5 million less any previous expense reimbursements by PVR.***

Under the merger agreement, PVR is restricted from entering into alternative transactions. Unless and until the merger agreement is terminated, subject to specified exceptions (which are discussed in more detail in The Merger Agreement No Solicitation by PVR of Alternative Proposals ), PVR is restricted from soliciting, initiating, knowingly facilitating, knowingly encouraging or knowingly inducing or negotiating, any inquiry, proposal or offer for a

competing acquisition proposal with any person. In addition, PVR may not grant approval to any person to acquire 20% or more of any class of outstanding PVR units without such person losing the ability to vote on any matter under the PVR partnership agreement. Under the merger agreement, in the event of

---

**Table of Contents**

a potential change by the board of directors of PVR GP of its recommendation with respect to the proposed merger in light of a superior proposal, PVR must provide Regency with five days' notice to allow Regency to propose an adjustment to the terms and conditions of the merger agreement. These provisions could discourage a third party that may have an interest in acquiring all or a significant part of PVR from considering or proposing that acquisition, even if such third party were prepared to pay consideration with a higher per unit market value than the merger consideration, or might result in a potential competing acquirer of PVR proposing to pay a lower price than it would otherwise have proposed to pay because of the added expense of the termination fee that may become payable in specified circumstances.

If the merger agreement is terminated under specified circumstances, including if unitholder approval is not obtained, PVR will be required to pay all of the reasonably documented out-of-pocket expenses incurred by Regency and its affiliates in connection with the merger agreement and the transactions contemplated thereby, up to a maximum amount of \$20.0 million. In addition, if the merger agreement is terminated in specified circumstances, including due to an adverse recommendation change having occurred, PVR will be required to pay Regency a termination fee of \$134.5 million, less any expenses previously paid by PVR to Regency. Following payment of the termination fee, PVR will not be obligated to pay any additional expenses incurred by Regency or its affiliates. Please read "The Merger Agreement Expenses and Termination Fee". If such a termination fee is payable, the payment of this fee could have material and adverse consequences to the financial condition and operations of PVR. For a discussion of the restrictions on PVR soliciting or entering into a takeover proposal or alternative transaction and PVR GP's board of directors' ability to change its recommendation, see "The Merger Agreement No Solicitation by PVR of Alternative Proposals," and "Change in PVR GP Board Recommendation."

***Directors and executive officers of PVR GP have certain interests that are different from those of PVR unitholders generally.***

Directors and executive officers of PVR GP are parties to agreements or participants in other arrangements that give them interests in the merger that may be different from, or be in addition to, your interests as a unitholder of PVR. You should consider these interests in voting on the merger. These different interests are described under "Proposal 1: The Merger Interests of Directors and Executive Officers of PVR in the Merger."

***PVR may have difficulty attracting, motivating and retaining executives and other employees in light of the merger.***

Uncertainty about the effect of the merger on PVR employees may have an adverse effect on the combined organization. This uncertainty may impair PVR's ability to attract, retain and motivate personnel until the merger is completed. Employee retention may be particularly challenging during the pendency of the merger, as employees may feel uncertain about their future roles with the combined organization. In addition, PVR may have to provide additional compensation in order to retain employees. If employees of PVR depart because of issues relating to the uncertainty and difficulty of integration or a desire not to become employees of the combined organization, the combined organization's ability to realize the anticipated benefits of the merger could be reduced.

***Regency and PVR are subject to business uncertainties and contractual restrictions while the proposed merger is pending, which could adversely affect each party's business and operations.***

In connection with the pending merger, it is possible that some customers, suppliers and other persons with whom Regency or PVR have business relationships may delay or defer certain business decisions or, might decide to seek to terminate, change or renegotiate their relationship with Regency or PVR as a result of the merger, which could negatively affect Regency's and PVR's respective revenues, earnings and cash available for distribution, as well as the market price of Regency common units and PVR common units, regardless of whether the merger is completed.



## **Table of Contents**

Under the terms of the merger agreement, each of Regency and PVR is subject to certain restrictions on the conduct of its business prior to completing the merger, which may adversely affect its ability to execute certain of its business strategies. Such limitations could negatively affect each party's businesses and operations prior to the completion of the merger. Furthermore, the process of planning to integrate two businesses and organizations for the post-merger period can divert management attention and resources and could ultimately have an adverse effect on each party. For a discussion of these restrictions, see *The Merger Agreement Conduct of Business Pending the Consummation of the Merger*.

### ***Regency and PVR will incur substantial transaction-related costs in connection with the merger.***

Regency and PVR expect to incur a number of non-recurring transaction-related costs associated with completing the merger, combining the operations of the two organizations and achieving desired synergies. These fees and costs will be substantial. Non-recurring transaction costs include, but are not limited to, fees paid to legal, financial and accounting advisors, filing fees and printing costs. Additional unanticipated costs may be incurred in the integration of the businesses of Regency and PVR. There can be no assurance that the elimination of certain duplicative costs, as well as the realization of other efficiencies related to the integration of the two businesses, will offset the incremental transaction-related costs over time. Thus, any net benefit may not be achieved in the near term, the long term or at all.

