

HICKS THOMAS O  
Form SC 13D  
October 05, 2009

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

**SCHEDULE 13D**

**Under the Securities Exchange Act of 1934  
(Amendment No. )\***

Resolute Energy Corporation  
(Name of Issuer)  
Shares of Common Stock, par value \$0.0001 per share  
(Title of Class of Securities)  
76116A108  
(CUSIP Number)  
Thomas O. Hicks  
100 Crescent Court, Suite 1200  
Dallas, Texas 75201  
(214) 740-7300  
(Name, Address and Telephone Number of Person Authorized to  
Receive Notices and Communications)  
- with copies to -

James A. Deeken  
Akin Gump Strauss Hauer & Feld LLP  
1700 Pacific Avenue, Suite 4100  
Dallas, Texas 75201-4618  
(214) 969-4788  
September 25, 2009  
(Date of Event Which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of §§240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box. o

**Note:** Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See Rule 13d-7 for other parties to whom copies are to be sent.

\* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be filed for the purpose of Section 18 of the Securities Exchange Act of 1934 ( Act ) or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).



CUSIP No. 76116A108

13D

NAMES OF REPORTING PERSONS

1

HH-HACI GP, LLC

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

2

(a)

(b)

SEC USE ONLY

3

SOURCE OF FUNDS (SEE INSTRUCTIONS)

4

SC, OO

CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e)

5

CITIZENSHIP OR PLACE OF ORGANIZATION

6

Texas

SOLE VOTING POWER

7

NUMBER OF 0

SHARED VOTING POWER

SHARES BENEFICIALLY OWNED BY 8

11,002,367

SOLE DISPOSITIVE POWER

EACH REPORTING 9

PERSON 0

WITH SHARED DISPOSITIVE POWER

10

11,002,367

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

11,002,367

12 CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

o

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

19.0%

14 TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

OO

CUSIP No. 76116A108

13D

NAMES OF REPORTING PERSONS

1

HH-HACI, L.P.

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

2

(a)

(b)

SEC USE ONLY

3

SOURCE OF FUNDS (SEE INSTRUCTIONS)

4

SC, OO

CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e)

5

CITIZENSHIP OR PLACE OF ORGANIZATION

6

Delaware

SOLE VOTING POWER

7

NUMBER OF 11,002,367

SHARED VOTING POWER

SHARES BENEFICIALLY OWNED BY 8

0

SOLE DISPOSITIVE POWER

EACH REPORTING 9

PERSON 11,002,367

WITH SHARED DISPOSITIVE POWER

10

0

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

11,002,367

12 CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

o

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

19.0%

14 TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

PN

CUSIP No. 76116A108

13D

NAMES OF REPORTING PERSONS

1

Thomas O. Hicks

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

2

(a)

(b)

SEC USE ONLY

3

SOURCE OF FUNDS (SEE INSTRUCTIONS)

4

SC, OO

CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e)

5

CITIZENSHIP OR PLACE OF ORGANIZATION

6

USA

SOLE VOTING POWER

7

NUMBER OF 0

SHARED VOTING POWER

SHARES BENEFICIALLY OWNED BY 8

11,002,367

SOLE DISPOSITIVE POWER

EACH REPORTING 9

PERSON 0

WITH SHARED DISPOSITIVE POWER

10

11,002,367

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

11,002,367

12 CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

o

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

19.0%

14 TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

IN



**SCHEDULE 13D**

This Schedule 13D is being filed with the Securities and Exchange Commission (the *Commission*) on behalf of the Reporting Persons (as defined in Item 2 below) relating to (a) shares of common stock, par value \$0.0001 per share (*Common Stock*) of Resolute Energy Corporation, a Delaware corporation (the *Issuer*), 1675 Broadway, Suite 1950, Denver, Colorado 80202; (b) shares of Common Stock of the Issuer subject to forfeiture under certain conditions described in Item 4 below (*Earnout Shares*); (c) Founder's Warrants of the Issuer (*Founder's Warrants*), each of which is exercisable for one share of Common Stock; and (d) Sponsor's Warrants of the Issuer (*Sponsor's Warrants*), each of which is exercisable for one share of Common Stock.

This Schedule 13D relates to the Common Stock, Founder's Warrants, and Sponsor's Warrants acquired by the Reporting Persons as a result of the Acquisition (as defined in Item 4 below).

