

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

Form 10-K

R ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2009

or

☐ 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: 001-33303

TARGA RESOURCES PARTNERS LP
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

65-1295427

(I.R.S. Employer
Identification No.)

1000 Louisiana St, Suite 4300
Houston, Texas
(Address of principal executive offices)

77002
(Zip Code)

(713) 584-1000

(Registrant's telephone number, including area code)

Securities registered pursuant to section 12(b) of the Act:

Title of Each Class

Common Units Representing Limited Partnership Interests

Name of Each Exchange on Which Registered

New York Stock Exchange

Securities registered pursuant to section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes R No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No R

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 R No ☐

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 ☐ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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. (Check one):

Large accelerated filer ☐

Accelerated filer R

Non-accelerated filer ☐

Smaller reporting company ☐

(Do not check if a smaller reporting company)

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

The aggregate market value of the Common Units representing limited partner interests held by non-affiliates of the registrant was approximately \$476.3 million on June 30, 2009, based on \$13.87 per unit, the closing price of the Common Units as reported on The NASDAQ Stock Market LLC on such date.

As of February 28, 2010, there were 67,980,596 Common Units and 1,387,360 General Partner Units outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None

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Part I

CAUTIONARY STATEMENT ABOUT FORWARD-LOOKING STATEMENTS

Targa Resources Partners LP's (together with its subsidiaries ("we", "us", or the "Partnership")) reports, filings and other public announcements may from time to time contain statements that do not directly or exclusively relate to historical facts. Such statements are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. You can typically identify forward-looking statements by the use of forward-looking words, such as "may," "could," "project," "believe," "anticipate," "expect," "estimate," "potential," "plan," "forecast" 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 risks set forth in "Item 1A. Risk Factors" as well as the following risks and uncertainties:

- our ability to access the debt and equity markets, which will depend on general market conditions and the credit ratings for 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 financial instruments to hedge commodity and interest rate risks;
- the level of creditworthiness of counterparties to transactions;
- changes in laws and regulations, particularly with regard to taxes, safety and protection of the environment;
- the timing and extent of changes in natural gas, natural gas liquids ("NGL") and other commodity prices, interest rates and demand for our services;
- weather and other natural phenomena;
- industry changes, including the impact of consolidations and changes in competition;
- our ability to obtain necessary licenses, permits and other approvals;
- the level and success of oil and natural gas drilling around our assets, and our success in connecting natural gas supplies to our gathering and processing systems, and NGL supplies to our logistics and marketing facilities;
- 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 elsewhere in this Annual Report on Form 10-K ("Annual Report").

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 Annual 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 under the heading “Risk Factors” in this 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.

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

Bbl	Barrels (equal to 42 gallons)
BBtu	Billion British thermal units
Btu	British thermal units, a measure of heating value
/d	Per day
gal	Gallons
MBbl	Thousand barrels
Mcf	Thousand cubic feet
MMBbl	Million barrels
MMBtu	Million British thermal units
MMcf	Million cubic feet
NGL	Natural gas liquid(s)

Price Index Definitions

IF-NGPL MC	Inside FERC Gas Market Report, Natural Gas Pipeline, Mid-Continent
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

Item 1. Business

Overview

Targa Resources Partners LP (NYSE: NGLS) is a Delaware limited partnership formed on October 26, 2006 by our parent, Targa Resources, Inc. (“Targa”), a leading provider of midstream natural gas and NGL services in the United States (“U.S.”), to own, operate, acquire and develop a diversified portfolio of complementary midstream energy assets. We are engaged in the business of gathering, compressing, treating, processing and selling natural gas and fractionating and selling NGLs and NGL products. Our gathering and processing assets are located in the Fort Worth Basin/Bend Arch in North Texas, the Permian Basin in West Texas and in Southwest Louisiana. Our NGL logistics and marketing assets are located primarily at Mont Belvieu and Galena Park near Houston, Texas and in Lake Charles, Louisiana, with terminals and transportation assets across the U.S. Targa has additional assets located in the Permian Basin in West Texas and Southeast New Mexico, and the offshore coastal region of Louisiana.

Since our formation, we have leveraged our relationship with Targa to achieve meaningful growth in our business. In connection with our initial public offering (“IPO”) in February 2007, Targa contributed the assets of the North Texas System located in the Fort Worth Basin (the “North Texas System”) to us. In October 2007, we acquired the assets of the San Angelo Operating Unit System located in the Permian Basin (the “SAOU System”) and the assets of the Louisiana Operating Unit System located in Southwest Louisiana (the “LOU System”) from Targa. In September 2009, we acquired substantially all of Targa’s NGL Logistics and Marketing division (the “Downstream Business”). We intend to continue to leverage our relationship with Targa to acquire and construct additional midstream energy assets and to utilize the significant experience of Targa’s management team to execute our strategy.

Natural Gas Gathering and Processing

Natural gas gathering and processing consists of gathering, compressing, dehydrating, treating, conditioning, processing, marketing and transporting natural gas and NGLs. The gathering of natural gas consists of aggregating

natural gas produced from various wells through small diameter gathering lines for transportation to processing plants. Natural gas has a widely varying composition, depending on the field, the formation and the reservoir from which it is produced. The processing of natural gas consists of the extraction of imbedded NGLs and the removal of water vapor, solids and other contaminants to form (i) a stream of marketable natural gas, commonly referred to as residue gas, and (ii) a stream of raw NGL mix, commonly referred to as “Mixed NGLs” or “Y-grade.” Once processed, the residue gas is transported to markets through pipelines that are either owned by the gatherers/processors or third parties. End-users of residue gas include large commercial and industrial customers, as well as natural gas and electric utilities serving individual consumers. We sell our residue gas either directly to such end-users or to marketers into intrastate or interstate pipelines, which are typically located in close proximity or ready access to our facilities.

The largest supplier of natural gas to our Natural Gas Gathering and Processing division is ConocoPhillips Company (“ConocoPhillips”), representing 11% of natural gas supply for 2009 and 2008.

NGL Logistics and Marketing

NGL logistics and marketing consists of the fractionation, storage, terminalling, transportation, distribution and marketing of NGLs. Through fractionation, raw NGL mix is separated into its component parts (ethane, propane, butanes and natural gasoline). These component parts are delivered to end-users through pipelines, barges, trucks and rail cars. End-users of component NGLs include petrochemical and refining companies and propane markets for heating, cooking or crop drying applications. Retail distributors often sell to end-use propane customers.

Business Strategies

Our primary objective is to provide increasing cash distributions to our unitholders over time. Our business strategies focus on creating and increasing value for our unitholders through efficient operations, disciplined risk management and prudent growth through organic projects and acquisitions.

The successful execution of our business strategies is heavily dependent on our ability to access the equity and debt capital markets as well as the general health of the domestic and world economies. Given the recent challenging conditions in the capital markets and the uncertain outlook for commodity prices, we expect that growth opportunities will be subject to more stringent evaluation criteria and that expenditure levels may moderate to preserve capital if economic and financial market conditions deteriorate.

We intend to accomplish our primary objective by executing the strategies described below:

Enhance cash flows. We intend to continue to pursue new contracts, cost efficiencies and operating improvements of our assets. Such improvements in the past have included new production and acreage commitments, reducing gas fuel, flare and loss volumes and enhancing NGL recoveries. We will also continue to enhance existing plant assets to improve and maximize capacity and throughput.

Managing our contract mix to optimize profitability. The majority of our gas gathering and processing operating margin is generated pursuant to percent-of-proceeds contracts or similar arrangements which, if unhedged, benefit us in increasing commodity price environments and expose us to a reduction in profitability in decreasing commodity price environments. We believe that an appropriately managed contract mix allows us to optimize our profitability over time. We expect to maintain primarily percent-of-proceeds arrangements, owing to historical contract structures and the competitive dynamics of our gathering areas. However, we continually evaluate the market for attractive fee-based and other arrangements which will further reduce the variability of our cash flows.

Capitalizing on organic expansion opportunities. We continually evaluate economically attractive organic expansion opportunities in existing or new areas of operation that will allow us to expand our business.

Pursuing strategic and accretive acquisitions. We plan to pursue strategic and accretive acquisition opportunities within the midstream energy industry. We will seek acquisitions in our existing areas of operation that provide the opportunity for operational efficiencies, the potential for higher capacity utilization and expansion of existing assets, acquisitions in other related midstream businesses and/or expansion into new geographic areas of

operation and, to the extent available, assets with fee-based arrangements. Among the factors we will consider in deciding whether to acquire assets include, but are not limited to, the economic characteristics of the acquisition (such as return on capital and cash flow stability), the region in which the assets are located (both regions contiguous to our areas of operation and other regions with attractive characteristics) and the availability and sources of capital to finance the acquisition. We intend to finance our expansion through a combination of debt and equity, including commercial debt facilities and public and private offerings of debt and equity securities. Recent disruptions in the financial markets made obtaining equity or debt funding on acceptable terms more difficult. Similar disruptions could limit our ability to successfully complete acquisitions.

Leveraging our relationship with Targa. Our relationship with Targa provides us access to its extensive pool of operational, commercial and risk management expertise which enables all of our strategies. In addition, we intend to pursue acquisition opportunities as well as organic growth opportunities with Targa and with Targa's assistance. We may also acquire assets or businesses directly from Targa, which will provide us access to an array of growth opportunities broader than that available to many of our competitors.

Competitive Strengths

We believe that we are well positioned to execute our primary business objective and business strategies successfully because of the following competitive strengths:

Affiliation with Targa. We expect that our relationship with Targa will provide us with significant business opportunities. We believe Targa's relationships throughout the energy industry, including with producers of natural gas in the U.S., will help facilitate implementation of our acquisition strategy and other strategies. Targa has indicated that it intends to use us as a growth vehicle to pursue the acquisition and expansion of midstream natural gas, NGL and other complementary energy businesses and assets and we expect to have the opportunity, but not the obligation, to acquire such businesses and assets directly from Targa in the future. Our relationship with Targa provides us access to its extensive pool of operational, commercial and risk management expertise which enables all of our strategies.

Significant scale of operations. As of December 31, 2009, we had total net assets of \$2.2 billion. We own interests in or operate approximately 6,500 miles of natural gas pipelines and approximately 750 miles of NGL pipelines, with natural gas gathering systems covering approximately 13,500 square miles and seven natural gas processing plants with access to natural gas supplies in the Permian Basin, the Fort Worth Basin, the onshore region of the Louisiana Gulf Coast and the Gulf of Mexico. Additionally, we have an integrated NGL logistics and marketing business with net NGL fractionation capacity of approximately 300 MBbl/d, 37 owned and operated storage wells with a net storage capacity of approximately 65 MMBbl, and 15 storage, marine and transport terminals with above ground NGL storage capacity of approximately 825 MBbl. Due to the high cost of obtaining permits for and constructing midstream assets and the difficulty of developing the expertise necessary to operate them, the barriers to enter the midstream natural gas sector on a scale competitive with ours are high.

Multiple producing basins. Our major gathering and processing systems source natural gas volumes from three producing areas: the Permian Basin, the Fort Worth Basin and the onshore region of the Louisiana Gulf Coast. In aggregate, these basins are a significant contributor to current domestic natural gas production, favorably positioning us to access large, diverse and important sources of domestic natural gas supply.

Large and diverse customer base. We focus on providing high-quality services at competitive costs, which we believe has allowed us to attract and retain a large, diverse customer base. Our customer base includes a large portfolio of natural gas producers in our regions of operations as well as purchasers and consumers of NGLs. While we have commercial relationships with large, diversified energy companies, we also provide services to a number of other customers, which reduces our dependence on any one customer. As of December 31, 2009, other than the Chevron Phillips Chemical Company LLC joint venture ("CPC"), who accounts for approximately 17% of our revenues, no single customer accounted for more than 10% of our consolidated revenue. We expect to continue to strengthen and grow our customer relationships due to our broad service offerings, well-positioned assets, competitive cost of service, market access, and commitment to providing high-quality customer service.

We have an ongoing relationship with CPC for feedstock supply and services provided at Mont Belvieu, Texas and Galena Park, Texas. Targa and CPC completed negotiations and executed contracts to replace the previously terminated agreement with a new feedstock and storage agreement effective September 1, 2009 for a term of five years with evergreen language.

Broad service and product offering. We offer a wide range of midstream natural gas gathering and processing services and NGL logistics and marketing services. We believe the breadth and scope of our assets allow us to attract customers due to our ability to deliver products and services across the value chain and due to our well-positioned assets and markets. We believe this breadth and asset positioning, combined with our singular midstream focus, gives us a competitive advantage over other midstream companies and divisions of larger companies. In addition, we believe this diversity of assets and services diversifies cash flows by reducing our dependency on any particular line of business.

Attractive Cash Flow Characteristics

We believe our strategy, combined with our high-quality asset portfolio and strong industry fundamentals, allows us to generate attractive cash flows with the ability to reduce our leverage of the business. Geographic, business and customer diversity enhances our cash flow profile. Our Natural Gas Gathering and Processing division has a favorable contract mix that is primarily percent-of-proceeds or fee-based which, along with our long-term commodity hedging program, serves to mitigate the impact of commodity price movements on cash flow. In our NGL Logistics and Marketing division, the majority of our revenues are derived under fee-based contracts.

We have hedged the commodity price risk associated with a portion of our expected natural gas, NGL and condensate equity volumes for the years 2010 through 2013 by entering into financially settled derivative transactions including swaps and purchased puts (or floors). The primary purpose of our commodity risk management activities is to hedge our exposure to price risk and to mitigate the impact of fluctuations in commodity prices on cash flow. We have intentionally tailored our hedges to approximate specific NGL products or baskets of NGL products and to approximate our actual NGL and residue natural gas delivery points. We intend to continue to manage our exposure to commodity prices in the future by entering into similar hedge transactions as market conditions permit.

We also monitor our inventory levels with a view to mitigating losses related to downward price exposure.

Our maintenance capital expenditures have averaged approximately \$30.2 million over the last three years. We believe that our assets are well maintained and anticipate that a similar level of capital expenditures will be sufficient for us to continue to operate these assets in a prudent and cost-effective manner.

Asset Base Well-Positioned for Organic Growth

We believe our asset platform and strategic locations allow us to maintain and potentially grow our volumes and related cash flows as our supply areas continue to benefit from exploration and development. Generally, higher oil and gas prices result in increased domestic oil and gas drilling and work over activity to increase production. The location of our assets provides us with access to stable natural gas supplies and proximity to end-use markets and liquid market hubs while positioning us to capitalize on drilling and production activity in those areas. Our existing infrastructure has the capacity to handle incremental volumes without significant capital investments. We believe that as domestic demand for natural gas and NGL grows over the long term, our infrastructure will increase in value as such infrastructure takes on increasing importance in meeting that demand.

While we have set forth our strategies and competitive strengths above, our business involves numerous risks and uncertainties which may prevent us from executing our strategies or impact the amount of distributions to our unitholders. These risks include the adverse impact of changes in natural gas, NGL and condensate prices, our inability to access sufficient additional production to replace natural declines in production and our dependence on a single natural gas producer for a significant portion of our natural gas supply. For a more complete description of the risks associated with an investment in us, see “Item 1A. Risk Factors.”

Targa has indicated that it intends to use us as a growth vehicle to pursue the acquisition and expansion of midstream natural gas, NGL and other complementary energy businesses and assets. Over time, depending on our ability to access the debt and equity markets, Targa intends to offer us the opportunity to purchase substantially all of its remaining businesses, although it is not obligated to do so. Targa constantly evaluates acquisitions and dispositions and may elect to acquire or construct midstream assets in the future without offering us the opportunity to purchase or construct those assets. Targa also may elect to accept a third party offer for assets that have been offered to us. We cannot say with any certainty which, if any, opportunities to acquire assets from Targa may be made available to us or if we will choose to pursue any such opportunity. Moreover, Targa is not prohibited from competing with us and routinely evaluates acquisitions and dispositions that do not involve us. In addition, through our relationship with Targa, we have access to a significant pool of management talent, strong commercial relationships throughout the energy industry and access to Targa’s broad operational, commercial, technical, risk management and administrative infrastructure.

As of February 1, 2010, Targa and its management have a significant interest in our partnership through their ownership of a 30.0% limited partner interest and a 2% general partner interest in us. In addition, Targa owns incentive distribution rights that entitle Targa to receive an increasing percentage of quarterly distributions of available cash from operating surplus after the minimum quarterly distribution and the target distribution levels have been achieved. We are party to an Omnibus Agreement with Targa that governs our relationship regarding certain reimbursement and indemnification matters. See “Item 13. Certain Relationships and Related Transactions, and Director Independence—Omnibus Agreement.” In addition to carrying out operations, our general partner and its affiliates, which are indirectly owned by Targa, employ approximately 1,000 people, some of whom provide direct support to our operations. We do not have any employees. See “Employees.”

While our relationship with Targa is a significant advantage, it is also a source of potential conflicts. For example, Targa is not restricted from competing with us. Targa owns substantial midstream assets and may acquire, construct or dispose of midstream or other assets in the future without any obligation to offer us the opportunity to purchase or construct those assets. See “Item 13. Certain Relationships and Related Transactions, and Director Independence—Conflicts of Interest.”

Our Business

We conduct our business operations through two divisions and report our results of operations under four segments: our Natural Gas Gathering and Processing division is a single segment consisting of our natural gas gathering and processing facilities, as well as certain fractionation capability integrated within those facilities; and our NGL Logistics and Marketing division includes three segments: Logistics Assets, NGL Distribution and Marketing, and Wholesale Marketing.