### ***Failure to successfully combine the businesses of PVR and Regency in the expected time frame may adversely affect the future results of the combined organization, and, consequently, the value of the Regency common units that PVR unitholders receive as part of the merger consideration.***

The success of the proposed merger will depend, in part, on the ability of Regency to realize the anticipated benefits and synergies from combining the businesses of Regency and PVR. To realize these anticipated benefits, the businesses must be successfully combined. If the combined organization is not able to achieve these objectives, or is not able to achieve these objectives on a timely basis, the anticipated benefits of the merger may not be realized fully or at all. In addition, the actual integration may result in additional and unforeseen expenses, which could reduce the anticipated benefits of the merger. These integration difficulties could result in declines in the market value of Regency's common units and, consequently, result in declines in the market value of the Regency common units that PVR unitholders receive as part of the merger consideration.

### ***The merger is subject to conditions, including certain conditions that may not be satisfied on a timely basis, if at all. Failure to complete the merger, or significant delays in completing the merger, could negatively affect the trading prices of Regency common units and PVR common units and the future business and financial results of Regency and PVR.***

The completion of the merger is subject to a number of conditions. The completion of the merger is not assured and is subject to risks, including the risk that approval of the merger by the PVR unitholders or by governmental agencies is not obtained or that other closing conditions are not satisfied. If the merger is not completed, or if there are significant delays in completing the merger, the trading prices of Regency common units and PVR common units and the respective future business and financial results of Regency and PVR could be negatively affected, and each of them will be subject to several risks, including the following:

the parties may be liable for damages to one another under the terms and conditions of the merger agreement;

negative reactions from the financial markets, including declines in the price of Regency common units or PVR common units due to the fact that current prices may reflect a market assumption that the merger will be completed;

having to pay certain significant costs relating to the merger, including, in the case of PVR in certain circumstances, the reimbursement of up to \$20.0 million of Regency's expenses and a termination fee of \$134.5 million less any previous expense reimbursements by PVR, as described in The Merger Agreement Expenses and Termination Fee ; and



## **Table of Contents**

the attention of management of Regency and PVR will have been diverted to the merger rather than each organization's own operations and pursuit of other opportunities that could have been beneficial to that organization.

***Purported class action and/or derivative action complaints have been filed against PVR, PVR GP, the current directors of PVR GP, Regency and Regency GP, among other defendants, challenging the merger, and an unfavorable judgment or ruling in these lawsuits could prevent or delay the consummation of the proposed merger and result in substantial costs.***

In connection with the merger, purported unitholders of PVR have filed putative unitholder class action and/or derivative action lawsuits against PVR and the current directors of PVR GP, among other defendants. Among other remedies, the plaintiffs seek to enjoin the transactions contemplated by the merger agreement. There is an agreement in principle to settle certain of these lawsuits, but the settlement is subject to customary conditions, including consummation of the merger, completion of certain confirmatory discovery, class certification, and final approval by the Court of Common Pleas for Delaware County, Pennsylvania. If the settlement does not receive final approval from the court, these lawsuits could prevent or delay completion of the merger and result in substantial costs to PVR, including any costs associated with indemnification. Additional lawsuits may be filed against PVR, PVR GP, or its officers or directors in connection with the merger. The defense or settlement of any lawsuit or claim that remains unresolved at the time the merger is consummated may adversely affect the combined partnership's business, financial condition, results of operations and cash flows. See Proposal 1: The Merger Litigation Relating to the Merger for more information about the lawsuits that have been filed related to the merger.

***If the merger is approved by PVR unitholders, the date that those unitholders will receive the merger consideration is uncertain.***

As described in this proxy statement/prospectus, completing the proposed merger is subject to several conditions, not all of which are controllable or waiveable by Regency or PVR. Accordingly, if the proposed merger is approved by PVR unitholders, the date that those unitholders will receive the merger consideration depends on the completion date of the merger, which is uncertain.

***PVR's financial estimates are based on various assumptions that may not prove to be correct.***

The financial estimates set forth in the forecast included under Proposal 1: The Merger Unaudited Financial Projections of PVR are based on assumptions of, and information available to, PVR at the time they were prepared and provided to the board of directors of PVR GP and PVR's financial advisors. PVR and Regency do not know whether such assumptions will prove correct. Any or all of such estimates may turn out to be wrong. Such estimates can be adversely affected by inaccurate assumptions or by known or unknown risks and uncertainties, many of which are beyond PVR's and Regency's control. Many factors mentioned in this proxy statement/prospectus, including the risks outlined in this Risk Factors section and the events or circumstances described under Cautionary Statement Regarding Forward-Looking Statements, will be important in determining Regency's and/or PVR's future results. As a result of these contingencies, actual future results may vary materially from PVR's estimates. In view of these uncertainties, the inclusion of PVR's financial estimates in this proxy statement/prospectus is not and should not be viewed as a representation that the forecasted results will be achieved.