**Item 1. Security and Issuer**

Securities acquired: shares of common stock, par value \$0.0001 per share.

Issuer: Resolute Energy Corporation  
1675 Broadway, Suite 1950  
Denver, Colorado 80202

**Item 2. Identity and Background**

(a) This statement is filed by HH-HACI, L.P. (*HH LP*), HH-HACI GP, LLC, the general partner of HH LP (*HH LLC*), and Mr. Thomas O. Hicks, the sole member of HH LLC (the *Principal*, together with HH LP and HH LLC, the *Reporting Persons*).

(b) The business address of the Reporting Persons is 100 Crescent Court, Suite 1200, Dallas, Texas 75201.

(c) The principal business of HH LP and HH LLC is investment activities. The principal occupation of the Principal is investment activities.

(d) None of the Reporting Persons have, during the last five years, been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors).

(e) None of the Reporting Persons have, during the last five years, been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, Federal or State securities laws or finding any violation with respect to such laws.

(f) HH LP is a Delaware limited partnership. HH LLC is a Texas limited liability company. The Principal is a United States citizen.

**Item 3. Source and Amount of Funds or Other Consideration**

The net investment costs (including commissions, if any) of the shares of Common Stock, and Sponsor's Warrants acquired by the Reporting Persons are explained below. The source of these funds was the working capital of HH LP, which is expended to acquire the HACI Common Stock, HACI Founder's Warrants and HACI Sponsor's Warrants (each as defined below) converted into Common Stock, Founder's Warrants and Sponsor's Warrants reported herein. HH LP purchased an aggregate of 10,000,000 founder's units (adjusted through stock splits and stock dividends to 13,800,000 units) ( *HACI Founder's Units* ) of Hicks Acquisition Company I, Inc. ( *HACI* ) for an aggregate purchase price of \$25,000, or \$0.0025 per unit. Each HACI Founder's Unit consisted of one share of Common Stock of HACI ( *HACI Common Stock* ) and one founder's warrant of HACI ( *HACI Founder's Warrant* ). In addition, HH LP purchased an aggregate of 7,000,000 sponsors warrants of HACI ( *HACI Sponsor's Warrants* ) from HACI at a price of \$1.00 per warrant (\$7 million in the aggregate) in a private placement. Over time, certain HACI Common Stock, HACI Founder's Warrants, or HACI Sponsor's Warrants have been transferred with or without consideration, split, converted, cancelled, forfeited or sold. The remaining HACI Common Stock, HACI Founder's Warrants, and HACI Sponsor's Warrants were converted into Common Stock, Earnout Shares, Founder's Warrants, and Sponsor's Warrants in this Acquisition as explained below.

**Item 4. Purpose of the Transaction**

On August 2, 2009, HACI entered into that certain Purchase and IPO Reorganization Agreement (the *Acquisition Agreement* ), by and among HACI, the Issuer, Resolute Subsidiary Corporation, Resolute Aneth, LLC, Resolute Holdings, LLC, Resolute Holdings Sub, LLC ( *Seller* ), and HH LP (amended by a letter agreement dated as of September 9, 2009, and filed with the Commission as part of the Issuer's Form S-4/A on September 14, 2009), pursuant to which, through a series of transactions, HACI's stockholders acquired a majority of the outstanding Common Stock (the *Acquisition* ).

As a result of the Acquisition, (i) 4,508,000 shares of HACI Common Stock previously held by HH LP have been converted into 4,508,000 shares of Common Stock; (ii) 1,827,700 shares of HACI Common Stock previously held by HH LP have been converted into 1,827,700 shares of Common Stock subject to forfeiture unless at any time prior to five years from the closing of the Acquisition, either (a) the closing sale price of the Common Stock exceeds \$15.00 per share for 20 trading days in any 30 trading day period beginning 90 days after the closing of the Acquisition, or (b) a Change in Control Event (defined in the Issuer's 2009 Performance Incentive Plan) occurs in which Common Stock is valued at greater than \$15.00 per share; until forfeited, such shares will vote but will not participate in dividends and distributions (the *Earnout Shares* ); (iii) 9,016,000 HACI Founder's Warrants previously held by HH LP have been converted into 9,016,000 Founder's Warrants; and (iv) 4,666,667 HACI Sponsor's Warrants previously held by HH LP have been converted into 4,666,667 Sponsor's Warrants.

