REALOGY CORP
Form 8-K
January 25, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): January 25, 2012 (January 25, 2012)

Realogy Corporation

(Exact name of registrant as specified in its charter)

	333-173250, 333-173254 and	
Delaware	**333-148153**	**20-4381990**
(State or Other Jurisdiction	**(Commission**	**(IRS Employer**

of Incorporation)	**File Number)**	**Identification No.)**

Domus Holdings Corp.

(Exact name of registrant as specified in its charter)

Delaware	**333-173250**	**20-8050955**
(State or Other Jurisdiction of Incorporation)	**(Commission File Number)**	**(IRS Employer Identification No.)**

One Campus Drive

Parsippany, NJ 07054

(Address of Principal Executive Offices) (Zip Code)

(973) 407-2000

(Registrant s telephone number, including area code)

None

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

¨ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

¨ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

¨ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

¨ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition

The information under the heading Preliminary Financial Results set forth in Item 7.01 below is incorporated by reference herein.

Item 7.01. Regulation FD Disclosure

The following information is being furnished pursuant to this Item 7.01 and shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the Exchange Act), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act except as shall be expressly set forth by specific reference in such filing.

As used below, the terms Realogy, Company, we and our refer to Realogy Corporation and its consolidated subsidiaries.

In connection with a proposed secured financing, Realogy anticipates disclosing to prospective investors certain information that has not been previously publicly reported, excerpts of which are furnished below.

Preliminary financial results

The preliminary 2011 financial results presented below have not yet been finalized by management. When Realogy s actual 2011 financial results are finalized, they will include any adjustments necessary, in the opinion of management, for a fair presentation of such information. Realogy s actual 2011 financial results could vary materially from those included herein.

The preliminary financial data included herein has been prepared by and is the sole responsibility of Realogy s management. PricewaterhouseCoopers LLP has not audited, reviewed, compiled or performed any procedures with respect to the accompanying preliminary financial data. Accordingly, PricewaterhouseCoopers LLP does not express an opinion or any form of assurance with respect thereto.

Management estimates net revenues for the year ended December 31, 2011 will total approximately $4.1 billion, which was flat compared to the year ended December 31, 2010. This is principally due to an increase in revenues for the Title and Settlement Services segment due to higher refinance and title insurance premiums and the Relocation Services segment due to volume increases offset by decreases in homesale transaction volume (1% decline compared to 2010) at the Real Estate Franchise Services segment and Company Owned Real Estate Brokerage Services segment as a result of the absence of the homebuyer tax credit in 2011. Management estimates EBITDA for the year ended December 31, 2011 will be approximately $443 million, and EBITDA before restructuring and other items will be approximately $474 million. The decrease in EBITDA of 11% compared to EBITDA for the year ended December 31, 2010, is principally due to a decrease in homesale sides of 1% at RFG and a decrease in average homesale price at NRT of 2%. The estimated net loss attributable to Realogy for the year ended December 31, 2011 will be approximately $438 million. Under the senior secured credit facility, the senior secured leverage ratio of total senior secured net debt to trailing twelve-month Adjusted EBITDA was limited to a maximum of 4.75 to 1.0 at December 31, 2011. Although the Company has not yet certified, and is not yet required to certify, its compliance with the covenants under the senior secured credit facility, based solely upon the preliminary 2011 financial results, and subject to the limitations of the preliminary 2011 financial results described above, management believes the Company will be in compliance with the senior secured leverage ratio covenant at December 31, 2011.

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The annual year over year trend in our homesale transactions is as follows:

	2011 vs. 2010
Number of homesales	
Real Estate Franchise Services	(1)%
Company Owned Real Estate Brokerage Services	%

The annual year over year trend in the average price of homes in our homesale transactions is as follows:

	2011 vs. 2010
Average price of homes	
Real Estate Franchise Services	%
Company Owned Real Estate Brokerage Services	(2)%

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A reconciliation of preliminary net loss to EBITDA and EBITDA before restructuring and other items for the year ended December 31, 2011 is set forth in the following table:

	(Unaudited) For the year ended December 31, 2011
Preliminary net loss attributable to Realogy	$ (438)
Income tax expense	30
Income before income taxes	(408)
Interest expense (income), net	665
Depreciation and amortization	186
EBITDA	443
Restructuring costs, merger costs and former parent legacy costs (benefit), net(a)	(5)
Loss on the early extinguishment of debt	36
EBITDA before restructuring and other items	474

(a) Consists of $11 million of restructuring costs and $1 million of merger costs offset by a net benefit of $17 million of former parent legacy items.

Legal proceedings

In 2002, Frank K. Cooper Real Estate #1, Inc. filed a putative class action against Cendant Corporation (Cendant) and Cendant s subsidiary, Century 21 Real Estate Corporation (Century 21). The complaint alleges breach of certain provisions of the Real Estate Franchise Agreement entered into between Century 21 and the plaintiffs, breach of the implied duty of good faith and fair dealing, violation of the New Jersey Consumer Fraud Act and breach of certain express and implied fiduciary duties. The complaint alleges, among other things, that Cendant diverted money and resources from Century 21 franchisees and allotted them to NRT owned brokerages and otherwise improperly charged expenses to advertising funds. The New Jersey Consumer Fraud Act, if applicable, provides for treble damages, attorney s fees and costs as remedies for violation of the Act. On August 17, 2010, the court granted plaintiffs renewed motion to certify a class. The certified class includes Century 21 franchisees at any time between August 1, 1995 and April 17, 2002 whose franchise agreements contain New Jersey choice of law and venue provisions and who have not executed releases releasing the claim (unless the release was a provision of a franchise renewal agreement). A case management order entered on November 29, 2010 established, among other things, a trial date of April 16, 2012. All expert reports have been produced and expert depositions have commenced.

Realogy currently is engaged in significant mediated settlement discussions to avoid further litigation expense. The structure of the proposal under discussion involves both monetary and non-monetary consideration and would involve contributions from insurance carriers. Realogy has reserved funding that would be required beyond carrier contributions and that amount is reflected in preliminary full year 2011 financial results set forth above. If a memorandum of understanding is reached in discussions this week, we expect the court to stay further proceedings during the approval process. There can be no assurance, however, that these settlement discussions will reach a successful conclusion or that such a settlement, if reached, would receive all necessary approvals.

This class action involves substantial, complex litigation. Class action litigation is inherently unpredictable and subject to significant uncertainties. The resolution of this litigation could result in substantial losses and there can be no assurance that such resolution will not have a material adverse effect on our results of operations, financial condition or liquidity.

Securitization obligations

On December 14, 2011, we entered into agreements to amend and extend our existing Apple Ridge Funding LLC securitization program, which was due to expire in April 2012. The maturity date has been extended until December 2013. The maximum borrowing capacity remained at $400 million.

In 2010, we, through a special purpose entity, Cartus Financing Limited, entered into agreements providing for a £35 million revolving loan facility which expires in August 2015 and a £5 million working capital facility which expires in August 2012. These Cartus Financing Limited facilities are secured by relocation assets of a U.K. government contract in a special purpose entity and are therefore classified as permitted securitization financings as defined in our senior secured credit facility and the indentures governing the Unsecured Notes and the Existing First and a Half Lien Notes.

The Apple Ridge entities and Cartus Financing Limited entity are consolidated special purpose entities that are utilized to securitize relocation receivables and related assets. These assets are generated from advancing funds on behalf of clients of our relocation business in order to facilitate the relocation of their employees. Assets of these special purpose entities are not available to pay our general obligations. Under the Apple Ridge program, provided no termination or amortization event has occurred, any new receivables generated under the designated relocation management agreements are sold into the securitization program and as new eligible relocation management agreements are entered into, the new agreements are designated to the program. The Apple Ridge program has restrictive covenants and trigger events, including performance triggers linked to the age and quality of the underlying assets, foreign obligor limits, multicurrency limits, financial reporting requirements, restrictions on mergers and change of control, triggers based on breaches of the senior secured leverage ratio under our senior secured credit facility if uncured, and cross-defaults to our senior secured credit facility, unsecured and secured notes or other material indebtedness. The occurrence of a trigger event under the Apple Ridge securitization facility could restrict our ability to access new or existing funding under this facility or result in termination of the facility, either of which would adversely affect the operation of our relocation business.

Certain of the funds that we receive from relocation receivables and related assets must be utilized to repay securitization obligations. These obligations were collateralized by $432 million and $393 million of underlying relocation receivables and other related relocation assets at September 30, 2011 and December 31, 2010, respectively. Substantially all relocation related assets are realized in less than twelve months from the transaction date. Accordingly, all of the our securitization obligations are classified as current in the consolidated balance sheets in our SEC filings.

Interest incurred in connection with borrowings under these facilities amounted to $4 million for the nine months ended September 30, 2011. This interest is recorded within net revenues in the condensed consolidated statements of operations in our SEC filings as related borrowings are utilized to fund our relocation business where interest is generally earned on such assets. These securitization obligations represent floating rate debt for which the average weighted interest rate was 1.9% for the nine months ended September 30, 2011.

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Capitalization

The following table sets forth our cash and cash equivalents and capitalization as of September 30, 2011 on an historical basis and on an as adjusted basis, after giving effect to the proposed secured financing and the application of the proceeds (without giving effect to initial purchasers commissions) (i) to prepay $629 million of the portion of our Term B Loan borrowings under our senior secured credit facility which are due to mature in October 2013, (ii) to repay all of the $133 million in outstanding borrowings under our revolving credit facility which is due to mature in April 2016 the (non-extended revolving credit facility), and (iii) to repay $156 million of the outstanding borrowings under our revolving credit facility which is due to mature in April 2013 (the extended revolving credit facility and, together with the non-extended revolving credit facility, the revolving credit facility). The proposed secured financing and the application of the proceeds therefrom in accordance with clauses (ii) and (iii) above will result in the termination of all of the commitments under the non-extended revolving credit facility ($289 million). We anticipate borrowing $25 million under the extended revolving credit facility at closing to repay amounts outstanding under other bank indebtedness, which will have the effect of reducing the amounts of letters of credit outstanding under the extended revolving credit facility by $25 million.

As Adjusted amounts as of September 30, 2011, do not reflect the application of the proceeds from the proposed secured financing to repay a portion of the amounts outstanding under the extended revolving credit facility. In addition, As Adjusted amounts as of September 30, 2011, do not reflect the application of the proceeds from the proposed secured financing to repay all of the amounts incurred under the non-extended revolving credit facility since such date. As of January 24, 2012, we had $133 million of outstanding borrowings under the non-extended revolving credit facility and $167 million of outstanding borrowings under the extended revolving credit facility. Following the consummation of the proposed secured financing and the application of the proceeds thereof, we expect to have $36 million of outstanding borrowings, $88 million of outstanding letters of credit (out of a total available amount of $111 million) and $239 million of available capacity under our revolving credit facility.

You should read this table in conjunction with the consolidated financial statements and the accompanying notes thereto and the condensed consolidated financial statements and accompanying notes thereto in our SEC filings.

Capitalization (excluding securitization obligations)	As of September 30, 2011 Historical	As Adjusted as of September 30, 2011
	(In millions)	
Cash and cash equivalents(1)(10)	$ 102	$ 367
Long-term debt (including current portion):		
Senior secured credit facility:		
Non-extended revolving credit facility(2)	22	
Extended revolving credit facility(2)(10)	28	28
Non-extended term loan facility(3)	631	
Extended term loan-facility	1,822	1,822
Proposed first lien secured financing		593
Proposed junior secured financing		325
Existing First and a Half Lien Notes	700	700
Second Lien Loans	650	650
Other bank indebtedness(4)	133	133
10.50% Senior Notes	64	64
11.50% Senior Notes(5)	489	489
11.00%/11.75% Senior Toggle Notes	52	52
12.00% Senior Notes(6)	129	129
12.375% Senior Subordinated Notes(7)	187	187
13.375% Senior Subordinated Notes	10	10
11.00% Convertible Notes	2,110	2,110
Total long-term debt, including current portion	7,027	7,292
Total stockholder s equity (deficit)(8)	(1,344)	(1,344)
Total capitalization(9)	$ 5,683	$ 5,948

(1) Readily available cash as of September 30, 2011 was $62 million. Readily available cash includes cash and cash equivalents less statutory cash required for our title business. The As Adjusted cash and cash equivalents balance includes (i) $156 million of cash which will be used to repay outstanding borrowings under our extended revolving credit facility, and (ii) $111 million of cash which will be used to repay additional borrowings under our non-extended revolving credit facility incurred after September 30, 2011 (for a total of $133 million of repayments).

(2) The available capacity under these facilities was reduced by $50 million and $63 million of outstanding letters of credit on the non-extended and the extended revolving credit facility, respectively, at September 30, 2011. As of January 24, 2012, we had $133 million of outstanding borrowings under the non-extended revolving credit facility (we have $289 million of commitments under the non-extended credit facility, all of which will be terminated upon completion of the proposed secured financing) and $167 million of outstanding borrowings under the extended revolving credit facility (we have $363 million of total commitments under the extended revolving credit facility).

(3) The historical amount includes $2 million related to the quarterly amortization of the non-extended term loan facility. As of January 24, 2012, we had $629 million of outstanding non-extended term loans under this facility, which will be repaid with the proceeds of the proposed secured financing.

(4) Consists of revolving credit facilities that are supported by letters of credit issued under the senior secured credit facility, a portion of which are issued under the synthetic letter of credit facility, with $75 million due in July 2012, $8 million due in August 2012 and $50 million due in January 2013.

(5) Consists of $492 million of the 11.50% Senior Notes due 2017 (the 11.50% Senior Notes), less a discount of $3 million.

(6) Consists of $130 million of the 12.00% Senior Notes due 2017 (the 12.00% Senior Notes), less a discount of $1 million.

(7) Consists of $190 million of the 12.375% Senior Subordinated Notes due 2015 (the 12.375% Senior Subordinated Notes), less a discount of $3 million.

(8) We expect to have a write-off for deferred financing costs in the first quarter of 2012 due to the prepayment of the non-extended revolving credit facility and the non-extended term loan facility.