PVR's financial estimates were not prepared with a view toward public disclosure, and PVR's financial estimates were not prepared with a view toward compliance with published guidelines of any regulatory or professional body. Further, any forward-looking statement speaks only as of the date on which it is made, and PVR undertakes no obligation, other than as required by applicable law, to update its financial estimates herein to reflect events or circumstances after the date those financial estimates were prepared or to reflect the occurrence of anticipated or

unanticipated events or circumstances.

---

**Table of Contents**

The financial estimates included in this proxy statement/prospectus have been prepared by, and are the responsibility of, PVR. Moreover, neither PVR's independent accountants, KPMG LLP, Regency's independent accountants, Grant Thornton LLP, nor any other independent accountants have compiled, examined or performed any procedures with respect to PVR's prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and, accordingly, each of KPMG LLP and Grant Thornton LLP assumes no responsibility for, and disclaims any association with, PVR's prospective financial information. The reports of KPMG LLP, Grant Thornton LLP, PricewaterhouseCoopers LLP and Ernst & Young LLP incorporated by reference herein relate exclusively to the historical financial information of the entities named in those reports and do not cover any other information in this proxy statement/prospectus and should not be read to do so. See Proposal 1: The Merger Unaudited Financial Projections of PVR for more information.

***The number of outstanding Regency common units will increase as a result of the merger, which could make it more difficult to pay the current level of quarterly distributions.***

As of February 14, 2014, there were approximately 214.9 million Regency common units outstanding. Regency will issue approximately 140 million common units in connection with the merger. Accordingly, the aggregate dollar amount required to pay the current per unit quarterly distribution on all Regency common units will increase, which could increase the likelihood that Regency will not have sufficient funds to pay the current level of quarterly distributions to all Regency unitholders. Using a \$0.475 per Regency common unit distribution (the amount Regency paid on February 14, 2014 to holders of record as of February 7, 2014), the aggregate cash distribution paid to Regency unitholders totaled approximately \$106.5 million, including a distribution of \$4.5 million to Regency GP in respect of its ownership of Regency incentive distribution rights. The combined pro forma Regency distribution with respect to the fourth fiscal quarter of 2013, had the merger been completed prior to such distribution, would have resulted in \$0.475 per unit being distributed on approximately 355 million Regency common units, or a total of approximately \$175.4 million including distributions in respect of incentive distribution rights. As a result, Regency would be required to distribute an additional \$68.9 million per quarter in order to maintain the distribution level of \$0.475 per Regency common unit payable with respect to the fourth fiscal quarter of 2013.

***PVR unitholders will have a reduced ownership and voting interest after the merger and will exercise less influence over management.***

PVR unitholders currently have the right to vote in the election of the board of directors of PVR's general partner and certain other matters affecting PVR. When the merger occurs, each PVR unitholder that receives Regency common units will become a unitholder of Regency with a percentage ownership of the combined organization that is much smaller than such unitholder's percentage ownership of PVR. Regency unitholders are not entitled to elect the general partner unless it has been removed or withdrawn, and are not entitled to elect the directors of Regency GP (which directors are appointed by affiliates of Energy Transfer Equity, L.P., the owner of Regency GP). In addition, Regency unitholders have only limited voting rights on matters affecting Regency's business and, therefore, limited ability to influence management's decisions regarding Regency's business. Because of this, PVR unitholders will have less influence on the management and policies of Regency than they have now on the management and policies of PVR.

***Regency common units to be received by PVR unitholders as a result of the merger have different rights from PVR common units.***

Following completion of the merger, PVR unitholders will no longer hold PVR common units, but will instead be unitholders of Regency. There are important differences between the rights of PVR unitholders and the rights of Regency unitholders. See Comparison of Rights of Regency Unitholders and PVR Unitholders for a discussion of the different rights associated with PVR common units and Regency common units.



**Table of Contents**

***No ruling has been obtained with respect to the U.S. federal income tax consequences of the merger.***

No ruling has been or will be requested from the IRS with respect to the U.S. federal income tax consequences of the merger. Instead, Regency and PVR are relying on the opinions of their respective counsel as to the U.S. federal income tax consequences of the merger, and counsel's conclusions may not be sustained if challenged by the IRS. Please read Material U.S. Federal Income Tax Consequences of the Merger.

***The expected U.S. federal income tax consequences of the merger are dependent upon Regency and PVR being treated as partnerships for U.S. federal income tax purposes.***

The treatment of the merger as nontaxable to PVR unitholders is dependent upon Regency and PVR each being treated as a partnership for U.S. federal income tax purposes. If Regency or PVR were treated as a corporation for U.S. federal income tax purposes, the consequences of the merger would be materially different and the merger would likely be a fully taxable transaction to a PVR unitholder.