Each of William H. Cunningham (a director of HACI), Thomas O. Hicks, Jr. (the secretary and a vice president of HACI), and Robert M. Swartz (a senior vice president of HACI) are directors of the Issuer, all in accordance with the Acquisition Agreement.

HH LP intends to dispose of some or all of the Common Stock, Earnout Shares, Founder s Warrants and Sponsor s Warrants described above through in-kind distributions to the partners of HH LP.

**Item 5. Interest in Securities of the Issuer**

According to information provided by the Issuer in its communications with the Issuer, as of the date hereof there are 53,154,783 shares of Common Stock issued and outstanding.

(a) (i) As of the date hereof, HH LP beneficially owns 11,002,367 shares of Common Stock, which represents 19.0% of the Issuer s outstanding shares of Common Stock (including 4,666,667 Sponsor s Warrants beneficially owned by HH LP). These 11,002,367 shares of Common Stock include Earnout Shares and Common Stock that would be issuable upon the exercise of Sponsor s Warrants, which are exercisable after the closing of the Acquisition if certain conditions (described in Item 6) are satisfied, but exclude Common Stock that would be issuable upon the exercise of Founder s Warrants, which are not exercisable until, among other conditions, the last sale price of Common Stock exceeds \$13.75 for any 20 days within any 30 day trading period beginning 90 days after the closing of the Acquisition.

(ii) As of the date hereof, HH LLC, as the general partner of HH LP, and the Principal, as the sole member of HH LLC, each beneficially owns 11,002,367 shares of Common Stock, which represents 19.0% of the Issuer s outstanding shares of Common Stock (including 4,666,667 Sponsor s Warrants beneficially owned by HH LP). These 11,002,367 shares of Common Stock include Earnout Shares and Common Stock that would be issuable upon the exercise of Sponsor s Warrants, which are exercisable after the closing of the Acquisition if certain conditions (described in Item 6) are satisfied, but exclude Common Stock that would be issuable upon the exercise of Founder s Warrants, which are not exercisable until, among other conditions, the last sale price of Common Stock exceeds \$13.75 for any 20 days within any 30 day trading period beginning 90 days after the closing of the Acquisition.

The filing of this statement on Schedule 13D shall not be construed as an admission that either the Principal or HH LLC is, for the purposes of Section 13(d) of the Securities Exchange Act of 1934, as amended, the beneficial owner of any of the shares of Common Stock owned by HH LP. Each of the Principal and HH LLC disclaim beneficial ownership of any shares of Common Stock in which they do not have a pecuniary interest.

(b) HH LP has the sole power to vote and dispose of the aggregate 11,002,367 shares of Common Stock it holds. HH LLC and the Principal each has the shared power to vote and dispose of the aggregate 11,002,367 shares of Common Stock held by HH LP. These 11,002,367 shares of Common Stock include Earnout Shares and Common Stock that would be issuable upon the exercise of Sponsor s Warrants, which are exercisable after the closing of the Acquisition if certain conditions (described in Item 6) are satisfied, but exclude Common Stock

that would be issuable upon the exercise of Founder s Warrants, which are not exercisable until, among other conditions, the last sale price of Common Stock exceeds \$13.75 for any 20 days within any 30 day trading period beginning 90 days after the closing of the Acquisition.

(c) The Reporting Persons have not effected any transactions in the Issuer s securities in the last sixty days except the transactions listed in Item 4.

(d) Not applicable.

(e) Not applicable.

**Item 6. Contracts, Arrangements, Understandings or Relationships with Respect to Securities of the Issuer**

***Founder s Warrants***

HH LP holds 9,016,000 Founder s Warrants. Each Founder s Warrant entitles the holder to purchase one share of Common Stock of the Issuer at a price of \$13.00 per share, subject to adjustment, commencing any time after the last sale price of Common Stock exceeds \$13.75 for any 20 days within any 30 day trading period beginning 90 days after the closing of the Acquisition and shall end on the date that is 5 years from the closing of the Acquisition. However, Founder s Warrants will be exercisable only if a registration statement relating to the Common Stock issuable upon exercise of the warrants is effective and current.