(9) Total capitalization excludes our securitization obligations which are collateralized by relocation related assets and appear in our current liabilities.

(10) Following the consummation of the proposed secured financing and the application of the proceeds therefrom, including the termination of the commitments under our non-extended revolving credit facility and the repayment of $156 million of the outstanding borrowings under our extended revolving credit facility, we expect to have approximately $36 million of outstanding borrowings (which does not include approximately $14 million of commissions in connection with the proposed secured financing) and approximately $239 million of available capacity under the extended revolving credit facility. The entirety of the commitments under the non-extended revolving credit facility ($289 million) will be terminated. In addition, upon consummation of the proposed secured financing, we expect to have a total of $88 million of outstanding letters of credit under our revolving credit facility and approximately $23 million of excess capacity for additional letters of credit under such facility.

Risk Factors

The residential real estate market is cyclical and we are negatively impacted by downturns in this market.

The residential real estate market tends to be cyclical and typically is affected by changes in general economic conditions which are beyond our control. The U.S. residential real estate market has recently shown some signs of stabilizing from a lengthy and deep downturn that began in the second half of 2005. However, we cannot predict when the market and related economic forces will return the U.S. residential real estate industry to a period of sustained growth.

Any of the following could halt or limit a recovery in the housing market and have a material adverse effect on our business by causing a lack of sustained growth or a decline in the number of homesales and/or prices which, in turn, could adversely affect our revenues and profitability:

- continued high unemployment;
- a period of slow economic growth or recessionary conditions;
- weak credit markets;
- a low level of consumer confidence in the economy and/or the residential real estate market;
- instability of financial institutions;
- legislative, tax or regulatory changes that would adversely impact the residential real estate market, including but not limited to potential reform relating to the Federal National Montage Association (Fannie Mae), and the Federal Home Mortgage Corporation (Freddie Mac) and other government sponsored entities that provide liquidity to the U.S. housing and mortgage markets;
- increasing mortgage rates and down payment requirements and/or reduced availability of mortgage financing, including but not limited to the potential impact of various provisions of the Dodd-Frank Act or other legislation or regulation that may be enacted or promulgated to reform the U.S. housing finance market, including restrictions imposed on mortgage originators as well as retention levels required to be maintained by sponsors to securitize mortgages;
- excessive or insufficient regional home inventory levels;
- continuing high levels of foreclosure activity including but not limited to the release of homes for sale by financial institutions and the uncertainty surrounding the appropriateness of mortgage servicers foreclosure processes;
- adverse changes in local or regional economic conditions;
- the inability or unwillingness of homeowners to enter into homesale transactions due to negative equity in their existing homes;
- a decrease in the affordability of homes;

our geographic and high-end market concentration relating in particular to our company-owned brokerage operations;

local, state and federal government regulation that burden residential real estate transactions or ownership;

shifts in populations away from the markets that we or our franchisees serve;

individual tax law changes, including potential limits on, or elimination of, the deductibility of certain mortgage interest expense, the application of the alternative minimum tax, real property taxes and employee relocation expenses;

decreasing home ownership rates, declining demand for real estate and changing social attitudes toward home ownership;

commission pressure from brokers who discount their commissions; and/or

acts of God, such as hurricanes, earthquakes and other natural disasters that disrupt local or regional real estate markets.

Recently, banks and other lenders have come under investigations for alleged improper support for foreclosure actions. As a result, the foreclosure process in many areas has slowed and may face ongoing disruption. These foreclosure developments could reduce the level of homesales and could, once these homes reemerge on the market, add additional downward pressure on the price of existing homesales. A potential settlement of related litigation in 2012 could ease the disruption to foreclosures.

Our success is largely dependent on the efforts and abilities of the independent sales associates retained by company owned brokerage offices and by our franchisees. The ability of our company owned brokerage offices and our franchisees to retain independent sales associates is generally subject to numerous factors, including the compensation they receive and their perception of brand value. Given our high degree of leverage and negative perceptions in the media relating to our financial condition, neither our company owned brokerage offices or our independent franchisees may be successful in attracting or maintaining independent sales associates. If we or our franchisees fail to attract and retain independent sales associates, our business may be materially adversely affected.

A prolonged decline or lack of sustained growth in the number of homesales and/or prices would adversely affect our revenues and profitability.

Based upon data published by the National Association of Realtors (NAR), from 2005 to 2011, annual U.S. existing homesale units declined by 40% and the median homesale price declined by 25%. Our revenues for the year ended December 31, 2010 compared to the year ended December 31, 2007, on a pro forma combined basis, decreased approximately 32%. A further decline or lack of sustained growth in existing homesales, a continued decline in home prices or a decline in commission rates charged by brokers would further adversely affect our results of operations by reducing the royalties we receive from our franchisees and company owned brokerages, reducing the commissions our company owned brokerage operations earn, reducing the demand for our title and settlement services and reducing the referral fees earned by our relocation services business. For example, for 2010, a 100 basis point (or 1%) decline in either our homesale sides or the average selling price of closed homesale transactions, with all else being equal, would have decreased EBITDA by $2 million for our Real Estate Franchise Services segment and $9 million for our Company Owned Real Estate Brokerage Services segment.

Our company owned brokerage operations are subject to geographic and high-end real estate market risks, which could continue to adversely affect our revenues and profitability.

Our subsidiary, NRT LLC (NRT), owns real estate brokerage offices located in and around large metropolitan areas in the U.S. Local and regional economic conditions in these locations could differ materially from prevailing conditions in other parts of the country. NRT has more offices and realizes more of its revenues in California, Florida and the New York metropolitan area than any other regions in the country. For the year ended December 31, 2010, NRT realized approximately 63% of its revenues from California (27%), the New York metropolitan area (26%) and Florida (10%). For the nine months ended September 30, 2011, NRT realized approximately 64% of its revenues from California (27%), the New York metropolitan area (26%) and Florida (11%). A further downturn in residential real estate demand or economic conditions in these regions could result in a further decline in NRT s total gross commission income and profitability and have a material adverse effect on us. In addition, given the significant geographic overlap of our title and settlement services business with our company owned brokerage offices, such regional declines affecting our company owned brokerage operations could have an adverse effect on our title and settlement services business as well. A further downturn in residential real estate demand or economic conditions in these states could continue to result in a decline in our overall revenues and have a material adverse effect on us.

NRT has a significant concentration of transactions at the higher end of the U.S. real estate market. A shift in NRT s mix of property transactions from the high range to lower and middle range homes would adversely affect the average price of NRT s closed homesales.

Loss or attrition among our senior management or other key employees could adversely affect our financial performance.

Our success is largely dependent on the efforts and abilities of our senior management and other key employees. Our ability to retain our employees is generally subject to numerous factors, including the compensation and benefits we pay, the mix between the fixed and variable compensation we pay our employees and prevailing compensation rates. Given the lengthy and prolonged downturn in the real estate market and the cost-cutting measures we implemented during the downturn, certain of our employees have received, and may in the near term continue to receive, less incentive compensation. As such, we may suffer significant attrition among our current key employees. If we were to lose key employees and not promptly fill their positions with comparably qualified individuals, our business may be materially adversely affected.

Tightened mortgage underwriting standards could continue to reduce homebuyers ability to access the credit market on reasonable terms.

During the past several years, many lenders have significantly tightened their underwriting standards, and many subprime and other alternative mortgage products are no longer being made available in the marketplace. If these trends continue and mortgage loans continue to be difficult to obtain, including in the jumbo mortgage markets important to our higher value and luxury brands, the ability and willingness of prospective buyers to finance home purchases or to sell their existing homes will be adversely affected, which will adversely affect our operating results.

Adverse developments in general business, economic and political conditions could have a material adverse effect on our financial condition and our results of operations.

Our business and operations and those of our franchisees are sensitive to general business and economic conditions in the U.S. and worldwide. These conditions include short-term and long-term interest rates, inflation, fluctuations in debt and equity capital markets, consumer confidence and the general condition of the U.S. and world economy.

Dramatic declines in the housing market during the past five years, with falling home prices and increasing foreclosures, including disruptions and delays occasioned by recent investigations into alleged improper foreclosure processes, and unemployment, have resulted in significant write-downs of asset values by financial institutions, including government-sponsored entities and major commercial and investment banks. These actions, which initially impacted mortgage-backed securities, spread to credit default swaps and other derivative securities and caused many financial institutions to seek additional capital, to merge with larger and stronger institutions and, in some cases, to fail. Reflecting concern about the stability of the financial markets generally and the strength of counterparties, many lenders and institutional investors reduced, and in some cases, ceased to provide funding to borrowers, including other financial institutions. Lack of available credit or lack of confidence in the financial sector could materially and adversely affect our business, financial condition and results of operations.

A host of factors beyond our control could cause fluctuations in these conditions, including the political environment and acts or threats of war or terrorism. Adverse developments in these general business and economic conditions could have a material adverse effect on our financial condition and our results of operations.

Recent U.S. governmental actions to assist in the stabilization and/or recovery of the residential real estate market may not be successful; reform of Freddie Mac and Fannie Mae could have a material impact on our operations.

The U.S. government implemented certain actions during the past several years to assist in a stabilization and/or a recovery of the residential real estate market. These measures have included: (1) the placement of Fannie Mae and Freddie Mac in conservatorship in September 2008 and the funding of over $130 billion to these entities to backstop shortfalls in their capital requirements; (2) the establishment, and subsequent expansion and extension, of a federal homebuyer tax credit for qualified buyers (that, as extended, required signed contracts on or before April 30, 2010); (3) as part of a broader plan to bring stability to credit markets and stimulate the housing market, the purchase of mortgage-backed securities by the Federal Reserve Board in an attempt to maintain low mortgage rates (the first phase of which ended on March 31, 2010); (4) the continuation of the 2008 higher loan limits for FHA, Freddie Mac and Fannie Mae loans, most recently extended through 2013; (5) the availability of low-cost refinancing through Fannie Mae and Freddie Mac to certain homeowners negatively impacted by falling home prices, as well as encouraging lenders to modify loan terms with borrowers at risk of foreclosure or already in foreclosure and (6) ongoing attempts to cause Freddie Mac, Fannie Mae and various banks implicated in foreclosure investigations to modify loans, including by the reduction of principal, when the home value has fallen below the amount of the loan. There can be no assurance that these actions or any other governmental action will continue to stabilize the housing market or that any recovery in this market will be sustained as these programs either wind down or expire by their terms.

Moreover, Congress has held hearings on the future of Freddie Mac and Fannie Mae and other government sponsored entities or GSEs with a view towards further legislative reform. Legislation, if enacted, which curtails Freddie Mac and/or Fannie Mae s activities and/or results in the wind down of these entities could increase mortgage costs and could result in more stringent underwriting guidelines imposed by lenders, either of which could materially adverse affect the housing market in general and our operations in particular. Given the current uncertainty with respect to the extent, if any, of such reform, it is difficult to predict either the long-term or short-term impact of government action that may be taken.

The Dodd-Frank Act and other financial reform legislation may, among other things, result in new rules and regulations that may adversely affect the housing industry.

On July 21, 2010, the Dodd-Frank Act was signed into law for the express purpose of regulating the financial services industry and also establishes an independent federal bureau of consumer financial protection to enforce laws involving consumer financial products and services, including mortgage finance. The bureau is empowered with examination and enforcement authority. The Dodd-Frank Act also establishes new standards and practices for mortgage originators, including determining a prospective borrower s ability to repay their mortgage, removing incentives for higher cost mortgages, prohibiting prepayment penalties for non-qualified mortgages, prohibiting mandatory arbitration clauses, requiring additional disclosures to potential borrowers and restricting the fees that mortgage originators may collect. While we are continuing to evaluate all aspects of the Dodd-Frank Act, such legislation and regulations promulgated pursuant to such legislation as well as other legislation that may be enacted to reform the U.S. housing finance market could materially and adversely affect the mortgage and housing industries, result in heightened federal regulation and oversight of the mortgage and housing industries, increase down payment requirements, increase mortgage costs, curtail affiliated business transactions and result in increased costs and potential litigation for housing market participants.

Certain provisions of the Dodd-Frank Act may impact the operation and practices of Fannie Mae and Freddie Mac and require sponsors of securitizations, such as GSEs, to retain a portion of the economic interest in the credit risk associated with the assets securitized by them. Substantial reduction in, or the elimination of, GSE demand for mortgage loans could have a material adverse effect on the mortgage industry and the housing industry in general and these provisions may reduce the availability of mortgages to certain individuals.

Monetary policies of the federal government and its agencies may have a material impact on our operations.

Our business is significantly affected by the monetary policies of the federal government and its agencies. We are particularly affected by the policies of the Federal Reserve Board, which regulates the supply of money and credit in the U.S. The Federal Reserve Board s policies affect the real estate market through their effect on interest rates as well as the pricing on our interest-earning assets and the cost of our interest-bearing liabilities.

We are affected by any rising interest rate environment. Changes in the Federal Reserve Board s policies, the interest rate environment and mortgage market are beyond our control, are difficult to predict and could have a material adverse effect on our business, results of operations and financial condition. Additionally, the possibility of the elimination of the mortgage interest deduction could have an adverse effect on the housing market by reducing incentives for buying or refinancing homes and negatively affecting property values.

Competition in the residential real estate and relocation business is intense and may adversely affect our financial performance.

Competition in the residential real estate services business is intense. As a real estate brokerage franchisor, our products are our brand names and the support services we provide to our franchisees. Upon the expiration of a franchise agreement, a franchisee may choose to franchise with one of our competitors or operate as an independent broker. Competitors may offer franchisees whose franchise agreements are expiring similar products and services at rates that are lower than we charge. Our largest national competitors in this industry include Brookfield Residential Property Services, an affiliate of Brookfield Asset Management, Inc. (Brookfield), which in December 2011 acquired Prudential Real Estate and Relocation Services and also operates the brands, Real Living in the U.S. and Royal LePage in Canada; RE/MAX International, Inc.; and Keller Williams Realty, Inc. Some of these companies may have greater financial resources than we do, including greater marketing and technology budgets, and may be less leveraged. Regional and local franchisors provide additional competitive pressure in certain areas. To remain competitive in the sale of franchises and to retain our existing franchisees, we may have to reduce the fees we charge our franchisees to be competitive with those charged by competitors, which may accelerate if market conditions further deteriorate.

