Targa Resources Corp.
Form 10-Q
August 03, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2016

Or

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number: 001-34991

TARGA RESOURCES CORP.

(Exact name of registrant as specified in its charter)

Delaware	20-3701075
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1000 Louisiana St, Suite 4300, Houston, Texas	77002
(Address of principal executive offices)	(Zip Code)

(713) 584-1000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T

(§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

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

Large accelerated filer	x	Accelerated filer	o
Non-accelerated filer	o (Do not check if a smaller reporting company)	Smaller reporting company	o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

As of July 29, 2016, there were 166,630,466 shares of the registrant's common stock, $0.001 par value, outstanding.

PART I—FINANCIAL INFORMATION

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CAUTIONARY STATEMENT ABOUT FORWARD-LOOKING STATEMENTS

Targa Resources Corp.'s (together with its subsidiaries, including Targa Resources Partners LP ("the Partnership" or "TRP"), "we," "us," "Targa," "TRC," or the "Company") reports, filings and other public announcements may from time to tin contain statements that do not directly or exclusively relate to historical facts. Such statements are "forward-looking statements." You can typically identify forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, by the use of forward-looking statements, such as "may," "could," "project," "believe," "anticipate," "expect," "estimate," "potential," "plan and other similar words.

All statements that are not statements of historical facts, including statements regarding our future financial position, business strategy, budgets, projected costs and plans and objectives of management for future operations, are forward-looking statements.

These forward-looking statements reflect our intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors, many of which are outside our control. Important factors that could cause actual results to differ materially from the expectations expressed or implied in the forward-looking statements include known and unknown risks. Known risks and uncertainties include, but are not limited to, the following risks and uncertainties:

- the timing and extent of changes in natural gas, natural gas liquids ("NGL"), crude oil and other commodity prices, interest rates and demand for our services;
- the level and success of crude oil and natural gas drilling around our assets, our success in connecting natural gas supplies to our gathering and processing systems, oil supplies to our gathering systems and NGL supplies to our logistics and marketing facilities and our success in connecting our facilities to transportation services and markets;
- our ability to access the capital markets, which will depend on general market conditions and the credit ratings for the Partnership's and our debt obligations;
- the amount of collateral required to be posted from time to time in our transactions;
- our success in risk management activities, including the use of derivative instruments to hedge commodity price risks;
- the level of creditworthiness of counterparties to various transactions with us;
- changes in laws and regulations, particularly with regard to taxes, safety and protection of the environment;
- weather and other natural phenomena;
- industry changes, including the impact of consolidations and changes in competition;
- our ability to obtain necessary licenses, permits and other approvals;
- our ability to grow through acquisitions or internal growth projects and the successful integration and future performance of such assets;
- general economic, market and business conditions; and
- the risks described in our Annual Report on Form 10-K for the year ended December 31, 2015 ("Annual Report"), this Quarterly Report on Form 10-Q for the quarter ended June 30, 2016 (the "Quarterly Report") and our reports and registration statements filed from time to time with the United States Securities and Exchange Commission ("SEC").

Although we believe that the assumptions underlying our forward-looking statements are reasonable, any of the assumptions could be inaccurate, and, therefore, we cannot assure you that the forward-looking statements included in this Quarterly Report will prove to be accurate. Some of these and other risks and uncertainties that could cause actual results to differ materially from such forward-looking statements are more fully described in "Part II- Other Information, Item 1A. Risk Factors." in this Quarterly Report and in our Annual Report. Except as may be required by applicable law, we undertake no obligation to publicly update or advise of any change in any forward-looking statement, whether as a result of new information, future events or otherwise.

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As generally used in the energy industry and in this Quarterly Report, the identified terms have the following meanings:

Bbl	Barrels (equal to 42 U.S. gallons)
Btu	British thermal units, a measure of heating value
Bcf	Billion cubic feet
BBtu	Billion British thermal units
/d	Per day
/hr	Per hour
gal	U.S. gallons
GPM	Liquid volume equivalent expressed as gallons per 1000 cu. ft. of natural gas
LPG	Liquefied petroleum gas
MBbl	Thousand barrels
MMgal	Million U.S. gallons
MMBbl	Million barrels
MMBtu	Million British thermal units
MMcf	Million cubic feet
NGL(s)	Natural gas liquid(s)
NYMEX	New York Mercantile Exchange
GAAP	Accounting principles generally accepted in the United States of America
LIBOR	London Interbank Offered Rate
NYSE	New York Stock Exchange

Price Index Definitions

IF-NGPL MC	Inside FERC Gas Market Report, Natural Gas Pipeline, Mid-Continent
IF-PB	Inside FERC Gas Market Report, Permian Basin
IF-WAHA	Inside FERC Gas Market Report, West Texas WAHA
NY-WTI	NYMEX, West Texas Intermediate Crude Oil
OPIS-MB	Oil Price Information Service, Mont Belvieu, Texas
NG-NYMEX	NYMEX, Natural Gas

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

TARGA RESOURCES CORP.

CONSOLIDATED BALANCE SHEETS

	June 30, 2016 (Unaudited)	December 31, 2015
	(In millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	$170.9	$140.2
Trade receivables, net of allowances of $0.1 million as of June 30, 2016 and $0.1 million as of December 31, 2015	490.1	515.8
Inventories	111.0	141.0
Assets from risk management activities	41.4	92.2
Other current assets	43.3	30.8
Total current assets	856.7	920.0
Property, plant and equipment	12,229.4	11,935.1
Accumulated depreciation	(2,526.9)	(2,232.4)
Property, plant and equipment, net	9,702.5	9,702.7
Intangible assets, net	1,726.0	1,810.1
Goodwill, net	393.0	417.0
Long-term assets from risk management activities	13.6	34.9
Investments in unconsolidated affiliates	250.2	258.9
Other long-term assets	58.1	67.4
Total assets	$13,000.1	$13,211.0
LIABILITIES, SERIES A PREFERRED STOCK AND OWNERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$697.7	$657.1
Liabilities from risk management activities	14.9	5.2
Accounts receivable securitization facility	225.0	219.3
Total current liabilities	937.6	881.6
Long-term debt	4,778.3	5,718.8
Long-term liabilities from risk management activities	19.7	2.4
Deferred income taxes, net	1,083.0	177.8
Other long-term liabilities	164.5	180.2
Contingencies (see Note 17)		
Series A Preferred 9.5% Stock, $1,000 per share liquidation preference, (1,200,000 shares authorized, issued and outstanding 965,100 shares)	179.9	—

Owners' equity:		
Targa Resources Corp. stockholders' equity:		
Common stock ($0.001 par value, 300,000,000 shares authorized)	0.2	0.1
Issued / Outstanding		
June 30, 2016: 166,302,062 / 165,822,818		
December 31, 2015: 56,446,573 / 56,020,266		
Preferred stock ($0.001 par value, after designation of Series A Preferred Stock (above) 98,800,000 shares authorized, no shares issued and outstanding)	—	—
Additional paid-in capital	5,371.3	1,457.4
Receivables from common stock issuances	(36.0)	—
Retained earnings (deficit)	(25.9)	26.9
Accumulated other comprehensive income (loss)	(5.7)	5.7
Treasury stock, at cost (479,244 shares as of June 30, 2016 and 426,307 as of December 31, 2015)	(29.1)	(28.7)
Total Targa Resources Corp. stockholders' equity	5,274.8	1,461.4
Noncontrolling interests in subsidiaries	562.3	4,788.8
Total owners' equity	5,837.1	6,250.2
Total liabilities, Series A Preferred Stock and owners' equity	$13,000.1	$13,211.0

See notes to consolidated financial statements

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TARGA RESOURCES CORP.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(Unaudited)			
	(In millions, except per share amounts)			
Revenues				
Sales of commodities	$1,312.9	$1,396.1	$2,484.0	$2,798.3
Fees from midstream services	270.7	303.3	542.0	580.8
Total revenues	1,583.6	1,699.4	3,026.0	3,379.1
Costs and expenses:				
Product purchases	1,145.2	1,228.1	2,156.2	2,486.6
Operating expenses	138.9	145.8	271.0	266.9
Depreciation and amortization expenses	186.1	163.9	379.6	282.5
General and administrative expenses	47.0	49.2	92.2	91.7
Goodwill impairment	—	—	24.0	—
Other operating (income) expense	0.1	—	1.1	0.6
Income from operations	66.3	112.4	101.9	250.8
Other income (expense):				
Interest expense, net	(71.4)	(67.6)	(124.3)	(121.7)
Equity earnings (loss)	(4.4)	(1.5)	(9.2)	0.5
Gain (loss) from financing activities	(3.3)	(3.8)	21.4	(12.9)
Other	(0.1)	(0.9)	(0.2)	(26.9)
Income (loss) before income taxes	(12.9)	38.6	(10.4)	89.8
Income tax (expense) benefit	(1.7)	(14.8)	(4.8)	(30.1)
Net income (loss)	(14.6)	23.8	(15.2)	59.7
Less: Net income attributable to noncontrolling interests	8.6	8.6	10.7	41.1
Net income (loss) attributable to Targa Resources Corp.	(23.2)	15.2	(25.9)	18.6
Dividends on Series A preferred stock	22.9	—	26.7	—
Deemed dividends on Series A preferred stock	6.5	—	6.5	—
Net income (loss) attributable to common shareholders	$(52.6)	$15.2	$(59.1)	$18.6
Net income (loss) per common share - basic	$(0.33)	$0.27	$(0.44)	$0.37
Net income (loss) per common share - diluted	$(0.33)	$0.27	$(0.44)	$0.36
Weighted average shares outstanding - basic	161.6	55.9	134.1	50.9
Weighted average shares outstanding - diluted	161.6	56.1	134.1	51.0

See notes to consolidated financial statements.

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TARGA RESOURCES CORP.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Three Months Ended June 30,					
	2016			2015		
	Pre-Tax	Related Income Tax	After Tax	Pre-Tax	Related Income Tax	After Tax
	(Unaudited) (In millions)					
Net income (loss) attributable to Targa Resources Corp.			$ (23.2)			$ 15.2
Other comprehensive income (loss) attributable to Targa Resources Corp.						
Commodity hedging contracts:						
Change in fair value	$ (60.2)	$ 22.9	(37.3)	$ (0.5)	$ 0.2	(0.3)
Settlements reclassified to revenues	(18.3)	6.9	(11.4)	(2.4)	0.9	(1.5)
Other comprehensive income (loss) attributable to Targa Resources Corp.	(78.5)	29.8	(48.7)	(2.9)	1.1	(1.8)
Comprehensive income attributable to Targa Resources Corp.			(71.9)			13.4
Net income (loss) attributable to noncontrolling interests			8.6			8.6
Other comprehensive income (loss) attributable to noncontrolling interests						
Commodity hedging contracts:						
Change in fair value	—	—	—	(3.1)	—	(3.1)
Settlements reclassified to revenues	—	—	—	(19.0)	—	(19.0)
Other comprehensive income (loss) attributable to noncontrolling interests	—	—	—	(22.1)	—	(22.1)
Comprehensive income (loss) attributable to noncontrolling interests			8.6			(13.5)
Total						
Net income (loss)			(14.6)			23.8
Other comprehensive income (loss)						
Commodity hedging contracts:						
Change in fair value	(60.2)	22.9	(37.3)	(3.6)	0.2	(3.4)
Settlements reclassified to revenues	(18.3)	6.9	(11.4)	(21.4)	0.9	(20.5)
Other comprehensive income (loss)	$ (78.5)	$ 29.8	(48.7)	$ (25.0)	$ 1.1	(23.9)
Total comprehensive income (loss)			$ (63.3)			$ (0.1)

See notes to consolidated financial statements.