Founder s Warrants (a) other than Founder s Warrants held by Seller, may not be sold or transferred except to permitted transferees until 180 days after the closing of the Acquisition; (b) will not be redeemable by the Issuer so long as they are held by HH LP, certain other parties, Seller, or their permitted transferees; and (c) may be exercised at the option of the holder on a cashless basis.

Subject to the limitations above, the Issuer may call Founder s Warrants for redemption, in whole and not in part, at a price of \$0.01 per Founder s Warrant, upon not less than 30 days prior written notice of redemption to each Founder s Warrant holder, at any time after such Founder s Warrants have become exercisable, if, and only if, (a) the last sale price has equaled or exceeded \$18.00 per share for any 20 trading days within a 30-trading-day period ending on the third business day prior to the notice of redemption to Founder s Warrant holders and (b) at all times between the date of such notice of redemption and the redemption date a registration statement is in effect covering the Common Stock issuable upon exercise of the Founder s Warrants and a current prospectus relating to those Common Stock is available.

***Sponsor s Warrants***

HH LP holds 4,666,667 Sponsor s Warrants. Each Sponsor s Warrant entitles the holder to purchase one share of Common Stock of the Issuer at a price of \$13.00 per share, subject to

adjustment, commencing any time after the closing of the Acquisition and shall end on the date that is five years from the closing of the Acquisition. However, Sponsor's Warrants will be exercisable only if a registration statement relating to the Common Stock issuable upon exercise of the warrants is effective and current.

Sponsor's Warrants (a) other than Sponsor's Warrants held by Seller, may not be sold or transferred except to permitted transferees until 180 days after the closing of the Acquisition; (b) will not be redeemable by the Issuer so long as they are held by HH LP, Seller, or their permitted transferees; and (c) may be exercised at the option of the holder on a cashless basis.

Subject to the limitations above, the Issuer may call Sponsor's Warrants for redemption, in whole and not in part, at a price of \$0.01 per Sponsor's Warrant, upon not less than 30 days' prior written notice of redemption to each Sponsor's Warrant holder, at any time after such Sponsor's Warrants have become exercisable, if, and only if, (a) the last sale price has equaled or exceeded \$18.00 per share for any 20 trading days within a 30-trading-day period ending on the third business day prior to the notice of redemption to Sponsor's Warrant holders and (b) at all times between the date of such notice of redemption and the redemption date a registration statement is in effect covering the Common Stock issuable upon exercise of the Sponsor's Warrants and a current prospectus relating to those Common Stock is available.

#### ***Registration Rights Agreement***

The Issuer entered into a registration rights agreement ( ***Registration Rights Agreement*** ) pursuant to which it may be required to register shares of Common Stock (including Earnout Shares), Founder's Warrants (and the Common Stock to be purchased pursuant to such Founder's Warrants), Sponsor's Warrants (and the Common Stock to be purchased pursuant to such Sponsor's Warrants) held by the Reporting Persons through demand registration, piggy-back registration, or registration on shelf registration statement, subject to certain conditions in such Registration Rights Agreement.

#### ***2007 Letter Agreement***

HACI, Citigroup Global Markets Inc., HH LP and Thomas O. Hicks entered into a letter agreement dated as of September 26, 2007 ( ***2007 Letter Agreement*** ). According to the 2007 Letter Agreement, Common Stock, Earnout Shares, Founder's Warrants and Sponsor's Warrants (collectively, ***Issuer Securities*** ) received by HH LP are subject to the following restrictions: until 180 days after the completion of the Acquisition (the ***Lock-Up Period*** ), HH LP cannot (i) sell, offer to sell, contract or agree to sell, hypothecate, pledge, grant any option to purchase or otherwise dispose of or agree to dispose of, directly or indirectly or establish or increase a put equivalent position or liquidate or decrease a call equivalent position with respect to Issuer Securities received by HH LP (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any of the Issuer Securities received by HH LP or (iii) publicly announce any intention to effect any transaction specified in clause (i) or (ii). However, the Lock-Up Period does not apply if the transfer of Issuer Securities by HH LP is to certain permitted transferees, including to HACI officers or directors, any affiliates or family members of any HACI officers or directors or any affiliates of

HH LP, provided that the permitted transferee signs a written agreement to be bound by the terms and conditions of the 2007 Letter Agreement.