Our company owned brokerage business, like that of our franchisees, is generally in intense competition. We compete with other national independent real estate organizations, including Home Services of America, franchisees of our brands and of other national real estate franchisors, franchisees of local and regional real estate franchisors, regional independent real estate organizations, discount brokerages, and smaller niche companies competing in local areas. Competition is particularly severe in the densely populated metropolitan areas in which we operate. In addition, the real estate brokerage industry has minimal barriers to entry for new participants, including participants pursuing non-traditional methods of marketing real estate, such as Internet-based brokerage or brokers who discount their commissions. Discount brokers have had varying degrees of success and while they have been negatively impacted by the prolonged downturn in the residential housing market, they may increase their market share in the future. Listing aggregators and other web-based real estate service providers may also begin to compete for part of the service revenue through referral or other fees. Real estate brokers compete for sales and marketing business primarily on the basis of services offered, reputation, personal contacts and brokerage commission. As with our real estate franchise business, a decrease in the average brokerage commission rate may adversely affect our revenues. We also compete for the services of qualified licensed independent sales associates. Some of the firms competing for sales associates use a different model of compensating agents, in which agents are compensated for the revenue generated by other agents that they recruit to those firms. This business model may be appealing to certain agents and hinder our ability to attract and retain those agents. Competition for sales associates could reduce the commission amounts retained by our company after giving effect to the split with independent sales associates and possibly increase the amounts that we spend on marketing. Our average homesale commission rate per side in our Company Owned Real Estate Services segment has declined from 2.62% in 2002 to 2.48% in 2010.

In our relocation services business, we compete primarily with global and regional outsourced relocation service providers. The larger outsourced relocation service providers that we compete with include: Brookfield Global Relocation Services, an affiliate of Brookfield (including the recently acquired operations of Prudential Real Estate and Relocation Services), SIRVA, Inc., and Weichert Relocation Resources, Inc.

The title and settlement services business is highly competitive and fragmented. The number and size of competing companies vary in the different areas in which we conduct business. We compete with other title insurers, title agents and vendor management companies. The title and settlement services business competes with a large, fragmented group of smaller underwriters and agencies as well as national competitors.

Several of our businesses are highly regulated and any failure to comply with such regulations or any changes in such regulations could adversely affect our business.

Several of our businesses are highly regulated. The sale of franchises is regulated by various state laws as well as by the Federal Trade Commission (the FTC). The FTC requires that franchisors make extensive disclosure to prospective franchisees but does not require registration. A number of states require registration or disclosure in connection with franchise offers and sales. In addition, several states have franchise relationship laws or business opportunity laws that limit the ability of franchisors to terminate franchise agreements or to withhold consent to the renewal or transfer of these agreements. While we believe that our franchising operations are in compliance with such existing regulations, we cannot predict the effect any existing or future legislation or regulation may have on our business operation or financial condition.

Our real estate brokerage business must comply with the requirements governing the licensing and conduct of real estate brokerage and brokerage-related businesses in the jurisdictions in which we do business. These laws and regulations contain general standards for and prohibitions on the conduct of real estate brokers and sales associates, including those relating to licensing of brokers and sales associates, fiduciary and agency duties, administration of trust funds, collection of commissions, advertising and consumer disclosures. Under state law, our real estate brokers have the duty to supervise and are responsible for the conduct of their brokerage business.

Several of the litigation matters we are involved with allege claims based upon breaches of fiduciary duties by our licensed brokers, violations of state laws relating to business practices or consumer disclosures and with respect to compliance with wage and hour regulations. We cannot predict with certainty the cost of defense or the ultimate outcome of these or other litigation matters filed by or against us, including remedies or awards, and adverse results in any such litigation may harm our business and financial condition.

Our company owned real estate brokerage business, our relocation business, our title and settlement service business and the businesses of our franchisees (excluding commercial brokerage transactions) must comply with the Real Estate Settlement Procedures Act (RESPA). RESPA and comparable state statutes, among other things, restrict payments which real estate brokers, agents and other settlement service providers may receive for the referral of business to other settlement service providers in connection with the closing of real estate transactions. Such laws may to some extent restrict preferred vendor arrangements involving our franchisees and our company owned brokerage business. RESPA and similar state laws also require timely disclosure of certain relationships or financial interests that a broker has with providers of real estate settlement services. Pursuant to the Dodd-Frank Act, administration of RESPA has been moved from the Department of Housing and Urban Development (HUD) to the new Consumer Financial Protection Bureau and it is possible that the practice of HUD taking very expansive broad readings of RESPA will continue or accelerate at the CFPB creating increased regulatory risk.

Our title insurance business also is subject to regulation by insurance and other regulatory authorities in each state in which we provide title insurance. State regulations may impede or impose burdensome conditions on our ability to take actions that we may want to take to enhance our operating results.

There is a risk that we could be adversely affected by current laws, regulations or interpretations or that more restrictive laws, regulations or interpretations will be adopted in the future that could make compliance more difficult or expensive. There is also a risk that a change in current laws could adversely affect our business. For example, the Bush tax cuts, which have reduced ordinary income and capital gains rates on federal taxes, were recently extended until the end of 2012, after which these tax cuts are due to expire. There can be no assurance that these tax cuts will be extended or if extended, the extension may apply only to a portion of the tax cuts and/or the extension could be limited in duration. Other potential federal tax legislation includes the elimination or narrowing of mortgage tax deductions. Higher federal income tax rates or further limits on mortgage tax deductions could negatively impact the purchase and sale of residential homes. We cannot assure you that future legislative or regulatory changes will not adversely affect our business operations.

In addition, regulatory authorities have relatively broad discretion to grant, renew and revoke licenses and approvals and to implement regulations. Accordingly, such regulatory authorities could prevent or temporarily suspend us from carrying on some or all of our activities or otherwise penalize us if our financial condition or our practices were found not to comply with the then current regulatory or licensing requirements or any interpretation of such requirements by the regulatory authority. Our failure to comply with any of these requirements or interpretations could limit our ability to renew current franchisees or sign new franchisees or otherwise have a material adverse effect on our operations.

We are also, to a lesser extent, subject to various other rules and regulations such as:

- the Gramm-Leach-Bliley Act which governs the disclosure and safeguarding of consumer financial information;
- various state and federal privacy laws;
- the USA PATRIOT Act;
- restrictions on transactions with persons on the Specially Designated Nationals and Blocked Persons list promulgated by the Office of Foreign Assets Control of the Department of the Treasury;
- federal and state Do Not Call, Do Not Fax, and Do Not E-Mail laws;
- controlled business statutes, which impose limitations on affiliations between providers of title and settlement services, on the one hand, and real estate brokers, mortgage lenders and other real estate providers, on the other hand, or similar laws or regulations that would limit or restrict transactions among affiliates in a manner that would limit or restrict collaboration among our businesses;
- the Affiliated Marketing Rule, which prohibits or restricts the sharing of certain consumer credit information among affiliated companies without notice and/or consent of the consumer;
- the Fair Housing Act;
- laws and regulations, including the Foreign Corrupt Practices Act and U.K. Bribery Act, that can impose significant sanctions on improper payments;
- laws and regulations in jurisdictions outside the United States in which we do business;
- state and federal employment laws and regulations, including any changes that would require classification of independent contractors to employee status, and wage and hour regulations; and

increases in state, local or federal taxes that could diminish profitability or liquidity.

Our failure to comply with any of the foregoing laws and regulations may subject us to fines, penalties, injunctions and/or potential criminal violations. Any changes to these laws or regulations or any new laws or regulations may make it more difficult for us to operate our business and may have a material adverse effect on our operations.

Seasonal fluctuations in the residential real estate brokerage and relocation businesses could adversely affect our business.

The residential real estate brokerage business is subject to seasonal fluctuations. Historically, real estate brokerage revenues and relocation revenues have been strongest in the second and third quarters of the calendar year. For example, interest payments of approximately $215 million are due on our Unsecured Notes and Second Lien Loans in October and April of each year. Accordingly, one of our significant interest payments falls in, or immediately following, the period of our lowest cash flow generation. Because of this asymmetry and the size of our cash interest obligations, if unfavorable conditions in the real estate market and general macroeconomic conditions do not significantly improve, we would be required to seek additional sources of working capital for our future liquidity needs, including obtaining additional financing and deferring or reducing spending. There can be no assurance that we would be able to defer or reduce expenses or that any such actions would not materially and adversely impact our business and results of operations, or that we could obtain additional financing on acceptable terms or at all.

Changes in accounting standards, subjective assumptions and estimates used by management related to complex accounting matters could have an adverse effect on results of operations.

Generally accepted accounting principles in the United States and related accounting pronouncements, implementation guidance and interpretations with regard to a wide range of matters, such as stock-based compensation, asset impairments, valuation reserves, income taxes and fair value accounting, are highly complex and involve many subjective assumptions, estimates and judgments made by management. Changes in these rules or their interpretations or changes in underlying assumptions, estimates or judgments made by management could significantly change our reported results.

We may not have the ability to complete future acquisitions; we may not be successful in developing the Better Homes and Gardens Real Estate brand.

We have pursued an active acquisition strategy as a means of strengthening our businesses and have sought to integrate acquisitions into our operations to achieve economies of scale. Our company owned brokerage business has completed over 350 acquisitions since its formation in 1997 and, in 2004, we acquired the Sotheby s International Realty® residential brokerage business and entered into an exclusive license agreement for the rights to the Sotheby s International Realty® trademarks with which we are in the process of building the Sotheby s International Realty® franchise system. In January 2006, we acquired our title insurance underwriter and certain title agencies. As a result of these and other acquisitions, we have derived a substantial portion of our growth in revenues and net income from acquired businesses. The success of our future acquisition strategy will continue to depend upon our ability to fund such acquisitions given our total outstanding indebtedness, find suitable acquisition candidates on favorable terms and to finance and complete these transactions.

In October 2007, we entered into a long-term agreement to license the Better Homes and Gardens® Real Estate brand from Meredith. We seek to build a new international residential real estate franchise company using the Better Homes and Gardens® Real Estate brand name. The licensing agreement between us and Meredith became operational on July 1, 2008 and is for a 50-year term, with a renewal term for another 50 years at our option. We may not be able to successfully develop the brand in a timely manner given the housing downturn and limitations in developing the brand in certain countries, or at all. Our inability to complete acquisitions or to successfully develop the Better Homes and Gardens® Real Estate brand would have a material adverse liable for our obligations as if they were general partners if:

- a court or government agency determined that we were conducting business in the state but had not complied with the state's limited partnership statute; or
- unitholders' rights to act together to remove or replace the general partner or take other actions under the Partnership Agreement constitute ‘‘participation in the control’’ of our business for purposes of the state's limited partnership statute.

Unitholders may have liability to repay distributions.

Unitholders will not be liable for assessments in addition to their initial capital investment in the common units. Under specific circumstances, however, unitholders may have to repay to us amounts wrongfully returned or distributed to them. Under Delaware law, we may not make a distribution to unitholders if the distribution causes our liabilities to exceed the fair value of our assets. Liabilities to partners on account of their partnership interests and nonrecourse liabilities are not counted for purposes of determining whether a distribution is permitted. Delaware law provides that a limited partner who receives a distribution of this kind and knew at the time of the distribution that the distribution violated Delaware law will be liable to the limited partnership for the distribution amount for three years from the distribution date. Under Delaware law, an assignee who becomes a substituted limited partner of a limited partnership is liable for the obligations of the assignor to make contributions to the partnership. However, such an assignee is not obligated for liabilities unknown to him at the time he or she became a limited partner if the liabilities could not be determined from the partnership agreement.

If we issue additional limited partner interests or other equity securities as consideration for acquisitions or for other purposes, the relative voting strength of each common unitholder will be diminished over time due to the dilution of each common unitholder's interests and additional taxable income may be allocated to each common unitholder.

The Partnership Agreement generally allows us to issue additional limited partner interests and other equity securities without the approval of the unitholders. Therefore, when we issue additional common units or securities ranking on a parity with the common units, each common unitholder's proportionate partnership interest will decrease, and the amount of cash distributed on each common unit and the market price of common units could decrease. The issuance of additional common units will also diminish the relative voting strength of each previously outstanding common unit. In addition, the issuance of additional common units will, over time, result in the allocation of additional taxable income, representing built-in gain at the time of the new issuance, to those unitholders that existed prior to the new issuance.

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Tax Risks to Unitholders

Our tax treatment depends on our status as a partnership for federal income tax purposes. The Internal Revenue Service could treat us as a corporation, which would substantially reduce the cash available for distribution to unitholders and affect the market for our common units.

The anticipated after-tax economic benefit of an investment in the common units depends largely on our being treated as a partnership for federal income tax purposes. We believe that, under current law, we will be classified as a partnership for federal income tax purposes. We have not requested, and do not plan to request, a ruling from the Internal Revenue Service (‘‘IRS’’) on this or any other tax matter affecting us. The IRS may adopt positions that differ from the positions we take. In addition, current law may change so as to cause us to be treated as a corporation for federal income tax purposes or otherwise subject us to entity-level federal income taxation. If we were treated as a corporation for federal income tax purposes, we would be required to pay tax on our net income at corporate tax rates (currently a maximum of 35% federal rate) and likely would be required to pay state income tax to numerous states and localities as well. If such taxes were imposed upon us our cash available for distribution to our unitholders would be substantially reduced, resulting in a material reduction in the anticipated cash flow and after-tax return to our unitholders, likely causing a substantial reduction in the value of our common units.