***PVR unitholders could recognize taxable income or gain for U.S. federal income tax purposes as a result of the merger.***

For U.S. federal income tax purposes, PVR will be deemed to contribute all of its assets to Regency in exchange for Regency common units, cash, and the assumption of PVR's liabilities, followed by a liquidation of PVR in which Regency common units and cash are distributed to PVR unitholders. The deemed receipt of cash by PVR in the merger could trigger gain to PVR either because it would be treated as part of a sale or because it exceeds PVR's adjusted tax basis in its assets at the closing of the merger, and any such gain would be allocated to the PVR unitholders pursuant to the PVR partnership agreement. The deemed receipt of cash by PVR will qualify for one or more exceptions to sale treatment and PVR does not currently expect that it will recognize gain as a result of the deemed receipt of cash in the merger exceeding its adjusted tax basis in its assets. Please read Material U.S. Federal Income Tax Consequences of the Merger Tax Consequences of the Merger to PVR. In addition, as a result of the merger, PVR unitholders who receive Regency common units will become limited partners of Regency for U.S. federal income tax purposes and will be allocated a share of Regency's nonrecourse liabilities. Each PVR unitholder will be treated as receiving a deemed cash distribution equal to the excess, if any, of such PVR unitholder's share of nonrecourse liabilities of PVR immediately before the merger over such common unitholder's share of nonrecourse liabilities of Regency immediately following the merger. If the amount of cash actually received in the merger plus any deemed cash distribution received by a PVR unitholder exceeds the common unitholder's basis in his PVR units, such common unitholder will recognize gain in an amount equal to such excess. While there can be no assurance, Regency and PVR expect that most PVR unitholders will not recognize gain in this manner. The amount and effect of any gain that may be recognized by PVR unitholders will depend on the PVR unitholder's particular situation, including the ability of the PVR unitholder to utilize any suspended passive losses. For additional information, please read Material U.S. Federal Income Tax Consequences of the Merger Tax Consequences of the Merger to PVR Unitholders.

***A PVR unitholder's holding period for Regency common units received in the merger may be shorter than such holder's holding period in the surrendered PVR common units.***

As a result of the merger, PVR will be deemed to contribute its assets to Regency in exchange for Regency common units and cash, followed by a liquidation of PVR in which Regency common units and cash are distributed to PVR unitholders. A PVR unitholder's holding period in the Regency common units received in the merger will not be determined by reference to its holding period in the surrendered PVR common units. Instead, a PVR unitholder's holding period in the Regency common units received in the merger that are attributable to PVR's capital assets or

assets used in its business as defined in Section 1231 of the Code will include PVR's holding period in those assets. The holding period for Regency common units received by a PVR unitholder attributable to other assets of PVR, such as inventory and receivables will begin on the day following the merger.

**Table of Contents**

**Risk Factors Relating to the Ownership of Regency Common Units**

*Regency GP is owned by Energy Transfer Equity, L.P., which also owns Southern Union Company and the general partner of Energy Transfer Partners, L.P. and Sunoco Logistics Partners L.P. This may result in conflicts of interest.*

Energy Transfer Equity, L.P., or ETE, owns Regency GP and as a result controls Regency. ETE owns the general partner of Energy Transfer Partners, L.P., or ETP, a publicly traded partnership with which each of Regency and PVR competes in the natural gas gathering, processing and transportation business. ETE owns Southern Union Company, or Southern Union, which provides natural gas transportation and storage services. ETE also owns the general partner of Sunoco Logistics Partners L.P., or SXL, which is also in the NGL services business. The directors and officers of Regency GP and its affiliates have fiduciary duties to manage Regency GP in a manner that is beneficial to ETE, its sole owner. At the same time, Regency GP has fiduciary duties to manage Regency in a manner that is beneficial to Regency's unitholders. Therefore, Regency GP's duties to Regency may conflict with the duties of its officers and directors to its sole owner. As a result of these conflicts of interest, Regency GP's may favor its own interest or those of ETE, ETP, Southern Union, SXL or their owners or affiliates over the interest of Regency's unitholders.

Such conflicts may arise from, among others, the following:

Decisions by Regency GP regarding the amount and timing of Regency's cash expenditures, borrowings and issuances of additional limited partnership units or other securities can affect the amount of incentive compensation payments on Regency's incentive distribution rights that Regency makes to the parent company of its general partner;

ETE and ETP and their affiliates may engage in substantial competition with Regency;

Neither the Regency partnership agreement nor any other agreement requires ETE or its affiliates, including ETP and SXL, to pursue a business strategy that favors Regency. The directors and officers of the general partners of ETE and ETP, as well as the directors and officers of SXL, have a fiduciary duty to make decisions in the best interest of their members, limited partners and unitholders, which may be contrary to Regency's best interests;

Regency GP is allowed to take into account the interests of other parties, such as ETE, ETP and SXL and their affiliates, which has the effect of limiting its fiduciary duties to Regency's unitholders;

Some of the directors and officers of ETE who provide advice to Regency also may devote significant time to the business of ETE, ETP and SXL and their affiliates and will be compensated by them for their services;