**Item 7. Material to be Filed as Exhibits**

- Exhibit 99.1 Power of Attorney for Thomas O. Hicks.
- Exhibit 99.2 Joint Filing Agreement by and among HH LLC, HH LP and the Principal.
- Exhibit 99.3 Purchase and IPO Reorganization Agreement, dated as of August 2, 2009, among HACI, the Issuer, Resolute Subsidiary Corporation., Resolute Holdings, LLC, Resolute Holdings Sub, LLC, Resolute Aneth, LLC and HH LP (incorporated by reference from Exhibit 2.1 of the Issuer's Registration Statement on Form S-4/A, filed with the Commission on September 14, 2009).
- Exhibit 99.4 Letter Agreement amending Purchase and IPO Reorganization Agreement, dated as of September 9, 2009, among HACI, the Issuer, Resolute Subsidiary Corporation., Resolute Holdings, LLC, Resolute Holdings Sub, LLC, Resolute Aneth, LLC and HH LP (incorporated by reference from Exhibit 2.2 of the Issuer's Registration Statement on Form S-4/A, filed with the Commission on September 14, 2009).
- Exhibit 99.5 Form of Warrant Agreement between Continental Stock Transfer & Trust Company and the Issuer (incorporated by reference from Annex D from the Issuer's Registration Statement on Form S-4/A, filed with the Commission on September 14, 2009).
- Exhibit 99.6 Form of Registration Rights Agreement between the Issuer, the parties listed on the signature page thereto, and certain other parties (incorporated by reference from Exhibit 4.4 of the Issuer's Registration Statement on Form S-4/A, filed with the Commission on September 8, 2009).
- Exhibit 99.7 2009 Performance Incentive Plan (incorporated by reference from Exhibit 10.7 of the Issuer's Registration Statement on Form S-4/A, filed with the Commission on August 31, 2009).
- Exhibit 99.8 Letter Agreement, dated as of September 26, 2007, among the HACI, Citigroup Global Markets Inc., HH LP and Thomas O. Hicks (incorporated by reference from Exhibit 10.2 of the HACI's Registration Statement on Form S-1/A, filed with the Commission on September 27, 2007).

**SIGNATURE**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date: October 5, 2009

HH-HACI, L.P.

By: HH-HACI GP, LLC, its general partner

By: /s/ Joseph B. Armes  
Joseph B. Armes on behalf of Thomas  
O. Hicks, sole member

HH-HACI GP, LLC

By: /s/ Joseph B. Armes  
Joseph B. Armes on behalf of Thomas  
O. Hicks, sole member

By: /s/ Joseph B. Armes  
Joseph B. Armes on behalf of Thomas  
O. Hicks

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ether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

**Table of Contents****SUMMARY**

*This summary provides a brief overview of information contained elsewhere in this prospectus. You should read the entire prospectus carefully, including Risk Factors beginning on page 21 and the historical and pro forma financial statements. Unless indicated otherwise, the information presented in this prospectus assumes that the underwriters do not exercise their option to purchase additional units. We include a glossary of some of the terms used in this prospectus as Appendix D. References in this prospectus to Spectra Energy Partners, LP, we, our, us or like terms when used in a historical context refer to the businesses that Spectra Energy Corp is contributing to Spectra Energy Partners, LP in connection with this offering. When used in the present tense or prospectively, those terms refer to Spectra Energy Partners, LP and its subsidiaries. References to our general partner refer to Spectra Energy Partners (DE) GP, LP and/or Spectra Energy Partners GP, LLC, the general partner of Spectra Energy Partners (DE) GP, LP, as appropriate. References to Spectra Energy when used with respect to periods prior to January 1, 2007 refer to Spectra Energy Capital, LLC and when used with respect to periods after that date or prospectively refer to Spectra Energy Corp, the ultimate parent company of our general partner. References to East Tennessee and Gulfstream refer to East Tennessee Natural Gas, LLC and Gulfstream Natural Gas System, L.L.C., respectively. References to Market Hub refer to Market Hub Partners Holding, LLC and its successor, Market Hub Partners Holding, a Delaware general partnership.*

**Spectra Energy Partners, LP****Overview**

We are a growth-oriented Delaware limited partnership recently formed by Spectra Energy to own and operate natural gas transportation and storage assets. Our initial assets consist of interests in two interstate natural gas pipeline systems located in the southeastern United States with over 2,100 miles of pipelines, interests in two natural gas storage facilities in Texas and Louisiana with aggregate working gas storage capacity of approximately 35 billion cubic feet, or Bcf, and a liquefied natural gas, or LNG, storage facility in Tennessee.