Furthermore, if the IRS were to adopt positions that differ from the positions we take, it may be necessary to resort to administrative or court proceedings to sustain some or all of the positions we take. A court may not agree with the positions we take. Any contest with the IRS may materially and adversely impact the market for our common units and the price at which they trade. In addition, our costs of any contest with the IRS will be borne indirectly by our unitholders and our general partner because the costs will reduce our cash available for distribution.

A common unitholder's tax liability could exceed cash distributions on its common units.

Because our unitholders are treated as partners to whom we allocate taxable income which could be different in amount than the cash we distribute, a common unitholder may be required to pay federal income taxes and, in some cases, state and local income taxes on its allocable share of our income, even if it receives no cash distributions from us. We cannot guarantee that a common unitholder will receive cash distributions equal to its allocable share of our taxable income or even to the tax liability resulting from that income.

Ownership of common units may have adverse tax consequences for tax-exempt organizations and foreign investors.

Investment in common units by certain tax-exempt entities and foreign persons raises issues specific to them. For example, virtually all of our taxable income allocated to organizations exempt from federal income tax, including individual retirement accounts and other retirement plans, will be unrelated business taxable income and thus will be taxable to the common unitholder. Distributions to foreign persons will be reduced by withholding taxes at the highest applicable effective tax rate, and foreign persons will be required to file United States federal tax returns and pay tax on their share of our taxable income.

There are limits on a common unitholder's deductibility of losses.

In the case of taxpayers subject to the passive loss rules (generally, individuals and closely held corporations), any losses generated by us will only be available to offset our future income and cannot be used to offset income from other activities, including other passive activities or investments. Unused losses may be deducted when the common unitholder disposes of its entire investment in us in a fully taxable transaction with an unrelated party. A common unitholder's share of our net passive income may be offset by unused losses from us carried over from prior years, but not by losses from other passive activities, including losses from other publicly-traded partnerships.

Tax shelter registration could increase the risk of a potential audit by the IRS.

We registered as a ‘‘tax shelter’’ under the law in effect at the time of our initial public offering and were assigned tax shelter registration number 96080000050. The issuance of a tax shelter

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registration number to us could increase the risk of an IRS audit and does not indicate that a common unit investment in us or the claimed tax benefits have been reviewed, examined or approved by the IRS.

The tax gain or loss on the disposition of common units could be different than expected.

A common unitholder who sells common units will recognize a gain or loss equal to the difference between the amount realized, including its share of our nonrecourse liabilities, and its adjusted tax basis in the common units. Prior distributions in excess of cumulative net taxable income allocated to a common unit which decreased a common unitholder's tax basis in that common unit will, in effect, become taxable income if the common unit is sold at a price greater than the common unitholder's tax basis in that common unit, even if the price is less than the original cost of the common unit. A portion of the amount realized, if the amount realized exceeds the common unitholder's adjusted basis in that common unit, will likely be characterized as ordinary income. Furthermore, should the IRS successfully contest some conventions used by us, a common unitholder could recognize more gain on the sale of common units than would be the case under those conventions, without the benefit of decreased income in prior years.

Reporting of partnership tax information is complicated and subject to audits.

We furnish each common unitholder with a Schedule K-1 that sets forth its allocable share of income, gains, losses and deductions. In preparing these schedules, we use various accounting and reporting conventions and adopt various depreciation and amortization methods. We cannot guarantee that these conventions will yield a result that conforms to statutory or regulatory requirements or to administrative pronouncements of the IRS. Further, our income tax return may be audited, which could result in an audit of a common unitholder's income tax return and increased liabilities for taxes because of adjustments resulting from the audit.

We treat each holder of our common units as having the same tax benefits as every other holder without regard to the time such common units were purchased. The IRS may challenge this treatment, which could adversely affect the value of the common units.

Because we cannot match transferors and transferees of common units and because of other reasons, uniformity of the economic and tax characteristics of the common units to a purchaser of common units of the same class must be maintained. To maintain uniformity and for other reasons, we have adopted certain depreciation and amortization conventions which may be inconsistent with Treasury Regulations. A successful IRS challenge to those positions could adversely affect the amount of tax benefits available to a common unitholder. It also could affect the timing of these tax benefits or the amount of gain from the sale of common units, and could have a negative impact on the value of our common units or result in audit adjustments to a common unitholder's income tax return.

There are state, local and other tax considerations for our unitholders.

In addition to United States federal income taxes, unitholders will likely be subject to other taxes, such as state and local taxes, unincorporated business taxes and estate, inheritance or intangible taxes that are imposed by the various jurisdictions in which we do business or own property, even if the common unitholder does not reside in any of those jurisdictions. A common unitholder will likely be required to file state and local income tax returns and pay state and local income taxes in some or all of the various jurisdictions in which we do business or own property and may be subject to penalties for failure to comply with those requirements. It is the responsibility of each common unitholder to file all United States federal, state and local income tax returns that may be required of such common unitholder.

Unitholders may have negative tax consequences if we default on our debt or sell assets.

If we default on any of our debt obligations, our lenders will have the right to sue us for non-payment. This could cause an investment loss and negative tax consequences for unitholders through the realization of taxable income by unitholders without a corresponding cash distribution.

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Likewise, if we were to dispose of assets and realize a taxable gain while there is substantial debt outstanding and proceeds of the sale were applied to the debt, unitholders could have increased taxable income without a corresponding cash distribution.

The sale or exchange of 50% or more of our capital and profits interests during any twelve-month period will result in a deemed termination (and reconstitution) of the Partnership for federal income tax purposes which would cause unitholders to be allocated an increased amount of taxable income.

We will be deemed to have terminated (and reconstituted) for federal income tax purposes if there is a sale or exchange of 50% or more of the total interests in our capital and profits within a twelve-month period. Were this to occur, it would, among other things, result in the closing of our taxable year for all unitholders and could result in a deferral of depreciation deductions allowable in computing our taxable income. This would result in unitholders being allocated an increased amount of taxable income.

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USE OF PROCEEDS

We will not receive any of the proceeds from the sale of common units by the selling unitholders. All proceeds from the sale of common units by the selling unitholders will be solely for the accounts of the selling unitholders.

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SELLING UNITHOLDERS

A total of 2,299,216 common units have been registered for possible sale by the selling unitholders using this prospectus. The table below sets forth information with respect to the selling unitholders, including the name of each selling unitholder, his or her positions with us or our affiliates within the past three years, the number of common units beneficially owned by each selling unitholder as of the date of this prospectus, and the maximum number of common units that may be offered for sale by such selling unitholder pursuant to this prospectus.

We have prepared the table based on information given to us by, or on behalf of, the selling unitholders, before the date of this prospectus. Information about the selling unitholders may change from time to time. Any changed information given to us by the selling unitholders will be set forth in prospectus supplements or amendments to this prospectus if and when necessary.

As of October 19, 2006, Mark A. Alexander beneficially owned approximately 3.2%, and no other selling unitholder beneficially owned more than 1%, of the 32,614,262 common units outstanding.

Selling Unitholder	Position(s) with the Partnership within the Past 3 Years	Units Beneficially Owned Prior to Offering(1)	Units Offered for Sale	Units Beneficially Owned After Offering(2)
Mark A. Alexander	Chief Executive Officer; Member of the Board of Supervisors; (formerly President)	1,055,010(3)(4)	1,025,226(4)	29,784(3)(4)
Michael J. Dunn, Jr.	President; Member of the Board of Supervisors; (formerly SVP Corporate Development)	168,216(4)	168,216(4)	—
David R. Eastin	Vice President and Chief Operating Officer (through February 2004)	142,312	142,312	—
Michael M. Keating	Vice President – Human Resources and Administration	126,206	125,206	1,000
Jeffrey S. Jolly	Vice President and Chief Information Officer	94,241	92,641	1,600
Russell T. Rupp	Vice President Support Services	92,038	82,038	10,000
Robert M. Plante	Vice President and Chief Financial Officer	94,300	82,038	12,262
Mark Anton II	Vice President – Business Development	68,140	68,140	—
Janice G. Sokol	Vice President, General Counsel and Secretary (through June 2006)	65,747	65,747	—
Susan V. Dunn	None	55,200	55,200	—
David R. Macdaid	Manager – Regional (through June 2003)	46,157	46,157	—
Steven C. Boyd	Managing Director – West Operations	26,033	24,555	1,478
Douglas T. Brinkworth	VP Product Supply; (formerly Managing Director Product Supply & Transportation)	29,213	24,555	4,658
Dee A. Tate	Manager – General; Managing Director – South East Operations	25,820	23,945	1,875
C. H. Robinson	Director – Industry Relations; Manager – Regional	15,926	15,826	100
Martin L. Baker, Jr.	Managing Director – West Operations (through October 2003)	15,405	15,405	—

Valarie D. Finneran	Managing Director – Customer Satisfaction (through August 2005)	13,299	12,299	1,000
Elmer J. Dante	Assistant Controller	12,839	12,164	675
Neil E. Scanlon	Managing Director – Information Services	17,942	12,164	5,778
Robert T. Ross	Manager – General; Manager – Regional	12,814	12,299	515
John M. Cummins	Director – Supply Operations	10,279	10,279	—
Kerry P. Bannister	Manager – Customer Service Center	9,255	9,255	—

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Selling Unitholder	Position(s) with the Partnership within the Past 3 Years	Units Beneficially Owned Prior to Offering[1]	Units Offered for Sale	Units Beneficially Owned After Offering[2]
Jeffrey A. Harris	Manager – Customer Service Center	9,255	9,255	—
A. Davin D'Ambrosio	Treasurer	17,153	9,255	7,898
Helene A. Fischer	Assistant Controller	15,883	9,255	6,628
Peter J. Haller	Manager – Area Employment & Labor Relations	9,255	9,255	—
Kenneth L. Sanford	Director – Buying	9,255	9,255	—
Alan Skolnik	Managing Director – Human Resources	16,228	9,255	6,973
Susan McNew	Director – Buying	9,255	9,255	—
Dale L. Amabile	Director – Information Services Field Support	9,435	9,255	180
Sandra N. Zwickel	Counsel	9,255	9,255	—
Andrew J. Taylor	Director – Agway Energy Services/National Accounts (through February 2005)	9,255	9,255	—
Paul L. Callahan	Manager – Area Sales (through June 2005)	9,255	9,255	—
Douglas R. Ouweleen	Manager – Regional (through February 2004)	9,255	9,255	—
A. David Randolph	Representative – Account (through January 2004)	9,255	9,255	—
Edward Walsh	Not employed during last 3 years	9,255	9,255	—
Jeremy D. West	Manager – Regional (through March 2003)	9,255	9,255	—
Thomas A. Mattingly	Manager – Regional (through February 2004)	9,255	9,255	—
Rene Holst	Analyst – Human Resources Information Services	9,255	9,255	—
Richard A. Nodes	Manager – Regional (through March 2004)	8,107	8,107	—

Paul N. Weldon	Manager – Regional (through February 2004)	8,115	8,107	8
Total Common Units Registered			2,299,216	

(1)Includes all common units beneficially owned by the selling unitholder, including restricted units that are scheduled to vest within 60 days. Excludes restricted units that may vest more than 60 days hereafter.
(2)Assumes all common units registered hereunder are sold by the selling unitholder, and that the selling unitholder does not acquire additional common units (including vested restricted units) before the completion of this offering. The common units issued to the selling unitholders in the exchange transaction are subject to restrictions on transfer as described below. Based on such assumption and based on 32,614,262 common units outstanding as of October 19, 2006, no selling unitholder will beneficially own more than 1% of the outstanding common units after the offering.
(3)Includes the 784 common units owned by our general partner, of which, as an accommodation to us, Mr. Alexander remains the sole member.
(4)Excludes the following numbers of common units as to which the following individuals deferred receipt as described below: Mr. Alexander – 243,902; and Mr. Dunn – 48,780. These common units are held in trust pursuant to a compensation deferral plan, and Mr. Alexander and Mr. Dunn will have no voting or investment power over these common units until they are distributed by the trust. Mr. Alexander and Mr. Dunn have elected to receive the quarterly cash distributions on these deferred common units. Notwithstanding the foregoing, if a ''change of control'' of us occurs (as defined in the compensation deferral plan), all of the deferred common units (and related distributions) held in the trust will automatically become distributable to such individuals.

Pursuant to the Distribution, Release and Lock-up Agreement that we, the Operating Partnership, the general partner and the direct and indirect members of the general partner entered into as part of the exchange transaction, each of Messrs. Alexander and Dunn has agreed not to transfer any of the common units received by him as a result of the exchange transaction for a period of two years following the consummation of the exchange, which occurred on October 19, 2006,

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except: (i) to a family member, or trust for the benefit of a family member, of such individual who agrees to be bound by the lock-up requirement; (ii) with the prior written consent of the Board of Supervisors; (iii) pursuant to a Change of Control (as defined in the Distribution Agreement); (iv) by will or the laws of intestacy to such person's legal representative, heir or legatee; or (v) if such person is a partnership or corporation or similar entity, a distribution to its partners or stockholders, but subject to the terms of the lock-up requirement. All other selling unitholders have agreed to not transfer any of the common units received by him or her as a result of the exchange transaction for a period of 90 days following consummation of the exchange, except under the circumstances described in clauses (i) through (v) above.

Our registration of the common units covered by this prospectus does not necessarily mean that any of the selling unitholders will sell all or any portion of the common units. The selling unitholders may offer and sell all or a portion of the common units from time to time, but are under no obligation to offer or sell any of the common units. Because the selling unitholders may sell all, none, or any part of the common units from time to time, we do not know the actual number of common units that will be beneficially owned by the selling unitholders upon termination of any offering by them, or the actual percentage of our total outstanding common units that the selling unitholders will beneficially own after termination of any offering.

This prospectus also covers possible sales by certain persons who may become the record or beneficial owners of some of the common units as a result of certain types of private transactions, including but not limited to, gifts, private sales, distributions, and transfers pursuant to a foreclosure or similar proceeding by a lender or other creditor to whom common units may be pledged as collateral to secure an obligation of a named selling unitholder. Each such potential transferee of a named selling unitholder is hereby deemed to be a selling unitholder for purposes of selling common units using this prospectus. To the extent required by applicable law, information (including the name and number of common units owned and proposed to be sold) about such transferees, if there shall be any, will be set forth in an appropriate supplement to this prospectus.