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TARGA RESOURCES CORP.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Six Months Ended June 30,					
	2016			2015		
	Pre-Tax	Related Income Tax	After Tax	Pre-Tax	Related Income Tax	After Tax
	(Unaudited)					
	(In millions)					
Net income (loss) attributable to Targa Resources Corp.			$ (25.9)			$ 18.6
Other comprehensive income (loss) attributable to Targa Resources Corp.						
Commodity hedging contracts:						
Change in fair value	$ (77.1)	$ 29.4	(47.7)	$ 2.0	$ (0.6)	1.4
Settlements reclassified to revenues	(31.3)	11.9	(19.4)	(4.1)	1.4	(2.7)
Other comprehensive income (loss) attributable to Targa Resources Corp.	(108.4)	41.3	(67.1)	(2.1)	0.8	(1.3)
Comprehensive income attributable to Targa Resources Corp.			(93.0)			17.3
Net income (loss) attributable to noncontrolling interests			10.7			41.1
Other comprehensive income (loss) attributable to noncontrolling interests						
Commodity hedging contracts:						
Change in fair value	23.6	—	23.6	25.0	—	25.0
Settlements reclassified to revenues	(11.1)	—	(11.1)	(30.8)	—	(30.8)
Other comprehensive income (loss) attributable to noncontrolling interests	12.5	—	12.5	(5.8)	—	(5.8)
Comprehensive income (loss) attributable to noncontrolling interests			23.2			35.3
Total						
Net income (loss)			(15.2)			59.7
Other comprehensive income (loss)						
Commodity hedging contracts:						
Change in fair value	(53.5)	29.4	(24.1)	27.0	(0.6)	26.4
Settlements reclassified to revenues	(42.4)	11.9	(30.5)	(34.9)	1.4	(33.5)
Other comprehensive income (loss)	$ (95.9)	$ 41.3	(54.6)	$ (7.9)	$ 0.8	(7.1)
Total comprehensive income (loss)			$ (69.8)			$ 52.6

See notes to consolidated financial statements.

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TARGA RESOURCES CORP.

CONSOLIDATED STATEMENTS OF CHANGES IN OWNERS' EQUITY AND SERIES A PREFERRED STOCK

	Common Stock Shares	Common Stock Amount	Additional Paid in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Treasury Shares Shares	Treasury Shares Amount	Noncontrolling Interests	Total Owner's Equity	Series A Preferred Stock
	(Unaudited) (In millions, except shares in thousands)									
Balance, December 31, 2015	56,020	$ 0.1	$ 1,457.4	$ 26.9	$ 5.7	426	$ (28.7)	$ 4,788.8	$ 6,250.2	$ —
Compensation on equity grants	—	—	13.0	—	—	—	—	2.2	15.2	—
Distribution equivalent rights	—	—	(4.9)	—	—	—	—	(0.2)	(5.1)	—
Shares issued under compensation program	224	—	—	—	—	—	—	—	—	—
Shares and units tendered for tax withholding obligations	(54)	—	—	—	—	54	(0.4)	(0.1)	(0.5)	—
Proceeds from common stock issuances	5,106	—	215.1	—	—	—	—	—	215.1	—
Receivables from common stock offerings	—	—	(36.0)	—	—	—	—	—	(36.0)	—
Issuance of Series A preferred and detachable warrants	—	—	796.8	—	—	—	—	—	796.8	179.9
Series A preferred stock dividends	—	—	—	(3.8)	—	—	—	—	(3.8)	—
Series A preferred stock dividends in excess of retained earnings	—	—	(22.9)	—	—	—	—	—	(22.9)	—
	—	—	(6.5)	—	—	—	—	—	(6.5)	—

Series A preferred stock deemed dividends										
Common stock dividends	—	—	—	(23.1)	—	—	—	—	(23.1)	—
Common stock dividends in excess of retained earnings	—	—	(174.2)	—	—	—	—	—	(174.2)	—
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(151.0)	(151.0)	—
Contributions from noncontrolling interests	—	—	—	—	—	—	—	19.1	19.1	—
Acquisition of TRP noncontrolling common interests, net of acquisition costs	104,526	0.1	3,097.5	—	55.7	—	—	(4,119.7)	(966.4)	—
Other comprehensive income (loss)	—	—	—	—	(67.1)	—	—	12.5	(54.6)	—
Net income (loss)	—	—	—	(25.9)	—	—	—	10.7	(15.2)	—
Balance, June 30, 2016	165,822	$ 0.2	$ 5,335.3	$ (25.9)	$ (5.7)	480	$ (29.1)	$ 562.3	$ 5,837.1	$ 179.9

TARGA RESOURCES CORP.

CONSOLIDATED STATEMENTS OF CHANGES IN OWNERS' EQUITY

	Common Stock		Additional Paid in	Retained Earnings (Accumulated	Accumulated Other Comprehensive Income	Treasury Shares		Noncontrolling	Total Owner's
	Shares	Amount	Capital	Deficit)	(Loss)	Shares	Amount	Interests	Equity
	(Unaudited)								
	(In millions, except shares in thousands)								
Balance, December 31, 2014	42,143	$ —	$ 164.9	$ 25.5	$ 4.8	389	$ (25.4)	$ 2,369.7	$ 2,539.5
Compensation on equity grants	—	—	3.5	—	—	—	—	8.9	12.4
Distribution equivalent rights	—	—	(0.3)	—	—	—	—	(0.7)	(1.0)
Shares issued under compensation program	47	—	—	—	—	—	—	—	—
Shares and units tendered for tax withholding obligations	(23)	—	—	—	—	23	(2.1)	(2.1)	(4.2)
Sale of Partnership limited partner interests	—	—	—	—	—	—	—	293.4	293.4
Proceeds from common stock issuances	3,738	—	336.6	—	—	—	—	—	336.6
Impact of Partnership equity transactions	—	—	56.5	—	—	—	—	(56.5)	—
Dividends	—	—	—	(28.7)	—	—	—	—	(28.7)
Dividends in excess of retained earnings	—	—	(50.2)	—	—	—	—	—	(50.2)
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(226.9)	(226.9)
Contributions from noncontrolling interests	—	—	—	—	—	—	—	5.9	5.9
Noncontrolling interests in acquired subsidiaries	—	—	—	—	—	—	—	113.4	113.4
Common stock issued in ATLS merger	10,126	0.1	1,013.6	—	—	—	—	—	1,013.7
Partnership units issued in APL merger	—	—	—	—	—	—	—	2,435.7	2,435.7
Other comprehensive income (loss)	—	—	—	—	(1.3)	—	—	(5.8)	(7.1)
Net income	—	—	—	18.6	—	—	—	41.1	59.7

Balance, June 30, 2015	56,031	$ 0.1	$ 1,524.6	$ 15.4	$ 3.5	412	$ (27.5)	$ 4,976.1	$ 6,492.2

See notes to consolidated financial statements.

TARGA RESOURCES CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended June 30,	
	2016	2015
	(Unaudited)	
	(In millions)	
Cash flows from operating activities		
Net income (loss)	$(15.2)	$59.7
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Amortization in interest expense	8.2	7.2
Compensation on equity grants	15.2	12.4
Depreciation and amortization expense	379.6	282.5
Goodwill impairment	24.0	—
Accretion of asset retirement obligations	2.3	2.7
Change in redemption value of mandatorily redeemable preferred interest	(14.6)	—
Deferred income tax expense (benefit)	4.8	18.5
Equity (earnings) loss of unconsolidated affiliates	9.2	(0.5)
Distributions of earnings received from unconsolidated affiliates	—	6.9
Risk management activities	3.2	31.5
(Gain) loss on sale or disposition of assets	0.9	(0.2)
(Gain) loss from financing activities	(21.4)	12.9
Changes in operating assets and liabilities, net of business acquisitions:		
Receivables and other assets	19.6	131.7
Inventories	12.4	57.9
Accounts payable and other liabilities	29.3	(139.0)
Net cash provided by operating activities	457.5	484.2
Cash flows from investing activities		
Outlays for property, plant and equipment	(307.7)	(436.2)
Outlays for business acquisitions, net of cash acquired	—	(1,574.4)
Return of capital from unconsolidated affiliates	3.9	0.1
Other, net	(1.4)	(1.3)
Net cash used in investing activities	(305.2)	(2,011.8)
Cash flows from financing activities		
Debt obligations:		
Proceeds from borrowings under credit facilities	1,067.0	1,824.0
Repayments of credit facilities	(1,457.0)	(588.0)
Proceeds from accounts receivable securitization facility	121.4	253.4
Repayments of accounts receivable securitization facility	(115.7)	(312.0)
Proceeds from issuance of senior notes and term loan	—	1,522.5
Open market purchases of senior notes	(534.3)	—
Repayments on senior term loan	—	(270.0)
Redemption of APL senior notes	—	(1,168.8)
Costs incurred in connection with financing arrangements	(44.3)	(37.1)
Proceeds from sale of Partnership common and preferred units	—	295.8

Repurchase of shares and units under compensation plans	(0.4)	(4.2)
Contributions from noncontrolling interests	19.1	5.9
Distributions to noncontrolling interests	(6.3)	(5.6)
Payments of distribution equivalent rights	(0.3)	—
Proceeds from issuance of common stock	181.2	336.6
Proceeds from issuance of preferred stock and warrants	994.1	—
Distributions to Partnership unitholders	(144.7)	(221.3)
Dividends to common and preferred shareholders	(201.4)	(78.9)
Net cash provided by (used in) financing activities	(121.6)	1,552.3
Net change in cash and cash equivalents	30.7	24.7
Cash and cash equivalents, beginning of period	140.2	81.0
Cash and cash equivalents, end of period	$170.9	$105.7

See notes to consolidated financial statements.

TARGA RESOURCES CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The year-end condensed balance sheet data was derived from audited financial statements, but does not include all disclosures required by GAAP. Except as noted within the context of each footnote disclosure, the dollar amounts presented in the tabular data within these footnote disclosures are stated in millions of dollars.

Note 1 — Organization and Operations

Our Organization

Targa Resources Corp. ("TRC") is a publicly traded Delaware corporation formed in October 2005. Our common stock is listed on the New York Stock Exchange under the symbol "TRGP." In this Quarterly Report, unless the context requires otherwise, references to "we," "us," "our," "the Company" or "Targa" are intended to mean our consolidated business and operations.