We intend to utilize the significant experience of Spectra Energy's management team to execute our growth strategy, including the acquisition and construction of additional energy assets. Spectra Energy, which is comprised of the former natural gas businesses of Duke Energy Corporation, became a stand-alone publicly traded company in January 2007. At December 31, 2006, Spectra Energy had approximately 17,500 miles of natural gas transportation pipelines and approximately 265 Bcf of natural gas storage capacity (including the assets to be contributed to us).

**Our Assets**

*East Tennessee System.* We own and operate 100% of the approximately 1,400-mile East Tennessee interstate natural gas transportation system, which extends from central Tennessee eastward into southwest Virginia and northern North Carolina, and southward into northern Georgia. East Tennessee supports the growing energy demands of the Southeast and Mid-Atlantic regions of the United States through its connection to 19 receipt points and more than 175 delivery points and its market delivery capability of approximately 1.3 Bcf/d of natural gas. East Tennessee also owns and operates an LNG storage facility in Kingsport, Tennessee with natural gas storage capacity that can be used for system operations or sold to the market, or working gas storage capacity, of approximately 1.0 Bcf and regasification capability of 150 million cubic feet per day, or MMcf/d.

*Gulfstream System.* We own a 24.5% interest in the approximately 690-mile Gulfstream interstate natural gas transportation system, which extends from Pascagoula, Mississippi and Mobile, Alabama across the Gulf of Mexico



and into Florida. Gulfstream supports the fast growing south and central Florida markets through its connection to seven receipt points and 19 delivery points and its market delivery capability of approximately 1.1 Bcf/d of natural gas. Subsidiaries of Spectra Energy and The Williams

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Companies, Inc. own the remaining 25.5% and 50.0% interests in Gulfstream, respectively, and jointly operate the system.

*Market Hub System.* We own a 50.0% interest in Market Hub, which owns and operates two high-deliverability salt cavern natural gas storage facilities located in Acadia Parish, Louisiana and Liberty County, Texas. These two facilities have aggregate working gas storage capacity of approximately 35 Bcf and interconnect with 12 major natural gas pipeline systems. Market Hub's storage facilities offer access to natural gas supplies from Texas, Louisiana and growing imports of LNG to the Gulf Coast, and each facility interconnects with Spectra Energy's Texas Eastern System. A subsidiary of Spectra Energy owns the remaining 50.0% interest in Market Hub and operates the system.

**Our Operations**

We transport and store natural gas for a broad mix of customers, including local gas distribution companies, or LDCs, municipal utilities, interstate and intrastate pipelines, direct industrial users, electric power generators and natural gas marketers and producers. In addition to serving directly connected Southeastern markets, our pipeline and storage systems have access to customers in the Mid-Atlantic, Northeastern and Midwestern regions of the United States through numerous interconnections with major pipelines. Our rates are regulated under Federal Energy Regulatory Commission, or FERC, rate-making policies, and, in the case of our storage facility in Texas, by the Texas Railroad Commission, or TRC.

We provide a significant portion of our transportation and storage services through firm contracts that obligate our customers to pay us monthly capacity reservation fees, which are fixed charges owed to us regardless of the actual pipeline or storage capacity utilized by a customer. When a customer utilizes the capacity it has reserved under these contracts, we also collect a variable fee based on the volume of natural gas actually transported or stored. This enables us to recover our variable costs. These fees are typically a small percentage of the total fees we receive from our firm contracts. We also derive a smaller portion of our revenues through interruptible contracts under which our customers pay fees based on their actual utilization of our assets for transportation and storage services and other related services. Customers who have executed interruptible contracts are not assured capacity in our pipeline and storage facilities. To the extent that physical capacity that is contracted for firm service is not being fully utilized, we can contract such capacity for interruptible service. The table below sets forth certain information regarding our assets, our contracts and our revenues, as of and for the year ended December 31, 2006:

Asset	Our Ownership Interest	Revenue Composition % Firm Contracts Capacity			% of Physical Capacity Subscribed Under Firm Contracts	Weighted Average Remaining Contract Life (in years)(1)
		Reservation Fees	Variable Fees	Interruptible Contracts		
East Tennessee	100.0%	97.7%	1.7%	0.6%	89.7%	9.3
Gulfstream	24.5%	85.6%	2.9%	11.5%	68.8%	20.2
Market Hub	50.0%	90.0%	0.0%	10.0%	100.0%	2.4

(1) The average life of each contract is calculated based on the average annual contract revenue for such contract's remaining life.