Certain Other Relationships and Related Transactions

As described in this prospectus, each of the selling unitholders was previously a direct or indirect member of our general partner and Mr. Alexander continues as the sole member of our general partner. Other than as described in the table above or the discussion below, the selling unitholders have not held any office or position or, to our knowledge, had any other material relationship with us or our affiliates within the past three years.

During fiscal 2004, two relatives of our Chief Executive Officer purchased franchise interests in Suburban Cylinder Express for the standard franchise fee of $35,000. Additionally, as part of the franchise agreement on an ongoing basis, the franchisees purchase propane from Suburban in the normal course of business. The initial purchase price for the franchises was paid with funds received as a gift from our Chief Executive Officer. The Chief Executive Officer did not receive any economic interest in the franchises and recuses himself from any determinations that may be made by us concerning the franchises. Our Audit Committee reviewed the terms of the foregoing arrangements and determined that these related parties have not received any preferential treatment.

By mutual agreement of the parties, we and one of our Chief Executive Officer’s relatives terminated their franchise agreement in March 2006. Our Chief Executive Officer did not play any role in this termination, which was effected on terms no more favorable to the franchisee than similar franchise terminations effected by us with other franchisees over the prior twelve (12) month period.

As an accommodation to us, our Chief Executive Officer will be the sole member of the general partner and the general partner will hold 784 common units. Under the Distribution Agreement, we and the Operating Partnership have agreed to pay or reimburse our Chief Executive Officer for taxes imposed upon the general partner by any state other than the state in which the Chief Executive Officer resides (except to the extent such taxes are attributable to activities or income of the general partner that are unrelated to its ownership of the retained common units or its status as general partner).

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We provide tax services to our general partner at no cost. We have also paid the cost of external tax return preparation services for the direct and indirect members of our general partner, which amounted to approximately $47,000 in fiscal 2003, $65,000 in fiscal 2004, $50,000 in fiscal 2005 and $46,500 in fiscal 2006. We will continue to pay these costs for the current and former direct and indirect members of our general partner in fiscal 2007.

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PLAN OF DISTRIBUTION

We have been advised that the common units may be offered and sold by or for the account of the selling unitholders (or their pledgees, donees, transferees, or successors in interest), from time to time as market conditions permit, on the New York Stock Exchange, any other exchange on which our common units may be listed, over the counter, or otherwise, at prices and on terms then prevailing or in negotiated transactions, and that the common units may be sold by one or more of the following methods, without limitation:

- purchases by underwriters, brokers, dealers, and agents who may receive compensation in the form of underwriting discounts, concessions, or commissions from the selling unitholders and/or the purchasers of the common units for whom they may act as agent;
- one or more block trades in which a broker or dealer so engaged will attempt to sell the common units as agent, but may position and resell a portion of the block as principal to facilitate the transaction or, in crosses, in which the same broker acts as agent on both sides;
- purchases by a broker or dealer (including a specialist or market maker) as principal and resale by such broker or dealer for its account pursuant to this prospectus;
- ordinary brokerage transactions and transactions in which the broker solicits purchasers;
- face-to-face transactions between sellers and purchasers without a broker-dealer;
- the pledge of common units as security for any loan or obligation, including pledges to brokers or dealers who may from time to time effect distributions of the common units or other interests in the common units;
- short sales or transactions to cover short sales relating to the common units;
- distributions to creditors, equity holders, partners, and members of the selling unitholders;
- transactions in options, swaps, or other derivatives (whether exchange listed or otherwise);
- sales in other ways not involving market makers or established trading markets, including direct sales to institutions or individual purchasers; and
- any combination of the foregoing, or by any other legally available means.

The selling unitholders may enter into sale, forward sale, and derivative transactions with third parties, or sell securities not covered by this prospectus to third parties in privately negotiated transactions. If the applicable prospectus supplement indicates, in connection with those sale, forward sale, or derivative transactions, the third parties may sell securities covered by this prospectus and the applicable prospectus supplement, including in short sale transactions and by issuing securities that are not covered by this prospectus but are exchangeable for or represent beneficial interests in the common units. The third parties may use common units received under those sale, forward sale, or derivative arrangements or common units pledged by the selling unitholders or borrowed from the selling unitholders or others to settle such third party sales or to close out any related open borrowings of common units. The third parties may deliver this prospectus in connection with any such transactions. Any third party in such sale transactions will be an underwriter and will be identified in the applicable prospectus supplement (or a post-effective amendment to the registration statement of which this prospectus forms a part). In addition, the selling unitholders may enter into hedging transactions with broker-dealers in connection with distributions of common units or otherwise. In those transactions, broker-dealers may engage in short sales of common units in the course of hedging the positions they assume with the selling unitholders. The selling unitholders also may sell common units short and redeliver common units to close out such short positions. The selling unitholders may also enter into option or other transactions with broker-dealers that require the delivery to such broker-dealers of the common units, which common units may be resold thereafter pursuant to this prospectus. The selling unitholders also may loan or pledge common units, and the borrower or pledgee may sell or otherwise transfer the common units so loaned or pledged pursuant to this prospectus. Such borrower or pledgee also may transfer those common units to investors in our

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securities or the unitholder's securities or in connection with the offering of other securities not covered by this prospectus. From time to time, selling unitholders may also transfer or donate their common units and each transferee, or donee will be deemed to be a selling unitholder for purposes of this prospectus. Any pledgee, secured party, transferee, or donee that a selling unitholder intends to offer or sell common units to through this prospectus will be named in a prospectus supplement, if required.

In addition, any common units of the selling unitholders covered by this prospectus which qualify for sale pursuant to Rule 144 under the Securities Act may be sold in open market transactions under Rule 144 rather than pursuant to this prospectus.

Underwriters, brokers, dealers, or agents may receive compensation in the form of commissions, discounts, or concessions from the selling unitholders. Underwriters, broker-dealers, or agents may also receive compensation from the purchasers of common units for whom they act as agents or to whom they sell as principals, or both. Compensation as to a particular underwriter, broker-dealer, or agent might be in excess of customary commissions and will be in amounts to be negotiated with the selling unitholder in connection with transactions involving common units. In effecting sales, brokers or dealers engaged by the selling unitholders may arrange for other brokers or dealers to participate.

At the time a particular offer of common units is made by one or more of the selling unitholders, a prospectus supplement, if required, will be distributed to set forth the terms of the specific offering of the common units, including:

- the name of the selling unitholders and other participating broker-dealer(s);
- the number of common units offered;
- the price at which such common units are being sold;
- the proceeds to the selling unitholders from the sale of such common units;
- the specific plan of distribution for such common units;
- the names of the underwriters or agents, if any;
- any underwriting discounts, agency fees, or other compensation to underwriters or agents;
- any discounts or concessions allowed or paid to dealers; and
- any other facts material to the transaction.

In connection with the sale of the common units, the selling unitholders and such brokers and dealers and any other participating brokers or dealers may be deemed to be ''underwriters'' within the meaning of the Securities Act in connection with such sales. Accordingly, any profits realized by the selling unitholders and any compensation earned by such broker-dealers or agents may be deemed to be underwriting discounts and commissions. Because a selling unitholder may be deemed to be an ''underwriter'' within the meaning of Section 2(11) of the Securities Act, the selling unitholders will be subject to the prospectus delivery requirements of that act. We will make copies of this prospectus (as it may be amended or supplemented from time to time) available to the selling unitholder for the purpose of satisfying any prospectus delivery requirements.

The selling unitholders may sell the common units covered by this prospectus from time to time, and may also decide not to sell all or any of the common units they are allowed to sell under this prospectus. The selling unitholders will act independently of us in making decisions regarding the timing, manner, and size of each sale. There can be no assurance, however, that all or any of the common units will be offered by the selling unitholders. We know of no existing arrangements between any selling unitholders and any broker, dealer, finder, underwriter, or agent relating to the sale or distribution of the common units.

We will not receive any of the proceeds of any sale of common units by the selling unitholders. We will bear all of the expenses of the registration of this offering under the Securities Act including, without limitation, registration and filing fees, printing expenses, fees and disbursements of our counsel and independent public accountants, transfer taxes, fees of transfer agents and registrars, and costs of insurance, if any. All underwriting discounts, selling commissions, and broker's

fees applicable to the sale of any common units will be borne by the selling unitholders or by such persons other than us as agreed by and among the selling unitholders and such other persons. We agreed to keep this prospectus effective for two (2) years following the consummation of the exchange transaction, which occurred on October 19, 2006.

Under the Exchange Agreement entered into to effect the exchange transaction, we have agreed to indemnify the members of the general partner against certain federal securities law liabilities that may arise in connection with this prospectus. Pursuant to our Partnership Agreement, we have agreed to indemnify the general partner, the current and former members of the general partner and their affiliates (each an ''Indemnitee'') for any liabilities in connection with that party's status as an Indemnitee, provided that the Indemnitee acted in good faith and in a manner that the Indemnitee reasonably believed to be in, or not opposed to, our best interests and, with respect to a criminal proceeding, had no reasonable cause to believe its conduct was unlawful.

We or the selling unitholders may agree to indemnify any underwriters, brokers, dealers or agents against, or contribute to any payments the underwriters, brokers, dealers or agents may be required to make, with respect to, civil liabilities, including liabilities under the Securities Act. Underwriters, brokers, dealers and agents and their affiliates are permitted to be customers of, engage in transactions with, or perform services for us and our affiliates or the selling unitholders and their affiliates in the ordinary course of business.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and/or persons controlling us pursuant to the foregoing provision, or otherwise, we have been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by us of expenses incurred or paid by a director, officer or controlling person in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, we will, unless in the opinion of our counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by us is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The selling unitholders will be subject to applicable provisions of the Exchange Act and the associated rules and regulations under the Exchange Act, including Regulation M, which provisions may limit the timing of purchases and sales of our common units by the selling unitholders. These restrictions may affect the marketability of such common units.

In connection with an underwritten offering of common units under this prospectus, the underwriters may purchase and sell securities in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of securities than they are required to purchase in an offering. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the securities while an offering is in progress.

The underwriters also may impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the underwriters have repurchased securities sold by or for the account of that underwriter in stabilizing or short-covering transactions.

These activities by the underwriters may stabilize, maintain or otherwise affect the market price of the common units offered under this prospectus. As a result, the price of the common units may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the underwriters at any time. These transactions may be effected on an automated quotation system or in the over-the-counter market or otherwise.

To the extent permitted by applicable law, this plan of distribution may be modified in a prospectus supplement or otherwise.

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DESCRIPTION OF COMMON UNITS

General

The common units represent 100% of our limited partner interests, which entitle the holders to participate in distributions and exercise the rights and privileges available to limited partners under our Partnership Agreement.

Number of Units

As of October 19, 2006, there were 32,614,262 common units outstanding. Our general partner owns 784 common units and has no other economic rights in either us or the Operating Partnership.

Under the Partnership Agreement, we may issue, without further unitholder action, an unlimited number of additional limited partner interests and other equity securities with such rights, preferences and privileges as shall be established by our Board of Supervisors in its sole discretion, including securities that may have special voting rights to which holders of common units are not entitled.

Listing

The common units are listed on the New York Stock Exchange under the symbol ‘‘SPH.’’

Voting

Each outstanding common unit is entitled to one vote. We hold a meeting of the Unitholders every three years to elect the Board of Supervisors and to vote on any other matters that are properly brought before the meeting.

Cash Distributions

The Partnership Agreement requires us to distribute all of our ‘‘available cash’’ pro rata to the unitholders within 45 days following the end of each fiscal quarter. ‘‘Available cash’’ generally means, with respect to any fiscal quarter, all of our cash on hand at the end of that quarter plus borrowings for working capital purposes, less reserves necessary or appropriate, in the reasonable discretion of the Board of Supervisors, to provide for the proper conduct of our business, to comply with applicable law or agreements, or to provide funds for future distributions to partners.

Restrictions on Business Combinations with Certain Interested Unitholders

Our Partnership Agreement includes a provision based on Section 203 of the Delaware General Corporation Law. This provision generally prohibits us from engaging in a business combination with an interested unitholder for a period of three years following the date the person became an interested unitholder, unless: (i) prior to the date of the transaction pursuant to which a person becomes an interested unitholder, the Board of Supervisors approved such transaction; (ii) the unitholder owned at least 85% of the common units outstanding at the time such transaction commenced, excluding for purposes of determining the number of common units outstanding, common units owned by persons who are Supervisors or officers; or (iii) on or subsequent to the date of the transaction, the business combination is approved by the Board of Supervisors and authorized at an annual or special meeting of unitholders by the affirmative vote of holders of at least 66 2/3% of the outstanding common units that are not owned by the interested unitholder. A ’’business combination’’ is defined generally as a merger, asset or stock sale or other transaction resulting in a financial benefit to the interested unitholder. An ’’interested unitholder’’ is defined generally as a person who, together with affiliates and associates, owns or, within three years prior to the determination of interested unitholder status, owned 15% or more of the common units. Amendments to the provisions of the Partnership Agreement relating to business combinations with interested unitholders and any definitions used in such provisions, would require the approval of the holders of at least 66 2/3% of the outstanding common units. These provisions may have an anti-takeover effect with respect to transactions the Board of Supervisors does not approve in advance.

Transfer Restrictions

Common units are securities and are transferable according to the laws governing transfer of securities. Until a common unit has been transferred on our books, we will treat the record holder as the absolute owner for all purposes. Transfers of common units will not be recorded by the transfer agent or recognized by us until the transferee executes and delivers a transfer application. A purchaser or transferee of common units who does not execute and deliver a transfer application will not receive cash distributions, unless the common units are held in nominee or ‘‘street’’ name and the nominee or broker has executed and delivered a transfer application with respect to the common units, and may not receive federal income tax information and reports furnished to record holders of common units. The Board of Supervisors has the discretion to withhold its consent to accepting any such purchaser or transferee of common units as a substitute limited partner. If the consent is withheld, the purchaser or transferee of the common units will be an assignee and will have an interest equivalent to that of a limited partner with respect to allocations and distributions, including liquidation distributions. In addition, the general partner will vote such common units at the direction of the assignee who is the record holder of the common units.