Natural Gas Gathering and Processing Division

We gather and process natural gas from the Permian Basin in West Texas, the Fort Worth Basin in North Texas, and the onshore region of the Louisiana Gulf Coast. The natural gas we process is supplied through our gathering systems which, in aggregate, consist of approximately 6,500 miles of natural gas pipelines. Our processing plants include seven facilities that we own and operate. In 2009, we processed an average of approximately 421 MMcf/d of natural gas and produced an average of approximately 42 MBbl/d of NGLs.

We continually seek new supplies of natural gas, both to offset the natural declines in production from connected wells and to increase throughput volumes. We obtain additional natural gas supply in our operating areas by contracting for production from new wells or by capturing existing production currently gathered by others. Competition for new natural gas supplies is based primarily on location of assets, commercial terms, service levels and access to markets. The commercial terms of natural gas gathering and processing arrangements are driven, in part, by capital costs, which are impacted by the proximity of systems to the supply source and by operating costs, which are impacted by operational efficiencies and economies of scale.

We believe our extensive asset base and scope of operations in the regions in which we operate provide us with significant opportunities to add both new and existing natural gas production to our systems. We believe our size and scope give us a strong competitive position by placing us in proximity to a large number of existing and new

natural gas producing wells in our areas of operations, allowing us to generate economies of scale and to provide our customers with access to our existing facilities and to multiple end-use markets and market hubs. Additionally, we believe our ability to serve our customers' needs across the natural gas and NGL value chain further augments our ability to attract new customers.

The following table lists our natural gas processing plants, all of which are cryogenic processing units that are 100% owned and operated by us:

Facility	Location	Gross Throughput Capacity (MMcf/d)	2009 Plant Natural Gas Inlet (MMcf/d)	2009 Gross NGL Production (MBbl/d)
North Texas System				
Chico (1)	Wise, TX	265.0		
Shackelford	Shackelford, TX	13.0		
	Area Total	278.0	173.6	20.1
SAOU System				
Mertzou	Irion, TX	48.0		
Sterling	Sterling, TX	62.0		
Conger (2)	Sterling, TX	25.0		
	Area Total	135.0	91.5	14.1
LOU System				
Gillis (1)	Calcasieu, LA	180.0		
Acadia	Acadia, LA	80.0		
	Area Total	260.0	180.8	8.5
		673.0	445.9	42.7

(1) The Chico and Gillis plants have fractionation capacities of approximately 15 MBbl/d and 13 MBbl/d.

(2) The Conger plant is not currently operating, but is on standby and can be quickly reactivated on short notice to meet additional needs for processing capacity.

North Texas System

The North Texas System includes two interconnected gathering systems with approximately 4,100 miles of pipelines, covering portions of 12 counties and approximately 5,700 square miles, gathering wellhead natural gas for the Chico and Shackelford natural gas processing facilities. During 2009, the North Texas System gathered approximately 179.3 MMcf/d of natural gas.

Gathering. The Chico Gathering System consists of approximately 2,000 miles of primarily low-pressure gathering pipelines. Wellhead natural gas is either gathered for the Chico plant located in Wise County, Texas, and then compressed for processing, or it is compressed in the field at numerous compressor stations and then moved via one of several high-pressure gathering pipelines to the Chico plant. The Shackelford Gathering System consists of approximately 2,100 miles of intermediate-pressure gathering pipelines which gather wellhead natural gas largely for the Shackelford plant in Albany, Texas. Natural gas gathered from the northern and eastern portions of the Shackelford Gathering System is typically compressed in the field at numerous compressor stations and then transported to the Chico plant for processing.

Processing. The Chico processing plant includes two cryogenic processing trains with a combined capacity of approximately 265 MMcf/d and an NGL fractionator with the capacity to fractionate up to approximately 15 MBbl/d of raw NGL mix. The Shackelford plant is a cryogenic plant with a nameplate capacity of approximately

15 MMcf/d, but effective capacity is limited to approximately 13 MMcf/d due to capacity constraints on the residue gas pipeline that serves the facility.

SAOU System

Covering portions of 10 counties and approximately 4,000 square miles in West Texas, the SAOU System includes approximately 1,500 miles of pipelines in the Permian Basin that gather natural gas to the Mertzton and Sterling plants. During 2009, the system gathered approximately 99 MMcf/d of natural gas.

Gathering. The SAOU System is connected to numerous producing wells and/or central delivery points. The system has approximately 1,000 miles of low-pressure gathering systems and approximately 500 miles of high-pressure gathering pipelines to deliver the natural gas to our processing plants. The gathering system has numerous compressor stations to inject low-pressure gas into the high-pressure pipelines.

Processing. The SAOU System includes two currently operating refrigerated cryogenic processing plants; the Mertzton plant and the Sterling plant, which have an aggregate processing capacity of approximately 110 MMcf/d. The system also includes the Conger cryogenic plant with a capacity of approximately 25 MMcf/d, which is on standby and can be quickly reactivated on short notice and minimal incremental cost to meet additional needs for processing capacity.

LOU System

The LOU System consists of approximately 850 miles of gathering system pipelines, covering approximately 3,800 square miles in Southwest Louisiana. During 2009, the system gathered approximately 189.4 MMcf/d of natural gas, including approximately 51.4 MMcf/d purchased from third party pipeline systems.

Gathering. The LOU System is connected to numerous producing wells and/or central delivery points in the area between Lafayette and Lake Charles, Louisiana. The gathering system is a high-pressure gathering system that delivers natural gas for processing to either the Acadia or Gillis plants via three main trunk lines.

Processing. The LOU System includes the Gillis and Acadia processing plants, both of which are cryogenic plants. These processing plants have an aggregate processing capacity of approximately 260 MMcf/d. In addition, the Gillis plant has integrated fractionation with operating capacity of approximately 13 MBbl/d of capacity.

NGL Logistics and Marketing Division

Our NGL Logistics and Marketing division uses our platform of integrated assets to fractionate, store, terminal, transport, distribute and market NGLs typically under fee-based and margin-based arrangements. For NGLs to be used by refineries, petrochemical manufacturers, propane distributors and other industrial end-users, they must be fractionated into their component products and delivered to various points throughout the U.S. Our NGL logistics and marketing assets are generally connected to and supplied, in part, by our Natural Gas Gathering and Processing assets and are primarily located at Mont Belvieu and Galena Park near Houston, Texas and in Lake Charles, Louisiana with terminals and transportation assets across the U.S. We own or commercially manage terminal assets in a number of states, including Texas, Louisiana, Arizona, Nevada, California, Florida, Alabama, Mississippi, Tennessee, Kentucky and New Jersey. The geographic diversity of our assets provides us direct access to many NGL customers as well as markets via Targa trucks, barges, rail cars and open-access regulated NGL pipelines owned by third parties.

Our NGL Logistics and Marketing division consists of three segments: (i) Logistics Assets, (ii) NGL Distribution and Marketing and (iii) Wholesale Marketing. Our Logistics Assets segment includes the assets involved in the fractionation, storage and transportation of NGLs. Our NGL Distribution and Marketing segment markets our own NGL production and also purchases NGL products from third parties for resale. Our Wholesale Marketing segment includes our refinery services business and wholesale propane marketing operations.

Logistics Assets Segment

Fractionation. NGL fractionation facilities separate raw NGL mix into discrete NGL products: ethane, propane, butanes and natural gasoline. Raw NGL mix delivered from our Natural Gas Gathering and Processing division represents the largest source of volumes processed by our NGL fractionators.

The majority of our NGL fractionation business is under fee-based arrangements. These fees are subject to adjustment for changes in certain fractionation expenses, including energy costs. The operating results of our NGL fractionation business are dependent upon the volume of raw NGL mix fractionated and the level of fractionation fees charged.

We believe that sufficient volumes of raw NGL mix will be available for fractionation in commercially viable quantities for the foreseeable future due to increases in NGL production expected from shale plays in areas of the US that include North Texas, South Texas, Oklahoma and the Rockies and certain other basins accessed by pipelines to Mont Belvieu, as well as from continued production of NGLs in areas such as the Permian Basin, Mid-Continent, South Louisiana and shelf and deepwater Gulf of Mexico. Dew point specifications implemented by individual pipelines and potentially enacted by the Federal Energy Regulatory Commission (“FERC”) across the industry should result in volumes of raw NGL mix available for fractionation because the natural gas will require processing or conditioning to meet pipeline quality specifications. These requirements could help to establish a base volume of raw NGL mix during periods when it might be otherwise uneconomical to process certain sources of natural gas. Furthermore, significant volumes of raw NGL mix are contractually committed to our NGL fractionation facilities.

Although competition for NGL fractionation services is primarily based on the fractionation fee, the ability of an NGL fractionator to obtain raw NGL mix and distribute NGL products is also an important competitive factor. This ability is a function of the existence of the pipeline and storage infrastructure necessary to conduct such operations. The location, scope and capability of our logistics assets, including our transportation and distribution systems, give us access to both substantial sources of raw NGL mix and a large number of end-use markets.

The following table details our fractionation facilities:

Facility	% Owned	Maximum Gross Capacity (MBbl/d)	2009 Gross Throughput (MBbl/d)
Operated Fractionation Facilities:			
Lake Charles Fractionator (Lake Charles, LA)	100.0	55.0	27.5
Cedar Bayou Fractionator (Mont Belvieu, TX) (1)	88.0	215.0	189.7
Gillis Plant Fractionators (Lake Charles, LA) (2)	100.0	13.0	9.7
Chico Plant Fractionator (Wise, TX) (2)	100.0	15.0	13.0
Equity Fractionation Facilities (non-operated):			
Gulf Coast Fractionators (Mont Belvieu, TX)	38.8	108.0	104.4

(1) Includes ownership through our 88% interest in Downstream Energy Ventures Co., LLC.

(2) Included in our Natural Gas Gathering and Processing division.

Our fractionation assets include ownership interests in three stand-alone fractionation facilities that are located on the Gulf Coast. We operate two of the facilities, one at Mont Belvieu, Texas, and the other at Lake Charles, Louisiana. We also have an equity investment in a third fractionator, Gulf Coast Fractionators (“GCF”), also located at Mont Belvieu. We are subject to a consent decree with the Federal Trade Commission, issued December 12, 1996, that, among other things, prevents us from participating in commercial decisions regarding rates paid by third parties for fractionation services at GCF. This restriction on our activity at GCF will terminate on December 12, 2016, twenty years after the date the consent order was issued.

Storage and Terminalling. In general, our storage assets provide warehousing of raw NGL mix, NGL products and petrochemical products in underground wells, which allows for the injection and withdrawal of such products at various times in order to meet demand cycles. Similarly, our terminalling operations provide the inbound/outbound logistics and warehousing of raw NGL mix, NGL products and petrochemical products in above-ground storage tanks. Our underground storage and terminalling facilities serve both single markets, such as propane, as well as multiple products and markets. For example our Mont Belvieu and Galena Park facilities have extensive pipeline connections for mixed NGL supply and delivery of component NGLs. In addition, some of these facilities are connected to marine, rail and truck loading and unloading facilities that provide services and products to our customers. We provide long and short-term storage and terminalling services and throughput capability to affiliates and third party customers for a fee.

We own or operate a total of 37 storage wells at our facilities with a net storage capacity of approximately 67 MMBbl, the usage of which may be limited by brine handling capacity, which is utilized to displace NGLs from storage. We also have 15 terminal facilities (14 wholly owned) in Texas, Kentucky, Mississippi, Tennessee, Louisiana, Florida, New Jersey and Arizona.

We operate our storage and terminalling facilities based on the needs and requirements of our customers in the NGL, petrochemical, refining, propane distribution and other related industries. We usually experience an increase in demand for storage and terminalling of mixed NGLs during the summer months when gas plants typically reach peak NGL production, refineries have excess NGL products and LPG imports are often highest. Demand for storage and terminalling at our propane facilities typically peaks during fall, winter and early spring.

Our fractionation, storage and terminalling business are supported by approximately 800 miles of company-owned pipelines to transport mixed NGL and specification products.

The following tables detail our NGL storage and terminalling assets:

Facility	NGL Storage Facilities			
	% Owned	County/Parish, State	Number of Permitted Wells	Gross Storage Capacity (MMBbl)
Hackberry Storage (Lake Charles)	100.0	Cameron, LA	12	(1) 20.0
Mont Belvieu Storage	100.0	Chambers, TX	20	(2) 42.4
Easton Storage	100.0	Evangeline, LA	2	0.8
Hattiesburg Storage	50.0	Forrest, MS	3	5.9

(1) Five of the twelve owned wells are leased to Citgo Petroleum Corporation (“Citgo”) under a long-term lease.
(2) We own and operate 20 wells and operate an additional six wells owned by CPC.

Facility	Terminal Facilities			2009 Throughput (Million gallons)
	% Owned	County/Parish, State	Description	
Galena Park Terminal	100.0	Harris, TX	NGL import/export terminal	1,269.0
Calvert City Terminal	100.0	Marshall, KY	Propane terminal	43.1
Greenville Terminal (1)	100.0	Washington, MS	Marine propane terminal	21.6
Pt. Everglades Terminal	100.0	Broward, FL	Marine propane terminal	23.0
Tyler Terminal	100.0	Smith, TX	Propane terminal	6.7
Abilene Transport (2)	100.0	Taylor, TX	Raw NGL transport terminal	9.8
Bridgeport Transport (2)	100.0	Jack, TX	Raw NGL transport terminal	75.9
Gladewater Transport (2)	100.0	Gregg, TX	Raw NGL transport terminal	22.9
Hammond Transport	100.0	Tangipahoa, LA	Transport terminal	33.1
Chattanooga Terminal	100.0	Hamilton, TN	Propane terminal	19.5
Mont Belvieu Terminal (3)	100.0	Chambers, TX	Transport and storage terminal	3,867.9
Hackberry Terminal	100.0	Cameron, LA	Storage terminal	194.9
Sparta Terminal	100.0	Sparta, NJ	Propane terminal	11.9
Hattiesburg Terminal	50.0	Forrest, MS	Propane terminal	178.1
Winona Terminal	100.0	Flagstaff, AZ	Propane terminal	3.3

(1) Volumes reflect total import and export across the dock/terminal.

(2) Volumes reflect total transport and injection volumes.

(3) Volumes reflect total transport and terminal throughput volumes.

Transportation and Distribution. Our NGL transportation and distribution infrastructure includes a wide range of assets supporting both third party customers and the delivery requirements of our marketing and asset management business. We provide fee-based transportation services to refineries and petrochemical companies throughout the Gulf Coast area. Our assets are also deployed to serve our wholesale distribution terminals, fractionation facilities, underground storage facilities and pipeline injection terminals. These distribution assets provide a variety of ways to transport and deliver products to our customers.

Our transportation assets, as of December 31, 2009, include:

- approximately 850 railcars that we lease and manage;
- approximately 70 owned and leased transport tractors and approximately 100 company-owned tank trailers; and
- 21 company-owned pressurized NGL barges with more than 320,000 barrels of capacity.

NGL Distribution and Marketing Segment

In our NGL Distribution and Marketing segment, we market our own NGL production and also purchase component NGL products from other NGL producers and marketers for resale. In 2009, our distribution and marketing services business sold an average of approximately 245.7 MBbl/d of NGLs. In addition, Targa's gathering and processing business sold approximately 38.9 MBbl/d of NGLs to Targa's NGL Distribution and Wholesale Marketing businesses.

We generally purchase raw NGL mix from producers at a monthly pricing index less applicable fractionation, transportation and marketing fees and resell these products to petrochemical manufacturers, refineries and other marketing and retail companies. This is primarily a physical settlement business in which we earn margins from purchasing and selling NGL products from producers under contract. We also earn margins by purchasing and reselling NGL products in the spot and forward physical markets. To effectively serve our customers in the NGL Distribution and Marketing segment, we contract for and use many of the assets included in our Logistics Assets segment.

Wholesale Marketing Segment

Refinery Services. In our refinery services business, we typically provide NGL balancing services in which we have contractual arrangements with refiners to purchase and/or market propane and to supply butanes. We also contract for and use the storage, transportation and distribution assets included in our Logistics Assets segment to assist refinery customers in managing their NGL product demand and production schedules. This includes both feedstocks consumed in refinery processes and the excess NGLs produced by those same refining processes. Under typical net-back contracts, we generally retain a portion of the resale price of NGL sales or receive a fixed minimum fee per gallon on products sold. Under net-back contracts, fees are earned for locating and supplying NGL feedstocks to the refineries based on a percentage of the cost to obtain such supply or a minimum fee per gallon. In 2009, we bought and sold to third parties an average of approximately 22 MBbl/d of NGLs through this refinery services business.

Key factors impacting the results of our refinery services business include production volumes, prices of propane and butanes, as well as our ability to perform receipt, delivery and transportation services in order to meet refinery demand.

Wholesale Propane Marketing. Our wholesale propane marketing operations include primarily the sale of propane and related logistics services to major multi-state retailers, independent retailers and other end-users. Our propane supply primarily originates from both our refinery/gas supply contracts and our other owned or managed logistics and marketing assets. We generally sell propane at a fixed or posted price at the time of delivery and, in some circumstances, we earn margin on a net-back basis.

Our wholesale propane marketing business is significantly impacted by weather-driven demand, particularly in the winter, the price of propane in the markets we serve and our ability to deliver propane to customers to satisfy peak winter demand.