Our Operations

The company is engaged in the business of:

- gathering, compressing, treating, processing and selling natural gas;
- storing, fractionating, treating, transporting and selling NGLs and NGL products, including services to LPG exporters;
- gathering, storing and terminaling crude oil; and
- storing, terminaling and selling refined petroleum products.

Areas of gathering and processing operations include the Permian Basin in West Texas and Southeast New Mexico; the Eagle Ford Shale in South Texas; the Barnett Shale in North Texas; the Anadarko, Ardmore, and Arkoma Basins in Oklahoma and South Central Kansas; the Williston Basin in North Dakota and in the onshore and near offshore regions of the Louisiana Gulf Coast and the Gulf of Mexico. The company's logistics and marketing assets are predominately located in Mont Belvieu and Galena Park, TX, Lake Charles, LA, and Tacoma, WA. See Note 20 – Segment Information for certain financial information for our business segments.

Note 2 — Basis of Presentation

We have prepared these unaudited consolidated financial statements in accordance with GAAP for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. While we derived the year-end balance sheet data from audited financial statements, this interim report does not include all disclosures required by GAAP for annual periods. These unaudited consolidated financial statements and other information included in this Quarterly Report should be read in conjunction with our consolidated financial statements and notes thereto included in our Annual Report and our Current Report on Form 8-K filed with the SEC on May 23, 2016.

The unaudited consolidated financial statements for the three and six months ended June 30, 2016 and 2015 include all adjustments that we believe are necessary for a fair statement of the results for interim periods. All significant intercompany balances and transactions have been eliminated in consolidation. Certain amounts in prior periods may have been reclassified to conform to the current year presentation.

Our financial results for the three and six months ended June 30, 2016 are not necessarily indicative of the results that may be expected for the full year.

One of our indirect subsidiaries is the sole general partner of Targa Resources Partners LP (“the Partnership” or “TRP”). Prior to February 17, 2016, our interests in the Partnership consisted of the following:

- a 2% general partner interest, which we hold through our 100% ownership interest in the general partner of the Partnership;
- all Incentive Distribution Rights (“IDRs”);

- 16,309,594 common units representing limited partner interests in the Partnership (“common units”), representing an 8.8% limited partnership interest; and
- a Special GP Interest representing retained tax benefits related to the contribution to the Partnership from us of the APL general partner interest acquired in the ATLS merger (as defined in Note 4 – Business Acquisitions).

On February 17, 2016, we completed the transactions contemplated by the Agreement and Plan of Merger (the “TRC/TRP Merger Agreement”), dated November 2, 2015, by and among us, the general partner of TRP, TRC and Spartan Merger Sub LLC, a subsidiary of us (“Merger Sub”) and we acquired indirectly all of the outstanding TRP common units that we and our subsidiaries did not already own. Upon the terms and conditions set forth in the TRC/TRP Merger Agreement, Merger Sub merged with and into TRP (the “TRC/TRP Merger”), with TRP continuing as the surviving entity and as a subsidiary of TRC.

At the effective time of the TRC/TRP Merger, each outstanding TRP common unit not owned by us or our subsidiaries was converted into the right to receive 0.62 shares of our common stock. We issued 104,525,775 shares of our common stock to third-party unitholders of the common units of the Partnership in exchange for all of the 168,590,009 outstanding common units of the Partnership that we previously did not own. No fractional shares were issued in the TRC/TRP Merger, and TRP common unitholders instead received cash in lieu of fractional shares. There were no changes to our other interests in the Partnership.

TRP’s 5,000,000 9.0% Series A Fixed-to-Floating Rate Cumulative Redeemable Perpetual Preferred Units (the “Preferred Units”) remain outstanding after the TRC/TRP Merger. The Preferred Units are listed on the NYSE under “NGLS PRA” and are publicly traded.

As we continue to control the Partnership, the change in our ownership interest as a result of the TRC/TRP Merger is accounted for as an equity transaction, which is reflected in our Consolidated Balance Sheet as a reduction of noncontrolling interests and a corresponding increase in common stock and additional paid in capital. The TRC/TRP Merger is a taxable exchange resulting in a book/tax difference in the basis of the underlying assets acquired (our investment in TRP). A deferred tax liability of approximately $950 million has been recorded, computed as $9.0 billion book basis in excess of $6.5 billion tax basis at our statutory tax rate of 37.11%.

The equity interests in TRP (which are consolidated in our financial statements) that were owned by the public prior to February 17, 2016 are reflected within “Noncontrolling interests” in our Consolidated Balance Sheets for periods prior to the merger date. The earnings recorded by TRP that were attributed to its common units held by the public prior to February 17, 2016 are reflected within “Net income attributable to noncontrolling interests” in our Consolidated Statements of Operations for periods prior to the merger date.

Revisions of Previously Reported Activity in our Consolidated Statements of Comprehensive Income (Loss)

During the first quarter of 2016 we concluded that activity related to our commodity hedge contracts was not reported properly in our Consolidated Statements of Comprehensive Income (Loss) during 2015. The errors resulted in misstatements of the statement caption “Change in fair value” and equal offsetting misstatements of the caption “Settlements reclassified to revenues.” Related income tax effects were also misstated.

We concluded that these misstatements were not material to any of the periods affected, as reported “Total Other Comprehensive Income” is unchanged. However, we have revised previous Consolidated Statements of Comprehensive Income (Loss) reported during 2015 to properly reflect changes in fair value and settlements reclassified to revenues. There is no impact on previously reported net income, total comprehensive income, cash flows, financial position or other profitability measures.

The following table displays the impact of these revisions to activity reported in our Consolidated Statements of Comprehensive Income (Loss) during 2015:

	Three Months Ended June 30, 2015						Six Months Ended June 30, 2015					
	As Reported			As Corrected			As Reported			As Corrected		
	Pre-Tax	Related Income Tax	After Tax	Pre-Tax	Related Income Tax	After Tax	Pre-Tax	Related Income Tax	After Tax	Pre-Tax	Related Income Tax	After Tax
Targa Resources Corp. Commodity hedging contracts:												
Change in fair value	$ (1.1)	$ 0.4	$ (0.7)	$ (0.5)	$ 0.2	$ (0.3)	$ 0.6	$ (0.2)	$ 0.4	$ 2.0	$ (0.6)	$ 1.4
Settlements reclassified to revenues	(1.8)	0.7	(1.1)	(2.4)	0.9	(1.5)	(2.7)	1.0	(1.7)	(4.1)	1.4	(2.7)
Other comprehensive income (loss) attributable to Targa Resources Corp.	(2.9)	1.1	(1.8)	(2.9)	1.1	(1.8)	(2.1)	0.8	(1.3)	(2.1)	0.8	(1.3)
Noncontrolling interests												
Commodity hedging contracts:												
Change in fair value	(7.6)	-	(7.6)	(3.1)	-	(3.1)	15.9	-	15.9	25.0	-	25.0
Settlements reclassified to revenues	(14.5)	-	(14.5)	(19.0)	-	(19.0)	(21.7)	-	(21.7)	(30.8)	-	(30.8)
Other comprehensive income (loss) attributable to noncontrolling interests	(22.1)	-	(22.1)	(22.1)	-	(22.1)	(5.8)	-	(5.8)	(5.8)	-	(5.8)

Total Commodity hedging contracts:												
Change in fair value	(8.7)	0.4	(8.3)	(3.6)	0.2	(3.4)	16.5	(0.2)	16.3	27.0	(0.6)	26.4
Settlements reclassified to revenues	(16.3)	0.7	(15.6)	(21.4)	0.9	(20.5)	(24.4)	1.0	(23.4)	(34.9)	1.4	(33.5)
Other comprehensive income (loss)	$ (25.0)	$ 1.1	$ (23.9)	$ (25.0)	$ 1.1	$ (23.9)	$ (7.9)	$ 0.8	$ (7.1)	$ (7.9)	$ 0.8	$ (7.1)

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	Three Months Ended September 30, 2015						Nine Months Ended September 30, 2015					
	As Reported			As Corrected			As Reported			As Corrected		
	Pre-Tax	Related Income Tax	After Tax	Pre-Tax	Related Income Tax	After Tax	Pre-Tax	Related Income Tax	After Tax	Pre-Tax	Related Income Tax	After Tax
Targa Resources Corp. Commodity hedging contracts:												
Change in fair value	$ 4.6	$ (1.7)	$ 2.9	$ 5.5	$ (2.0)	$ 3.5	$ 5.2	$ (2.0)	$ 3.2	$ 7.5	$ (2.9)	$ 4.6
Settlements reclassified to revenues	(1.8)	0.7	(1.1)	(2.7)	1.0	(1.7)	(4.5)	1.7	(2.8)	(6.8)	2.6	(4.2)
Other comprehensive income (loss) attributable to Targa Resources Corp.	2.8	(1.0)	1.8	2.8	(1.0)	1.8	0.7	(0.3)	0.4	0.7	(0.3)	0.4
Noncontrolling interests												
Commodity hedging contracts:												
Change in fair value	38.3	-	38.3	45.2	-	45.2	54.2	-	54.2	70.1	-	70.1
Settlements reclassified to revenues	(14.9)	-	(14.9)	(21.8)	-	(21.8)	(36.6)	-	(36.6)	(52.5)	-	(52.5)
Other comprehensive income (loss) attributable to noncontrolling interests	23.4	-	23.4	23.4	-	23.4	17.6	-	17.6	17.6	-	17.6
Total												
Commodity hedging												

contracts:												
Change in fair value	42.9	(1.7)	41.2	50.7	(2.0)	48.7	59.4	(2.0)	57.4	77.6	(2.9)	74.7
Settlements reclassified to revenues	(16.7)	0.7	(16.0)	(24.5)	1.0	(23.5)	(41.1)	1.7	(39.4)	(59.3)	2.6	(56.7)
Other comprehensive income (loss)	$ 26.2	$ (1.0)	$ 25.2	$ 26.2	$ (1.0)	$ 25.2	$ 18.3	$ (0.3)	$ 18.0	$ 18.3	$ (0.3)	$ 18.0

	Year Ended December 31, 2015					
	As Reported			As Corrected		
	Pre-Tax	Related Income Tax	After Tax	Pre-Tax	Related Income Tax	After Tax
Targa Resources Corp.						
Commodity hedging contracts:						
Change in fair value	$ 7.4	$ (2.8)	$ 4.6	$ 11.0	$ (4.2)	$ 6.8
Settlements reclassified to revenues	(5.9)	2.2	(3.7)	(9.5)	3.6	(5.9)
Other comprehensive income (loss) attributable to Targa Resources Corp.	1.5	(0.6)	0.9	1.5	(0.6)	0.9
Noncontrolling interests						
Commodity hedging contracts:						
Change in fair value	73.8	-	73.8	101.7	-	101.7
Settlements reclassified to revenues	(48.9)	-	(48.9)	(76.8)	-	(76.8)
Other comprehensive income (loss) attributable to noncontrolling interests	24.9	-	24.9	24.9	-	24.9
Total						
Commodity hedging contracts:						
Change in fair value	81.2	(2.8)	78.4	112.7	(4.2)	108.5
Settlements reclassified to revenues	(54.8)	2.2	(52.6)	(86.3)	3.6	(82.7)
Other comprehensive income (loss)	$ 26.4	$ (0.6)	$ 25.8	$ 26.4	$ (0.6)	$ 25.8

Note 3 — Significant Accounting Policies

Accounting Policy Updates

The accounting policies that we follow are set forth in Note 3 – Significant Accounting Policies of the Notes to Consolidated Financial Statements in our Annual Report and our Current Report on Form 8-K filed with the SEC on May 23, 2016. There were no significant updates or revisions to our policies during the six months ended June 30, 2016, except as noted below.