The Regency partnership agreement limits the liability and reduces the fiduciary duties of its general partner, while also restricting the remedies available to Regency's unitholders for actions that, without these limitations, might constitute breaches of fiduciary duty;

Regency GP determines the amount and timing of asset purchases and sales and other acquisitions, operating expenditures, capital expenditures, borrowings, repayments of debt, issuances of equity and debt securities and cash reserves, each of which can affect the amount of cash available for distribution to Regency unitholders;

Regency GP determines which costs, including allocated overhead costs and costs under the services agreement Regency has with ETE Services Company, LLC and Regency's operating agreement with ETP, incurred by it and its affiliates are reimbursable by Regency; and

The Regency partnership agreement does not restrict Regency GP from causing Regency to pay Regency GP or its affiliates for any services rendered on terms that are fair and reasonable to Regency or entering into additional contractual arrangements, such as the services agreement Regency has with an affiliate of ETE and operating agreement with ETP, with any of these entities on Regency's behalf.



## **Table of Contents**

Specifically, certain conflicts may arise as a result of Regency's pursuing acquisitions or development opportunities that may also be advantageous to ETP. If Regency is limited in its ability to pursue such opportunities, Regency may not realize any or all of the commercial value of such opportunities. In addition, if ETP is allowed access to Regency's information concerning any such opportunity and ETP uses this information to pursue the opportunity to Regency's detriment, Regency may not realize any of the commercial value of this opportunity. In either of these situations, Regency's business, results of operations and the amount of its distributions to Regency unitholders may be adversely affected. Although Regency, ETE and ETP have adopted a policy to address these conflicts and to limit the commercially sensitive information that Regency furnishes to ETE, ETP and their affiliates, Regency cannot assure unitholders that such conflicts will not occur.

***Regency's reimbursement of Regency GP's expenses will reduce its cash available for distribution to Regency common unitholders.***

Prior to making any distribution on Regency common units, Regency will reimburse Regency GP and its affiliates for all expenses they incur on Regency's behalf. These expenses will include all costs incurred by Regency GP and its affiliates in managing and operating Regency, including costs for rendering corporate staff and support services to Regency. The reimbursement of expenses incurred by Regency GP and its affiliates could adversely affect Regency's ability to pay cash distributions to its unitholders.

***The Regency partnership agreement limits Regency GP's fiduciary duties to its unitholders and restricts the remedies available to unitholders for actions taken by Regency GP that might otherwise constitute breaches of fiduciary duty.***

The Regency partnership agreement contains provisions that reduce the standards to which Regency GP might otherwise be held by state fiduciary duty law. For example, the Regency partnership agreement:

permits Regency GP to make a number of decisions in its individual capacity, as opposed to its capacity as Regency's general partner. This entitles Regency GP 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 Regency, its 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 Regency;

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

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

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

Any Regency unitholder is bound by the provisions in the Regency partnership agreement, including those discussed above.

**Table of Contents**

***Regency unitholders have limited voting rights and are not entitled to elect Regency GP or the directors of its general partner.***

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

***Even if Regency unitholders are dissatisfied, they cannot remove Regency GP without its consent.***

Regency unitholders may be unable to remove Regency GP without its consent because Regency GP and its affiliates own a substantial number of common units. A vote of the holders of at least 66.67% of all outstanding Regency units voting together as a single class is required to remove Regency GP. As of February 14, 2014, affiliates of Regency GP owned 26.8% of the total of Regency's common units.

***The Regency partnership agreement restricts the voting rights of those unitholders owning 20% or more of Regency's common units.***

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

***Control of Regency GP may be transferred to a third party without unitholder consent.***

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

***Regency may issue an unlimited number of additional units without unitholders' approval, which would dilute the ownership interest of existing unitholders.***

Regency GP, without the approval of Regency unitholders, may cause Regency to issue an unlimited number of additional common units or other equity securities. The issuance by Regency of additional common units or other equity securities of equal or senior rank will have the following effects:

Regency unitholders' proportionate ownership interest in Regency will decrease;

the amount of cash available for distribution on each unit may decrease;

the relative voting strength of each previously outstanding unit may be diminished; and

the market price of Regency common units may decline.

**Table of Contents**

***Regency GP has a limited call right that may require unitholders to sell their units at an undesirable time or price.***

If at any time Regency GP and its affiliates own more than 80% of Regency's common units, Regency GP will have the right, but not the obligation (which it may assign to any of its affiliates or to Regency) 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, unitholders may be required to sell their Regency common units at an undesirable time or price and may not receive any return on their investment. Regency unitholders may also incur a tax liability upon a sale of their units. As of February 14, 2014, affiliates of Regency GP owned 26.8% of the total number of outstanding Regency common units.

***Regency unitholders may not have limited liability if a court finds that unitholder actions constitute control of Regency's business.***

Under Delaware law, a unitholder could be held liable for Regency's obligations to the same extent as a general partner if a court determined that the right of unitholders to remove Regency GP or to take other action under the Regency partnership agreement constituted participation in the control of Regency's business.