Operational Risks and Insurance

We are subject to all risks inherent in the midstream natural gas business. These risks include, but are not limited to, explosions, fires, mechanical failure, terrorist attacks, product spillage, weather, nature and inadequate maintenance of rights-of-way and could result in damage to or destruction of operating assets and other property, or could result in personal injury, loss of life or polluting the environment, as well as curtailment or suspension of operations at the affected facility. We maintain general public liability, property, boiler and machinery and business interruption insurance in amounts that we consider to be appropriate for such risks. Such insurance is subject to deductibles that we consider reasonable and not excessive given the current insurance market environment. The costs associated with these insurance coverages increased significantly following Hurricanes Katrina and Rita in 2005. Insurance premiums, deductibles and co-insurance requirements increased substantially, and terms were generally less favorable than terms that were obtained prior to those hurricanes. Insurance market conditions worsened again as a result of industry losses including those sustained from Hurricanes Gustav and Ike in September 2008, and as a result of volatile conditions in the financial markets. As a result, in 2009, we experienced further increases in deductibles and premiums, and further reductions in coverage and limits.

The occurrence of a significant event not fully insured or indemnified against, or the failure of a party to meet its indemnification obligations, could materially and adversely affect our operations and financial condition. While we currently maintain levels and types of insurance that we believe to be prudent under current insurance industry market conditions, our inability to secure these levels and types of insurance in the future could negatively impact our business operations and financial stability, particularly if an uninsured loss were to occur. No assurance can be given that we will be able to maintain these levels of insurance in the future at rates we consider commercially reasonable, particularly named windstorm coverage and possibly contingent business interruption coverage for our onshore operations.

Significant Customers

The following table lists the percentage of our consolidated sales with customers that accounted for more than 10% of our consolidated revenues and consolidated product purchases for the periods indicated:

	2009	2008	2007
% of consolidated revenues			
CPC	17%	20%	22%
% of consolidated product purchases			
Louis Dreyfus Energy Services L.P.	12%	9%	7%

No other customer or supplier accounted for more than 10% of our consolidated revenues or consolidated product purchases during these periods.

Competition

We face strong competition in acquiring new natural gas supplies. Competition for natural gas supplies is primarily based on the location of gathering and processing facilities, pricing arrangements, reputation, efficiency, flexibility, reliability and access to end-use markets or liquid marketing hubs. Competitors to our gathering and processing operations include other natural gas gatherers and processors, such as major interstate and intrastate pipeline companies, master limited partnerships and oil and gas producers. Our major competitors for natural gas supplies in our current operating regions include Atlas Gas Pipeline Company, Copano Energy, L.L.C. (“Copano”), WTG Gas Processing L.P. (“WTG”), DCP Midstream Partners LP (“DCP”), Devon Energy Corp (“Devon”), Enbridge Inc., GulfSouth Pipeline Company, LP, Hanlon Gas Processing, Ltd., J W Operating Company, Louisiana Intrastate Gas and several other interstate pipeline companies. Some of our competitors have greater financial resources than we possess.

We also compete for NGL products to market through our NGL Logistics and Marketing division. Our competitors include major oil and gas producers who market NGL products for their own account and for others. Additionally, we compete with several other NGL marketing companies, including Enterprise Products Partners L.P., TEPPCO Partners, L.P., DCP, ONEOK and BP p.l.c.

Additionally, we face competition for raw NGL mix supplies at our fractionation facilities. Our competitors include large oil, natural gas and petrochemical companies. The fractionators in which we own an interest in the Mont Belvieu region compete for volumes of raw NGL mix with other fractionators also located at Mont Belvieu. Among the primary competitors are Enterprise Products Partners L.P. and ONEOK, Inc. In addition, certain producers fractionate raw NGL mix for their own account in captive facilities. Our Mont Belvieu fractionators also compete on a more limited basis with fractionators in Conway, Kansas and a number of decentralized, smaller fractionation facilities in Texas, Louisiana and New Mexico. Our other fractionation facilities compete for raw NGL mix with the fractionators at Mont Belvieu as well as other fractionation facilities located in Louisiana. Our customers who are significant producers of raw NGL mix and NGL products or consumers of NGL products may develop their own fractionation facilities in lieu of using our services.

Regulation of Operations

Regulation of pipeline gathering and transportation services, natural gas sales and transportation of NGLs may affect certain aspects of our business and the market for our products and services.

Gathering Pipeline Regulation

Our natural gas gathering operations are typically subject to ratable take and common purchaser statutes in the states in which we operate. The common purchaser statutes generally require our gathering pipelines to purchase or take without undue discrimination as to source of supply or producer. These statutes are designed to prohibit discrimination in favor of one producer over another producer or one source of supply over another. The regulations

under these statutes can have the effect of imposing some restrictions on our ability as an owner of gathering facilities to decide with whom we contract to gather natural gas. The states in which we operate have adopted complaint-based regulation of natural gas gathering activities, which allows natural gas producers and shippers to file complaints with state regulators in an effort to resolve grievances relating to gathering access and rate discrimination. The rates we charge for gathering are deemed just and reasonable unless challenged in a complaint. We cannot predict whether such a complaint will be filed against us in the future. Failure to comply with state regulations can result in the imposition of administrative, civil and criminal penalties.

Section 1(b) of the Natural Gas Act of 1938 (“NGA”), exempts natural gas gathering facilities from regulation as a natural gas company by FERC under the NGA. We believe that the natural gas pipelines in our gathering systems meet the traditional tests FERC has used to establish a pipeline’s status as a gatherer not subject to regulation as a natural gas company. However, the distinction between FERC-regulated transmission services and federally unregulated gathering services is the subject of substantial, on-going litigation, so the classification and regulation of our gathering facilities are subject to change based on future determinations by FERC, the courts or Congress. Natural gas gathering may receive greater regulatory scrutiny at both the state and federal levels. Our natural gas gathering operations could be adversely affected should they be subject to more stringent application of state or federal regulation of rates and services. Additional rules and legislation pertaining to these matters are considered or adopted from time to time. We cannot predict what effect, if any, such changes might have on our operations, but the industry could be required to incur additional capital expenditures and increased costs depending on future legislative and regulatory changes.

In 2007, Texas enacted new laws regarding rates, competition and confidentiality for natural gas gathering and transmission pipelines (“Competition Statute”) and new informal complaint procedures for challenging determinations of lost and unaccounted for gas by gas gatherers, processors and transporters (“LUG Statute”). The Competition Statute gives the Railroad Commission of Texas (“RRC”) the ability to use either a cost-of-service method or a market-based method for setting rates for natural gas gathering and transportation pipelines in formal rate proceedings. This statute also gives the RRC specific authority to enforce its statutory duty to prevent discrimination in natural gas gathering and transportation, to enforce the requirement that parties participate in an informal complaint process and to punish purchasers, transporters, and gatherers for taking discriminatory actions against shippers and sellers. The Competition Bill also provides producers with the unilateral option to determine whether or not confidentiality provisions are included in a contract to which a producer is a party for the sale, transportation, or gathering of natural gas. The LUG Statute modifies the informal complaint process at the RRC with procedures unique to lost and unaccounted for gas issues. Such statute also extends the types of information that can be requested and provides the RRC with the authority to make determinations and issue orders in specific situations. We cannot predict what effect, if any, these statutes might have on our future operations in Texas.

Intrastate Pipeline Regulation

Though our natural gas intrastate pipelines are not subject to regulation by FERC as natural gas companies under the NGA, our intrastate pipelines may be subject to certain FERC-imposed daily scheduled flow and capacity posting requirements depending on the volume of flows in a given period and the design capacity of the pipelines’ receipt and delivery meters. See “Other Federal Laws and Regulation Affecting Our Industry–FERC Market Transparency Rules.”

Our Texas intrastate pipeline, Targa Intrastate Pipeline LLC (“Targa Intrastate”), owns the intrastate pipeline that transports natural gas from our Shackleford processing plant to an interconnect with Atmos Pipeline-Texas that in turn delivers gas to the West Texas Utilities Company’s Paint Creek Power Station. Targa Intrastate also owns a 1.65 mile, 10 inch diameter intrastate pipeline that transports natural gas from a third party gathering system into the Chico System in Denton County, Texas. Targa Intrastate is a gas utility subject to regulation by the RRC and has a tariff on file with such agency.

Our Louisiana intrastate pipeline, Targa Louisiana Intrastate LLC (“TLI”) owns an approximately 60-mile intrastate pipeline system that receives all of the natural gas it transports within or at the boundary of the State of Louisiana. Because all such gas ultimately is consumed within Louisiana, and since the pipeline’s rates and terms of service are subject to regulation by the Office of Conservation of the Louisiana Department of Natural Resources (“DNR”), the pipeline qualifies as a Hinshaw pipeline under Section 1(c) of the NGA and thus is exempt from full

FERC regulation. On July 16, 2009, FERC issued a Notice of Proposed Rulemaking (“NOPR”) seeking comment on proposed rules imposing additional posting and reporting requirements on Hinshaw pipelines providing interstate service under limited blanket certificates and intrastate pipelines providing interstate service under Section 311 of the Natural Gas Policy Act (“NGPA”). If FERC issues a final rule based on the NOPR, it would not cover TLI as currently written, as TLI only provides service governed by the Hinshaw amendment. TLI does not provide interstate service pursuant to any limited blanket certificate. FERC has not yet issued a final rule, and we cannot predict the final rules FERC will promulgate as a result of the NOPR or the ultimate impact of any such regulatory changes to our Hinshaw pipeline.

Texas and Louisiana have adopted complaint-based regulation of intrastate natural gas transportation activities, which allows natural gas producers and shippers to file complaints with state regulators in an effort to resolve grievances relating to pipeline access and rate discrimination. The rates we charge for intrastate transportation are deemed just and reasonable unless challenged in a complaint. We cannot predict whether such a complaint will be filed against us in the future. Failure to comply with state regulations can result in the imposition of administrative, civil and criminal penalties.

Regulation of our NGL intrastate pipelines

Our intrastate NGL pipelines in Louisiana gather raw NGL streams that we own from processing plants in Louisiana and deliver such streams to our Gillis fractionator in Lake Charles, Louisiana, where the raw NGL streams are fractionated into various products. We deliver such refined products (ethane, propane, butanes and natural gasoline) out of our fractionator to and from Targa-owned storage, to other third party facilities and to various third party pipelines in Louisiana. These pipelines are not subject to FERC regulation or rate regulation by the DNR, but are regulated by United States Department of Transportation (“DOT”) safety regulations.

Natural Gas Processing

Our natural gas gathering and processing operations are not presently subject to FERC regulation. However, starting in May 2009 we were required to report to FERC information regarding natural gas sale and purchase transactions for some of our operations depending on the volume of natural gas transacted during the prior calendar year. See “Other Federal Laws and Regulation Affecting Our Industry—FERC Market Transparency Rules.” There can be no assurance that our processing operations will continue to be exempt from other FERC regulation in the future.

Availability, Terms and Cost of Pipeline Transportation

Our processing facilities and our marketing of natural gas and NGLs are affected by the availability, terms and cost of pipeline transportation. The price and terms of access to pipeline transportation can be subject to extensive federal and, if a complaint is filed, state regulation. FERC is continually proposing and implementing new rules and regulations affecting the interstate transportation of natural gas, and to a lesser extent, the interstate transportation of NGLs. These initiatives also may indirectly affect the intrastate transportation of natural gas and NGLs under certain circumstances. We cannot predict the ultimate impact of these regulatory changes to our processing operations and our natural gas and NGL marketing operations. We do not believe that we would be affected by any such FERC action materially differently than other natural gas processors and natural gas and NGL marketers with whom we compete.

The ability of our processing facilities and pipelines to deliver natural gas into third party natural gas pipeline facilities is directly impacted by the gas quality specifications required by those pipelines. In 2006, FERC issued a policy statement on provisions governing gas quality and interchangeability in the tariffs of interstate gas pipeline companies and a separate order declining to set generic prescriptive national standards. FERC strongly encouraged all natural gas pipelines subject to its jurisdiction to adopt, as needed, gas quality and interchangeability standards in their FERC gas tariffs modeled on the interim guidelines issued by a group of industry representatives, headed by the Natural Gas Council (“NGC+ Work Group”), or to explain how and why their tariff provisions differ. We do not believe that the adoption of the NGC+ Work Group’s gas quality interim guidelines by a pipeline that either directly or indirectly interconnects with our facilities would materially affect our operations. We have no way to predict,

however, whether FERC will approve of gas quality specifications that materially differ from the NGC+ Work Group’s interim guidelines for such an interconnecting pipeline.

Sales of Natural Gas and NGLs

The price at which we buy and sell natural gas and NGLs is currently not subject to federal rate regulation and, for the most part, is not subject to state regulation. However, with regard to our physical purchases and sales of these energy commodities and any related hedging activities that we undertake, we are required to observe anti-market manipulation laws and related regulations enforced by FERC and/or the Commodity Futures Trading Commission (“CFTC”). See “Other Federal Laws and Regulation Affecting Our Industry–Energy Policy Act of 2005.” Starting May 1, 2009, we were required to report to FERC information regarding natural gas sale and purchase transactions for some of our operations depending on the volume of natural gas transacted during the prior calendar year. See “Other Federal Laws and Regulation Affecting Our Industry–FERC Market Transparency Rules.” Should we violate the anti-market manipulation laws and regulations, we could also be subject to related third party damage claims by, among others, market participants, sellers, royalty owners and taxing authorities.

Other State and Local Regulation of Our Operations

Our business activities are subject to various state and local laws and regulations, as well as orders of regulatory bodies pursuant thereto, governing a wide variety of matters, including marketing, production, pricing, community right-to-know, protection of the environment, safety and other matters. For additional information regarding the potential impact of federal, state or local regulatory measures on our business, see “Item 1A. Risk Factors—Risks Related to Our Business.”

Interstate common carrier liquids pipeline regulation

As part of the Downstream Business acquired from Targa on September 24, 2009, we acquired Targa NGL Pipeline Company LLC (“Targa NGL”). Targa NGL is an interstate NGL common carrier subject to regulation by FERC under the Interstate Commerce Act (“ICA”). Targa NGL owns a twelve inch diameter pipeline that runs between Lake Charles, Louisiana and Mont Belvieu, Texas. This pipeline can move mixed NGLs and purity NGL products. Targa NGL also owns an eight inch diameter pipeline and a 20 inch diameter pipeline, each of which run between Mont Belvieu, Texas and Galena Park, Texas. The eight inch and the 20 inch pipelines are part of an extensive mixed NGL and purity NGL pipeline receipt and delivery system that provides services to domestic and foreign import and export customers. The ICA requires that we maintain tariffs on file with FERC for each of these pipelines. Those tariffs set forth the rates we charge for providing transportation services as well as the rules and regulations governing these services. The ICA requires, among other things, that rates on interstate common carrier pipelines be “just and reasonable” and non-discriminatory. All shippers on this pipeline are our affiliates.

Other Federal Laws and Regulation Affecting Our Industry

Energy Policy Act of 2005

The Domenici-Barton Energy Policy Act of 2005 (“EP Act 2005”) is a comprehensive compilation of tax incentives, authorized appropriations for grants and guaranteed loans, and significant changes to the statutory policy that affects all segments of the energy industry. Among other matters, EP Act 2005 amends the NGA to add an anti-market manipulation provision which makes it unlawful for any entity to engage in prohibited behavior to be prescribed by FERC, and furthermore provides FERC with additional civil penalty authority. The EP Act 2005 provides FERC with the power to assess civil penalties of up to \$1 million per day for violations of the NGA and \$1 million per violation per day for violations of the NGPA. The civil penalty provisions are applicable to entities that engage in the sale of natural gas for resale in interstate commerce. In 2006, FERC issued Order 670 to implement the anti-market manipulation provision of EP Act 2005. Order 670 makes it unlawful to: (1) in connection with the purchase or sale of natural gas subject to the jurisdiction of FERC, or the purchase or sale of transportation services subject to the jurisdiction of FERC, for any entity, directly or indirectly, to use or employ any device, scheme or artifice to defraud; (2) to make any untrue statement of material fact or omit any statement necessary to make the statements made not misleading; or (3) to engage in any act or practice that operates as a fraud or deceit upon any person. Order 670 does not apply to activities that relate only to intrastate or other

non-jurisdictional sales or gathering, but does apply to activities of gas pipelines and storage companies that provide interstate services, as well as otherwise non-jurisdictional entities to the extent the activities are conducted “in connection with” gas sales, purchases or transportation subject to FERC jurisdiction, which now includes the annual reporting requirements under a final rule on the annual natural gas transaction reporting requirements, as amended by subsequent orders on rehearing (Order 704) and the daily schedule flow and capacity posting requirements under Order 720. The anti-market manipulation rule and enhanced civil penalty authority reflect an expansion of FERC’s NGA enforcement authority.

FERC Standards of Conduct for Transmission Providers

On October 16, 2008, FERC issued new standards of conduct for transmission providers (Order 717) to regulate the manner in which interstate natural gas pipelines may interact with their marketing affiliates based on an employee separation approach. A “Transmission Provider” includes an interstate natural gas pipeline that provides open access transportation pursuant to FERC’s regulations. Under these rules, a Transmission Provider’s transmission function employees (including the transmission function employees of any of its affiliates) must function independently from the Transmission Provider’s marketing function employees (including the marketing function employees of any of its affiliates). FERC clarified on October 15, 2009 in a rehearing order, Order 717-A, however, that if a Hinshaw pipeline affiliated with a Transmission Provider engages in off-system sales of gas that has been transported on the Transmission Provider’s affiliated pipeline, then the Transmission Provider and the Hinshaw pipeline (which is engaging in marketing functions) will be required to observe the Standards of Conduct by, among other things, having the marketing function employees function independently from the transmission function employees. Our only Hinshaw pipeline, TLI, does not engage in any off-system sales of gas that have been transported on an affiliated Transmission Provider, and we do not believe that our operations will be affected by the new standards of conduct. FERC further clarified Order 717-A in a rehearing order, Order 717-B, on November 16, 2009. However Order 717-B did not substantively alter the rules promulgated under Orders 717 and 717-A. Requests for rehearing of Order 717-B have been filed and are currently pending before FERC. We have no way to predict with certainty whether and to what extent FERC will revise the new standards of conduct in response to those requests for rehearing.