Transfer Agent and Registrar

Our transfer agent and registrar for the common units is Computershare Trust Company, N.A. Its address is P.O. Box 43069, Providence, Rhode Island 02940-3069 and its telephone number is 781-575-2724. The hearing impaired may contact Computershare at TDD 800-952-9245.

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TAX CONSIDERATIONS FOR UNITHOLDERS

This section is a summary of the material tax considerations that may be relevant to prospective unitholders. The following portion of this section and the opinion of Weil, Gotshal & Manges LLP, our tax counsel, that is set out herein are based upon the Internal Revenue Code of 1986, as amended, regulations thereunder and current administrative rulings and court decisions, all of which are subject to change possibly with retroactive effect. Subsequent changes in such authorities may cause the tax consequences to vary substantially from the consequences described below.

No attempt has been made in the following discussion to comment on all federal income tax matters affecting us or the unitholders. Moreover, the discussion focuses on unitholders who are individuals and who are citizens or residents of the United States and has only limited application to corporations, estates, trusts, non-resident aliens or other unitholders subject to specialized tax treatment, such as tax-exempt institutions, foreign persons, individual retirement accounts, REITs or mutual funds. Accordingly, each prospective unitholder should consult, and should depend on, its own tax advisor in analyzing the federal, state, local and foreign tax and other tax consequences of the purchase, ownership or disposition of common units.

Partnership Status

An entity that is treated as a partnership for U.S. federal income tax purposes is not a taxable entity and incurs no federal income tax liability. Instead, each partner is required to take into account its share of the items of income, gain, loss and deduction of the partnership in computing its federal income tax liability, regardless of whether distributions are made. Distributions of cash by a partnership to a partner are generally not taxable unless the amount of cash distributed to a partner is in excess of the partner’s tax basis in his partnership interest.

Section 7704 of the Internal Revenue Code provides that publicly traded partnerships will, as a general rule, be taxed as corporations. However, an exception exists with respect to publicly traded partnerships of which 90% or more of the gross income for every taxable year consists of ‘‘qualifying income,’’ as described in clause (c) above. If we fail to meet this qualifying income exception in any taxable year, other than a failure that is determined by the IRS to be inadvertent and which is cured within a reasonable time after discovery, we will be treated as if we transferred all of our assets (subject to liabilities) to a newly formed corporation, on the first day of such taxable year in return for stock in that corporation, and as though we then distributed that stock to our partners in liquidation of their interests in us. This contribution and liquidation should be tax-free to our partners and to us, so long as we do not have liabilities at that time in excess of the tax basis of our assets. Thereafter, we would be treated as a corporation for federal income tax purposes.

Weil, Gotshal & Manges LLP is of the opinion, based upon certain assumptions and representations made by us, that, as of the date hereof, each of Suburban and the Operating Partnership will be classified as a partnership for federal income tax purposes provided that:

(a) Neither we nor the Operating Partnership has elected or will elect to be treated as a corporation;
(b) We and the Operating Partnership have been and will be operated in accordance with (i) all applicable partnership statutes and (ii) the partnership agreement or Operating Partnership agreement (whichever is applicable);
(c) For each of our taxable years from and after our formation, more than 90% of our gross income has been and will be derived (i) from the exploration, development, production, processing, refining, transportation or marketing of any mineral or natural resource, including oil, gas or products thereof, or (ii) from other items of ‘‘qualifying income’’ within the meaning of Section 7704(d) of the Internal Revenue Code; and
(d) We would not be a regulated investment company as described in Section 851(a) of the Internal Revenue Code if we were a domestic corporation.

Suburban believes that such assumptions have been true in the past and expects that such assumptions will be true in the future.

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An opinion of counsel represents only that particular counsel’s best legal judgment, is based upon certain assumptions and representations made by us and does not bind the IRS or the courts. No assurance can be provided that the opinions and statements set forth herein would be sustained by a court if contested by the IRS. Any such contest with the IRS may materially and adversely impact the market for the common units and the prices at which common units trade even if we prevail. In addition, our costs of any contest with the IRS will be borne indirectly by our unitholders and our general partner because the costs will reduce our cash available for distribution. Furthermore, no assurance is given that the federal income tax consequences of an investment in us will not be significantly modified by future legislative or administrative changes or court decisions. Any such modification may even have retroactive effect.

We have not requested, and do not expect to request, a ruling from the IRS with respect to our classification as a partnership for federal income tax purposes or with respect to any other matter affecting us or holders of our common units.

If we or the Operating Partnership were treated as a corporation in any taxable year, either as a result of a failure to meet the qualifying income exception or otherwise, our net income would be taxed at corporate rates. In addition, if we were treated as a corporation, any distribution we made to a unitholder would be treated as taxable dividend income to the extent of our current or accumulated earnings and profits, then, in the absence of earnings and profits, such distributions would be treated as a nontaxable return of capital, to the extent of the unitholder’s tax basis in his common units, and would thereafter be treated as taxable capital gain after the unitholder’s tax basis in the common units is reduced to zero. Accordingly, treatment of either us or the Operating Partnership as a corporation would result in a material reduction in a unitholder’s cash flow and after-tax return and thus would likely result in a substantial reduction of the value of the common units.

The discussion below is based on the assumption that each of Suburban and the Operating Partnership will be classified as a partnership for federal income tax purposes.

Tax Treatment of Unitholders

Partner Status

Unitholders who have become our limited partners will be treated as our partners for federal income tax purposes. Assignees who have executed and delivered transfer applications, and are awaiting admission as limited partners and unitholders whose common units are held in street name or by a nominee and who have the right to direct the nominee in the exercise of the rights attendant to the ownership of their common units will be treated as our partners for federal income tax purposes. Because there is no direct authority addressing assignees of common units who are entitled to execute and deliver transfer applications but who fail to do so, such assignees may not be treated as our partners for federal income tax purposes. Further, assignees of limited partnership units who are entitled to execute and deliver transfer applications but fail to do so may not receive some federal income tax information or reports furnished to record holders of limited partnership units. No part of our income, gain, deductions or losses is reportable by a unitholder who is not a partner for federal income tax purposes, and any distributions received by such a unitholder should therefore be fully taxable as ordinary income. These holders should consult their own tax advisors with respect to their status as our partners for federal income tax purposes.

An owner of common units whose common units have been transferred to a short seller to complete a short sale would appear to lose his status as a partner with respect to such common units for federal income tax purposes and may recognize gain or loss on such transfer. If such a person is not a partner, no part of our income, gain, deduction or loss with respect to those common units would be reportable by that person, any payments received by that person in lieu of cash distributions with respect to those common units would be fully taxable and all of such payments would appear to be treated as ordinary income. Unitholders desiring to assure their status as partners should modify any applicable brokerage account agreements to prohibit their brokers from borrowing their common units.

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In the following portion of this section, the word ‘‘unitholder’’ refers to a holder of our common units who is one of our partners.

Allocation of Partnership Income, Gain, Loss and Deduction

In general, our items of income, gain, loss and deduction will be allocated among the general partner and the unitholders in accordance with their respective percentage interests in us.

Certain items of our income, gain, loss or deduction will be allocated as required or permitted by Section 704(c) of the Internal Revenue Code to account for the difference between the tax basis and fair market value of property heretofore contributed to us. Allocations may also be made to account for the difference between the fair market value of our assets and their tax basis at the time of any offering made pursuant to this prospectus.

In addition, certain items of recapture income which we recognize on the sale of any of our assets will be allocated to the extent provided in regulations which generally require such depreciation recapture to be allocated to the partner who (or whose predecessor in interest) was allocated the deduction giving rise to the treatment of such gain as recapture income.

Alternative Minimum Tax

Each unitholder will be required to take into account his share of our items of income, gain, loss or deduction for purposes of the alternative minimum tax. A portion of our depreciation deductions may be treated as an item of tax preference for this purpose. A unitholder's alternative minimum taxable income derived from us may be higher than his share of our net income because we may use accelerated methods of depreciation for federal income tax purposes. Prospective unitholders should consult their tax advisors as to the impact of an investment in common units on their liability for the alternative minimum tax.

Treatment of Distributions by Suburban

Our distributions to a unitholder generally will not be taxable to it for federal income tax purposes to the extent of the tax basis it has in its common units immediately before the distribution. Our distributions in excess of a unitholder's tax basis generally will be gain from the sale or exchange of the common units, taxable in accordance with the rules described under ''Disposition of Common Units,'' below. Any reduction in a unitholder's share of our liabilities for which no partner, including the general partner, bears the economic risk of loss (''nonrecourse liabilities'') will be treated as a distribution of cash to that unitholder.

A decrease in a unitholder's percentage interest in us because of our issuance of additional common units will decrease such unitholder's share of nonrecourse liabilities, if any, and thus will result in a corresponding deemed distribution of cash. A non-pro rata distribution of money or property may result in ordinary income to a unitholder if such distribution reduces the unitholder's share of our ''unrealized receivables,'' including depreciation recapture or substantially appreciated ''inventory items,'' both as defined in Section 751 of the Internal Revenue Code (collectively, ''Section 751 assets''). In that event, the unitholder will be treated as having received as a distribution the portion of the Section 751 assets that used to be allocated to such partner and as having exchanged such portion of our assets with us in return for the non-pro rata portion of the actual distribution made to him. This latter deemed exchange will generally result in the unitholder's realization of ordinary income in an amount equal to the excess of (1) the non-pro rata portion of such distribution over (2) the unitholder's tax basis for the share of such Section 751 assets deemed relinquished in the exchange.

Basis of Common Units

A unitholder will have an initial tax basis in its common units equal to the amount paid for the common units plus its share of our nonrecourse liabilities. That basis will be increased by its share of

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our income and by any increase in its share of our nonrecourse liabilities, if any. That basis will be decreased, but not below zero, by its share of our distributions, by its share of our losses, by any decrease in its share of our nonrecourse liabilities and by its share of our expenditures that are not deductible in computing our taxable income and are not required to be capitalized.

Limitations on Deductibility of Suburban's Losses

The deduction by a unitholder of that unitholder's share of our losses will be limited to the amount of that unitholder's tax basis in the common units and, in the case of an individual unitholder or a corporate unitholder who is subject to the ''at risk'' rules, to the amount for which the unitholder is considered to be ''at risk'' with respect to our activities, if that is less than the unitholder's tax basis. A unitholder must recapture losses deducted in previous years to the extent that our distributions cause the unitholder’s at risk amount to be less than zero at the end of any taxable year. Losses disallowed to a unitholder or recaptured as a result of these limitations will carry forward and will be allowable to the extent that the unitholder’s tax basis or at risk amount, whichever is the limiting factor, subsequently increases. Upon the taxable disposition of a common unit, any gain recognized by a unitholder can be offset by losses that were previously suspended by the at risk limitation but may not be offset by losses suspended by the basis limitation.

In general, a unitholder will be at risk to the extent of the unitholder’s tax basis in the unitholder’s common units, excluding any portion of that basis attributable to the unitholder’s share of our nonrecourse liabilities, reduced by any amount of money the unitholder borrows to acquire or hold the unitholder’s common units if the lender of such borrowed funds owns an interest in us, is related to such a person or can look only to common units for repayment. A unitholder’s at risk amount will increase or decrease as the tax basis of the unitholder’s common units increases or decreases, other than tax basis increases or decreases attributable to increases or decreases in the unitholder’s share of our nonrecourse liabilities.

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

Limitations on Interest Deductions

The deductibility of a non-corporate taxpayer’s ‘‘investment interest expense’’ is generally limited to the amount of such taxpayer’s ‘‘net investment income.’’ The IRS has announced that Treasury Regulations will be issued to characterize net passive income from a publicly traded partnership as investment income for purposes of the limitations on the deductibility of investment interest. In addition, a unitholder’s share of our portfolio income will be treated as investment income.

Investment interest expense includes (i) interest on indebtedness properly allocable to property held for investment, (ii) our interest expense attributed to portfolio income, and (iii) the portion of interest expense incurred to purchase or carry an interest in a passive activity to the extent attributable to portfolio income. The computation of a unitholder’s investment interest expense will take into account interest on any margin account borrowing or other loan incurred to purchase or carry a common unit.

Net investment income includes gross income from property held for investment and amounts treated as portfolio income pursuant to the passive loss rules less deductible expenses, other than

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interest, directly connected with the production of investment income and certain gains attributable to the disposition of property held for investment.

Tax Treatment of Operations

Initial Tax Basis, Depreciation, Amortization and Certain Nondeductible Items

We use the adjusted tax basis of our various assets for purposes of computing depreciation and cost recovery deductions and gain or loss on any disposition of such assets. If we dispose of depreciable property, all or a portion of any gain may be subject to the recapture rules and taxed as ordinary income rather than capital gain.

The costs incurred in promoting the issuance of common units (i.e., syndication expenses) must be capitalized and cannot be deducted by us currently, ratably or upon our termination. Uncertainties exist regarding the classification of costs as organization expenses, which may be amortized, and as syndication expenses, which may not be amortized, but underwriters' discounts and commissions are treated as syndication costs.

Section 754 Election

We have made the election permitted by Section 754 of the Internal Revenue Code, which permits us to adjust the tax basis of our assets as to each purchaser of our common units pursuant to Section 743(b) of the Internal Revenue Code to reflect the purchaser's purchase price. The Section 743(b) adjustment is intended to provide a purchaser with the equivalent of an adjusted tax basis in the purchaser's share of our assets equal to the value of such share that is indicated by the amount that the purchaser paid for the common units.

A Section 754 election is advantageous if the transferee's tax basis in the transferee's common units is higher than such common units' share of the aggregate tax basis of our assets immediately prior to the transfer because the transferee would have, as a result of the election, a higher tax basis in the transferee's share of our assets. Conversely, a Section 754 election is disadvantageous if the transferee's tax basis in the transferee's common units is lower than such common units' share of the aggregate tax basis of our assets immediately prior to the transfer. The Section 754 election is irrevocable without the consent of the IRS.