Regency GP generally has unlimited liability for Regency's obligations, such as its debts and environmental liabilities, except for those contractual obligations that are expressly made without recourse to Regency GP. The Regency partnership agreement allows the general partner to incur obligations on Regency's behalf that are expressly non-recourse to the general partner. Regency GP has entered into such limited recourse obligations in most instances involving payment liability and intends to do so in the future.

In addition, Section 17-607 of the Delaware LP Act provides that under some circumstances, a unitholder may be liable to Regency for the amount of a distribution for a period of three years from the date of the distribution.

***Regency has a holding company structure in which its subsidiaries conduct its operations and own its operating assets. Additionally, Regency is unable to control the amounts of cash that RIGS Haynesville Partnership Co., Midcontinent Express Pipeline LLC, Lone Star NGL LLC or Ranch Westex JV LLC may distribute to Regency.***

Regency is a holding company, and its subsidiaries conduct all of its operations and own all of its operating assets. Regency has no significant assets other than the partnership interests and the equity in its subsidiaries. As a result, Regency's ability to make required payments on its debt obligations and distributions on its common units depends on the performance of Regency's subsidiaries and their ability to distribute funds to Regency. The ability of Regency's subsidiaries to make distributions to Regency may be restricted by, among other things, Regency's revolving credit facility and applicable state partnership and limited liability company laws and other laws and regulations. Pursuant to Regency's revolving credit facility, Regency may be required to establish cash reserves for the future repayment of outstanding letters of credit under the revolving credit facility. If Regency is unable to obtain the funds necessary to pay the principal amount at maturity of its debt obligations, to repurchase its debt obligations upon the occurrence of a change of control or make distributions on its common units, Regency may be required to adopt one or more alternatives, such as a refinancing of its debt obligations or borrowing funds, to make distributions on its common units. Regency cannot assure unitholders that it would be able to borrow funds to make distributions on its common units.

Additionally, the ability of Regency's joint ventures to make distributions to Regency may be restricted by, among other things, the terms of each such entity's partnership or limited liability company agreement, as applicable, and any debt instruments entered into by such entity as well as applicable state partnership or limited liability company laws, as applicable, and other laws and regulations. Regency does not control the amounts of cash that its joint ventures may

distribute to it.

**Table of Contents**

***The credit and risk profile of Regency GP and its owners could adversely affect Regency's credit ratings and profile.***

The credit and business risk profiles of Regency GP, and of ETE as the indirect owner of Regency GP, may be factors in credit evaluations of Regency as a publicly traded limited partnership due to the significant influence of Regency GP and ETE over Regency's business activities, including Regency's cash distributions, acquisition strategy and business risk profile. Another factor that may be considered is the financial condition of Regency GP and its owners, including the degree of their financial leverage and their dependence on cash flow from Regency to service their indebtedness.

ETE has significant indebtedness outstanding and is dependent principally on the cash distributions from its general and limited partner equity interests in Regency and ETP to service such indebtedness. Any distributions by Regency to ETE will be made only after satisfying Regency's then-current obligations to its creditors. Although Regency has taken certain steps in its organizational structure, financial reporting and contractual relationships to reflect the separateness of Regency and Regency GP from the entities that control Regency GP (ETE and its general partner), Regency's credit ratings and business risk profile could be adversely affected if the ratings and risk profiles of such entities were viewed as substantially lower or riskier than Regency's.

***Regency's tax treatment depends on its status as a partnership for federal income tax purposes, as well as its not being subject to a material amount of entity-level taxation by individual states or local entities. If the IRS treats Regency as a corporation or Regency becomes subject to a material amount of entity-level taxation for state or local tax purposes, it would substantially reduce the amount of cash available for payment for distributions on Regency's common units.***

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

Despite the fact that Regency is organized as a limited partnership under Delaware law, it is possible in certain circumstances for a partnership such as Regency to be treated as a corporation for U.S. federal income tax purposes. Although Regency does not believe, based on its current operations, that it is or will be so treated, the IRS could disagree with the positions Regency takes or a change in Regency's business (or a change in current law) could cause Regency to be treated as a corporation for U.S. federal income tax purposes or otherwise subject Regency to taxation as an entity.

If Regency were treated as a corporation for federal income tax purposes, Regency would pay federal income tax on its income at the corporate tax rate, which is currently a maximum of 35%, and would likely pay state and local income tax at varying rates. Distributions to Regency's common unitholders would generally be taxed again as corporate dividends (to the extent of Regency's current or accumulated earnings and profits), and no income, gains, losses or deductions would flow through to unitholders. Because a tax would be imposed upon Regency as a corporation, its cash available for distribution to its common unitholders would be substantially reduced. Therefore, treatment of Regency 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 the units.