FERC Market Transparency Rules

In 2007, FERC issued Order 704, whereby wholesale buyers and sellers of more than 2.2 BBtu of physical natural gas in the previous calendar year, including interstate and intrastate natural gas pipelines, natural gas gatherers, natural gas processors and natural gas marketers, are now required to report, on May 1 of each year, beginning in 2009, aggregate volumes of natural gas purchased or sold at wholesale in the prior calendar year to the extent such transactions utilize, contribute to, or may contribute to the formation of price indices. It is the responsibility of the reporting entity to determine which transactions should be reported based on the guidance of Order 704.

On November 20, 2008, FERC issued a final rule on daily scheduled flows and capacity posting requirements (Order 720). Under Order 720, certain non-interstate pipelines delivering, on an annual basis, more than an average of 50 BBtu of gas over the previous three calendar years, are required to post daily certain information regarding the pipeline’s capacity and scheduled flows for each receipt and delivery point that has a design capacity equal to or greater than 15,000 MMBtu/d. In response to requests for clarification and rehearing, FERC issued Order 720-A on January 21, 2010, which clarified certain of the rules promulgated under Order 720 and established July 1, 2010 as the deadline for applicable major non-interstate pipelines to meet the daily posting requirement. A petition for review of Orders 720 and 720-A has been filed and is currently pending before the Court of Appeals for the Fifth Circuit. A petition for review of Orders 720 and 720-A has been filed and is currently pending before the Court of Appeals for the Fifth Circuit, and requests for rehearing of Order 720-A are currently pending before the FERC. As currently written, the reporting requirement under Order 720, as clarified by Order 720-A, does not apply to us. We have no way to predict with certainty whether and to what extent Orders 720 and 720-A may be modified as a result of the petition for review or the requests for rehearing.

Additional proposals and proceedings that might affect the natural gas industry are pending before Congress, FERC and the courts. We cannot predict the ultimate impact of these or the above regulatory changes to our natural

gas operations. We do not believe that we would be affected by any such FERC action materially differently than other midstream natural gas companies with whom we compete.

Environmental, Health and Safety Matters

General

Our operations are subject to stringent and complex federal, state and local laws and regulations pertaining to health, safety and the environment. For more information on our operations, see “Item 1. Business—Our Business”. As with the industry generally, compliance with current and anticipated environmental laws and regulations increases our overall cost of business, including our capital costs to construct, maintain and upgrade equipment and facilities. These laws and regulations may, among other things, require the acquisition of various permits to conduct regulated activities, require the installation of pollution control equipment or otherwise restrict the way we can handle or dispose of our wastes; limit or prohibit construction activities in sensitive areas such as wetlands, wilderness areas or areas inhabited by endangered or threatened species; require investigatory and remedial action to mitigate pollution conditions caused by our operations or attributable to former operations; and enjoin some or all of the operations of facilities deemed in non-compliance with permits issued pursuant to such environmental laws and regulations. Failure to comply with these laws and regulations may result in assessment of administrative, civil and criminal penalties, the imposition of removal or remedial obligations and the issuance of injunctions limiting or prohibiting our activities.

We have implemented programs and policies designed to keep our pipelines, plants and other facilities in compliance with existing environmental laws and regulations. The clear trend in environmental regulation, however, is to place more restrictions and limitations on activities that may affect the environment and thus, any changes in environmental laws and regulations or re-interpretation of enforcement policies that result in more stringent and costly waste handling, storage, transport, disposal or remediation requirements could have a material adverse effect on our operations and financial position. We may be unable to pass on such increased compliance costs to our customers. Moreover, accidental releases or spills may occur in the course of our operations and we cannot assure you that we will not incur significant costs and liabilities as a result of such releases or spills, including any third party claims for damage to property, natural resources or persons. While we believe that we are in substantial compliance with existing environmental laws and regulations and that continued compliance with current requirements would not have a material adverse effect on us, there is no assurance that the current conditions will continue in the future.

The following is a summary of the more significant existing environmental, health and safety laws and regulations to which our business operations are subject and for which compliance may have a material adverse impact on our capital expenditures, results of operations or financial position.

Hazardous Substances and Waste

The Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, (“CERCLA” or the “Superfund” law) and comparable state laws impose liability without regard to fault or the legality of the original conduct, on certain classes of persons who are considered to be responsible for the release of a “hazardous substance” into the environment. These persons include current and prior owners or operators of the site where the release occurred and entities that disposed or arranged for the disposal of the hazardous substances found at the site. Under CERCLA, these “responsible persons” may be subject to joint and several, strict liability for the costs of cleaning up the hazardous substances that have been released into the environment, for damages to natural resources and for the costs of certain health studies. CERCLA also authorizes the federal Environmental Protection Agency (“EPA”) and, in some instances, third parties to act in response to threats to the public health or the environment and to seek to recover from the responsible classes of persons the costs they incur. It is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by the release of hazardous substances or other pollutants into the environment. We generate materials in the course of our operations that are regulated as “hazardous substances” under CERCLA or similar state statutes and, as a result, may be jointly and severally liable under CERCLA or such statutes for all or part of the costs required to clean up sites at which these hazardous substances have been released into the environment.

We also generate solid wastes, including hazardous wastes that are subject to the requirements of the Federal Resource Conservation and Recovery Act, as amended (“RCRA”) and comparable state statutes. While RCRA regulates both solid and hazardous wastes, it imposes strict requirements on the generation, storage, treatment, transportation and disposal of hazardous wastes. In the course of our operations we generate petroleum product wastes and ordinary industrial wastes such as paint wastes, waste solvents and waste compressor oils that are regulated as hazardous wastes. Certain materials generated in the exploration, development or production of crude oil and natural gas are excluded from RCRA’s hazardous waste regulations. However, it is possible that future changes in law or regulation could result in these wastes, including wastes currently generated during our operations, being designated as “hazardous wastes” and therefore subject to more rigorous and costly disposal requirements. Any such changes in the laws and regulations could have a material adverse effect on our capital expenditures and operating expenses as well as those of the oil and gas industry in general.

We currently own or lease and have in the past owned or leased, properties that for many years have been used for midstream natural gas and NGL activities. Although we have utilized operating and disposal practices that were standard in the industry at the time, hydrocarbons or other wastes may have been disposed of or released on or under the properties owned or leased by us or on or under the other locations where these hydrocarbons and wastes have been taken for treatment or disposal. In addition, certain of these properties have been operated by third parties whose treatment and disposal or release of hydrocarbons or other wastes was not under our control. These properties and wastes disposed thereon may be subject to CERCLA, RCRA and analogous state laws. Under these laws, we could be required to remove or remediate previously disposed wastes (including wastes disposed of or released by prior owners or operators), to clean up contaminated property (including contaminated groundwater) and to perform remedial operations to prevent future contamination. We are not currently aware of any facts, events or conditions relating to such requirements that could materially impact our operations or financial condition.

Air Emissions

The Clean Air Act, as amended, and comparable state laws and regulations restrict the emission of air pollutants from many sources, including processing plants and compressor stations and also impose various monitoring and reporting requirements. These laws and regulations may require us to obtain pre-approval for the construction or modification of certain projects or facilities expected to produce or significantly increase air emissions, obtain and strictly comply with stringent air permit requirements or utilize specific equipment or technologies to control emissions. We are currently reviewing the air emissions monitoring systems at certain of our facilities. We may be required to incur capital expenditures in the next few years to implement various air emissions leak detection and monitoring programs as well as to install air pollution control equipment or non-ambient storage tanks as a result of our review or in connection with maintaining, amending or obtaining operating permits and approvals for air emissions. We currently believe, however, that such requirements will not have a material adverse affect on our operations.

Climate Change

In response to concerns suggesting that emissions of certain gases, commonly referred to as greenhouse gases (“GHGs”) (including carbon dioxide (“CO₂”) and methane), are contributing to the warming of the Earth’s atmosphere and other climatic changes, the United States Congress has been considering legislation to reduce such emissions. In addition, more than one-third of the states, either individually or through multi-state regional initiatives, already have begun implementing legal measures to reduce emissions of GHGs, primarily through the planned development of greenhouse gas emission inventories and/or greenhouse gas cap and trade programs. As an alternative to cap and trade programs, Congress may consider the implementation of a carbon tax program. The cap and trade programs could require major sources of emissions, such as electric power plants, or major producers of fuels, such as refineries or NGL fractionation plants, to acquire and surrender emission allowances. Depending on the particular program, we could be required to purchase and surrender allowances, either for GHG emissions resulting from our operations (e.g., compressor stations) or from combustion of fuels (e.g., NGLs) we process. Depending on the design and implementation of carbon tax programs, our operations could face additional taxes and higher cost of doing business. Although we would not be impacted to a greater degree than other similarly situated gatherers and processors of natural gas or NGLs, a stringent GHG control program could have an adverse effect on our cost of doing business and could reduce demand for the natural gas and NGLs we gather and process.

On December 15, 2009, the EPA issued a notice of its final finding and determination that emissions of CO₂, methane, and other GHGs present an endangerment to public health and the environment because emissions of such gases contribute to warming of the earth’s atmosphere and other climatic changes. This final finding and determination allows the EPA to begin regulating GHG emissions under existing provisions of the Clean Air Act. Consequently, the EPA has proposed regulations that would require a reduction in emissions of GHGs from motor vehicles and could trigger permit review for GHG emissions from certain stationary sources. In addition, on October 30, 2009, the EPA issued a final rule requiring the reporting of GHG emissions from specified large GHG emission sources in the U.S., including NGL fractionators, beginning in 2011 for emissions occurring in 2010. Although it is not possible at this time to predict how legislation or new regulations that may be adopted to address GHG emissions would impact our business, any such new federal, state or regional restrictions on emissions of CO₂ that may be imposed in areas in which we conduct business could also have an adverse affect on our cost of doing business and demand for the natural gas and NGLs we gather and process.

Water Discharges

The Federal Water Pollution Control Act, as amended (“Clean Water Act” or “CWA”), and analogous state laws impose restrictions and strict controls regarding the discharge of pollutants into navigable waters. Pursuant to the CWA and analogous state laws, permits must be obtained to discharge pollutants into state waters or waters of the U.S. Any such discharge of pollutants into regulated waters must be performed in accordance with the terms of the permit issued by the EPA or the analogous state agency. Spill prevention, control and countermeasure requirements under federal law require appropriate containment berms and similar structures to help prevent the contamination of navigable waters in the event of a petroleum hydrocarbon tank spill, rupture or leak. In addition, the CWA and analogous state laws require individual permits or coverage under general permits for discharges of storm water runoff from certain types of facilities. These permits may require us to monitor and sample the storm water runoff. The CWA and analogous state laws can impose substantial civil and criminal penalties for non-compliance including spills and other non-authorized discharges.

The Oil Pollution Act of 1990, as amended (“OPA”), which amends the CWA, establishes strict liability for owners and operators of facilities that are the site of a release of oil into waters of the United States. OPA and its associated regulations impose a variety of requirements on responsible parties related to the prevention of oil spills and liability for damages resulting from such spills. A “responsible party” under OPA includes owners and operators of onshore facilities, such as our plants and our pipelines. Under OPA, owners and operators of facilities that handle, store, or transport oil are required to develop and implement oil spill response plans, and establish and maintain evidence of financial responsibility sufficient to cover liabilities related to an oil spill for which such parties could be statutorily responsible. We believe that we are in substantial compliance with the CWA, OPA and analogous state laws.

Endangered Species Act

The federal Endangered Species Act, as amended (“ESA”), restricts activities that may affect endangered or threatened species or their habitats. While some of our facilities may be located in areas that are designated as habitat for endangered or threatened species, we believe that we are in substantial compliance with the ESA. However, the designation of previously unidentified endangered or threatened species could cause us to incur additional costs or become subject to operating restrictions or bans in the affected areas.

Pipeline Safety

The pipelines we use to gather and transport natural gas and transport NGLs are subject to regulation by the DOT under the Natural Gas Pipeline Safety Act of 1968, as amended (“NGPSA”), with respect to natural gas and the Hazardous Liquids Pipeline Safety Act of 1979, as amended (“HLPsA”), with respect to crude oil, NGLs and condensates. The NGPSA and HLPsA govern the design, installation, testing, construction, operation, replacement and management of natural gas and NGL pipeline facilities. Pursuant to these acts, the DOT has promulgated regulations governing pipeline wall thickness, design pressures, maximum operating pressures, pipeline patrols and leak surveys, minimum depth requirements, and emergency procedures, as well as other matters intended to ensure adequate protection for the public and to prevent accidents and failures. Where applicable, the NGPSA and HLPsA require any entity that owns or operates pipeline facilities to comply with the regulations under these acts, to permit

access to and allow copying of records and to make certain reports and provide information as required by the Secretary of Transportation. We believe that our pipeline operations are in substantial compliance with applicable NGPSA and HLPSP requirements; however, due to the possibility of new or amended laws and regulations or reinterpretation of existing laws and regulations, future compliance with the NGPSA and HLPSP could result in increased costs.

Our pipelines are also subject to regulation by the DOT under the Pipeline Safety Improvement Act of 2002, which was amended by the Pipeline Inspection, Protection, Enforcement, and Safety Act of 2006 (“PIPES Act”). The DOT, through the Pipeline and Hazardous Materials Safety Administration (“PHMSA”) has established a series of rules, which require pipeline operators to develop and implement integrity management programs for gas transmission pipelines that, in the event of a failure, could affect “high consequence areas.” “High consequence areas” are currently defined as areas with specified population densities, buildings containing populations of limited mobility and areas where people gather that are located along the route of a pipeline. Similar rules are also in place for operators of hazardous liquid pipelines including lines transporting NGLs and condensates.

In addition, states have adopted regulations, similar to existing DOT regulations, for intrastate gathering and transmission lines. Texas and Louisiana have developed regulatory programs that parallel the federal regulatory scheme and are applicable to intrastate pipelines transporting natural gas and NGLs. We currently estimate an annual average cost of \$1.7 million for years 2010 through 2012 to perform necessary integrity management program testing on our pipelines required by existing DOT and state regulations. This estimate does not include the costs, if any, of any repair, remediation, preventative or mitigating actions that may be determined to be necessary as a result of the testing program, which costs could be substantial. However, we do not expect that any such costs would be material to our financial condition or results of operations.

More recently, on December 3, 2009, the PHMSA issued a final rule mandated by the PIPES Act focusing on how human interactions of control room personnel, such as avoidance of error or the performance of mitigating actions, may impact pipeline system integrity. Among other things, the final rule requires operators of hazardous liquid and gas pipelines to amend their existing written operations and maintenance procedures, operator qualification programs and emergency plans to take into account such items as specificity of the responsibilities and roles of control room personnel; listing of planned pipeline-related occurrences during a particular shift that may be easily shared with other controllers during a shift turnover; establishment of appropriate shift rotations to protect against controller fatigue; and development of appropriate communications between controllers, management and field personnel when planning and implementing changes to pipeline equipment or operations. We do not anticipate that the rule, as issued in final form, will result in substantial costs with respect to our operations.

Employee Health and Safety

We are subject to a number of federal and state laws and regulations, including the federal Occupational Safety and Health Act, as amended (“OSHA”), and comparable state statutes, whose purpose is to protect the health and safety of workers, both generally and within the pipeline industry. In addition, the OSHA hazard communication standard, the EPA community right-to-know regulations under Title III of the Federal Superfund Amendment and Reauthorization Act and comparable state statutes require that information be maintained concerning hazardous materials used or produced in our operations and that this information be provided to employees, state and local government authorities and citizens. We and the entities in which we own an interest are also subject to OSHA Process Safety Management regulations, which are designed to prevent or minimize the consequences of catastrophic releases of toxic, reactive, flammable or explosive chemicals. These regulations apply to any process which involves a chemical at or above the specified thresholds or any process which involves flammable liquid or gas, pressurized tanks, caverns and wells in excess of 10,000 pounds at various locations. Flammable liquids stored in atmospheric tanks below their normal boiling point without the benefit of chilling or refrigeration are exempt. We have an internal program of inspection designed to monitor and enforce compliance with worker safety requirements. We believe that we are in substantial compliance with all applicable laws and regulations relating to worker health and safety.

Title to Properties and Rights-of-Way

Our real property falls into two categories: (1) parcels that we own in fee and (2) parcels in which our interest derives from leases, easements, rights-of-way, permits or licenses from landowners or governmental authorities permitting the use of such land for our operations. Portions of the land on which our plants and other major facilities are located are owned by us in fee title and we believe that we have satisfactory title to these lands. The remainder of the land on which our plant sites and major facilities are located are held by us pursuant to ground leases between us, as lessee, and the fee owner of the lands, as lessors, and we believe that we have satisfactory leasehold estates to such lands. We have no knowledge of any challenge to any material lease, easement, right-of-way, permit or lease and we believe that we have satisfactory title to all of our material leases, easements, rights-of-way, permits and licenses.