Recent Accounting Pronouncements

Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance. The update also creates a new Subtopic 340-40, Other Assets and Deferred Costs – Contracts with Customers, which provides guidance for the incremental costs of obtaining a contract with a customer and those costs incurred in fulfilling a contract with a customer that are not in the scope of another topic. The new revenue standard requires that entities should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entities expect to be entitled in exchange for those goods or services. To achieve that core principle, the standard requires a five step process of identifying the contracts with customers, identifying the performance obligations in the contracts, determining the transaction price, allocating the transaction price to the performance obligations, and recognizing revenue when, or as, the performance obligations are satisfied. The amendment also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

With the issuance in August 2015 of ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date, the revenue recognition standard is effective for the annual period beginning after December 15, 2017, and for annual and interim periods thereafter. Earlier adoption is permitted for annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. We must retroactively apply the new revenue recognition standard to transactions in all prior periods presented, but will have a choice between either (1) restating each prior period presented or (2) presenting a cumulative effect adjustment in the period the amendment is adopted.

In March 2016, the FASB issued ASU 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations. The amendments in this update improve the operability and understandability of the implementation guidance on principal versus agent considerations, including clarifying that an entity should determine whether it is a principal or an agent for each specified good or service promised to a customer. These amendments are effective for fiscal years, and interim periods within those years, beginning on or after December 15, 2017, with early adoption permitted.

In April 2016, the FASB issued ASU 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing. These amendments clarify the guidance on identification of performance obligations and licensing. The amendments include that entities do not have to decide if goods and services are performance obligations if they are considered immaterial in the context of a contract. Entities are also permitted to account for the shipping and handling that takes place after the customer has gained control of the goods as actions to fulfill the contract rather than separate services. In order to identify a performance obligation in a customer contract, an entity has to determine whether the goods or services are distinct, and ASU No. 2016-10 clarifies how the determination can be made.

In May 2016, the FASB issued ASU 2016-12, Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients. These amendments address certain implementation issues related to assessing collectability, presentation of sales taxes, noncash consideration, and completed contracts and contract modifications at transition, and also provide additional practical expedients.

We expect to adopt these updates in their entirety on January 1, 2018, and are continuing to evaluate the impact on our revenue recognition practices.

Consolidation

In February 2015, the FASB issued ASU 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis. The amendments are intended to simplify the consolidation evaluation for reporting organizations that are required to evaluate whether they should consolidate certain legal entities and modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities or voting interest entities. The amendments are effective for us in 2016 with no impact on our consolidated financial statements or results of operations.

Presentation of Debt Issuance Costs

In April 2015, the FASB issued ASU 2015-03, Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. The amendments in this update require that debt issuance costs related to a recognized debt liability (other than line-of-credit or other revolving credit facilities) be presented in the Consolidated Balance Sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. This update dealt solely with financial statement display matters; recognition and measurement of debt issuance costs were unaffected. We adopted the amendments on January 1, 2016 and have reclassified unamortized debt issuance costs of $42.7 million on our Consolidated Balance Sheet as of December 31, 2015 from Other long-term assets to Long-term debt to conform to current year presentation. Our Consolidated Balance Sheet as of June 30, 2016 has $35.2 million in unamortized debt issuance costs classified in Long-term debt.

Leases

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The amendments in this update require, among other things, that lessees recognize the following for all leases (with the exception of short-term leases) at the commencement date: (1) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (2) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Lessees and lessors must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. We expect to adopt the amendments in the first quarter of 2019 and are currently evaluating the impacts of the amendments to our financial statements and accounting practices for leases.

Share-Based Compensation

In March 2016, the FASB issued ASU 2016-09, Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. The amendments in this update provide, among other things, that (1) all excess tax benefits and tax deficiencies (including tax benefits of dividends on share-based payment awards) should be recognized as income tax expense or benefit in the income statement with the tax effects of exercised or vested awards treated as discrete items in the reporting period in which they occur and recognition of excess tax benefits regardless of whether the benefit reduces taxes payable in the current period; (2) excess tax benefits should be classified along with other income tax cash flows as an operating activity; (3) an entity can make an entity-wide accounting policy election to either estimate the number of awards that are expected to vest or account for forfeitures when they occur; (4) the threshold to qualify for equity classification permits withholding up to the maximum statutory tax rates in the applicable jurisdictions; and (5) cash paid by an employer when directly withholding shares for tax-withholding purposes should be classified as a financing activity on the statement of cash flows.

We adopted the applicable amendments in the second quarter of 2016 and have applied the guidance as of January 1, 2016. Amendments related to the timing of when excess tax benefits and deficiencies are recognized, minimum statutory withholding requirements, and forfeitures have been applied using a modified retrospective transition method but resulted in no cumulative effect adjustment to equity. The amendment related to the presentation of employee taxes paid on the statement of cash flows when an employer withholds shares to meet the minimum statutory withholding requirement had no impact as we previously classified these payments as a financing activity and continue to do so. The amendment requiring recognition of excess tax benefits and tax deficiencies in the income statement has been applied prospectively. We have elected to apply the amendment related to the presentation of excess tax benefits and deficiencies on the statement of cash flows on a prospective basis and prior periods have not been adjusted. We recognized $2.4 million of excess tax deficiencies in income tax expense for the six months ended

June 30, 2016, which includes $0.5 million attributable to the three months ended March 31, 2016. Our diluted earnings per share calculation has been adjusted for the three and six months ended June 30, 2016, to exclude windfall tax benefits in assumed proceeds under the treasury stock method. In addition, we have elected to account for forfeitures as they occur.

Measurement of Credit Losses on Financial Instruments

In June 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. These amendments change the measurement of credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The amendments in this update affect investments in loans, investments in debt securities, trade receivables, net investments in leases, off-balance sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. The amendments replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. We expect to adopt this guidance on January 1, 2019, and are continuing to evaluate the impact on our measurement of credit losses.

Note 4 – Business Acquisitions

2015 Acquisition

Atlas Mergers

On February 27, 2015, Targa completed the transactions contemplated by the Agreement and Plan of Merger, dated as of October 13, 2014 (the "ATLS Merger Agreement"), by and among (i) Targa, Targa GP Merger Sub LLC, a Delaware limited liability company and a wholly owned subsidiary of Targa ("GP Merger Sub"), Atlas Energy L.P., a Delaware limited partnership ("ATLS") and Atlas Energy GP, LLC, a Delaware limited liability company and the general partner of ATLS ("ATLS GP"), and (ii) Targa and the Partnership completed the transactions contemplated by the Agreement and Plan of Merger (the "APL Merger Agreement" and, together with the ATLS Merger Agreement, the "Atlas Merger Agreements") by and among Targa, the Partnership, the Partnership's general partner, Trident MLP Merger Sub LLC, a Delaware limited liability company and a wholly owned subsidiary of the Partnership ("MLP Merger Sub"), ATLS, Atlas Pipeline Partners L.P., a Delaware limited partnership ("APL") and Atlas Pipeline Partners GP, LLC, a Delaware limited liability company and the general partner of APL ("APL GP"). Pursuant to the terms and conditions set forth in the ATLS Merger Agreement, GP Merger Sub merged (the "ATLS merger") with and into ATLS, with ATLS continuing as the surviving entity and as a subsidiary of Targa. Pursuant to the terms and conditions set forth in the APL Merger Agreement, MLP Merger Sub merged (the "APL merger" and, together with the ATLS merger, the "Atlas mergers") with and into APL, with APL continuing as the surviving entity and as a subsidiary of the Partnership. While the Atlas mergers were two separate legal transactions, for GAAP reporting purposes, they are viewed as a single integrated transaction.

In connection with the Atlas mergers, APL changed its name to "Targa Pipeline Partners LP," which we refer to as TPL, and ATLS changed its name to "Targa Energy LP."

In addition, prior to the completion of the Atlas mergers, ATLS, pursuant to a separation and distribution agreement entered into by and among ATLS, ATLS GP and Atlas Energy Group, LLC, a Delaware limited liability company ("AEG"), on February 27, 2015, (i) transferred its assets and liabilities other than those related to its "Atlas Pipeline Partners" segment, to AEG and (ii) effected a pro rata distribution to the ATLS unitholders of AEG common units representing a 100% interest in AEG (collectively, the "Spin-Off" and, together with the Atlas mergers, the "Atlas Transactions").

On February 27, 2015, the Partnership's partnership agreement (the "Partnership Agreement') was amended to provide for the issuance of a special general partner interest in the Partnership (the "Special GP Interest") representing the contribution to the Partnership of the APL GP interest acquired in the ATLS merger totaling $1.6 billion, which is reflected within Additional paid-in capital on the Consolidated Balance Sheets. The Special GP Interest is not entitled to current distributions or allocations of net income or loss, and has no voting rights or other rights except for the limited right to receive deductions attributable to the contribution of APL GP and the right to distributions in liquidation.

The Partnership acquired all of the outstanding units of APL for a total purchase price of approximately $5.3 billion (including $1.8 billion of acquired debt and all other assumed liabilities). Of the $1.8 billion of debt acquired and other liabilities assumed, approximately $1.2 billion of the acquired debt was tendered and settled upon the closing of the Atlas mergers via the Partnership's January 2015 cash tender offers. These tender offers were in connection with, and conditioned upon, the consummation of the merger with APL. The merger with APL, however, was not conditioned on the consummation of the tender offers. On that same date, we acquired ATLS for a total purchase price of approximately $1.6 billion (including all assumed liabilities).

Pursuant to the APL Merger Agreement, Targa agreed to cause the general partner of the Partnership to amend the Partnership's Partnership Agreement, which we refer to as the "IDR Giveback Amendment", in order to reduce aggregate distributions to us, as the holder of the Partnership's IDRs, by (a) $9,375,000 per quarter during the first four quarters following the APL merger, (b) $6,250,000 per quarter for the next four quarters, (c) $2,500,000 per quarter for the next four quarters and (d) $1,250,000 per quarter for the next four quarters, with the amount of such reductions to be distributed pro rata to the holders of the Partnership's outstanding common units.