Current law may change so as to cause Regency to be treated as a corporation for federal income tax purposes or otherwise subject Regency to entity-level taxation. At the federal level, legislation has recently been considered that would have eliminated partnership tax treatment for certain publicly traded partnerships. Although such legislation would not have applied to Regency as proposed, it could be reintroduced in a manner that does apply to Regency. Regency is unable to predict whether any of these changes or other proposals will be reintroduced or will ultimately

be enacted. Any such changes could negatively impact the value of an investment in Regency's common units. At the state level, 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



## **Table of Contents**

income, franchise and other forms of taxation. For example, Regency is required to pay a Texas margin tax. Imposition of such a tax on Regency by Texas, and, if applicable, by any other state, will reduce Regency's cash available for distribution to its common unitholders.

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

***A successful IRS contest of the federal income tax positions Regency takes may adversely affect the market for its common units, and the cost of any IRS contest will reduce its cash available for distribution to unitholders.***

The IRS may adopt positions that differ from the positions Regency takes. It may be necessary to resort to administrative or court proceedings to sustain some or all of the positions Regency takes. A court may not agree with all of the positions Regency takes. Any contest with the IRS may materially and adversely impact the market for Regency's common units and the price at which they trade. In addition, Regency's costs of any contest with the IRS will be borne indirectly by its unitholders and Regency GP because the costs will reduce Regency's cash available for distribution.

***Regency unitholders may be required to pay taxes on income from Regency even if they do not receive any cash distributions from Regency.***

Because Regency's unitholders will be treated as partners to whom Regency will allocate taxable income that could be different in amount than the cash Regency distributes, they will be required to pay any federal income taxes and, in some cases, state and local income taxes on their share of Regency's taxable income even if they receive no cash distributions from Regency. Regency's unitholders may not receive cash distributions from Regency equal to their share of Regency's taxable income or even equal to the tax liability that results from that income.

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

If a unitholder sells his Regency common units, he will recognize a gain or loss equal to the difference between the amount realized and his tax basis in those common units. Prior distributions to a Regency unitholder in excess of the total net taxable income he was allocated for a Regency common unit, which decreased his tax basis in that common unit, will, in effect, become taxable income to him to the extent the common unit is sold at a price greater than his tax basis in that common unit, even if the price is less than his original cost. A substantial portion of the amount realized, whether or not representing gain, may be ordinary income. In addition, because the amount realized includes a unitholder's share of Regency's nonrecourse liabilities, if a unitholder sells his Regency common units, he may incur a tax liability in excess of the amount of cash he receives from the sale.

***Tax-exempt entities and non-U.S. persons face unique tax issues from owning Regency common units that may result in adverse tax consequences to them.***

Investment in Regency common units by tax-exempt entities, such as individual retirement accounts (known as IRAs), other retirement plans and non-U.S. persons raises issues unique to them. For example, virtually all of Regency's income allocated to organizations that are exempt from federal income tax, including IRAs 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 Regency's taxable income. If a Regency unitholder is a

tax-exempt entity or a non-U.S. person, he should consult his tax advisor before investing in Regency common units.

## **Table of Contents**

***Regency will treat each purchaser of Regency 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 Regency cannot match transferors and transferees of Regency common units and because of other reasons, Regency will take 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 deductions available to a Regency unitholder. It also could affect the timing of these tax deductions or the amount of gain from the sale of Regency common units and could have a negative impact on the value of Regency common units or result in audit adjustments to a unitholder's tax returns.

***Regency prorates its items of income, gain, loss and deduction between transferors and transferees of its units each month based upon the ownership of its units on the first day of each month, instead of on the basis of the date a particular unit is transferred. The IRS may challenge this treatment, which could change the allocation of items of income, gain, loss and deduction among Regency's unitholders.***

Regency prorates its items of income, gain, loss and deduction between transferors and transferees of its units each month based upon the ownership of its units on the first day of each month, instead of on the basis of the date a particular unit is transferred. The use of this proration method may not be permitted under existing Treasury Regulations. However, recently proposed Treasury Regulations provide a safe harbor for publicly traded partnerships pursuant to which a similar monthly convention is allowed. Existing publicly traded partnerships are entitled to rely on these proposed Treasury Regulations; however they are not binding on the IRS and are subject to change until final Treasury Regulations are issued. Accordingly, if the IRS were to challenge Regency's method of allocating income, gain, loss and deduction between transferors and transferees, or new Treasury Regulations were issued, Regency may be required to change the allocation of items of income, gain, loss and deduction among its unitholders.

***A Regency 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.***

Because a Regency unitholder whose units are loaned to a short seller to cover a short sale of units may be considered as having disposed of the loaned units, he may no longer be treated for tax purposes as a partner with respect to those units during the period of the loan to the short seller and the unitholder may recognize gain or loss from such disposition. Moreover, during the period of the loan to the short seller, any of Regency's income, gain, loss or deduction with respect to those units may not be reportable by the unitholder and any cash distributions received by the unitholder as to those units could be fully taxable as ordinary income. 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 consult a tax advisor to discuss whether it is advisable to modify any applicable brokerage account agreements to prohibit their brokers from borrowing and loaning their units.