Targa may continue to hold record title to portions of certain assets until we make the appropriate filings in the jurisdictions in which such assets are located and obtain any consents and approvals that are not obtained prior to transfer. Such consents and approvals would include those required by federal and state agencies or political subdivisions. In some cases, Targa may, where required consents or approvals have not been obtained, temporarily hold record title to property as nominee for our benefit and in other cases may, on the basis of expense and difficulty associated with the conveyance of title, cause its affiliates to retain title, as nominee for our benefit, until a future date. We anticipate that there will be no material change in the tax treatment of our common units resulting from the holding by Targa of title to any part of such assets subject to future conveyance or as our nominee.

Employees

We do not have any employees. To carry out its operations, Targa employs approximately 1,000 people, some of whom provide direct support for our operations. None of these employees are covered by collective bargaining agreements. Targa considers its employee relations to be good.

Financial Information by Segment

See “Segment Information” included under Note 19 to our “Consolidated Financial Statements” beginning on page F-1 of this Annual Report for a presentation of financial results by segment.

Available Information

We make certain filings with the Securities and Exchange Commission (“SEC”), including our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments and exhibits to those reports. We make such filings available free of charge through our website, <http://www.targaresources.com>, as soon as reasonably practicable after they are filed with the SEC. The filings are also available through the SEC at the SEC’s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549 or by calling 1-800-SEC-0330. Also, these filings are available on the internet at <http://www.sec.gov>. Our press releases and recent analyst presentations are also available on our website.

Item 1A. Risk Factors

Limited partner interests are inherently different from capital stock of a corporation, although many of the business risks to which we are subject are similar to those that would be faced by a corporation engaged in similar businesses. The nature of our business activities subject us to certain hazards and risks. You should consider carefully the following risk factors together with all of the other information contained in this report. Additional risks not presently known to us or which we consider immaterial based on information currently available to us may also materially adversely affect us. If any of the following risks were actually to occur, then our business, financial condition or results of operations could be materially adversely affected.

Risks Related to Our Business

We may not be able to obtain funding or obtain funding on acceptable terms because of the deterioration of the credit and capital markets. This may hinder or prevent us from meeting our future capital needs.

Global financial markets and economic conditions have been, and continue to be, disrupted and volatile. The debt and equity capital markets have been exceedingly distressed. These issues, along with significant write-offs in the financial services sector, the re-pricing of credit risk and the current weak economic conditions have made, and will likely continue to make, it difficult to obtain funding.

In particular, the cost of raising money in the debt and equity capital markets has increased substantially while the availability of funds from those markets generally has diminished significantly. Also, as a result of concerns about the stability of financial markets generally and the solvency of counterparties specifically, the cost of obtaining funds from the credit markets generally has increased as many lenders and institutional investors have increased interest rates, enacted tighter lending standards, refused to refinance existing debt at maturity at all or on terms similar to our current debt and reduced and, in some cases, ceased to provide funding to borrowers.

In October 2008, Lehman Brothers Commercial Bank (“Lehman Bank”) defaulted on a borrowing request under our senior secured revolving credit facility (“credit facility”) which effectively reduced our total commitments under our credit facility. We can provide no assurance that other lending counterparties will be willing or able to meet their existing funding obligations under our credit facility.

Due to these factors, we cannot be certain that funding will be available, if needed and to the extent required, on acceptable terms. If funding is not available when needed or is available only on unfavorable terms, we may be unable to meet our business funding requirements, grow our existing business, complete acquisitions or otherwise take advantage of business opportunities or respond to competitive pressures, any of which could have a material adverse effect on our revenues and results of operations.

Our substantial amount of indebtedness could adversely affect our financial position.

We currently have a substantial amount of indebtedness. As of December 31, 2009 we had approximately \$908.4 million of total indebtedness outstanding, approximately \$69.2 million of letters of credit outstanding and \$410.1 million of additional borrowing capacity under our credit facility, after giving effect to the Lehman Bank default. Our credit facility allows us to request increases in the commitments under the credit facility of up to \$22.5 million. We may also incur additional indebtedness in the future.

Our substantial indebtedness may:

- make it difficult for us to satisfy our financial obligations, including making scheduled principal and interest payments on our indebtedness;
- limit our ability to borrow additional funds for working capital, capital expenditures, acquisitions or other general business purposes;
- limit our ability to use our cash flow or obtain additional financing for future working capital, capital expenditures, acquisitions or other general business purposes;

- require us to use a substantial portion of our cash flow from operations to make debt service payments;
- limit our flexibility to plan for or react to, changes in our business and industry;
- place us at a competitive disadvantage compared to our less leveraged competitors; and
- increase our vulnerability to the impact of adverse economic and industry conditions.

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

Our ability to service our debt depends upon, among other things, our future financial and operating performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors, some of which are beyond our control. If our operating results are not sufficient to service our current or future indebtedness, we will be forced to take actions such as reducing distributions; reducing or delaying our business activities, investments, acquisitions or capital expenditures; selling assets; restructuring or refinancing our debt; or seeking additional equity capital. We may not be able to affect any of these actions on satisfactory terms or at all. See “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources.”

Our cash flow is affected by supply and demand for natural gas and NGL products and by natural gas and NGL prices and decreases in these prices could adversely affect our ability to make distributions to holders of our common units.

Our operations can be affected by the level of natural gas and NGL prices and the relationship between these prices. The prices of oil, natural gas and NGLs have been volatile and we expect this volatility to continue. Our future cash flow may be materially adversely affected if we experience significant, prolonged pricing deterioration and we may be unable to maintain our current level of distributions. The markets and prices for natural gas and NGLs depend upon factors beyond our control. These factors include demand for these commodities, which fluctuates with changes in market and economic conditions, and other factors, including:

- the impact of seasonality and weather;
- general economic conditions and the economic conditions impacting our primary markets;
- the economic conditions of our customers;
- the level of domestic crude oil and natural gas production and consumption;
- the availability of imported natural gas, liquefied natural gas, NGLs and crude oil;
- actions taken by foreign oil and gas producing nations;
- the availability of local, intrastate and interstate transportation systems and storage for residue natural gas and NGLs;
- the availability and marketing of competitive fuels and/or feedstocks;
- the impact of energy conservation efforts; and
- the extent of governmental regulation and taxation.

Our primary natural gas gathering and processing arrangements that expose us to commodity price risk are our percent-of-proceeds arrangements. For the year ended December 31, 2009, our percent-of-proceeds arrangements accounted for approximately 70% of our gathered natural gas volume. Under percent-of-proceeds arrangements, we generally process natural gas from producers and remit to the producers an agreed percentage of the proceeds from

the sale of residue gas and NGL products at market prices or a percentage of residue gas and NGL products at the tailgate of our processing facilities. In some percent-of-proceeds arrangements, we remit to the producer a percentage of an index or index-based price for residue gas and NGL products, less agreed adjustments, rather than remitting a portion of the actual sales proceeds. Under these types of arrangements, our revenues and our cash flows increase or decrease, whichever is applicable, as the prices of natural gas, NGL and crude oil fluctuate. For additional information regarding our hedging activities, see “Item 7A. Quantitative and Qualitative Disclosures About Market Risk—Commodity Price Risk.”

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

Our gathering systems are connected to oil and natural gas wells from which production will naturally decline over time, which means that our cash flows associated with these wells will likely also decline over time. To maintain or increase throughput levels on our gathering systems and the utilization rate at our processing plants and our treating and fractionation facilities, we must continually obtain new natural gas and NGL supplies. A material decrease in natural gas production from producing areas on which we rely, as a result of depressed commodity prices or otherwise, could result in a decline in the volume of natural gas that we process and NGL products delivered to our fractionation facilities. Our ability to obtain additional sources of natural gas and NGLs depends, in part, on the level of successful drilling and production activity near our gathering systems. We have no control over the level of such activity in the areas of our operations, the amount of reserves associated with the wells or the rate at which production from a well will decline. In addition, we have no control over producers or their drilling or production decisions, which are affected by, among other things, prevailing and projected energy prices, demand for hydrocarbons, the level of reserves, geological considerations, governmental regulations, availability of drilling rigs, other production and development costs and the availability and cost of capital.

Fluctuations in energy prices can greatly affect production rates and investments by third parties in the development of new oil and natural gas reserves. Drilling and production activity generally decreases as oil and natural gas prices decrease. Prices of oil and natural gas have been extremely volatile and we expect this volatility to continue. Energy commodity prices and demand have recently declined substantially, leading many exploration and production companies, including several in our areas of operation, to announce reduced capital expenditure levels for 2009 and could lead producers in our areas of operation to shut-in wells during the coming year. Consequently, even if new natural gas reserves are discovered in areas served by our assets, producers may choose not to develop those reserves. Reductions in exploration and production activity, competitor actions or shut-ins by producers in the areas in which we operate may prevent us from obtaining new supplies of natural gas to replace the natural decline in volumes from existing wells, which could result in reduced volumes through our facilities and reduced utilization of our gathering, treating, processing and fractionation assets. Should reductions negatively impact our results of operations, they may impair our ability to make distributions to our unitholders.

If we fail to balance our purchases of natural gas and our sales of residue gas and NGLs, our exposure to commodity price risk will increase.

We may not be successful in balancing our purchases of natural gas and our sales of residue gas and NGLs. In addition, a producer could fail to deliver promised volumes to us or deliver in excess of contracted volumes or a purchaser could purchase less than contracted volumes. Any of these actions could cause an imbalance between our purchases and sales. If our purchases and sales are not balanced, we will face increased exposure to commodity price risks and could have increased volatility in our operating income.

Our hedging activities may not be effective in reducing the variability of our cash flows and may, in certain circumstances, increase the variability of our cash flows. Moreover, our hedges may not fully protect us against volatility in basis differentials. Finally, the percentage of our expected equity commodity volumes that are hedged decreases substantially over time.

We have entered into derivative transactions related to only a portion of our equity volumes. As a result, we will continue to have direct commodity price risk to the unhedged portion. Our actual future volumes may be

significantly higher or lower than we estimated at the time we entered into the derivative transactions for that period. If the actual amount is higher than we estimated, we will have greater commodity price risk than we intended. If the actual amount is lower than the amount that is subject to our hedges, we might be forced to satisfy all or a portion of our derivative transactions without the benefit of the cash flow from our sale of the underlying physical commodity. The percentages of our expected equity volumes that are covered by our hedges decrease over time. To the extent we hedge our commodity price risk, we may forego the benefits we would otherwise experience if commodity prices were to change in our favor. The derivative instruments we utilize for these hedges are based on posted market prices, which may be higher or lower than the actual natural gas, NGLs and condensate prices that we realize in our operations. These pricing differentials may be substantial and could materially impact the prices we ultimately realize. In addition, current market and economic conditions may adversely affect our hedge counterparties' ability to meet their obligations. Given the current volatility in the financial and commodity markets, we may experience defaults by our hedge counterparties in the future. As a result of these and other factors, our hedging activities may not be as effective as we intend in reducing the variability of our cash flows and in certain circumstances may actually increase the variability of our cash flows. For additional information regarding our hedging activities, see "Item 7A. Quantitative and Qualitative Disclosures About Market Risk—Commodity Price Risk."

We rely on a natural gas producer for a significant portion of our supply of natural gas. The loss of our largest supplier or the need to replace its contract on less favorable terms could result in a decline in our volumes, revenues and cash available for distribution.

The largest natural gas supplier to our Natural Gas Gathering and Processing business is ConocoPhillips, who accounted for approximately 11% of the natural gas supplied to our systems in 2009. The loss of a significant portion of the natural gas volumes supplied by this producer or the extension or replacement of its contracts on less favorable terms, if at all, as a result of competition or otherwise, could reduce our revenue or increase our cost for product purchases, impairing our ability to make distributions to our unitholders.

If third party pipelines and other facilities interconnected to our natural gas pipelines and processing facilities become partially or fully unavailable to transport natural gas and NGLs, our revenues could be adversely affected.

We depend upon third party pipelines, storage and other facilities that provide delivery options to and from our pipelines and processing facilities. Since we do not own or operate these pipelines or other facilities, their continuing operation in their current manner is not within our control. If any of these third party facilities become partially or fully unavailable or if the quality specifications for their pipelines or facilities change so as to restrict our ability to use them, our revenues and cash available for distribution could be adversely affected.

If future acquisitions do not perform as expected, our future financial performance may be negatively impacted.

Acquisitions may significantly increase our size and diversify the geographic areas in which we operate. We cannot assure you that we will achieve the desired affect from acquisitions we may complete in the future. In addition, failure to assimilate future acquisitions could adversely affect our financial condition and results of operations.

If we do not make acquisitions on economically acceptable terms or efficiently and effectively integrate the acquired assets with our asset base, our future growth will be limited.

Our ability to grow depends, in part, on our ability to make acquisitions that result in an increase in cash generated from operations per unit. If we are unable to make these accretive acquisitions either because we are (1) unable to identify attractive acquisition candidates or negotiate acceptable purchase contracts with them, (2) unable to obtain financing for these acquisitions on economically acceptable terms or (3) outbid by competitors, then our future growth and ability to increase distributions will be limited.

Any acquisition involves potential risks, including, among other things:

- operating a significantly larger combined organization and adding operations;
- difficulties in the assimilation of the assets and operations of the acquired businesses, especially if the assets acquired are in a new business segment or geographic area;
- the risk that natural gas reserves expected to support the acquired assets may not be of the anticipated magnitude or may not be developed as anticipated;
- the failure to realize expected volumes, revenues, profitability or growth;
- the failure to realize any expected synergies and cost savings;
- coordinating geographically disparate organizations, systems and facilities.
- the assumption of unknown liabilities;
- limitations on rights to indemnity from the seller;
- inaccurate assumptions about the overall costs of equity or debt;
- the diversion of management's and employees' attention from other business concerns; and
- customer or key employee losses at the acquired businesses.

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

Our acquisition strategy is based, in part, on our expectation of ongoing divestitures of energy assets by industry participants. A material decrease in such divestitures would limit our opportunities for future acquisitions and could adversely affect our operations and cash flows available for distribution to our unitholders.

Our acquisition strategy requires access to new capital. Tightened capital markets or increased competition for investment opportunities could impair our ability to grow through acquisitions.

We continuously consider and enter into discussions regarding potential acquisitions. Any limitations on our access to capital will impair our ability to execute this strategy. If the cost of such capital becomes too expensive, our ability to develop or acquire strategic and accretive assets will be limited. We may not be able to raise the necessary funds on satisfactory terms, if at all. The primary factors that influence our initial cost of equity include market conditions, fees we pay to underwriters and other offering costs, which include amounts we pay for legal and accounting services. The primary factors influencing our cost of borrowing include interest rates, credit spreads, covenants, underwriting or loan origination fees and similar charges we pay to lenders.

Current weak economic conditions and the volatility and disruption in the weak financial markets have increased the cost of raising money in the debt and equity capital markets substantially while diminishing the availability of funds from those markets. Also, as a result of concerns about the stability of financial markets generally and the solvency of counterparties specifically, the cost of obtaining money from the credit markets generally has increased as many lenders and institutional investors have increased interest rates, enacted tighter lending standards, refused to refinance existing debt at maturity at all or on terms similar to our current debt and reduced and, in some cases, ceased to provide funding to borrowers. These factors may impair our ability to execute our acquisition strategy.

In addition, we typically experience competitive bidding for the types of assets we contemplate purchasing. The weak economic conditions and competition for asset purchases could limit our ability to fully execute our growth strategy. Our inability to execute our growth strategy could materially adversely affect our ability to maintain or pay higher distributions in the future.

We are exposed to the credit risk of Targa and any material nonperformance by Targa could reduce our ability to make distributions to our unitholders.

We have entered into purchase agreements with Targa pursuant to which Targa will purchase (i) all of the North Texas System's natural gas, and (ii) substantially all of the SAOU and LOU Systems' natural gas for terms of 15 years. We are also party to an amended and restated Omnibus Agreement with Targa which addresses, among other things, the provision of general and administrative and operating services to us. Targa's corporate credit ratings as assigned by Moody's and Standard & Poors as of February 15, 2010 are B1 and B+, which are speculative ratings. These speculative ratings signify a higher risk that Targa will default on its obligations, including its obligations to us, than does an investment grade credit rating. Any material nonperformance under the omnibus and purchase agreements by Targa could materially and adversely impact our ability to operate and make distributions to our unitholders.

Our general partner is an obligor under and subject to a pledge related to, Targa's credit facility; in the event Targa is unable to meet its obligations under that facility or is declared bankrupt, Targa's lenders may gain control of our general partner or, in the case of bankruptcy, our partnership may be dissolved.

Targa Resources GP LLC, our general partner, is an obligor under, and all of its assets and Targa's ownership interest in it are subject to a lien related to, Targa's credit facility. In the event Targa is unable to satisfy its obligations under its credit facility and the lenders foreclose on their collateral, the lenders will own our general partner and all of its assets, which include the general partner interest in us and our incentive distribution rights. In such event, the lenders would control our management and operation. Moreover, in the event Targa becomes insolvent or is declared bankrupt, our general partner may be deemed insolvent or declared bankrupt as well. Under the terms of our partnership agreement, the bankruptcy or insolvency of our general partner will cause a dissolution of our partnership.

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

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

Typically we do not obtain independent evaluations of natural gas reserves dedicated to our gathering pipeline systems; therefore, volumes of natural gas on our systems in the future could be less than we anticipate.