Although counsel is unable to opine as to the validity of this method, we intend to compute the effect of the Section 743(b) adjustment so as to preserve our ability to determine the tax attributes of a common unit from its date of purchase and the amount paid therefore. In that regard, we have adopted depreciation and amortization conventions that we believe conform to Treasury regulations under Section 743(b) of the Internal Revenue Code.

The calculations involved in the Section 754 election are complex and are made by us on the basis of certain assumptions as to the value of our assets and other matters. There is no assurance that the determinations made by us will prevail if challenged by the IRS and that the deductions resulting from them will not be reduced or disallowed altogether.

Valuation of Suburban's Property and Basis of Properties

The federal income tax consequences of the ownership and disposition of common units will depend in part on our estimates of the fair market values and our determinations of the adjusted tax basis of our assets. Although we may from time to time consult with professional appraisers with respect to valuation matters, we will make many of the fair market value estimates ourselves. These estimates and determinations are subject to challenge and will not be binding on the IRS or the courts. If such estimates or determinations of basis are subsequently found to be incorrect, the character and amount of items of income, gain, loss or deductions previously reported by unitholders might change, and unitholders might be required to adjust their tax liability for prior years.

Entity-Level Collections

If we are required or elect under applicable law to pay any federal, state or local income tax on behalf of any partner, we are authorized to pay those taxes from our funds. Such payment, if made,

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will be treated as a distribution of cash to the partner on whose behalf the payment was made. If the payment is made on behalf of a person whose identity cannot be determined, we are authorized to treat the payment as a distribution to current unitholders.

Disposition of Common Units — Recognition of Gain or Loss

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

Gain or loss recognized by a unitholder, other than a ''dealer'' in common units, on the sale or exchange of a common unit will generally be a capital gain or loss. Capital gain recognized on the sale of common units held for more than one year will generally be taxed at a maximum rate of 15% (such rate to be increased to 20% for taxable years beginning after December 31, 2008). A portion of this gain or loss (which could be substantial), however, will be separately computed and will be classified as ordinary income or loss under Section 751 of the Internal Revenue Code to the extent attributable to assets giving rise to depreciation recapture or other unrealized receivables or to inventory items owned by us. Ordinary income attributable to unrealized receivables, inventory items and depreciation recapture may exceed net taxable gain realized upon the sale of the common units and will be recognized even if there is a net taxable loss realized on the sale of the common units. Thus, a unitholder may recognize both ordinary income and a capital loss upon a disposition of common units. Net capital loss may offset no more than $3,000 ($1,500 in the case of a married individual filing a separate return) of ordinary income in the case of individuals and may only be used to offset capital gain in the case of corporations.

The IRS has ruled that a partner who acquires interests in a partnership in separate transactions must combine those interests and maintain a single adjusted tax basis. Upon a sale or other disposition of less than all of such interests, a portion of that tax basis must be allocated to the interests sold based upon relative fair market values. If this ruling is applicable to the holders of common units, a unitholder will be unable to select high or low basis common units to sell as would be the case with corporate stock. Thus, the ruling may result in an acceleration of gain or a deferral of loss on a sale of a portion of a unitholder's common units. It is not entirely clear that the ruling applies to us because, similar to corporate stock, our interests are evidenced by separate certificates. Accordingly, counsel is unable to opine as to the effect such ruling will have on the unitholders. On the other hand, a selling unitholder who can identify common units transferred with an ascertainable holding period may elect to use the actual holding period of the common units transferred. A unitholder electing to use the actual holding period of common units transferred must consistently use that identification method for all later sales or exchanges of common units.

Certain provisions of the Internal Revenue Code treat a taxpayer as having sold an ''appreciated'' partnership interest, if the taxpayer or a related person enters into (i) certain types of short sales, (ii) an offsetting notional principal contract or (iii) a futures or forward contract with respect to the partnership interest or substantially identical property. Moreover, if a taxpayer has previously entered into a short sale, an offsetting notional principal contract or a futures or forward contract with respect to a partnership interest, the taxpayer will be treated as having sold such position if the taxpayer or a related person acquires the partnership interest or substantially similar property. The Secretary of the Treasury is also authorized to issue regulations that treat a taxpayer that enters into transactions or positions that have substantially the same effect as the preceding transactions as having constructively sold the financial position.

Allocations between Transferors and Transferees

In general, we will prorate our annual taxable income and losses on a monthly basis and such income as so prorated will be subsequently apportioned among the unitholders in proportion to the

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number of common units owned by each of them as of the opening of the principal national securities exchange on which the common units are then traded on the first business day of the month. However, gain or loss realized on a sale or other disposition of our assets other than in the ordinary course of business will be allocated among the unitholders on the date in the month in which that gain or loss is recognized. As a result, a unitholder transferring common units in the open market may be allocated income, gain, loss and deduction accrued after the date of transfer.

The use of this method may not be permitted under existing Treasury Regulations. Accordingly, counsel is unable to opine on the validity of this method of allocating income and deductions between the transferors and the transferees of common units. If this method is not allowed under the Treasury Regulations, or only applies to transfers of less than all of the unitholder’s interest, our taxable income or losses might be reallocated among the unitholders. We are authorized to revise our method of allocation between transferors and transferees, as well as among partners whose interests otherwise vary during a taxable period, to conform to a method permitted under future Treasury Regulations.

Notification Requirements

A unitholder who sells or exchanges common units is required to notify us in writing of that sale or exchange within 30 days after the sale or exchange and in any event by no later than January 15 of the year following the calendar year in which the sale or exchange occurred. We are required to notify the IRS of that transaction and to furnish certain information to the transferor and transferee. However, these reporting requirements do not apply with respect to a sale by an individual who is a citizen of the United States and who effects the sale or exchange through a broker. Additionally, a transferor and a transferee of a common unit will be required to furnish statements to the IRS, filed with their income tax returns for the taxable year in which the sale or exchange occurred, that set forth the amount of the consideration paid or received for the common unit. Failure to satisfy these reporting obligations may lead to the imposition of substantial penalties. Because we have made an election under Section 754 of the Internal Revenue Code, a purchaser of an interest in us, or his broker, is required to notify us of the transfer of such interest and we are required to include a statement with our Partnership Return for the taxable year in which we receive notice of the transfer, setting forth the name and taxpayer identification number of the transferee, the computation of any Section 743(b) basis adjustment and the allocation of such adjustment among the properties.

Constructive Termination

We will be considered terminated if there is a sale or exchange of 50% or more of the total interests in our capital and profits within a 12-month period. Any such termination would result in the closing of our taxable year for all unitholders. In the case of a unitholder reporting on a taxable year that does not end with our taxable year, the closing of our taxable year may result in more than 12 months of our taxable income or loss being includable in that unitholder's taxable income for the year of termination. New tax elections required to be made by us, including a new election under Section 754 of the Internal Revenue Code, must be made subsequent to a termination and a termination could result in a deferral of our deductions for depreciation. A termination could also result in penalties if we were unable to determine that the termination had occurred. Moreover, a termination might either accelerate the application of, or subject us to, any tax legislation enacted prior to the termination.

Uniformity of Units

Because we cannot match transferors and transferees of limited partnership units, we must maintain uniformity of the economic and tax characteristics of the units for holders of these units. To maintain uniformity and for other reasons, we have adopted certain depreciation and amortization conventions which we believe conform to Treasury Regulations under Section 743(b) of the Internal Revenue Code, however, there is no assurance that this would not be successfully challenged by the IRS. A successful challenge to those conventions by the IRS could adversely affect the amount of tax benefits available to holders of limited partnership units and could have a negative impact on the value of the limited partnership units.

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Tax-Exempt Organizations and Certain Other Investors

Ownership of common units by employee benefit plans, other tax-exempt organizations, non-resident aliens, foreign corporations, other foreign persons and regulated investment companies raises issues unique to such persons and, as described below, may have substantially adverse tax consequences. Employee benefit plans and most other organizations exempt from federal income tax, including individual retirement accounts and other retirement plans, are subject to federal income tax on unrelated business taxable income. Much of the taxable income derived by such an organization from the ownership of a common unit will be unrelated business taxable income and thus will be taxable to such a unitholder.

A regulated investment company or ‘‘mutual fund’’ generally is required to derive 90% or more of its gross income from interest, dividends, gains from the sale of stocks or securities or foreign currency or certain related sources. We anticipate that no significant amount of our gross income will include that type of income. Recent legislation also includes net income derived from the ownership of an interest in a ‘‘qualified publicly traded partnership’’ as qualified income to a regulated investment company. We expect that we will meet the definition of a qualified publicly traded partnership. However, this legislation limits a regulated investment company's ownership of interests in one or more publicly traded partnerships to no more than 25% of its total assets.

Non-resident aliens and foreign corporations, trusts or estates which hold common units will be considered to be engaged in business in the United States on account of ownership of common units. As a consequence they will be required to file federal tax returns in respect of their share of our income, gain, loss or deduction and pay federal income tax at regular rates on any net income or gain. Generally, a partnership is required to pay a withholding tax on the portion of the partnership's income which is effectively connected with the conduct of a United States trade or business and which is allocable to its foreign partners, regardless of whether any actual distributions have been made to such partners. However, under rules applicable to publicly traded partnerships, we will withhold taxes at the highest marginal rate applicable to individuals on actual cash distributions made to foreign unitholders. Each foreign unitholder must obtain a taxpayer identification number from the IRS and submit that number to our transfer agent, Computershare Trust Company, N.A., on the appropriate Form W-8 in order to obtain credit for the taxes withheld. A change in applicable law may require us to change these procedures.

Because a foreign corporation that owns common units will be treated as engaged in a United States trade or business, such a corporation will also be subject to United States branch profits tax at a rate of 30% (or any applicable lower treaty rate) of the portion of any reduction in the foreign corporation's ''U.S. net equity,'' which is the result of our activities. In addition, such a unitholder is subject to special information reporting requirements under Section 6038C of the Internal Revenue Code.

In a published ruling, the IRS has taken the position that gain realized by a foreign unitholder who sells or otherwise disposes of a limited partnership unit will be treated as effectively connected with a United States trade or business of the foreign unitholder, and thus subject to federal income tax, to the extent that such gain is attributable to appreciated personal property used by the limited partnership in a United States trade or business. Moreover, a foreign unitholder is subject to federal income tax on gain realized on the sale or disposition of a common unit to the extent that such gain is attributable to appreciated United States real property interests; however, a foreign unitholder will not be subject to federal income tax under this rule unless such foreign unitholder has owned more than 5% in value of our common units during the five-year period ending on the date of the sale or disposition, provided the common units are regularly traded on an established securities market at the time of the sale or disposition.

Administrative Matters

Information Returns and Audit Procedures

We intend to furnish to each unitholder, within 90 days after the close of each calendar year, certain tax information, including a Schedule K-1 that sets forth such unitholder's share of our income,

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gain, loss and deduction for our preceding taxable year. In preparing this information, which will generally not be reviewed by counsel, we will use various accounting and reporting conventions. We cannot assure prospective unitholders that the IRS will not successfully contend in court that such accounting and reporting conventions are impermissible. Any such challenge by the IRS could negatively affect the value of the common units.

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

Partnerships generally are treated as separate entities for purposes of federal tax audits, judicial review of administrative adjustments by the IRS and tax settlement proceedings. The tax treatment of partnership items of income, gain, loss and deduction is determined in a partnership proceeding rather than in separate proceedings with the partners. The Internal Revenue Code provides for one partner to be designated as the ''tax matters partner'' for these purposes. Our partnership agreement appoints our general partner as our tax matters partner.

The tax matters partner will make certain elections on our behalf and on behalf of the unitholders and can extend the statute of limitations for assessment of tax deficiencies against unitholders with respect to items in our returns. The tax matters partner may bind a unitholder with less than a 1% profits interest in us to a settlement with the IRS unless that unitholder elects, by filing a statement with the IRS, not to give such authority to the tax matters partner. The tax matters partner may seek judicial review, by which all of the unitholders are bound, of a final partnership administrative adjustment and, if the tax matters partner fails to seek judicial review, such review may be sought by any unitholder having at least a 1% interest in our profits and by unitholders having in the aggregate at least a 5% profits interest. However, only one action for judicial review will go forward, and each unitholder with an interest in the outcome may participate. However, if we elect to be treated as a large partnership, which we do not intend to do, a unitholder will not have a right to participate in settlement conferences with the IRS or to seek a refund.

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

Nominee Reporting

Persons who hold an interest in us as a nominee for another person are required to furnish to us the following information: (a) the name, address and taxpayer identification number of the beneficial owner and the nominee; (b) whether the beneficial owner is (i) a person that is not a United States person, (ii) a foreign government, an international organization or any wholly-owned agency or instrumentality of either of the foregoing, or (iii) a tax-exempt entity; (c) the amount and description of common units held, acquired or transferred for the beneficial owner; and (d) certain information including the dates of acquisitions and transfers, means of acquisitions and transfers, and acquisition cost for purchases, as well as the amount of net proceeds from sales. Brokers and financial institutions are required to furnish additional information, including whether they are United States persons and certain information on common units that they acquire, hold or transfer for their own account. A penalty of $50 per failure, up to a maximum of $100,000 per calendar year, is imposed by the Internal Revenue Code for failure to report such information to us. The nominee is required to supply the beneficial owner of the common units with the information furnished to us.

Registration as a Tax Shelter

Prior to the enactment of new legislation, the Internal Revenue Code required that ‘‘tax shelters’’ be registered with the Secretary of the Treasury. The American Jobs Creation Act of 2004 eliminated this tax shelter registration requirement. Although we may not have been subject to the registration

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requirement on the basis that we would not constitute a tax shelter, we registered as a tax shelter with the Secretary of the Treasury in light of the substantial penalties which might have been imposed if registration was required and not undertaken. The IRS has issued us the following tax shelter registration number: 96080000050.