TPL is a provider of natural gas gathering, processing and treating services primarily in the Anadarko, Arkoma and Permian Basins located in the southwestern and mid-continent regions of the United States and in the Eagle Ford Shale play in south Texas. The Atlas mergers added TPL's Woodford/SCOOP, Mississippi Lime, Eagle Ford and additional Permian assets to the Partnership's existing operations. In total, TPL added 2,053 MMcf/d of processing capacity and 12,220 miles of additional pipeline. The operating results of TPL are reported in our Gathering and Processing segment.

The APL merger was a unit-for-unit transaction with an exchange ratio of 0.5846 of the Partnership's common units (the "APL Unit Consideration") and $1.26 in cash for each APL common unit (the "APL Cash Consideration" and, with the APL Unit Consideration, the "APL Merger Consideration"), a $128.0 million total cash payment, of which $0.6 million was expensed at the acquisition date as the cash payment representing accelerated vesting of a portion of retained employees' APL phantom awards. The Partnership issued

58,614,157 of its common units and awarded 629,231 replacement phantom unit awards with a combined value of approximately $2.6 billion as consideration for the APL merger (based on the $43.82 closing market price of a common unit on the NYSE on February 27, 2015). The cash component of the APL merger also included $701.4 million for the mandatory repayment and extinguishment at closing of the APL Senior Secured Revolving Credit Facility that was to mature in May 2017 (the "APL Revolver"), $28.8 million of payments related to change of control and $6.4 million of cash paid in lieu of unit issuances in connection with settlement of APL equity awards for AEG employees. In March 2015, we contributed $52.4 million to the Partnership to maintain our 2% general partner interest.

In addition, pursuant to the APL Merger Agreement, APL exercised its right under the certificate of designations of the APL 8.25% Class E cumulative redeemable perpetual preferred units ("Class E Preferred Units") to redeem the APL Class E Preferred Units immediately prior to the effective time of the APL merger.

The ATLS merger was a stock-for-unit transaction with an exchange ratio of 0.1809 of Targa common stock, par value $0.001 per share (the "ATLS Stock Consideration"), and $9.12 in cash for each ATLS common unit (the ATLS Cash Consideration" and, with the ATLS Stock Consideration, the "ATLS Merger Consideration"), (a $514.7 million total cash payment). We issued 10,126,532 of our common shares and awarded 81,740 replacement restricted stock units with a combined value of approximately $1.0 billion for the ATLS merger (based on the $99.58 closing market price of a TRC common share on the NYSE on February 27, 2015). The cash component of the ATLS merger also included approximately $149.2 million of payments related to change of control and cash settlements of equity awards, $88.0 million for repayment of a portion of ATLS outstanding indebtedness and $11.0 million for reimbursement of certain transaction expenses. Approximately $4.5 million of the one-time cash payments and cash settlements of equity awards, which represent accelerated vesting of a portion of retained employees' ATLS phantom units, were expensed at the acquisition date.

ATLS owned, directly and indirectly, 5,754,253 APL common units immediately prior to closing. Our acquisition of ATLS resulted in us acquiring these common units (converted to 3,363,935 Partnership common units) valued at approximately $147.4 million (based on the $43.82 closing market price of a Partnership common unit on the NYSE on February 27, 2015) and the right to receive the units' one-time cash payment of approximately $7.3 million, which reduced the consolidated purchase price by approximately $154.7 million.

All outstanding ATLS equity awards, whether vested or unvested, were adjusted in connection with the Spin-Off on the terms and conditions set forth in an Employee Matters Agreement entered into by ATLS, ATLS GP and AEG on February 27, 2015. Following the Spin-Off-related adjustment and at the effective time of the ATLS merger, each outstanding ATLS option and ATLS phantom unit award, whether vested or unvested, held by a person who became an employee of AEG became fully vested (to the extent not vested) and was cancelled and converted into the right to receive the ATLS Merger Consideration in respect of each ATLS common unit underlying the ATLS option or phantom unit award (in the case of options, net of the applicable exercise price). Each outstanding vested ATLS option held by an employee of APL who became an employee of the Company in connection with the Atlas Transactions (a "Midstream Employee") was cancelled and converted into the right to receive the ATLS Merger Consideration in respect of each ATLS common unit underlying the vested ATLS option, net of the applicable exercise price. Each outstanding unvested ATLS option and each outstanding ATLS phantom unit award held by a Midstream Employee was cancelled and converted into the right to receive (1) the ATLS Cash Consideration in respect of each ATLS common unit underlying such ATLS option or phantom unit award and (2) a TRC restricted stock unit award with respect to a number of shares of TRC Common Stock equal to the product of the ATLS Stock Consideration multiplied by the number of ATLS common units underlying such ATLS option or phantom unit award (in the case of options, net of the applicable exercise price).

In connection with the APL merger, each outstanding APL phantom unit award held by an employee of AEG became fully vested and was cancelled and converted into the right to receive the APL Merger Consideration in respect of each APL common unit underlying the APL phantom unit award. Each outstanding APL phantom unit award held by a Midstream Employee was cancelled and converted into the right to receive (1) the APL Cash Consideration in respect of each APL common unit underlying such APL phantom unit award and (2) a Partnership phantom unit award with respect to a number of the Partnership's common units equal to the product of the APL Unit Consideration multiplied by the number of APL common units underlying such APL phantom unit award.

The acquired business contributed revenues of $616.8 million and net income of $17.8 million to the Company for the period from February 27, 2015 to June 30, 2015, and is reported in our Gathering and Processing segment. As of June 30, 2015, we had incurred $26.8 million of acquisition-related costs. These expenses are included in other expense in our Consolidated Statements of Operations for the six months ended June 30, 2015. As of June 30, 2016, cumulative acquisition-related costs totaled $27.3 million.

Pro Forma Impact of Atlas Mergers on Consolidated Statement of Operations

The following summarized unaudited pro forma Consolidated Statement of Operations information for the six months ended June 30, 2015 assumes that the Partnership's acquisition of APL and our acquisition of ATLS had occurred as of January 1, 2014. We prepared the following summarized unaudited pro forma financial results for comparative purposes only. The summarized unaudited pro forma financial results may not be indicative of the results that would have occurred if we had completed these acquisitions as of January 1, 2014, or that the results that will be attained in the future. Amounts presented below are in millions.

	June 30, 2015 Pro Forma
Revenues	$3,667.8
Net income	42.4

The pro forma consolidated results of operations amounts have been calculated after applying our accounting policies, and making adjustments to:

- Reflect the change in amortization expense resulting from the difference between the historical balances of APL's intangible assets, net, and the fair value of intangible assets acquired.
- Reflect the change in depreciation expense resulting from the difference between the historical balances of APL's property, plant and equipment, net, and the fair value of property, plant and equipment acquired.
- Reflect the change in interest expense resulting from our financing activities directly related to the Atlas mergers as compared with APL's historical interest expense.
- Reflect the changes in stock-based compensation expense related to the fair value of the unvested portion of replacement Partnership Long Term Incentive Plan ("LTIP") awards which were issued in connection with the acquisition to APL phantom unitholders who continue to provide service as Targa employees following the completion of the APL merger.
- Remove the results of operations attributable to the February 2015 transfer to Atlas Resource Partners, L.P. of 100% of APL's interest in gas gathering assets located in the Appalachian Basin of Tennessee.
- Exclude $26.8 million of acquisition-related costs incurred as of June 30, 2015 from pro forma net income for the six months ended June 30, 2015.
- Reflect the change in APL's revenues and product purchases to report plant sales of Y-grade at contractual net values to conform to our accounting policy.

The following table summarizes the consideration transferred to acquire ATLS and APL:

Fair Value of Consideration Transferred:	
Cash paid, net of cash acquired (1):	
TRC	$745.7
TRP	828.7
Common shares of TRC	1,008.5
Replacement restricted stock units awarded (2)	5.2
Common units of TRP	2,421.1
Replacement phantom units awarded (2)	15.0
Total	$5,024.2

(1) Net of cash acquired of $40.8 million.

(2) The fair value of consideration transferred in the form of replacement restricted stock unit awards and replacement phantom unit awards represent the allocation of the fair value of the awards to the pre-combination service period. The fair value of the awards associated with the post-combination service period will be recognized over the remaining service period of the award.

Our final fair value determination related to the Atlas mergers was as follows.

Fair value determination:	February 27, 2015
Trade and other current receivables, net	$ 181.1
Other current assets	24.4
Assets from risk management activities	102.1
Property, plant and equipment	4,616.9
Investments in unconsolidated affiliates	214.5
Intangible assets	1,354.9
Other long-term assets	5.5
Current liabilities	(259.3)
Long-term debt	(1,573.3)
Deferred income tax liabilities, net	(13.6)
Other long-term liabilities	(119.1)
Total identifiable net assets	4,534.1
Noncontrolling interest in subsidiaries	(216.9)
Goodwill	707.0
Total fair value of consideration transferred	$ 5,024.2

During the three months ended June 30, 2015, we recorded measurement-period adjustments to our acquisition date fair values due to the refinement of our valuation models, assumptions and inputs. As a result, the Consolidated Statement of Operations for the three months ended March 31, 2015 was retrospectively adjusted for the impact of measurement-period adjustments to property, plant and equipment, intangible assets, and investments in unconsolidated affiliates. These adjustments resulted in a decrease in depreciation and amortization expense of $1.0 million, and an increase in equity earnings of $0.3 million from the amounts previously reported in our Form 10-Q for the quarter ended March 31, 2015.

We adopted the amendments to ASU-2015-16, Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments on September 30, 2015. As a result, during the six months ended December 31, 2015, we recorded additional quarterly measurement-period adjustments to our acquisition date fair values due to the refinement of our valuation models, assumptions and inputs, as well as adjustments to previously reported preliminary fair values as a result of our review procedures over the development and application of inputs, assumptions and calculations used in cash-flow based fair value measurements associated with business combinations not operating as designed. We recognized these quarterly adjustments in the third and fourth quarters of 2015, with the effect on the Consolidated Statements of Operations resulting from the change to the provisional amounts calculated as if the acquisition had been completed at February 27, 2015.

The valuation of the acquired assets and liabilities was prepared using fair value methods and assumptions including projections of future production volumes and cash flows, benchmark analysis of comparable public companies, expectations regarding customer contracts and relationships, and other management estimates. The fair value measurements of assets acquired and liabilities assumed are based on inputs that are not observable in the market and therefore represent Level 3 inputs, as defined in Note 16 – Fair Value Measurements. These inputs require significant judgments and estimates at the time of valuation.

The excess of the purchase price over the fair value of net assets acquired was approximately $707.0 million, which was recorded as goodwill. The determination of goodwill is attributable to the workforce of the acquired business and the expected synergies. The goodwill is amortizable for tax purposes.

The fair value of assets acquired included trade receivables of $178.1 million. The gross amount due under contracts was $178.1 million, all of which was expected to be collectible. The fair value of assets acquired included other receivables of $3.0 million reported in current receivables and $4.5 million reported in other long-term assets related to a contractual settlement with a counterparty.