We typically do not obtain independent evaluations of natural gas reserves connected to our gathering systems due to the unwillingness of producers to provide reserve information as well as the cost of such evaluations. Accordingly, we do not have independent estimates of total reserves dedicated to our gathering systems or the anticipated life of such reserves. If the total reserves or estimated life of the reserves connected to our gathering systems is less than we anticipate and we are unable to secure additional sources of natural gas, then the volumes of natural gas transported on our gathering systems in the future could be less than we anticipate. A decline in the volumes of natural gas on our systems could have a material adverse effect on our business, results of operations and financial condition and our ability to make cash distributions to our unitholders.

A reduction in demand for NGL products by the petrochemical, refining or other industries or by the fuel markets could materially adversely affect our business, results of operations and financial condition.

The NGL products we produce have a variety of applications, including petrochemical feedstocks and refining blend stocks. A reduction in demand for NGL products, whether because of general or industry-specific economic conditions, new government regulations, global competition, reduced demand by consumers for products made with NGL products (for example, reduced petrochemical demand recently observed due to lower activity in the automobile and construction industries), increased competition from petroleum-based feedstocks due to pricing differences, mild winter weather for some NGL applications or other reasons, could result in a decline in the volume of NGL products we handle or reduce the fees we charge for our services. Our NGL products and their demand are affected as follows:

Ethane. Ethane is typically supplied as purity ethane and as part of ethane-propane mix. Ethane is primarily used in the petrochemical industry as feedstock for ethylene, one of the basic building blocks for a wide range of plastics and other chemical products. Although ethane is typically extracted as part of the mixed NGL stream at gas processing plants, if natural gas prices increase significantly in relation to NGL product prices or if the demand for ethylene falls, it may be more profitable for natural gas processors to leave the ethane in the natural gas stream thereby reducing the volume of NGLs delivered for fractionation and marketing.

Propane. Propane is used as a petrochemical feedstock in the production of ethylene and propylene, as a heating, engine and industrial fuel and in agricultural applications such as crop drying. Changes in demand for ethylene and propylene could adversely affect demand for propane. The demand for propane as a heating fuel is significantly affected by weather conditions. The volume of propane sold is at its highest during the six-month peak heating season of October through March. Demand for our propane may be reduced during periods of warmer-than-normal weather.

Normal Butane. Normal butane is used in the production of isobutane, as a refined product blending component, as a fuel gas, either alone or in a mixture with propane and in the production of ethylene and propylene. Changes in the composition of refined products resulting from governmental regulation, changes in feedstocks, products and economics, demand for heating fuel and for ethylene and propylene, could adversely affect demand for normal butane.

Isobutane. Isobutane is predominantly used in refineries to produce alkylates to enhance octane levels. Accordingly, any action that reduces demand for motor gasoline or demand for isobutane to produce alkylates for octane enhancement might reduce demand for isobutane.

Natural Gasoline. Natural gasoline is used as a blending component for certain refined products and as a feedstock used in the production of ethylene and propylene. Changes in the composition of motor gasoline resulting from governmental regulation and in demand for ethylene and propylene could adversely affect demand for natural gasoline.

NGLs and products produced from NGLs also compete with products from global markets. Any reduced demand for ethane, propane, normal butane, isobutane or natural gasoline at the markets we access for any of the reasons stated above could adversely affect demand for the services we provide as well as NGL prices, which would negatively impact our results of operations and financial condition.

We do not own most of the land on which our pipelines and compression facilities are located, which could disrupt our operations.

We do not own most of the land on which our pipelines and compression facilities are located and we are therefore subject to the possibility of more onerous terms and/or increased costs to retain necessary land use if we do not have valid rights-of-way or leases or if such rights-of-way or leases lapse or terminate. We sometimes obtain the rights to land owned by third parties and governmental agencies for a specific period of time. Our loss of these rights, through our inability to renew right-of-way contracts, leases or otherwise, could cause us to cease operations on the affected land, increase costs related to continuing operations elsewhere, reduce our revenue and impair our

ability to make distributions to our unitholders.

Weather may limit our ability to operate our business and could adversely affect our operating results.

The weather in the areas in which we operate can cause disruptions and in some cases suspension of our operations. Examples include unseasonably wet weather, extended periods of below-freezing weather and hurricanes. Disruptions or suspension of our operations caused by weather could adversely affect our operating results.

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

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

- damage to pipelines and plants, related equipment and surrounding properties caused by hurricanes, tornadoes, floods, fires and other natural disasters, explosions and acts of terrorism;
- inadvertent damage from third parties, including from construction, farm and utility equipment;
- leaks of natural gas, NGLs and other hydrocarbons or losses of natural gas or NGLs as a result of the malfunction of equipment or facilities; and
- other hazards that could also result in personal injury and loss of life, pollution and suspension of operations.

These risks could result in substantial losses due to personal injury, loss of life, severe damage to and destruction of property and equipment and pollution or other environmental damage and may result in curtailment or suspension of our related operations. A natural disaster or other hazard affecting the areas in which we operate could have a material adverse effect on our operations. For example, Hurricanes Katrina and Rita damaged gathering systems, processing facilities, NGL fractionators and pipelines along the Gulf Coast, including certain of our facilities. These hurricanes disrupted the operations of our customers in August and September 2005, which curtailed or suspended the operations of various energy companies with assets in the region. The Louisiana and Texas Gulf Coast was similarly impacted in September 2008 as a result of Hurricanes Gustav and Ike. We are not fully insured against all risks inherent to our business. We are not insured against all environmental accidents that might occur which may include toxic tort claims, other than incidents considered to be sudden and accidental. If a significant accident or event occurs that is not fully insured, if we fail to recover all anticipated insurance proceeds for significant accidents or events for which we are insured or if we fail to rebuild facilities damaged by such accidents or events, our operations and financial condition could be adversely affected. In addition, we may not be able to maintain or obtain insurance of the type and amount we desire at reasonable rates. As a result of market conditions, premiums and deductibles for certain of our insurance policies have increased substantially and could escalate further. For example, following Hurricanes Katrina and Rita, insurance premiums, deductibles and co-insurance requirements increased substantially and terms generally are less favorable than terms that could be obtained prior to such hurricanes. Insurance market conditions worsened as a result of the losses sustained from Hurricanes Gustav and Ike in September 2008. As a result, we experienced further increases in deductibles and premiums and further reductions in coverage and limits, with some coverages unavailable at any cost.

Increases in interest rates could adversely affect our business.

In addition to our exposure to commodity prices, we have significant exposure to increases in interest rates. As of December 31, 2009, we had approximately \$479.2 million of debt outstanding under our credit facility at variable interest rates of which \$179.2 million is not covered by our hedges. Our results of operations, cash flows and financial condition could be materially adversely affected by significant increases in interest rates. See “Item 7A. Quantitative and Qualitative Disclosures About Market Risk—Interest Rate Risk.”

Restrictions in our credit facility may interrupt distributions to us from our subsidiaries, which may limit our ability to make distributions to you, satisfy our obligations and capitalize on business opportunities.

We are a holding company with no business operations. As such, we depend on the earnings and cash flow of our subsidiaries and the distribution of that cash to us in order to meet our obligations and to allow us to make distributions to our unitholders. Our credit facility contains covenants limiting our ability to make distributions, incur indebtedness, grant liens and engage in transactions with affiliates. Furthermore, our credit facility contains covenants requiring us to maintain a ratio of consolidated indebtedness to consolidated EBITDA of not more than 5.50 to 1.00 or 6.00 to 1.00 for up to one year in conjunction with a material acquisition and a ratio of consolidated EBITDA to consolidated interest expense of not less than 2.25 to 1.00. If we fail to meet these tests or otherwise breach the terms of our credit facility our operating subsidiary will be prohibited from making any distribution to us and, ultimately, to you. Any interruption of distributions to us from our subsidiaries may limit our ability to satisfy our obligations and to make distributions to you. For more information regarding our credit facility, see “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources.”

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

Our operations are subject to stringent and complex federal, state and local environmental laws and regulations governing the discharge of materials into the environment or otherwise relating to environmental protection. For more information on our operations, see “Item 1. Business—Our Systems” for additional information on our operations. These laws include, for example, (1) the federal Clean Air Act and comparable state laws that impose obligations related to air emissions, (2) RCRA and comparable state laws that impose requirements for the handling, storage, treatment or disposal of solid and hazardous waste from our facilities, (3) CERCLA and comparable state laws that regulate the cleanup of hazardous substances that may have been released at properties currently or previously owned or operated by us or at locations to which our hazardous substances have been transported for recycling or disposal and (4) the Clean Water Act and comparable state laws that regulate discharges of wastewater from our facilities to state and federal waters. Failure to comply with these laws and regulations or newly adopted laws or regulations may trigger a variety of administrative, civil and criminal enforcement measures, including the assessment of monetary penalties, the imposition of remedial requirements and the issuance of orders enjoining future operations or imposing additional compliance requirements on such operations. Certain environmental laws, including CERCLA and analogous state laws, impose strict, joint and several liability for costs required to clean up and restore sites where hazardous substances or hydrocarbons have been disposed or otherwise released. Moreover, it is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by noise, odor or the release of hazardous substances, hydrocarbons or waste products into the environment.

There is inherent risk of incurring environmental costs and liabilities in connection with our operations due to our handling of natural gas, NGLs and other petroleum products, because of air emissions and water discharges related to our operations, and as a result of historical industry operations and waste disposal practices. For example, an accidental release from one of our facilities could subject us to substantial liabilities arising from environmental cleanup and restoration costs, claims made by neighboring landowners and other third parties for personal injury, natural resource and property damages and fines or penalties for related violations of environmental laws or regulations.

Moreover, stricter laws, regulations or enforcement policies could significantly increase our operational or compliance costs and the cost of any remediation that may become necessary. For instance, the Texas Commission on Environmental Quality has recently conducted a comprehensive analysis of air emissions in the Barnett Shale area in response to reported concerns about high concentrations of benzene in the air near drilling sites and natural gas processing facilities, and the analysis could result in the adoption of new air emission limitations that could require us to incur increased capital or operating costs. We are also conducting our own evaluation of air emissions at certain of our facilities in the Barnett Shale area and, as necessary, plan to conduct corrective actions at such facilities. Additionally, environmental groups have advocated increased regulation and a moratorium on the issuance of drilling permits for new natural gas wells in the Barnett Shale area. The adoption of any laws, regulations or other

legally enforceable mandates that result in more stringent air emission limitations or that restrict or prohibit the drilling of new natural gas wells for any extended period of time could increase our operating and compliance costs as well as reduce the rate of production of natural gas operators with whom we have a business relationship, which could have a material adverse effect on our results of operations and cash flows. For further information on environmental matters, see “Item 1. Business—Environmental, Health and Safety Matters” for additional information on environmental matters.

Increased regulation of hydraulic fracturing could result in reductions or delays in drilling and completing new oil and natural gas wells, which could adversely impact our revenues by decreasing the volumes of natural gas that we gather, process and fractionate.

Hydraulic fracturing is a process used by oil and gas exploration and production operators in the completion of certain oil and gas wells whereby water, sand and chemicals are injected under pressure into subsurface formations to stimulate gas and, to a lesser extent, oil production. Due to concerns that hydraulic fracturing may adversely affect drinking water supplies, legislation has been introduced in the U.S. Congress to amend the federal Safe Drinking Water Act to subject hydraulic fracturing operations to regulation under that Act and to require the disclosure of chemicals used by the oil and gas industry in the hydraulic fracturing process. Adoption of this or similar legislation or of any implementing regulations could impose operational delays, increased operating costs and additional regulatory burdens on exploration and production operators, which could reduce their production of natural gas and, in turn, adversely affect our revenues and results of operations by decreasing the volumes of natural gas that we gather, process and fractionate.

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

The NGA exempts natural gas gathering facilities from regulation by FERC as a natural gas company under the NGA. We believe that the natural gas pipelines in our gathering systems meet the traditional tests FERC has used to establish a pipeline's status as a gatherer not subject to regulation as a natural gas company. However, the distinction between FERC-regulated transmission services and federally unregulated gathering services is the subject of substantial, on-going litigation, so the classification and regulation of our gathering facilities are subject to change based on future determinations by FERC, the courts or Congress. In addition, the courts have determined that certain pipelines that would otherwise be subject to the ICA are exempt from regulation by FERC under the ICA as proprietary lines. The classification of a line as a proprietary line is a fact-based determination subject to FERC and court review. Accordingly, the classification and regulation of some of our gathering facilities and transportation pipelines may be subject to change based on future determinations by FERC, the courts, or Congress.

While our natural gas gathering operations are generally exempt from FERC regulation under the NGA, our gas gathering operations may be subject to certain FERC reporting and posting requirements in a given year. FERC has recently issued a final rule (as amended by orders on rehearing, Order 704) requiring certain participants in the natural gas market, including intrastate pipelines, natural gas gatherers, natural gas marketers and natural gas processors, that engage in a minimum level of natural gas sales or purchases to submit annual reports regarding those transactions to FERC. In addition, FERC has issued a final rule (as amended by an order on rehearing, Order 720) requiring major non-interstate pipelines, defined as certain non-interstate pipelines delivering, on an annual basis, more than an average of 50 BBtus of gas over the previous three calendar years, to post daily certain information regarding the pipeline's capacity and scheduled flows for each receipt and delivery point that has design capacity equal to or greater than 15,000 MMBtu/d. A petition for review of Order 720 is currently pending before the Court of Appeals for the Fifth Circuit, and requests for rehearing are currently pending before FERC, and we have no way to predict with certainty whether and to what extent Order 720 will be modified in response to the petition for review.

Other FERC regulations may indirectly impact our businesses and the markets for products derived from these businesses. FERC's policies and practices across the range of its natural gas regulatory activities, including, for example, its policies on open access transportation, gas quality, ratemaking, capacity release and market center promotion, may indirectly affect the intrastate natural gas market. In recent years, FERC has pursued

pro-competitive policies in its regulation of interstate natural gas pipelines. However, we cannot assure you that FERC will continue this approach as it considers matters such as pipeline rates and rules and policies that may affect rights of access to transportation capacity. For more information regarding the regulation of Targa's operations, see "Item 1. Business—Regulation of Operations".

Should we fail to comply with all applicable FERC administered statutes, rules, regulations and orders, we could be subject to substantial penalties and fines.

Under the EP Act 2005, FERC has civil penalty authority under the NGA to impose penalties for current violations of up to \$1 million per day for each violation and disgorgement of profits associated with any violation. While our systems have not been regulated by FERC as a natural gas companies under the NGA, FERC has adopted regulations that may subject certain of our otherwise non-FERC jurisdictional facilities to FERC annual reporting and daily scheduled flow and capacity posting requirements. Additional rules and legislation pertaining to those and other matters may be considered or adopted by FERC from time to time. Failure to comply with those regulations in the future could subject Targa to civil penalty liability. For more information regarding regulation of Targa's operations, see "Item 1. Business—Regulation of Operations".

The adoption of climate change legislation or regulations restricting emissions of GHGs could result in increased operating costs and reduced demand for the products and services we provide.

On June 26, 2009, the U.S. House of Representatives approved adoption of the American Clean Energy and Security Act of 2009, also known as the Waxman-Markey cap-and-trade legislation ("ACESA"), which would establish an economy-wide cap-and-trade program in the United States to reduce emissions of GHGs, including carbon dioxide and methane that may be contributing to warming of the Earth's atmosphere and other climatic changes. ACESA would require an overall reduction in GHG emissions of 17% (from 2005 levels) by 2020, and by over 80% by 2050. Under ACESA, covered sources of GHG emissions would be required to obtain GHG emission "allowances" corresponding to their annual emissions of GHGs. The number of emission allowances issued each year would decline as necessary to meet ACESA's overall emission reduction goals. As the number of GHG emission allowances declines each year, the cost or value of allowances is expected to escalate significantly. The net effect of ACESA will be to impose increasing costs on the combustion of carbon-based fuels such as oil, refined petroleum products, natural gas and NGLs. The U.S. Senate has begun work on its own legislation for controlling and reducing emissions of GHGs in the United States. President Obama has indicated that he is in support of the adoption of legislation to control and reduce emissions of GHGs. Although it is not possible at this time to predict whether or when the Senate may act on climate change legislation or how any bill approved by the Senate would be reconciled with ACESA, any laws or regulations that may be adopted to restrict or reduce emissions of GHGs would likely require us to incur increased operating costs, and could have an adverse effect on demand for our gathering, treating, processing and fractionating services.

Even if such legislation is not adopted at the national level, more than one-third of the states either individually or collectively as part of a multi-state, regional initiative have begun taking actions to control and/or reduce emissions of GHGs, with most of the state and regional-level initiatives focused on large sources of GHG emissions, such as coal-fired electric plants. It is possible that smaller sources of emissions could become subject to GHG emission limitations or allowance purchase requirements in the future. Any one of these climate change regulatory and legislative initiatives could have a material adverse effect on our business, financial condition and results of operations.