The high percentage of our earnings derived from capacity reservation fees mitigates the risk to us of earnings fluctuations caused by changing supply and demand conditions. For additional information about our contracts, please see Management's Discussion and Analysis of Financial Condition and Results of Operations How We Evaluate Our Operations and Business Regulation.

### **Our Relationship with Spectra Energy**

One of our principal attributes is our relationship with Spectra Energy, which will own our general partner and a significant interest in us following this offering. Spectra Energy is comprised of the former natural gas businesses of Duke Energy Corporation and became a stand-alone publicly traded company in

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January 2007. Spectra Energy owns and operates a large and diversified portfolio of complementary natural gas-related energy assets and is one of North America's leading midstream natural gas companies. Spectra Energy, which trades on the New York Stock Exchange under the symbol SE, serves three key links in the natural gas value chain: gathering and processing, transportation and storage and distribution. Through its interests in five U.S. pipeline systems (including East Tennessee and Gulfstream) and three Canadian pipeline systems, Spectra Energy owns and operates one of the largest long-haul natural gas pipeline networks in North America consisting of approximately 17,500 miles of transportation pipelines. In addition, Spectra Energy is one of the largest operators of natural gas storage in North America with eleven storage facilities with total working gas capacity of approximately 265 Bcf (including East Tennessee's LNG facility and Market Hub), and owns a 50.0% interest in DCP Midstream, LLC (previously known as Duke Energy Field Services, LLC), which is the largest natural gas liquids producer in North America. DCP Midstream, LLC owns the general partner interest and a 40.7% limited partner interest in DCP Midstream Partners, LP, which is a midstream master limited partnership.

Upon the completion of this offering, Spectra Energy will own our 2% general partner interest, all of our incentive distribution rights and an 83.2% limited partner interest in us. We will enter into an omnibus agreement with Spectra Energy, our general partner and certain of their affiliates that will govern our relationship with them regarding certain reimbursement and indemnification matters. Please read *Certain Relationships and Related Party Transactions Omnibus Agreement*. While our relationship with Spectra Energy and its subsidiaries is a significant attribute, it may also be a source of conflicts. For example, neither Spectra Energy nor any of its affiliates are prohibited from competing with us. Spectra Energy and its affiliates may acquire, construct or dispose of assets in the future without any obligation to offer us the opportunity to purchase or construct those assets. Please read *Conflicts of Interest and Fiduciary Duties*.

## **Summary of Risk Factors**

An investment in our common units involves risks. The following list of risk factors is not exhaustive. Please read carefully these and other risks described under *Risk Factors*.

### ***Risks Related to Our Business***

We may not have sufficient cash from operations following the establishment of cash reserves and payment of fees and expenses, including cost reimbursements to our general partner, to enable us to make cash distributions to holders of our common units and subordinated units at the initial distribution rate under our cash distribution policy.

On a pro forma basis we would not have had sufficient cash available for distribution to pay the full minimum quarterly distribution on all units for the year ended December 31, 2006. Please read *Our Cash Distribution Policy and Restrictions on Distributions*.

Gulfstream and Market Hub are controlled by Spectra Energy and other third parties who are responsible for the management and operations of those assets. As a result we cannot control the amount of cash we will receive from Gulfstream and Market Hub and we may be required to contribute significant cash to fund their operations.

Our natural gas transportation and storage operations are subject to regulation by FERC, which could have an adverse impact on our ability to establish transportation and storage rates that would allow us to recover the full cost of operating our pipelines, including a reasonable return, and our ability to make distributions to you.

Certain of our transportation services are subject to long-term, fixed-price negotiated rate contracts that are not subject to adjustment, even if our cost to perform such services exceeds the revenues received from such contracts, and, as a result, our costs could exceed our revenues received under such contracts.