Mandatorily Redeemable Preferred Interests

Other long-term liabilities acquired included $109.3 million related to mandatorily redeemable preferred interests held by our partner in two joint ventures (see Note 10 – Other Long-Term Liabilities).

Contingent Consideration

A liability arising from the contingent consideration for APL's previous acquisition of a gas gathering system and related assets has been recognized at fair value. APL agreed to pay up to an additional $6.0 million if certain volumes are achieved on the acquired gathering system within a specified time period. The fair value of the remaining contingent payment is recorded within other long term liabilities on our Consolidated Balance Sheets. The range of the undiscounted amount that we could pay related to the remaining contingent payment is between $0.0 and $6.0 million. We finalized our acquisition analysis and modeling of this contingent liability during the three months ended June 30, 2015, which resulted in an acquisition date fair value of $4.2 million. Subsequent changes in the fair value of this liability are included in earnings.

Replacement Restricted Stock Units ("RSUs")

In connection with the ATLS merger, we awarded RSUs in accordance with and as required by the Atlas Merger Agreements to those APL employees who became Targa employees after the acquisition. The vesting dates and terms remained unchanged from the existing ATLS awards, and will vest over the remaining terms of the awards, which are either 25% per year over the original four year term or 25% after the third year of the original term and 75% after the fourth year of the original term.

Each RSU will entitle the grantee to one common share on the vesting date and is an equity-settled award. The RSUs include dividend equivalents. When we declare and pay cash dividends, the holders of RSUs will be entitled within 60 days to receive cash payment of dividend equivalents in an amount equal to the cash dividends the holders would have received if they were the holders of record on the record date of the number of our common shares related to the RSUs.

The fair value of the RSUs was based on the closing price of our common shares at the close of trading on February 27, 2015. The fair value was allocated between the pre-acquisition and post-acquisition periods to determine the amount to be treated as purchase consideration and future compensation expense, respectively. Compensation cost will be recognized in general and administrative expense over the remaining service period of each award.

Replacement Phantom Units

In connection with the APL merger, the Partnership awarded replacement phantom units in accordance with and as required by the Atlas Merger Agreements to those APL employees who became Targa employees after the acquisition. The vesting dates and terms remained unchanged from the existing APL awards, and will vest over the remaining terms of the awards, which are either 25% per year over the original four year term or 33% per year over the original three year term.

Each replacement phantom unit will entitle the grantee to common stock on the vesting date and is an equity-settled award. The replacement phantom units include distribution equivalent rights ("DERs"). When the Partnership declares and pays cash distributions, the holders of replacement phantom units will be entitled within 60 days to receive cash payment of DERs in an amount equal to the cash distributions the holders would have received if they were the holders of record on the record date of the number of the Partnership's common units related to the replacement phantom units.

The fair value of the replacement phantom units was based on the closing price of the Partnership's units at the close of trading on February 27, 2015. The fair value was allocated between the pre-acquisition and post-acquisition periods to determine the amount to be treated as purchase consideration and compensation expense, respectively. Compensation cost will be recognized in general and administrative expense over the remaining service period of each award.

Goodwill

We recognized goodwill at a fair value of approximately $707.0 million associated with the Atlas mergers as of the acquisition date on February 27, 2015. Goodwill has been attributed to the WestTX, SouthTX and SouthOK reporting units in our Gathering and Processing segment. As a result, any level of decrease in the forecasted cash flows from the date of acquisition would likely result in the fair value of the reporting unit to fall below the carrying value of the reporting unit, and could result in an impairment of that reporting unit's goodwill.

As described in Note 3 – Significant Accounting Policies, we evaluate goodwill for impairment at least annually on November 30, or more frequently if we believe necessary based on events or changes in circumstances. As of December 31, 2015, we had not completed our November 30, 2015 impairment assessment. Based on the results of that preliminary evaluation, we recorded a provisional goodwill impairment of $290.0 million during the fourth quarter of 2015. The provisional goodwill impairment reduced the carrying value of goodwill to $417.0 million on our Consolidated Balance Sheets as of December 31, 2015.

During the first quarter of 2016, we finalized our evaluation of goodwill for impairment and recorded additional impairment expense of $24.0 million in our Consolidated Statement of Operations and reduced the carrying value of goodwill to $393.0 million on our Consolidated Balance Sheets. The impairment of goodwill is primarily due to the effects of lower commodity prices, and a higher cost of capital for companies in our industry compared to conditions in February 2015 when we acquired Atlas. Our evaluation as of November 30, 2015 utilized the income approach (a discounted cash flow analysis ("DCF")) to estimate the fair values of our reporting units. The future cash flows for our reporting units are based on our estimates, at that time, of future revenues, income from operations and other factors, such as working capital and capital expenditures. We take into account current and expected industry and market conditions, commodity pricing and volumetric forecasts in the basins in which the reporting units operate. The discount rates used in our DCF analysis are based on a weighted average cost of capital determined from relevant market comparisons.

Changes in the gross amounts of our goodwill and impairment loss are as follows:

	WestTX	SouthTX	SouthOK	Total
Beginning of period January 1, 2015	$ —	$ —	$ —	$ —
Acquisition February 27, 2015	364.5	160.3	182.2	707.0
Provisional Impairment	(37.6)	(70.2)	(182.2)	(290.0)
Goodwill December 31, 2015	326.9	90.1	—	417.0
Additional Impairment	(14.4)	(9.6)	—	(24.0)
Goodwill June 30, 2016	$ 312.5	$ 80.5	$ —	$ 393.0

The sustained decrease and uncertain outlook in commodity prices and volumes have adversely impacted our customers and their future capital and operating plans. A continued or prolonged period of lower commodity prices could result in further deterioration of reporting unit fair values and potential further impairment charges related to goodwill and property, plant and equipment. There were no impairment triggers identified or further impairment charges recognized in the second quarter of 2016.

Note 5 — Inventories

	June 30, 2016	December 31, 2015
Commodities	$ 99.1	$ 128.3
Materials and supplies	11.9	12.7
	$ 111.0	$ 141.0

Note 6 — Property, Plant and Equipment and Intangible Assets

	June 30, 2016	December 31, 2015	Estimated Useful Lives (In Years)
Gathering systems	$6,416.5	$6,304.5	5 to 20
Processing and fractionation facilities	3,289.2	2,995.2	5 to 25
Terminaling and storage facilities	1,186.4	1,115.0	5 to 25
Transportation assets	454.7	454.0	10 to 25
Other property, plant and equipment	229.5	221.1	3 to 25
Land	120.6	108.8	—
Construction in progress	532.5	736.5	—
Property, plant and equipment	12,229.4	11,935.1	
Accumulated depreciation	(2,526.9)	(2,232.4)	
Property, plant and equipment, net	$9,702.5	$9,702.7	
Intangible assets	$2,036.6	$2,036.6	20
Accumulated amortization	(310.6)	(226.5)	
Intangible assets, net	$1,726.0	$1,810.1	

Intangible assets consist of customer contracts and customer relationships acquired in the Atlas mergers in 2015 and our Badlands business acquisition in 2012. The fair values of these acquired intangible assets were determined at the date of acquisition based on the present values of estimated future cash flows. Key valuation assumptions include probability of contracts under negotiation, renewals of existing contracts, economic incentives to retain customers, past and future volumes, current and future capacity of the gathering system, pricing volatility and the discount rate.

The fair values of intangible assets acquired in the Atlas mergers have been recorded at a fair value of $1,354.9 million and are being amortized over a 20 year life using the straight-line method. Amortization expense attributable to our intangible assets related to the Badlands acquisition is recorded using a method that closely reflects the cash flow pattern underlying their intangible asset valuation.

	June 30, 2016	December 31, 2015
Beginning of period	$1,810.1	$591.9
Additions from acquisition	—	1,354.9
Amortization	(84.1)	(136.7)
Intangible assets, net	$1,726.0	$1,810.1

Note 7 – Investments in Unconsolidated Affiliates

Our unconsolidated investments consist of a 38.8% non-operated ownership interest in Gulf Coast Fractionators LP (“GCF”) and three non-operated joint ventures in South Texas acquired in the Atlas mergers in 2015: 75% interest in T2 LaSalle; 50% interest in T2 Eagle Ford; and 50% interest in T2 EF Cogen (together the “T2 Joint Ventures”). The T2 Joint Ventures were formed to provide services for the benefit of the joint interest owners. The T2 Joint Ventures have capacity lease agreements with the joint interest owners, which cover the costs of operations of the T2 Joint Ventures. The terms of these joint venture agreements do not afford us the degree of control required for consolidating them in our consolidated financial statements, but do afford us the significant influence required to employ the equity method of accounting. Our maximum exposure to loss as a result of our involvement with the T2 Joint Ventures includes our equity investment, any additional capital contribution commitments and our share of any operating expenses incurred by the T2 Joint Ventures.

The following table shows the activity related to our investments in unconsolidated affiliates:

	GCF	T2 LaSalle	T2 Eagle Ford	T2 EF Cogen	Total
December 31, 2015	$49.5	$ 63.6	$123.8	$ 22.0	$258.9
Equity earnings (loss)	(0.6)	(2.8)	(4.1)	(1.7)	(9.2)
Cash distributions (1)	(3.5)	—	—	(0.4)	(3.9)
Cash calls for expansion projects	—	—	4.4	—	4.4
June 30, 2016	$45.4	$ 60.8	$124.1	$ 19.9	$250.2

(1) Includes $3.9 million in distributions received from GCF and the T2 Joint Ventures in excess of our share of cumulative earnings for the six months ended June 30, 2016. Such excess distributions are considered a return of capital and disclosed in cash flows from investing activities in the Consolidated Statements of Cash Flows.

The recorded value of the T2 Joint Ventures is based on fair values at the date of acquisition which results in an excess fair value of $39.8 million over the book value of the joint venture capital accounts as of June 30, 2016. This basis difference is attributable to depreciable tangible assets and is being amortized over the estimated useful lives of the underlying assets of 20 years on a straight-line basis and is included as a component of equity earnings. See Note 4 - Business Acquisitions for further information regarding the fair value determinations related to the Atlas mergers.

Note 8 — Accounts Payable and Accrued Liabilities

	June 30, 2016	December 31, 2015
Commodities	$439.5	$ 385.2
Other goods and services	89.3	142.9
Interest	69.7	81.0
Compensation and benefits	24.3	16.0
Income and other taxes	34.8	13.4
Other	40.1	18.6
	$697.7	$ 657.1

Accounts payable and accrued liabilities includes $17.5 million and $34.2 million of liabilities to creditors to whom we have issued checks that remain outstanding as of June 30, 2016 and December 31, 2015.