Finally, on December 15, 2009, the EPA issued a notice of its final finding and determination that emissions of carbon dioxide, methane, and other GHGs present an endangerment to human health and the environment because emissions of such gases contribute to warming of the earth's atmosphere and other climatic changes. This final finding and determination by the EPA allows the agency to begin regulating GHG emissions under existing provisions of the Clean Air Act. In late September 2009, the EPA announced two sets of proposed regulations in anticipation of finalizing its findings and determination that would require a reduction in emissions of GHGs from motor vehicles and also could trigger permit review for GHG emissions from certain stationary sources. In addition, on September 22, 2009, the EPA issued a final rule requiring the reporting of GHG emissions from specified large GHG emission sources in the U.S., including natural gas liquids fractionators, beginning in 2011 for emissions occurring in 2010. Any limitation imposed by the EPA on GHG emissions from our natural gas-fired compressor

stations, processing facilities and fractionators or from the combustion of natural gas or natural gas liquids that we produce could increase our costs of doing business and/or increase the cost and reduce demand for our services.

The adoption of derivatives legislation by Congress could have an adverse impact on our ability to hedge risks associated with our business.

Congress currently is considering broad financial regulatory reform legislation that among other things would impose comprehensive regulation on the over-the-counter (“OTC”) derivatives marketplace and could affect the use of derivatives in hedging transactions. The financial regulatory reform bill adopted by the House of Representatives on December 11, 2009, would subject swap dealers and “major swap participants” to substantial supervision and regulation, including capital standards, margin requirements, business conduct standards, and recordkeeping and reporting requirements. It also would require central clearing for transactions entered into between swap dealers or major swap participants. For these purposes, a major swap participant generally would be someone other than a dealer who maintains a “substantial” net position in outstanding swaps, excluding swaps used for commercial hedging or for reducing or mitigating commercial risk, or whose positions create substantial net counterparty exposure that could have serious adverse effects on the financial stability of the U.S. banking system or financial markets. The House-passed bill also would provide the CFTC with express authority to impose position limits for OTC derivatives related to energy commodities. Separately, in late January 2010, the CFTC proposed regulations that would impose speculative position limits for certain futures and option contracts in natural gas, crude oil, heating oil, and gasoline. These proposed regulations would make an exemption available for certain bona fide hedging of commercial risks. Although it is not possible at this time to predict whether or when Congress will act on derivatives legislation or the CFTC will finalize its proposed regulations, any laws or regulations that subject us to additional capital or margin requirements relating to, or to additional restrictions on, our trading and commodity positions could have an adverse effect on our ability to hedge risks associated with our business or on the cost of our hedging activity.

Our interstate common carrier liquids pipeline is regulated by the Federal Energy Regulatory Commission.

Targa NGL, one of our subsidiaries, is an interstate NGL common carrier subject to regulation by the FERC under the ICA. Targa NGL owns a twelve inch diameter pipeline that runs between Lake Charles, Louisiana and Mont Belvieu, Texas. This pipeline can move mixed NGLs and purity NGL products. Targa NGL also owns an eight inch diameter pipeline and a 20 inch diameter pipeline each of which run between Mont Belvieu, Texas and Galena Park, Texas. The eight inch and the 20 inch pipelines are part of an extensive mixed NGL and purity NGL pipeline receipt and delivery system that provides services to domestic and foreign import and export customers. The ICA requires that we maintain tariffs on file with FERC for each of these pipelines. Those tariffs set forth the rates we charge for providing transportation services as well as the rules and regulations governing these services. The ICA requires, among other things, that rates on interstate common carrier pipelines be “just and reasonable” and non-discriminatory. All shippers on these pipelines are our affiliates.

Unexpected volume changes due to production variability or to gathering, plant or pipeline system disruptions may increase our exposure to commodity price movements.

Targa sells our processed natural gas to third parties and other Targa affiliates at our plant tailgates or at pipeline pooling points. Targa also manages the SAOU and LOU Systems’ natural gas sales to third parties under contracts that remain in the name of the SAOU and LOU Systems. Sales made to natural gas marketers and end-users may be interrupted by disruptions to volumes anywhere along the system. Targa will attempt to balance sales with volumes supplied from our processing operations, but unexpected volume variations due to production variability or to gathering, plant or pipeline system disruptions may expose us to volume imbalances which, in conjunction with movements in commodity prices, could materially impact our income from operations and cash flow.

We may incur significant costs and liabilities resulting from pipeline integrity programs and related repairs.

Pursuant to the Pipeline Safety Improvement Act of 2002, as reauthorized and amended by the Pipeline Inspections, Protection, Enforcement and Safety Act of 2006, the DOT, through the PHMSA, has adopted regulations requiring pipeline operators to develop integrity management programs for transmission pipelines

located where a leak or rupture could do the most harm in “high consequence areas,” including high population areas, areas that are sources of drinking water, ecological resource areas that are unusually sensitive to environmental damage from a pipeline release and commercially navigable waterways, unless the operator effectively demonstrates by risk assessment that the pipeline could not affect the area. The regulations require operators of covered pipelines to:

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

In addition, states have adopted regulations similar to existing DOT regulations for intrastate gathering and transmission lines. We currently estimate that we will incur an aggregate cost of approximately \$5.1 million between 2010 and 2012 to implement pipeline integrity management program testing along certain segments of our natural gas and NGL pipelines. This estimate does not include the costs, if any, of any repair, remediation, preventative or mitigating actions that may be determined to be necessary as a result of the testing program, which costs could be substantial. At this time, we cannot predict the ultimate cost of compliance with this regulation, as the cost will vary significantly depending on the number and extent of any repairs found to be necessary as a result of the pipeline integrity testing. Following the initial round of testing and repairs, we will continue our pipeline integrity testing programs to assess and maintain the integrity of our pipelines. The results of these tests could cause us to incur significant and unanticipated capital and operating expenditures for repairs or upgrades deemed necessary to ensure the continued safe and reliable operations of our pipelines.

Our construction of new assets may not result in revenue increases and is subject to regulatory, environmental, political, legal and economic risks, which could adversely affect our results of operations and financial condition.

One of the ways we intend to grow our business is through the construction of new midstream assets. The construction of additions or modifications to our existing systems and the construction of new midstream assets involve numerous regulatory, environmental, political and legal uncertainties beyond our control and may require the expenditure of significant amounts of capital. If we undertake these projects, they may not be completed on schedule or at the budgeted cost or at all. Moreover, our revenues may not increase immediately upon the expenditure of funds on a particular project. For instance, if we expand a new pipeline, the construction may occur over an extended period of time and we will not receive any material increases in revenues until the project is completed. Moreover, we may construct facilities to capture anticipated future growth in production in a region in which such growth does not materialize. Since we are not engaged in the exploration for and development of natural gas and oil reserves, we do not possess reserve expertise and we often do not have access to third party estimates of potential reserves in an area prior to constructing facilities in such area. To the extent we rely on estimates of future production in our decision to construct additions to our systems, such estimates may prove to be inaccurate because there are numerous uncertainties inherent in estimating quantities of future production. As a result, new facilities may not be able to attract enough throughput to achieve our expected investment return, which could adversely affect our results of operations and financial condition. In addition, the construction of additions to our existing gathering and transportation assets may require us to obtain new rights-of-way prior to constructing new pipelines. We may be unable to obtain such rights-of-way to connect new natural gas supplies to our existing gathering lines or capitalize on other attractive expansion opportunities. Additionally, it may become more expensive for us to obtain new rights-of-way or to renew existing rights-of-way. If the cost of renewing or obtaining new rights-of-way increases, our cash flows could be adversely affected.

We do not have any officers or employees and rely solely on officers of our general partner and employees of Targa.

None of the officers of our general partner are employees of our general partner. We have entered into an Omnibus Agreement with Targa, pursuant to which Targa operates our assets and performs other administrative services for us such as accounting, legal, regulatory, corporate development, finance, land and engineering. Affiliates of Targa conduct businesses and activities of their own in which we have no economic interest, including businesses and activities relating to Targa. As a result, there could be material competition for the time and effort of the officers and employees who provide services to our general partner and Targa. If the officers of our general partner and the employees of Targa do not devote sufficient attention to the management and operation of our business, our financial results may suffer and our ability to make distributions to our unitholders may be reduced.

If our general partner fails to maintain an effective system of internal controls, then we may not be able to accurately report our financial results or prevent fraud. As a result, current and potential unitholders could lose confidence in our financial reporting, which would harm our business and the trading price of our common units.

Targa Resources GP LLC, our general partner, has sole responsibility for conducting our business and for managing our operations. Effective internal controls are necessary for our general partner, on our behalf, to provide reliable financial reports, prevent fraud and operate us successfully as a public company. If our general partner's efforts to develop and maintain its internal controls are not successful, it is unable to maintain adequate controls over our financial processes and reporting in the future or it is unable to assist us in complying with our obligations under Section 404 of the Sarbanes-Oxley Act of 2002, our operating results could be harmed or we may fail to meet our reporting obligations. Ineffective internal controls also could cause investors to lose confidence in our reported financial information, which would likely have a negative effect on the trading price of our common units.

The amount of cash we have available for distribution to holders of our common units depends primarily on our cash flow and not solely on profitability. Consequently, even if we are profitable, we may not be able to make cash distributions to holders of our common units.

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

Terrorist attacks and the threat of terrorist attacks have resulted in increased costs to our business. Continued hostilities in the Middle East or other sustained military campaigns may adversely impact our results of operations.

The long-term impact of terrorist attacks, such as the attacks that occurred on September 11, 2001 and the threat of future terrorist attacks on our industry in general and on us in particular, is not known at this time. However, resulting regulatory requirements and/or related business decisions associated with security are likely to increase our costs.

Increased security measures taken by us as a precaution against possible terrorist attacks have resulted in increased costs to our business. Uncertainty surrounding continued hostilities in the Middle East or other sustained military campaigns may affect our operations in unpredictable ways, including disruptions of crude oil supplies and markets for our products and the possibility that infrastructure facilities could be direct targets of or indirect casualties of, an act of terror.

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

Risks Inherent in an Investment in Us

Cash distributions are not guaranteed and may fluctuate with our performance and the establishment of financial reserves.

Because distributions on the common units are dependent on the amount of cash we generate, distributions may fluctuate based on our performance. The actual amount of cash that is available to be distributed each quarter will depend on numerous factors, some of which are beyond our control and the control of the general partner. Cash distributions are dependent primarily on cash flow, including cash flow from financial reserves and working capital borrowings and not solely on profitability, which is affected by non-cash items. Therefore, cash distributions might be made during periods when we record losses and might not be made during periods when we record profits.

In order to make cash distributions at our current distribution rate of \$0.5175 per common unit per complete quarter or \$2.07 per unit per year, we will require available cash of approximately \$38.8 million per quarter or \$155.2 million per year, based on common units outstanding as of February 1, 2010. We may not have sufficient available cash from operating surplus each quarter to enable us to make cash distributions at our current distribution rate under our cash distribution policy. The amount of cash we can distribute on our units principally depends upon the amount of cash we generate from our operations, which will fluctuate from quarter to quarter based on, among other things:

- the fees we charge and the margins we realize for our services;
- the prices of, levels of production of and demand for, natural gas and NGLs;
- the volume of natural gas we gather, treat, compress, process, transport and sell and the volume of NGLs we process or fractionate and sell;
- the relationship between natural gas and NGL prices;
- cash settlements of hedging positions;
- the level of competition from other midstream energy companies;
- the level of our operating and maintenance and general and administrative costs; and
- prevailing economic conditions.

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

- the level of capital expenditures we make;
- our ability to make borrowings under our credit facility to pay distributions;
- the cost of acquisitions;
- our debt service requirements and other liabilities;
- fluctuations in our working capital needs;
- general and administrative expenses, including expenses we incur as a result of being a public company;
- restrictions on distributions contained in our debt agreements;
- the amount of cash reserves established by our general partner for the proper conduct of our business, and

- distribution support from Targa as a result of the Downstream Business transaction.

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

Targa owns and controls our general partner. Some of our general partner’s directors and some of its executive officers, are directors or officers of Targa. Therefore, conflicts of interest may arise between Targa, including our general partner, on the one hand and us and our unitholders, on the other hand. In resolving these conflicts of interest, our general partner may favor its own interests and the interests of its affiliates over the interests of our unitholders. These conflicts include, among others, the following situations:

- neither our partnership agreement nor any other agreement requires Targa to pursue a business strategy that favors us. Targa’s directors and officers have a fiduciary duty to make decisions in the best interests of the owners of Targa, which may be contrary to our interests; and
- our general partner is allowed to take into account the interests of parties other than us, such as Targa or its owners, including Warburg Pincus LLC, in resolving conflicts of interest.

Targa is not limited in its ability to compete with us and is under no obligation to offer assets to us, which could limit our ability to acquire additional assets or businesses.

Neither our partnership agreement nor the Omnibus Agreement between us and Targa prohibits Targa from owning assets or engaging in businesses that compete directly or indirectly with us. In addition, Targa may acquire, construct or dispose of additional midstream or other assets in the future, without any obligation to offer us the opportunity to purchase or construct any of those assets. Targa is a large, established participant in the midstream energy business and has significantly greater resources and experience than we have, which factors may make it more difficult for us to compete with Targa with respect to commercial activities as well as for acquisition candidates. As a result, competition from Targa could adversely impact our results of operations and cash available for distribution.

The credit and business risk profile of our general partner and its owners could adversely affect our credit ratings and profile.

The credit and business risk profiles of the general partner and its owners may be factors in credit evaluations of a master limited partnership. This is because the general partner can exercise significant influence over the business activities of the partnership, including its cash distribution and acquisition strategy and business risk profile. Another factor that may be considered is the financial condition of the general partner and its owners, including the degree of their financial leverage and their dependence on cash flow from the partnership to service their indebtedness.

Targa, the owner of our general partner, has significant indebtedness outstanding and is partially dependent on the cash distributions from their indirect general partner and limited partner equity interests in us to service such indebtedness. Any distributions by us to such entities will be made only after satisfying our then current obligations to our creditors. Our credit ratings and business risk profile could be adversely affected if the ratings and risk profiles of the entities that control our general partner were viewed as substantially lower or more risky than ours.

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

The directors and officers of our general partner have a fiduciary duty to manage our general partner in a manner beneficial to its owner, Targa. Our partnership agreement contains provisions that reduce the standards to which our general partner would otherwise be held by state fiduciary duty laws. For example, our partnership agreement:

- permits our general partner to make a number of decisions in its individual capacity, as opposed to in its capacity as our general partner. This entitles our general partner to consider only the interests and factors that it desires and it has no duty or obligation to give any consideration to any interest of or factors affecting, us, our affiliates or any limited partner;
- provides that our general partner does not have any liability to us or our unitholders for decisions made in its capacity as a general partner so long as it acted in good faith, meaning it believed the decision was in the best interests of our partnership;
- generally provides that affiliated transactions and resolutions of conflicts of interest not approved by the conflicts committee of the board of directors of our general partner acting in good faith and not involving a vote of unitholders must be on terms no less favorable to us than those generally being provided to or available from unrelated third parties or must be “fair and reasonable” to us, as determined by our general partner in good faith and that, in determining whether a transaction or resolution is “fair and reasonable,” our general partner may consider the totality of the relationships between the parties involved, including other transactions that may be particularly advantageous or beneficial to us;
- provides that our general partner and its officers and directors are not liable for monetary damages to us, our limited partners or assignees for any acts or omissions unless there has been a final and nonappealable judgment entered by a court of competent jurisdiction determining that the general partner or those other persons acted in bad faith or engaged in fraud or willful misconduct or, in the case of a criminal matter, acted with knowledge that the conduct was criminal; and
- provides that in resolving conflicts of interest, it is presumed that in making its decision the general partner acted in good faith and in any proceeding brought by or on behalf of any limited partner or us, the person bringing or prosecuting such proceeding will have the burden of overcoming such presumption.

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

Pursuant to the Omnibus Agreement we entered into with Targa and Targa Resources GP LLC, our general partner, Targa receives reimbursement for the payment of operating expenses related to our operations and for the provision of various general and administrative services for our benefit. Payments for these services are substantial and reduce the amount of cash available for distribution to unitholders. See “Item 13. Certain Relationships and Related Transactions, and Director Independence.” In addition, under Delaware partnership law, our general partner has unlimited liability for our obligations, such as our debts and environmental liabilities, except for our contractual obligations that are expressly made without recourse to our general partner. To the extent our general partner incurs obligations on our behalf, we are obligated to reimburse or indemnify our general partner. If we are unable or unwilling to reimburse or indemnify our general partner, our general partner may take actions to cause us to make payments on these obligations and liabilities. Any such payments could reduce the amount of cash otherwise available for distribution to our unitholders.

Holders of our common units have limited voting rights and are not entitled to elect our general partner or its directors.

Unlike the holders of common stock in a corporation, unitholders have only limited voting rights on matters affecting our business and, therefore, limited ability to influence management’s decisions regarding our business.

Unitholders will not elect our general partner or our general partner’s board of directors and have no right to elect our general partner or our general partner’s board of directors on an annual or other continuing basis. The board of directors of our general partner is chosen by Targa. Furthermore, if the unitholders are dissatisfied with the performance of our general partner, they have little ability to remove our general partner. As a result of these limitations, the price at which the common units trade could be diminished because of the absence or reduction of a takeover premium in the trading price.

We may issue additional units without your approval, which would dilute your existing ownership interests.

Our partnership agreement does not limit the number of additional limited partner interests that we may issue at any time without the approval of our unitholders. The issuance by us of additional common units or other equity securities of equal or senior rank will have the following effects:

- our unitholders’ proportionate ownership interest in us will decrease;
- the amount of cash available for distribution on each unit may decrease;
- the ratio of taxable income to distributions may increase;
- the relative voting strength of each previously outstanding unit may be diminished; and
- the market price of the common units may decline.

Affiliates of our general partner may sell common units in the public markets, which sales could have an adverse impact on the trading price of the common units.