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The assumptions underlying the minimum estimated cash available for distribution we include in Our Cash Distribution Policy and Restrictions on Distributions are inherently uncertain and are subject to significant business, economic, financial, regulatory and competitive risks and uncertainties that could cause actual results to differ materially from those estimated.

If third-party pipelines and other facilities interconnected to our natural gas pipelines and facilities become unavailable to transport natural gas, our revenues and cash available for distribution could be adversely affected.

Any significant decrease in supplies of natural gas in our areas of operation could adversely affect our business and operating results and reduce our cash available for distribution to unitholders.

We may not be able to maintain or replace expiring gas transportation and storage contracts at favorable rates.

We depend on certain key customers for a significant portion of our revenues. The loss of any of these key customers could result in a decline in our revenues and cash available to make distributions to you.

***Risks Inherent in an Investment in Us***

Spectra Energy controls our general partner, which has sole responsibility for conducting our business and managing our operations. Spectra Energy has conflicts of interest, and it may favor its own interests to your detriment.

Affiliates of our general partner, including Spectra Energy, DCP Midstream, LLC and DCP Midstream Partners, LP, are not limited in their ability to compete with us, which could limit our commercial activities or our ability to acquire additional assets or businesses.

If you are not an (1) individual or entity subject to U.S. federal income taxation on the income generated by us or (2) entity not subject to U.S. federal taxation on the income generated by us, but all of whose owners are subject to such taxation, you will not be entitled to receive distributions or allocations of income or loss on your common units and your common units will be subject to redemption at a price that may be below the current market price.

Cost reimbursements to our general partner and its affiliates for services provided, which will be determined by our general partner, will be substantial and will reduce our cash available for distribution to you.

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

***Tax Risks to Common Unitholders***

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

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An Internal Revenue Service contest of the federal income tax positions we take may adversely affect the market for our common units, and the cost of any Internal Revenue Service contest will reduce our cash available for distribution to our unitholders.

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

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

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**Formation Transactions and Partnership Structure**

**General**

At the closing of this offering the following transactions will occur:

Spectra Energy or its subsidiaries will contribute certain of their assets to us or our subsidiaries;

we will issue to a subsidiary of Spectra Energy 34,629,880 common units and 21,638,730 subordinated units, representing an aggregate 83.2% limited partner interest in us;

we will issue to Spectra Energy Partners (DE) GP, LP, a subsidiary of Spectra Energy, a 2% general partner interest in us and all of our incentive distribution rights, which will entitle our general partner to increasing percentages of the cash we distribute in excess of \$0.345 per unit per quarter (115% of the minimum quarterly distribution);

we will issue 10,000,000 common units to the public in this offering, representing a 14.8% limited partner interest in us, and will use the proceeds as described in Use of Proceeds ;

we expect to borrow \$163.1 million in term debt and \$125 million in revolving debt under our \$500 million credit facility; and

we will enter into an omnibus agreement with Spectra Energy, our general partner and certain of their affiliates pursuant to which:

we will reimburse Spectra Energy for the payment of certain operating expenses and for providing various general and administrative services; and

Spectra Energy will indemnify us for certain environmental and tax liabilities and title and right-of-way defects.

**Management of Spectra Energy Partners, LP**

Spectra Energy Partners (DE) GP, LP, our general partner, has sole responsibility for conducting our business and for managing our operations. Because our general partner is a limited partnership, its general partner, Spectra Energy Partners GP, LLC, will conduct our business and operations, and the board of directors and officers of Spectra Energy Partners GP, LLC will make decisions on our behalf. Spectra Energy will elect all seven members to the board of directors of Spectra Energy Partners GP, LLC, with at least three directors meeting the independence standards established by the New York Stock Exchange. For more information about these individuals, please read Management Directors and Executive Officers.

As is common with publicly traded limited partnerships and in order to maximize operational flexibility, we will conduct our operations through subsidiaries. We will have one direct operating subsidiary initially, Spectra Energy Partners OLP, LP, a limited partnership that will conduct business through itself and its subsidiaries.



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**Organizational Structure and Ownership**

The following diagram depicts our organizational structure after giving effect to this offering and the related transactions assuming no exercise of the underwriters' option to purchase additional common units.

Public Common Units	14.8%
Spectra Energy Common and Subordinated Units	83.2%
General Partner Units	2.0%
Total	