Note 9 — Debt Obligations

	June 30, 2016	December 31, 2015
Current:		
Obligations of the Partnership		
Accounts receivable securitization facility, due December 2016 (1)	$225.0	$219.3
Long-term:		
TRC obligations:		
TRC Senior secured revolving credit facility, variable rate, due February 2020 (2)	275.0	440.0
TRC Senior secured term loan, variable rate, due February 2022	160.0	160.0
Unamortized discount	(2.4)	(2.5)
Obligations of the Partnership: (1)		
Senior secured revolving credit facility, variable rate, due October 2017 (3)	55.0	280.0
Senior unsecured notes:		
5% fixed rate, due January 2018	733.6	1,100.0
4 % fixed rate, due November 2019	749.4	800.0
6 % fixed rate, due October 2020 (4)	309.9	342.1
Unamortized premium	4.1	5.0
6 % fixed rate, due February 2021	478.6	483.6
Unamortized discount	(20.2)	(22.1)
6 % fixed rate, due August 2022	278.7	300.0
5¼% fixed rate, due May 2023	559.6	583.7
4¼% fixed rate, due November 2023	583.9	623.5
6¾% fixed rate, due March 2024	580.1	600.0
APL notes, 6 % fixed rate, due October 2020 (4) (5)	12.9	12.9
Unamortized premium	0.2	0.2
APL notes, 4¾% fixed rate, due November 2021 (5)	6.5	6.5
APL notes, 5 % fixed rate, due August 2023 (5)	48.1	48.1
Unamortized premium	0.5	0.5
	4,813.5	5,761.5
Debt issuance costs	(35.2)	(42.7)
Total long-term debt	4,778.3	5,718.8
Total debt	$5,003.3	$5,938.1
Irrevocable standby letters of credit:		
Letters of credit outstanding under the TRC Senior secured credit facility (2)	$—	$—
Letters of credit outstanding under the Partnership senior secured revolving credit facility (3)	13.3	12.9
	$13.3	$12.9

(1) While we consolidate the debt of the Partnership in our financial statements, we do not have the obligation to make interest payments or debt payments with respect to the debt of the Partnership.
(2) As of June 30, 2016, availability under TRC's $670 million senior secured revolving credit facility ("TRC Revolver") was $395.0 million.
(3) As of June 30, 2016, availability under the Partnership's $1.6 billion senior secured revolving credit facility ("TRP Revolver") was $1,531.7 million.
(4) In May 2015, the Partnership exchanged TRP 6 % Senior Notes with the same economic terms to holders of the 6 % APL Notes that validly tendered such notes for exchange to us.
(5) APL debt is not guaranteed by us or the Partnership.

The following table shows the range of interest rates and weighted average interest rate incurred on variable-rate debt obligations during the six months ended June 30, 2016:

	Range of Interest Rates Incurred	Weighted Average Interest Rate Incurred
TRC senior secured revolving credit facility	2.2% - 4.5%	2.4%
TRC senior secured term loan	5.75%	5.75%
Partnership's senior secured revolving credit facility	2.4% - 4.8%	2.6%
Partnership's accounts receivable securitization facility	1.2%	1.2%

Compliance with Debt Covenants

As of June 30, 2016, we were in compliance with the covenants contained in our various debt agreements.

Debt Repurchases

During the six months ended June 30, 2016, the Partnership repurchased on the open market a portion of its outstanding Senior Notes as follows:

Debt Repurchased	Book Value	Payment	Gain/(Loss)	Write-off of Debt Issuance Costs	Net Gain (Loss)
5¼% Senior Notes	24.1	(20.1)	4.0	(0.2)	3.8
4¼% Senior Notes	39.5	(31.8)	7.7	(0.3)	7.4
6 % Senior Notes	4.8	(4.3)	0.5	(0.1)	0.4
6 % Senior Notes	32.6	(29.5)	3.1	-	3.1
6 % Senior Notes	21.3	(18.7)	2.6	(0.2)	2.4
6¾% Senior Notes	19.9	(17.5)	2.4	(0.2)	2.2
5% Senior Notes	366.4	(368.2)	(1.8)	(2.1)	(3.9)
4 % Senior Notes	50.6	(44.2)	6.4	(0.4)	6.0
	$559.2	$(534.3)	$ 24.9	$ (3.5)	$ 21.4

We or TRP may retire or purchase various series of TRP’s outstanding debt through cash purchases and/or exchanges for other debt, in open market purchases, privately negotiated transactions or otherwise. Such repurchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

Contractual Obligations

The following table summarizes payment obligations for debt instruments after giving effect to 2016 debt repurchases:

	Payments Due By Period				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
	(in millions)				
Partnership Senior Unsecured Debt:					
Debt obligations (1)	$ 4,341.3	$ -	$ 733.6	$ 1,550.8	$ 2,056.9
Interest on debt obligations (2)	1,223.5	239.3	419.2	317.4	247.6
	$ 5,564.8	$ 239.3	$ 1,152.8	$ 1,868.2	$ 2,304.5

(1) Represents scheduled future maturities of consolidated debt obligations for the periods indicated.
(2) Represents interest expense on debt obligations based on both fixed debt interest rates and prevailing June 30, 2016 rates for floating debt.

Note 10 — Other Long-term Liabilities

Other long-term liabilities are comprised of the following obligations:

	June 30, 2016	December 31, 2015
Asset retirement obligations	$63.6	$ 70.4
Mandatorily redeemable preferred interests	68.3	82.9
Deferred revenue and other	32.6	26.9
Total long-term liabilities	$164.5	$ 180.2

Asset Retirement Obligations

Our asset retirement obligations ("ARO") primarily relate to certain gas gathering pipelines and processing facilities, and are included in our Consolidated Balance Sheets as a component of other long-term liabilities. The changes in our ARO are as follows:

December 31, 2015	$70.4
Change in cash flow estimate	(9.1)
Accretion expense	2.3
June 30, 2016	$63.6

Mandatorily Redeemable Preferred Interests

Our consolidated financial statements include our interest in two joint ventures that, separately, own a 100% interest in the WestOK natural gas gathering and processing system and a 72.8% undivided interest in the WestTX natural gas gathering and processing system. Our partner in the joint ventures holds preferred interests in each joint venture that are redeemable: (i) at our or our partner's election, on or after July 27, 2022; and (ii) mandatorily, in July 2037.

For reporting purposes under GAAP, an estimate of our partner's interest in each joint venture is required to be recorded as if the redemption had occurred on the reporting date. Because redemption will not be required at least until 2022, the actual value of our partner's allocable share of each joint venture's assets at the time of redemption may differ from our estimate of redemption value as of June 30, 2016.

The following table shows the changes attributable to mandatorily redeemable preferred interests:

December 31, 2015	$82.9
Change in estimated redemption value	(14.6)

June 30, 2016	$68.3

Note 11 – Preferred Stock

Preferred Stock and Detachable Warrants

In the first quarter of 2016, TRC sold in two tranches to investors in a private placement 965,100 shares of Series A Preferred Stock ("Series A Preferred") with detachable Series A Warrants exercisable into a maximum of 13,550,004 shares of our common stock and Series B Warrants exercisable into a maximum of 6,533,727 shares of our common stock (collectively the "Warrants") for an aggregate purchase price of $994.1 million in cash.

The Series A Preferred have a liquidation value of $1,000 per share and bears a cumulative 9.5% fixed dividend payable quarterly 45 days after the end of each fiscal quarter. The Company may, at the sole election of the Board of Directors, elect to pay dividends for any quarter with a paid-in-kind election ("PIK") through December 31, 2017. Under the PIK election, unpaid dividends would be added to the liquidation preference and a commensurate amount of Series A and Series B Warrants would be issued. The $177.2 million discount on the Series A Preferred created by the relative fair value allocation of proceeds, which is not subject to periodic accretion, would be reported as a deemed dividend in the event a redemption occurs. The Series A Preferred have no mandatory redemption date, but is redeemable at our election in year six for a 10% premium to the liquidation preference and for a 5% premium to the liquidation preference thereafter. If the Series A Preferred is not redeemed by the end of year twelve, the investors have the right to convert the Series A Preferred into TRC common stock at an exercise price of $20.77, which represented a 10% premium over the ten day VWAP (volume weighted average price) prior to the February 18 signing date ($18.88) of the Purchase Agreement underlying the first tranche. If the investors do not elect to convert their Series A Preferred into TRC common stock, Targa has a right after year twelve to force conversion, but only if the VWAP for the ten preceding trading days is greater than 120% of the conversion price. A change of control provision could result in forced redemption, at the option of the investor, if the Series A Preferred could not otherwise remain outstanding or be replaced with a "substantially equivalent security." The change of control premium to the liquidation preference on the redemption is initially 25% in year one, 20% in year two, 15% in year three, 10% in years four through six and 5% thereafter.

The Series A Preferred ranks senior to the common outstanding stock with respect to the payment of dividends and distributions in liquidation. The holders of Series A Preferred generally only have voting rights in certain circumstances, subject to certain exceptions, which include:

- the issuance or the increase by the Company of any specific class or series of stock that is senior to the Series A Preferred,
- the issuance or the increase by any of the Company's consolidated subsidiaries of any specific class or series of securities,
- changes to the Certificates of Incorporation or Designations of the Series A Preferred that would materially and adversely affect the Preferred Stock holder,
- the issuance of stock on parity with the Series A Preferred, subject to certain exceptions, if the Company has exceeded a stipulated fixed charge coverage ratio or an aggregate amount of net proceeds from all future issuances of Parity Stock, or would use the proceeds of such issuance to pay dividends,
- the incurrence of indebtedness, other than indebtedness that complies with a stipulated fixed charge coverage ratio or under the TRC and TRP Credit Agreements (or replacement commercial bank facilities) in an aggregate amount up to $2.75 billion.

In addition, observation right status as a Board Observer was granted to an investor with the right to attend full meetings of the Board of Directors (the "Board") for TRC and to receive materials other members of the Board receive. Only in the event (i) we have not paid distributions with respect to two full quarters (whether or not consecutive) on the Series Preferred or (ii) an event of default occurs with respect only to the financial covenants under the TRC and TRP Credit Agreements, will the investor have the right to turn the Board Observer into a member of the Board to serve until (x) all accrued and unpaid distributions on the Series A Preferred are paid or (y) there is no longer such an event of default, as applicable.

The Series A Preferred is a hybrid security and is viewed as a debt host for the purpose of evaluating embedded derivatives. Bifurcation of the Company's redemption provision is not required because the redemption provision is clearly and closely related to the preferred debt host. Further, both our and the investors' conversion options qualify for a derivatives scope exception under ASC 815 – Derivatives and Hedging ("ASC 815") applicable to embedded features that are indexed to an entity's equity, and that would be classified as equity if freestanding. The Series A Preferred does not qualify as an equity liability instrument under ASC 480 – Distinguishing Liabilities from Equity, because it is not mandatorily redeemable. However, as SEC Regulation S-X, Rule 5-02-27 does not permit a probability assessment for a change of control provision our Series A Preferred must be presented as mezzanine equity between liabilities and shareholders' equity on our Consolidated Balance Sheets because a change of control event, although not considered probable, could force the Company to redeem the Series A Preferred. At each balance sheet date we must re-evaluate whether the Series A Preferred continues to qualify for treatment as an equity instrument. Under the terms of the Registration Rights Agreement covering common stock issuable upon conversion of the Series A Preferred (the "Preferred Registration Rights Agreement"), we will cause a registration statement with respect to the common shares underlying the Series A Preferred to be declared effective within 12 years of the March 16, 2016 issue date (the "Effective Date"), and pay liquidated damages in the event we fail to do so. A maximum of 46,466,057 common shares would be issued upon conversion of the Series A Preferred.