Reportable Transactions

Treasury regulations require taxpayers to report certain information on IRS Form 8886 if they participate in a ‘‘reportable transaction.’’ Unitholders may be required to file this form with the IRS if we participate in a reportable transaction. A transaction may be a reportable transaction based upon any of several factors. The IRS has issued a list of items that are excepted from these disclosure requirements. You should consult your own tax advisors concerning the application of any of these factors and exceptions to your investment in our common units. The American Jobs Creation Act of 2004 contains provisions that impose significant penalties for failure to comply with these disclosure requirements, including: accuracy-related penalties in a greater amount, or subject to more limited exceptions, than described below under ‘‘— Accuracy-Related Penalties,’’ an extended statute of limitations, and, for those persons otherwise entitled to deduct interest on federal tax deficiencies, nondeductibility of interest on any resulting tax liability. This legislation also imposes disclosure and information maintenance obligations on ‘‘material advisors’’ (persons who organize, manage, promote, sell, implement, insure or carry out any reportable transaction and directly or indirectly derives gross income in excess of certain thresholds) with respect to reportable transactions. We do not expect to engage in any ‘‘reportable transactions.’’ Investors should consult their own tax advisors concerning any possible disclosure obligation with respect to their investment and should be aware that we and our material advisors intend to comply with the list and disclosure requirements.

Accuracy-Related Penalties

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

A substantial understatement of income tax in any taxable year exists if the amount of the understatement exceeds the greater of 10% of the tax required to be shown on the return for the taxable year or $5,000 ($10,000 for most corporations). The amount of any understatement subject to penalty generally is reduced if any portion is attributable to a position adopted on the return (i) with respect to which there is, or was, ‘‘substantial authority’’ or (ii) as to which there is a reasonable basis and the pertinent facts of such position are disclosed on the return.

More stringent rules increased penalties and extended statutes of limitations apply to ‘‘tax shelters,’’ a term that in this context does not appear to include us, ‘‘listed transactions,’’ and ‘‘reportable transactions with a significant tax avoidance purpose.’’ We do not anticipate participating in ‘‘listed transactions’’ or ‘‘reportable transactions with a significant tax avoidance purpose.’’ However, if any item of our income, gain, loss or deduction included as a share of our income by a unitholder might result in such an ‘‘understatement’’ of income for which no ‘‘substantial authority’’ exists, we must disclose the pertinent facts on our return. In addition, we will make a reasonable effort to furnish sufficient information for unitholders to make adequate disclosure on their returns to avoid liability for this penalty.

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

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possible accuracy-related penalties with respect to their investment and should be aware that we and our material advisors intend to comply with the disclosure requirements.

State, Local and Other Tax Considerations

In addition to federal income taxes, a unitholder will be subject to other taxes, such as state and local income taxes, unincorporated business taxes, and estate, inheritance or intangible taxes that may be imposed by the various jurisdictions in which such unitholder resides or in which we do business or own property. Although an analysis of those various taxes is not presented here, each prospective unitholder should consider their potential impact on such unitholder’s investment in us. We currently conduct business in 33 states. A unitholder will be required to file state income tax returns and to pay state income taxes in some or all of the states in which we do business or own property and may be subject to penalties for failure to comply with those requirements. In certain states, tax losses may not produce a tax benefit in the year incurred and also may not be available to offset income in subsequent taxable years. Some of the states may require that we, or we may elect to, withhold a percentage of income from amounts to be distributed to a unitholder who is not a resident of the state. Our withholding of an amount, which may be greater or less than a particular unitholder’s income tax liability to the state, generally does not relieve the non-resident unitholder from the obligation to file an income tax return. Any amount that is withheld will be treated as distributed to unitholders. Based on current law and our estimate of future operations, we anticipate that any amounts required to be withheld will not be material.

It is the responsibility of each unitholder to investigate the legal and tax consequences of such unitholder’s investment in us under the laws of pertinent states and localities. Accordingly, each prospective unitholder should consult, and must depend upon, its own tax counsel or other advisor with regard to those matters. Further, it is the responsibility of each unitholder to file all state and local, as well as U.S. federal, tax returns that may be required of such unitholder. Weil, Gotshal & Manges LLP has not rendered an opinion on the state or local tax consequences of an investment in us.

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LEGAL MATTERS

The validity of the securities offered hereby has been passed upon for us by Richards, Layton & Finger, P.A., Wilmington, Delaware. Certain tax matters relating to the common units have been passed upon for us by Weil, Gotshal & Manges LLP, New York, New York.

EXPERTS

The financial statements and management’s assessment of the effectiveness of internal control over financial reporting (which is included in Management’s Report on Internal Control over Financial Reporting) incorporated in this Prospectus by reference to the Annual Report on Form 10-K for the year ended September 24, 2005, have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended. As a result, we file reports and other information with the SEC. You may read and copy any materials that we file with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Any information filed by us is also available on the SEC's EDGAR database at http://www.sec.gov. Our common units are listed on the New York Stock Exchange, and reports, proxy statements and other information can be inspected at the offices of the NYSE at 20

Broad Street, New York, New York 10005.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The SEC's rules permit us to incorporate by reference certain information into this prospectus. This means that we can disclose important information to you by referring you to another document. Any information referred to in this way is considered part of this prospectus from the date we file that document. Any reports filed by us with the SEC after the date of this prospectus and before the date that the offering of the securities by means of this prospectus is terminated will automatically update and, where applicable, supersede any information contained in this prospectus or incorporated by reference in this prospectus.

Accordingly, we incorporate by reference into this prospectus the following documents or information filed with the SEC (other than, in each case, documents or information deemed furnished and not filed in accordance with SEC rules, and no such information shall be deemed specifically incorporated by reference hereby):

- our Annual Report on Form 10-K for the fiscal year ended September 24, 2005;
- our amendment to our Annual Report on Form 10-K/A for the fiscal year ended September 24, 2005;
- our Quarterly Report on Form 10-Q for the quarter ended December 24, 2005;
- our Quarterly Report on Form 10-Q for the quarter ended March 25, 2006;
- our Quarterly Report on Form 10-Q for the quarter ended June 24, 2006;
- our definitive Proxy Statement dated September 1, 2006;
- the description of the common units in our registration statement on Form 8-A filed on February 22, 1996 (as amended by the Description of Common Units contained herein);
- our Current Reports on Form 8-K filed on November 7, 2005, February 24, 2006 and July 28, 2006.

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All documents that we file pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, also shall be deemed to be incorporated by reference in this prospectus, unless otherwise provided in the relevant document. These additional documents include periodic reports, such as Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as well as proxy statements.

We will provide without charge to each person to whom a copy of this prospectus has been delivered, upon the written or oral request of any such person, a copy of any or all of the documents incorporated by reference herein, other than exhibits to such documents, unless such exhibits are specifically incorporated by reference into the information that this prospectus incorporates. You should direct written or oral requests for such copies to:

Suburban Propane Partners, L.P.
P.O. Box 206
Whippany, New Jersey 07981-0206
Telephone No.: (973) 887-5300
Attn: Investor Relations

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following table sets forth the costs and expenses, other than the underwriting discounts, payable by the Registrant in connection with the sale of the securities being registered. All amounts, other than the SEC registration fee, are estimates.

SEC Registration Fee	$ 8,460
Printing costs	$ 500
Legal fees and expenses	$ 50,000
Accounting fees and expenses	$ 50,000
Transfer Agent and Registrar fees	$ 500
Miscellaneous	$ 500
Total	$ 109,960

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Our partnership agreement provides that we will indemnify (i) the members of the Board of Supervisors or the members of the Board of Supervisors of our operating partnership subsidiary, Suburban Propane, L.P., or any subsidiary of Suburban Propane, L.P., (ii) the general partner, (iii) any departing partner, (iv) any person who is or was an affiliate of the general partner or any departing partner, (v) any person who is or was a member, partner, director, officer, employee, agent or trustee of us, Suburban Propane, L.P. or any subsidiary of Suburban Propane, L.P., (vi) any person who is or was a member, partner, officer, director, employee, agent or trustee of the general partner or any departing partner or any affiliate of the general partner or any departing partner, or (vii) any person who is or was serving at the request of the Board of Supervisors, the general partner or any departing partner or any affiliate of the general partner or any departing partner as a member, partner, director, officer, employee, agent, fiduciary or trustee of another person (''Indemnitees''), to the fullest extent permitted by law, from and against any and all losses, claims, damages, liabilities (joint or several), expenses (including legal fees, expenses and other disbursements), judgments, fines, penalties, interest, settlements or other amounts arising from any and all claims, demands, actions, suits or proceedings, whether civil, criminal, administrative or investigative, in which any Indemnitee may be involved, or is threatened to be involved, as a party or otherwise, by reason of its status as an Indemnitee; provided that in each case the Indemnitee acted in good faith and in a manner that such Indemnitee reasonably believed to be in or not opposed to our best interests and, with respect to any criminal proceeding, had no reasonable cause to believe its conduct was unlawful. Any indemnification under these provisions will be only out of our assets, and the general partner shall not be personally liable for, or have any obligation to contribute or loan funds or assets to us to enable it to effectuate, such indemnification. We are authorized to purchase (or to reimburse the general partner or its affiliates for the cost of) insurance against liabilities asserted against and expenses incurred by such persons in connection with our activities, regardless of whether we would have the power to indemnify such persons against such liabilities under the provisions described above.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and/or persons controlling the registrant pursuant to the foregoing provision, or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

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ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Exhibits

3 .1	Third Amended and Restated Agreement of Limited Partnership of the Partnership dated as of October 19, 2006 (including the Form of Certificate Evidencing Common Units).*
4 .1	See Exhibit 3.1.
5 .1	Opinion of Richards, Layton & Finger, P.A.*
8 .1	Opinion of Weil, Gotshal & Manges LLP as to tax matters. *
23.1	Consent of Independent Registered Public Accounting Firm — PricewaterhouseCoopers LLP.*
23.2	Consent of Richards, Layton & Finger, P.A. (included in Exhibit 5.1)*
23.3	Consent of Weil, Gotshal & Manges LLP (included in Exhibit 8.1)*
24.1	Powers of Attorney (included on signature page)*

*Filed herewith

ITEM 17. UNDERTAKINGS.

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering prices set forth in the ‘‘Calculation of

Registration Fee'' table in the effective registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

provided, however, that clauses (i), (ii) and (iii) above do not apply if the registration statement is on Form S-3 or Form F-3 and the information required to be included in a post-effective amendment by those clauses is contained in periodic reports filed with or furnished to the Commission by the registrant pursuant to section 13 or section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement, or is contained in a form of prospectus filed pursuant to Rule 424(b) that is part of the registration statement.

(2) That, for the purpose of determining liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof;

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

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(4) That, for the purpose of determining liability under the Securities Act of 1933 to any purchaser:

(i) Each prospectus filed by the registrant pursuant to Rule 424(b)(3) shall be deemed to be part of the registration statement as of the date the filed prospectus was deemed part of and included in the registration statement; and

(ii) Each prospectus required to be filed pursuant to Rule 424(b)(2), (b)(5), or (b)(7) as part of a registration statement in reliance on Rule 430B relating to an offering made pursuant to Rule 415(a)(1)(i), (vii), or (x) for the purpose of providing the information required by section 10(a) of the Securities Act of 1933 shall be deemed to be part of and included in the registration statement as of the earlier of the date such form of prospectus is first used after effectiveness or the date of the first contract of sale of securities in the offering described in the prospectus. As provided in Rule 430B, for liability purposes of the issuer and any person that is at that date an underwriter, such date shall be deemed to be a new effective date of the registration statement relating to the securities in the registration statement to which that prospectus relates, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof. Provided, however , that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such effective date, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such effective date.

(5) That, for the purpose of determining liability of the registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities, the undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;

(ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;

(iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and

(iv) Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the city of Whippany, New Jersey, on October 19, 2006.

SUBURBAN PROPANE PARTNERS, L.P.
By: /s/ Michael J. Dunn, Jr.
Michael J. Dunn, Jr.
President

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Michael A. Stivala and Paul E. Abel, and each of them acting individually, as his attorney-in-fact, each with full power of substitution, for him in any and all capacities, to sign any and all amendments to this registration statement of Form S-3 (including post-effective amendments), and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or any substitute, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated:

Signature	Title	Date
/s/ Mark A. Alexander		October 19, 2006

Mark A. Alexander	Chief Executive Officer; Member of the Board of Supervisors (Principal Executive Officer)	
/s/ Michael J. Dunn, Jr. Michael J. Dunn, Jr.	President; Member of the Board of Supervisors	October 19, 2006
/s/ Robert M. Plante Robert M. Plante	Vice President and Chief Financial Officer (Principal Financial Officer)	October 19, 2006
/s/ Michael A. Stivala Michael A. Stivala	Controller and Chief Accounting Officer (Principal Accounting Officer)	October 19, 2006
/s/ John Hoyt Stookey John Hoyt Stookey	Member and Chairman of the Board of Supervisors	October 19, 2006
/s/ Harold R. Logan, Jr. Harold R. Logan, Jr.	Member of the Board of Supervisors	October 19, 2006
/s/ Dudley C. Mecum Dudley C. Mecum	Member of the Board of Supervisors	October 19, 2006

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EXHIBIT INDEX

3 .1	Third Amended and Restated Agreement of Limited Partnership of the Partnership dated as of October 19, 2006 (including the Form of Certificate Evidencing Common Units).*
4 .1	See Exhibit 3.1.
5 .1	Opinion of Richards, Layton & Finger, P.A.*
8 .1	Opinion of Weil, Gotshal & Manges LLP as to tax matters.*
23.1	Consent of Independent Registered Public Accounting Firm — PricewaterhouseCoopers LLP.*
23.2	Consent of Richards, Layton & Finger, P.A. (included in Exhibit 5.1)*
23.3	Consent of Weil, Gotshal & Manges LLP (included in Exhibit 8.1)*
24.1	Powers of Attorney (included on signature page)*

*Filed herewith

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