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

When Regency issues additional units or engages in certain other transactions, Regency determines the fair market value of its assets and allocates any unrealized gain or loss attributable to its assets to the capital accounts of its unitholders and its general partner. Regency's methodology may be viewed as understating the value of its 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 Regency's current valuation methods, subsequent purchasers of Regency common units may have a greater portion of their Code Section 743(b) adjustment allocated to Regency's tangible assets and a lesser portion allocated to its intangible

---

**Table of Contents**

assets. The IRS may challenge Regency's valuation methods, or its allocation of the Section 743(b) adjustment attributable to its tangible and intangible assets, and allocations of income, gain, loss and deduction between the general partner and certain of Regency's unitholders.

In addition, for purposes of determining the amount of the unrealized gain or loss to be allocated to the capital accounts of Regency's unitholders and its general partner, Regency will reduce the fair market value of its property (to the extent of any unrealized income or gain in its property that has not previously been reflected in the capital accounts) to reflect the incremental share of such fair market value that would be attributable to the holders of Regency's outstanding convertible redeemable preferred units if all of such convertible redeemable preferred units were converted into common units as of such date. Consequently, a holder of common units may be allocated less unrealized gain in connection with an adjustment of the capital accounts than such holder would have been allocated if there were no outstanding convertible redeemable preferred units. Following the conversion of Regency's convertible redeemable preferred units into common units, items of gross income and gain (or gross loss and deduction) will be specially allocated to the holders of such common units to reflect differences between the capital accounts maintained with respect to such convertible redeemable preferred units and the capital accounts maintained with respect to common units. This method of maintaining capital accounts and allocating income, gain, loss and deduction with respect to the convertible redeemable preferred units is intended to comply with proposed Treasury Regulations. However, these proposed Treasury Regulations are not legally binding and are subject to change until final Treasury Regulations are issued. Accordingly, Regency may be required to change the allocation of items of income, gain, loss and deduction among its unitholders.

A successful IRS challenge to these methods or allocations could adversely affect the amount of taxable income or loss being allocated to Regency's unitholders. It also could affect the amount of gain from Regency's unitholders' sale of common units and could have a negative impact on the value of the common units or result in audit adjustments to the unitholders' tax returns without the benefit of additional deductions.

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

Regency 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 its capital and profits within a twelve-month period. For purposes of determining whether the 50% threshold has been reached, multiple sales of the same unit will be counted only once. Regency's termination would, among other things, result in the closing of its taxable year for all unitholders, which would result in Regency filing two tax returns (and its unitholders could receive two Schedules K-1 if relief from the IRS was not available, as described below) for one fiscal year. The termination could result in a deferral of depreciation deductions allowable in computing Regency's taxable income, which could cause Regency's unitholders to realize an increased amount of taxable income as a percentage of the cash distributed to them. Regency anticipates that the ratio of taxable income to distributions for future years will return to levels commensurate with its prior tax periods. However, any future termination of Regency could have similar consequences. Additionally, in the case of a unitholder reporting on a taxable year other than a fiscal year ending December 31, the closing of Regency's taxable year may result in more than twelve months of its taxable income or loss being includable in his taxable income for the year of termination. The position that there was a partnership termination does not affect Regency's classification as a partnership for federal income tax purposes; however, Regency is treated as a new partnership for tax purposes. If treated as a new partnership, Regency must make new tax elections and could be subject to penalties if Regency is unable to determine that a termination occurred. The IRS has recently announced a publicly traded partnership technical termination relief program whereby, if a publicly traded partnership that technically terminates requests publicly traded partnership technical termination relief and such relief is granted by the IRS, among other things, the partnership will only have to provide one Schedule K-1 to unitholders for the year notwithstanding two partnership tax years.



**Table of Contents**

***Regency unitholders may be subject to state and local taxes and tax return filing requirements.***

In addition to federal income taxes, Regency unitholders will likely be subject to other taxes, including state and local taxes, unincorporated business taxes and estate, inheritance or intangible taxes that are imposed by the various jurisdictions in which Regency does business or owns property, even if the unitholders do not live in any of those jurisdictions. Regency unitholders will likely be required to file state and local income tax returns and pay state and local income taxes in some or all of these jurisdictions. Further, Regency unitholders may be subject to penalties for failure to comply with those requirements. Regency owns assets and does business in Texas, Oklahoma, Kansas, Louisiana, West Virginia, Arkansas, Colorado, Alabama, California, Mississippi, New Mexico, Utah and Pennsylvania. Each of these states, other than Texas, currently imposes a personal income tax as well as an income tax on corporations and other entities. Texas imposes a margin tax on corporations, limited partnerships, limited liability partnerships and limited liability companies. As Regency makes acquisitions or expand its business, it may own assets or do business in additional states that impose a personal income tax. It is a unitholder's responsibility to file all United States federal, foreign, state and local tax returns required as a result of being a unitholder.