The detachable Warrants have a seven year term and are exercisable beginning on September 16, 2016. They were issued in two series: Series A Warrants exercisable into a maximum number of 13,550,004 shares of our common stock with an exercise price of $18.88 and 6,533,727 Series B Warrants with an exercise price of $25.11. The Warrants may be net settled in cash or shares of common stock at the Company's option. The Warrants qualify as freestanding financial instruments and meet the derivatives accounting scope exception in ASC 815 because they are indexed to our equity and otherwise meet the applicable criteria for equity classification. The portion of proceeds allocated to the Series A and Series B Warrants was recorded as additional paid-in capital. Pursuant to the terms of the Registration Rights Agreement covering the common stock issuable upon exercise of the Warrants (the "Warrants Registration Rights Agreement"), we filed a prospectus supplement on June 30, 2016 (the "Warrants Prospectus Supplement") to our Registration Statement on Form S-3 filed with the SEC on May 23, 2016 (the "May 2016 Shelf" and together with the Warrants Prospectus Supplement, the "Warrants Registration Statement") for the registered resale by the selling stockholders described therein of 20,083,731 common shares, which is the maximum amount that could be issued upon conversion of the Warrants. We have granted certain demand and piggyback registration rights with respect to the holders of the common shares underlying the Warrants pursuant to the Warrants Registration Rights Agreement. Also under the Warrants Registration Rights Agreement, we are required to use commercially reasonable efforts to keep the Warrants Registration Statement to be continuously effective, until the earliest to occur of the following: (a) the date on which all Registrable Securities (as defined under the Warrants Registration Rights Agreement) covered by the Warrants Registration Statement have been distributed, (b) the date on which there are no longer any Registrable Securities outstanding and (c) the later of (1) the fourth anniversary of the date on which all Warrants have been converted into common shares and (2) if and only if any holder of Registrable Securities is an "affiliate" (as such term is defined in Rule 144 promulgated under the Securities Act) of the Company, the earlier of (x) the date on which such holder is no longer an "affiliate" (as such term is defined in Rule 144 promulgated under the Securities Act) of the Company and (y) March 16, 2028.

Under the Preferred Registration Rights Agreement, if the registration statement is not declared effective by the applicable required effective date, each record holder of the securities to be registered would receive liquidated damages. The Liquidated Damages Multiplier ("the multiplier") is calculated as the product of (1) the purchased Series A Preferred Stock price and (ii) the number of registrable securities by the applicable record holder of any registrable securities. The liquidated damages, which would accrue daily, are an amount equal to 0.25% of the multiplier for the first 60 day period following the Effective Date plus an additional 0.25% of the multiplier for each subsequent 60 days (i.e. 0.5% for 61-120 days, 0.75% for 121-180 days, and 1.0% thereafter), up to a maximum amount equal to 1.0% of the multiplier thereafter. There is no limitation for the maximum potential consideration of liquidated damages. Management believes that remittance of any future payments under these provisions is not probable and therefore has not attributed any allocation of offering proceeds to a contingent liability for registration payment arrangements under ASC 825-20 – Financial Instruments-Registration Payment Arrangements ("ASC 825-20").

Net cash proceeds of $970.3 million (which reflects payment of $23.8 million transaction fees), were allocated on a relative fair value basis to the Series A Preferred ($787.9 million), Series A Warrants ($135.8 million) and Series B Warrants ($46.6 million). The $177.2 million discount on the Series A Preferred created by the relative fair value allocation of proceeds, which is not subject to periodic accretion, would be reported as a deemed dividend in the event a redemption occurs. As described below, $614.4 million of the $787.9 million allocated to the Series A Preferred is allocated to additional paid-in capital to give effect to the intrinsic value of a beneficial conversion feature ("BCF").

Beneficial Conversion Feature

ASC 470-20-20 – Debt – Debt with conversion and Other Options ("ASC 470-20") defines a beneficial conversion feature ("BCF") as a nondetachable conversion feature that is in the money at the issuance date. We are required by ASC 470-20 to allocate a portion of the proceeds from the preferred offering equal to the intrinsic value of the BCF to additional paid-in capital. The intrinsic value of the BCF is calculated at the issuance date as the difference between the "accounting conversion price" and the market price of our common shares multiplied by the number of number of shares into which our Series A Preferred is convertible. The accounting conversion price of $17.02 per share is different from the $20.77 per share contractual conversion price. It is derived by dividing the proceeds allocated to the Series A Preferred by the number of common shares into which the Series A preferred shares are convertible. We are recording the accretion of the $614.4 million Series A Preferred discount attributable to the BCF as a deemed dividend using the effective yield method over the twelve year period prior to the effective date of the holders' conversion right.

We have the right to redeem the Series A Preferred beginning after year five. As such, we can effectively mitigate or limit the Series A Preferred Holders' ability to benefit from their conversion right after year twelve by paying either a $96.5 million (10%) redemption premium in year six or a $48.3 million (5%) redemption premium in years seven through twelve. In either case, the redemption premium would be significantly less than the $614.4 million BCF required to be recognized under GAAP.

The following table summarizes the accounting upon issuance of our Series A Preferred:

		Allocation of Proceeds			
			Additional Paid-in Capital		
		Series A Preferred Stock	Series A Warrants	Series B Warrants	Beneficial Conversion Feature (BCF)
Gross proceeds	$994.1				
Transaction fees	(23.8)				
Net Proceeds- Initial Relative Fair Value Allocation	$970.3	$787.9	$135.8	$ 46.6	$ —
Allocation to BCF		(614.4)	—	—	614.4
Per balance sheet upon issuance		$173.5	$135.8	$ 46.6	$ 614.4

Preferred Stock Dividends

As of June 30, 2016, we have accrued preferred dividends of $22.9 million, which will be paid on August 12, 2016. We paid $3.8 million of dividends to preferred shareholders during the six months ended June 30, 2016. During the six months ended June 30, 2016, we recorded deemed dividends of $6.5 million attributable to accretion of the preferred discount resulting from the BCF accounting described above.

Note 12 — Partnership Units and Related Matters

Preferred Units

As of June 30, 2016, the Partnership has 5,000,000 Preferred Units outstanding. The Partnership paid $5.6 million of distributions to preferred unitholders during the six months ended June 30, 2016. The Preferred Units are reported as noncontrolling interests in our financial statements.

Subsequent Event

On July 18, 2016, the board of directors of the general partner of the Partnership declared a monthly cash distribution of $0.1875 per preferred unit for July 2016. This distribution will be paid on August 15, 2016.

Distributions

In accordance with the Partnership Agreement, the Partnership must distribute all of its available cash, as defined in the Partnership Agreement, and as determined by the general partner, to preferred unitholders monthly and to common unitholders of record within 45 days after the end of each quarter. As a result of the TRC/TRP Merger, we are entitled to receive all available Partnership distributions after payment of preferred distributions each quarter. The following details the distributions declared and paid by the Partnership, net of the IDR Giveback, during 2016:

- On February 9, 2016, total distributions of $200.4 million were declared and paid for the three months ended December 31, 2015, of which $61.4 million was paid to us.
- On May 12, 2016, distributions declared for the three months ended March 31, 2016 of $154.8 million were paid to us.
- On July 20, 2016, distributions of $178.9 million were declared for the three months ended June 30, 2016, which will be paid to us on August 11, 2016.

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Note 13 — Common Stock and Related Matters

Public Offerings of Common Stock

In May 2016, we entered into an Equity Distribution Agreement under the May 2016 Shelf (the "May 2016 EDA") with Barclays Capital Inc., Capital One Securities Inc., Citigroup Global Markets Inc., Deutsche Bank Securities Inc., Goldman, Sachs & Co., Jefferies LLC, J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Mizuho Securities USA Inc., Morgan Stanley & Co. LLC, RBC Capital Markets, LLC, SunTrust Robinson Humphrey, Inc., and Wells Fargo Securities, LLC, as our sales agents, pursuant to which we may sell, at our option, up to an aggregate of $500.0 million of our common stock. The common stock available for sale under the May 2016 EDA were validly registered pursuant to the registration statement on Form S-3 filed on May 23, 2016. During the three months ended June 30, 2016, we issued 5,105,652 shares of common stock under the May 2016 EDA, receiving net proceeds of $215.1 million, of which $36.0 million was received in July 2016.

Subsequent Event

In July 2016, we issued 781,262 shares of common stock for which we received proceeds of $32.7 million, net of commissions and fees, pursuant to the May 2016 EDA.

TRC/TRP Merger

On February 17, 2016, we completed the TRC/TRP Merger (see Note 2 – Basis of Presentation).

Dividends

The following table details the dividends declared and/or paid by us to common shareholders for the six months ended June 30, 2016:

Three Months Ended	Date Paid or To Be Paid	Total Dividends Declared	Amount of Dividends Paid or To Be Paid	Accrued Dividends (1)	Dividend Declared per Share of Common Stock
(In millions, except per share amounts)					
June 30, 2016	August 15, 2016	$ 153.1	$ 151.6	$ 1.5	$ 0.91000
March 31, 2016	May 16, 2016	147.8	146.1	1.7	0.91000
December 31, 2015	February 9, 2016	51.7	51.0	0.7	0.91000

(1) Represents accrued dividends on restricted stock and restricted stock units that are payable upon vesting.
Dividends declared are recorded as a reduction of retained earnings to the extent that retained earnings was available at the close of the prior quarter, with any excess recorded as a reduction of additional paid-in capital.

Note 14 — Earnings per Common Share

The following table sets forth a reconciliation of net income and weighted average shares outstanding (in millions) used in computing basic and diluted net income per common share:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net income	$(14.6)	$23.8	$(15.2)	$59.7
Less: Net income attributable to noncontrolling interests	8.6	8.6	10.7	41.1
Less: Dividends on preferred stock	29.4	—	33.2	—
Net income attributable to common shareholders for basic earnings per share	$(52.6)	$15.2	$(59.1)	$18.6
Weighted average shares outstanding - basic	161.6	55.9	134.1	50.9
Net income available per common share - basic	$(0.33)	$0.27	$(0.44)	$0.37
Weighted average shares outstanding	161.6	55.9	134.1	50.9
Dilutive effect of unvested stock awards	—	0.2	—	0.1

Weighted average shares outstanding - diluted	161.6	56.1	134.1	51.0
Net income available per common share - diluted	$(0.33)	$0.27	$(0.44)	$0.36

The following potential common stock equivalents are excluded from the determination of diluted earnings per share because the inclusion of such shares would have been anti-dilutive (in millions on a weighted-average basis):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Unvested restricted stock awards	0.6	—	0.3	—
Warrants to purchase common stock	9.3	—	5.0	—
Series A preferred stock	46.5			