As of February 1, 2010 Targa and its management beneficially held 20,406,248 common units. The sale of these units in the public markets could have an adverse impact on the price of the common units or on any trading market that may develop.

Our general partner may elect to cause us to issue Class B units to it in connection with a resetting of the target distribution levels related to our general partner’s incentive distribution rights without the approval of the conflicts committee of our general partner or holders of our common units. This ability may result in lower distributions to holders of our common units in certain situations.

Our general partner has the right when it has received incentive distributions at the highest level to which it is entitled (48%) for each of the prior four consecutive fiscal quarters, to reset the initial cash target distribution levels at higher levels based on the distribution at the time of the exercise of the reset election. Following a reset election by our general partner, the minimum quarterly distribution amount will be reset to an amount equal to the average cash distribution amount per common unit for the two fiscal quarters immediately preceding the reset election (such amount is referred to as the “reset minimum quarterly distribution”) and the target distribution levels will be reset to correspondingly higher levels based on percentage increases above the reset minimum quarterly distribution amount.

In connection with resetting these target distribution levels, our general partner will be entitled to receive Class B units. The Class B units will be entitled to the same cash distributions per unit as our common units and will be convertible into an equal number of common units. The number of Class B units to be issued will be equal to that number of common units whose aggregate quarterly cash distributions equaled the average of the distributions to our general partner on the incentive distribution rights in the prior two quarters. We anticipate that our general partner would exercise this reset right in order to facilitate acquisitions or internal growth projects that would not be sufficiently accretive to cash distributions per common unit without such conversion; however, it is possible that our general partner could exercise this reset election at a time when it is experiencing or may be expected to experience, declines in the cash distributions it receives related to its incentive distribution rights and may therefore desire to be issued our Class B units, which are entitled to receive cash distributions from us on the same priority as our common units, rather than retain the right to receive incentive distributions based on the initial target distribution levels. As a result, a reset election may cause our common unitholders to experience dilution in the amount of cash distributions

that they would have otherwise received had we not issued new Class B units to our general partner in connection with resetting the target distribution levels related to our general partner's incentive distribution rights.

Increases in interest rates could adversely impact our unit price and our ability to issue additional equity to make acquisitions, for expansion capital expenditures or for other purposes.

As with other yield-oriented securities, our unit price is impacted by the level of our cash distributions and implied distribution yield. The distribution yield is often used by investors to compare and rank related yield-oriented securities for investment decision-making purposes. Therefore, changes in interest rates, either positive or negative, may affect the yield requirements of investors who invest in our units and a rising interest rate environment could have an adverse impact on our unit price and our ability to issue additional equity to make acquisitions, for expansion capital expenditures or for other purposes.

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

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

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

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

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

If at any time our general partner and its affiliates own more than 80% of the common units, our general partner will have the right, but not the obligation, which it may assign to any of its affiliates or to us, to acquire all, but not less than all, of the common units held by unaffiliated persons at a price not less than their then-current market price. As a result, you may be required to sell your common units at an undesirable time or price and may not receive any return on your investment. You may also incur a tax liability upon a sale of your units. As of December 31, 2009, our general partner and its affiliates own approximately 32.5% of our aggregate outstanding common units.

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

A general partner of a partnership generally has unlimited liability for the obligations of the partnership, except for those contractual obligations of the partnership that are expressly made without recourse to the general partner. Our partnership is organized under Delaware law and we conduct business in Louisiana and Texas as well as other states. The limitations on the liability of holders of limited partner interests for the obligations of a limited partnership have not been clearly established in some of the states in which we do business. You could be liable for any and all of our obligations as if you were a general partner if:

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

- your right to act with other unitholders to remove or replace the general partner, to approve some amendments to our partnership agreement or to take other actions under our partnership agreement constitute “control” of our business.

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

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

Tax Risks to Common Unitholders

Our tax treatment depends on our status as a partnership for federal income tax purposes, as well as our not being subject to a material amount of entity-level taxation by individual states. If the Internal Revenue Service (“IRS”), were to treat us as a corporation for federal income tax purposes or if we were to become subject to a material amount of entity-level taxation for state tax purposes, then our cash available for distribution to you would be substantially reduced.

The anticipated after-tax economic benefit of an investment in the common units depends largely on our being treated as a partnership for federal income tax purposes. In order to maintain our status as a partnership for United States federal income tax purposes, 90% or more of our gross income in each tax year must be qualifying income under section 7704 of the Internal Revenue Code. We have not requested and do not plan to request a ruling from the IRS with respect to our treatment as a partnership for federal income tax purposes.

Although we do not believe based upon our current operations that we are so treated, and despite the fact that we are a limited partnership under Delaware law, it is possible, in certain circumstances for a partnership such as ours to be treated as a corporation for federal income tax purposes. A change in our business (or a change in current law) could cause us to be treated as a corporation for federal income tax purposes or otherwise subject us to taxation as an entity.

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

Current law may change so as to cause us to be treated as a corporation for federal income tax purposes or otherwise subject us to entity-level taxation. At the federal level, legislation has been proposed that would eliminate partnership tax treatment for certain publicly traded partnerships. Although such legislation would not apply to us as currently proposed, it could be amended prior to enactment in a manner that does apply to us. We are unable to predict whether any such change or other proposals will ultimately be enacted. Moreover, any modification to the federal income tax laws and interpretations thereof may or may not be applied retroactively. Any such changes could negatively impact the value of an investment in our common units. At the state level, because of widespread state budget deficits and other reasons, several states are evaluating ways to subject partnerships to entity-level taxation through the imposition of state income, franchise and other forms of taxation. For example, we are required to pay Texas franchise tax at a maximum effective rate of 0.7% of our gross income apportioned to Texas in the prior year. Imposition of any such tax on us by any other state will reduce the cash available for distribution to you.

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

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

We prorate our items of income, gain, loss and deduction between transferors and transferees of our units each month based upon the ownership of our units on the first day of each month, instead of on the basis of the date a particular unit is transferred. The use of this proration method may not be permitted under existing Treasury Regulations. Recently, however, the Department of the Treasury and the IRS issued proposed Treasury Regulations that provide a safe harbor pursuant to which a publicly traded partnership may use a similar monthly simplifying convention to allocate tax items among transferor and transferee unitholders. Although existing publicly traded partnerships are entitled to rely on these proposed Treasury Regulations, they are not binding on the IRS and are subject to change until final Treasury Regulations are issued.

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

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

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

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

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

If you sell your common units, you will recognize a gain or loss equal to the difference between the amount realized and your tax basis in those common units. Because distributions in excess of your allocable share of our net taxable income decrease your tax basis in your common units, the amount, if any, of such prior excess distributions with respect to the units you sell will, in effect, become taxable income to you if you sell such units at a price greater than your tax basis in those units, even if the price you receive is less than your original cost. A substantial portion of the amount realized, whether or not representing gain, may be ordinary income due to potential recapture items, including depreciation recapture. In addition, because the amount realized includes a unitholder’s share of our non-recourse liabilities, if you sell your units, you may incur a tax liability in excess of the amount of cash you receive from the sale.

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

Investment in common units by tax-exempt entities, such as individual retirement accounts (“IRAs”), other retirement plans and non-United States persons raises issues unique to them. For example, virtually all of our

income allocated to organizations that are exempt from federal income tax, including IRAs and other retirement plans, will be unrelated business taxable income and will be taxable to them. Distributions to non-United States persons will be reduced by withholding taxes at the highest applicable effective tax rate and non-United States persons will be required to file U.S. federal tax returns and pay tax on their share of our taxable income. If you are a tax-exempt entity or a non-United States person, you should consult your tax advisor before investing in our common units.

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

Because we cannot match transferors and transferees of common units and because of other reasons, we will adopt depreciation and amortization positions that may not conform to all aspects of existing Treasury Regulations and may result in audit adjustments to our unitholders' tax returns. A successful IRS challenge to those positions could adversely affect the amount of tax benefits available to you. It also could affect the timing of these tax benefits or the amount of gain from the sale of common units and could have a negative impact on the value of our common units or result in audit adjustments to your tax returns.

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

Because a unitholder whose units are loaned to a "short seller" to cover a short sale of units may be considered as having disposed of the loaned units, he may no longer be treated for tax purposes as a partner with respect to those units during the period of the loan to the short seller and the unitholder may recognize gain or loss from such disposition. Moreover, during the period of the loan to the short seller, any of our income, gain, loss or deduction with respect to those units may not be reportable by the unitholder and any cash distributions received by the unitholder as to those units could be fully taxable as ordinary income. Unitholders desiring to assure their status as partners and avoid the risk of gain recognition from a loan to a short seller are urged to modify any applicable brokerage account agreements to prohibit their brokers from borrowing their units.

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

When we issue additional units or engage in certain other transactions, we will determine the fair market value of our assets and allocate any unrealized gain or loss attributable to our assets to the capital accounts of our unitholders and our general partner. Our methodology may be viewed as understating the value of our assets. In that case, there may be a shift of income, gain, loss and deduction between certain unitholders and the general partner, which may be unfavorable to such unitholders. Moreover, under our valuation methods, subsequent purchasers of common units may have a greater portion of their Internal Revenue Code Section 743(b) adjustment allocated to our tangible assets and a lesser portion allocated to our intangible assets. The IRS may challenge our valuation methods or our allocation of the Section 743(b) adjustment attributable to our tangible and intangible assets and allocations of income, gain, loss and deduction between the general partner and certain of our unitholders.

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

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

We will be considered to have terminated our partnership for federal income tax purposes if there is a sale or exchange of 50% or more of the total interests in our capital and profits within a twelve-month period. For purposes of determining whether the 50% threshold has been met, multiple sales of the same interest are counted only once.

Our termination would, among other things, result in the closing of our taxable year for all unitholders, which would result in us filing two tax returns (and our unitholders may receive two Schedules K-1) for one fiscal year and could result in a deferral of depreciation deductions allowable in computing our taxable income. In the case of a unitholder reporting on a taxable year other than a fiscal year ending December 31, the closing of our taxable year may also result in more than twelve months of our taxable income or loss being includable in his taxable income for the year of termination. Our termination currently would not affect our classification as a partnership for federal income tax purposes, but instead, we would be treated as a new partnership for tax purposes. If treated as a new partnership, we must make new tax elections and could be subject to penalties if we are unable to determine in a timely manner that a termination occurred. The IRS has announced recently that it plans to issue guidance regarding the treatment of constructive terminations of publicly traded partnerships such as us. Any such guidance may change the application of the rules discussed above and may affect the treatment of a unitholder.

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

In addition to federal income taxes, you may be subject to return filing requirements and other taxes, including state and local taxes, unincorporated business taxes and estate, inheritance or intangible taxes that are imposed by the various jurisdictions in which we conduct business or own property, now or in the future, even if you do not live in any of those jurisdictions. Further, you may be subject to penalties for failure to comply with those return filing requirements. We own assets and conduct business in the States of Texas and Louisiana as well as other states. Currently, Texas does not impose a personal income tax on individuals. As we make acquisitions or expand our business, we may own assets or conduct business in states that impose a personal income tax. It is your responsibility to file all U.S. federal, state and local tax returns.

Item 1B. Unresolved Staff Comments

None

Item 2. Properties

A description of our properties is contained in “Item 1. Business” of this Annual Report.

Our principal executive offices are located at 1000 Louisiana Street, Suite 4300, Houston, Texas 77002 and our telephone number is 713-584-1000.

Item 3. Legal Proceedings

On December 8, 2005, WTG Gas Processing filed suit in the 333rd District Court of Harris County, Texas against several defendants, including Targa Resources, Inc. and three other Targa entities and private equity funds affiliated with Warburg Pincus LLC, seeking damages from the defendants. The suit alleges that Targa and private equity funds affiliated with Warburg Pincus LLC, along with ConocoPhillips and Morgan Stanley, tortiously interfered with (i) a contract WTG claims to have had to purchase the SAOU System from ConocoPhillips and (ii) prospective business relations of WTG. WTG claims the alleged interference resulted from Targa’s competition to purchase the ConocoPhillips’ assets and its successful acquisition of those assets in 2004. On October 2, 2007, the District Court granted defendants’ motions for summary judgment on all of WTG’s claims. WTG’s motion to reconsider and for a new trial was overruled. On January 2, 2008, WTG filed a notice of appeal. On February 3, 2009, the parties presented oral arguments to the 14th Court of Appeals in Houston Texas. On February 23, 2010, the 14th Court of Appeals affirmed the District Court’s final judgment in favor of defendants in its entirety. Targa has agreed to indemnify us for any claim or liability arising out of the WTG suit.

We are not a party to any other legal proceedings other than legal proceedings arising in the ordinary course of our business. We are a party to various administrative and regulatory proceedings that have arisen in the ordinary course of our business. See “Item 1. Business—Regulation of Operations” and “Item 1. Business—Environmental, Health and Safety Matters.”

Item 4. Reserved

PART II

Item 5. Market for Registrant’s Common Equity, Related Unitholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common units have been listed on the New York Stock Exchange since January 25, 2010 under the symbol “NGLS.” Previously, our common units were listed on The NASDAQ Stock Market LLC (“NASDAQ”) under the same symbol. The following table sets forth the high and low sales prices of the common units, as reported by NASDAQ, as well as the amount of cash distributions declared for the period January 1, 2008 through December 31, 2009.

Quarter Ended	High	Low	Distribution per Common Unit	Distribution per Subordinated Unit
December 31, 2009	\$ 25.33	\$ 17.19	\$ 0.5175	-
September 30, 2009	19.00	13.65	0.5175	-
June 30, 2009	14.98	8.61	0.5175	-
March 31, 2009	10.74	7.08	0.5175	0.5175
December 31, 2008	17.11	6.04	0.5175	0.5175
September 30, 2008	24.46	15.18	0.5175	0.5175
June 30, 2008	27.08	22.93	0.5125	0.5125
March 31, 2008	29.54	20.88	0.4175	0.4175

As of February 23, 2010, there were approximately 62 unitholders of record of our common units. This number does not include unitholders whose units are held in trust by other entities. The actual number of unitholders is greater than the number of holders of record. There is no established trading market for the 1,387,360 general partner units held by our general partner.

On February 12, 2010, we paid cash distributions of \$0.5175 per unit on our outstanding common units. The total distribution paid was \$38.8 million, with \$24.8 million paid to our non-affiliated common unitholders and \$10.4 million, \$0.8 million and \$2.8 million paid to Targa for its common unit ownership, general partner interest and incentive distribution rights.

Distributions of Available Cash

General. Our partnership agreement requires that, within 45 days after the end of each quarter, we distribute all of our available cash to unitholders of record on the applicable record date, as determined by our general partner.

Definition of Available Cash. The term “available cash,” for any quarter, means all cash and cash equivalents on hand on the date of determination of available cash for that quarter less the amount of cash reserves established by our general partner to:

- provide for the proper conduct of our business;
- comply with applicable law, any of our debt instruments or other agreements; or
- provide funds for distribution to our unitholders and to our general partner for any one or more of the next four quarters.

Minimum Quarterly Distribution. We intend to make cash distributions to the holders of common units on a quarterly basis in an amount equal to at least the minimum quarterly distribution of \$0.3375 per unit or \$1.35 per

unit on an annualized basis, to the extent we have sufficient cash from our operations after establishment of cash reserves and payment of fees and expenses, including payments to our general partner. However, there is no guarantee that we will pay the minimum quarterly distribution on the units in any quarter. Even if our cash distribution policy is not modified or revoked, the amount of distributions paid under our policy and the decision to make any distribution is determined by our general partner, taking into consideration the terms of our partnership agreement. The board of directors of our general partner has broad discretion to establish cash reserves that it determines are necessary or appropriate to properly conduct our business. These can include cash reserves for future capital and maintenance expenditures, reserves to stabilize distributions of cash to our unitholders, reserves to reduce debt or, as necessary, reserves to comply with the term of any of our agreements or obligations. We will be prohibited from making any distributions to unitholders if it would cause an event of default or an event of default exists, under our credit agreement or indenture.

As part of our acquisition of Targa's Downstream Business, Targa agreed to provide distribution support to us in the form of a reduction in the reimbursement for general and administrative expense allocated to us if necessary (or make a payment to us, if needed) for a 1.0 times distribution coverage ratio, at the current distribution level of \$0.5175 per limited partner unit, subject to maximum support of \$8 million in any quarter. The distribution support is in effect for the nine-quarter period beginning with the fourth quarter of 2009 and continuing through the fourth quarter of 2011. No distribution support was required for the fourth quarter of 2009.

General Partner Interest. Our general partner is currently entitled to 2% of all quarterly distributions that we make prior to our liquidation. As of February 28, 2010 our general partner interest is represented by 1,387,360 general partner units. Our general partner has the right, but not the obligation, to contribute a proportional amount of capital to us to maintain its current general partner interest. The general partner's 2% interest in these distributions will be reduced if we issue additional units in the future and our general partner does not contribute a proportional amount of capital to us to maintain its 2% general partner interest.

Incentive Distribution Rights. Our general partner also currently holds incentive distribution rights that entitle it to receive up to a maximum of 50% of the cash we distribute in excess of \$0.50625 per unit per quarter. The maximum distribution of 50% includes distributions paid to our general partner on its general partner interest and assumes that our general partner maintains its general partner interest at 2%. The maximum distribution of 50% does not include any distributions that our general partner may receive on limited partner units that it owns.

Recent Sales of Unregistered Units

None

Repurchase of Equity by Targa Resources Partners LP

None

Item 6. Selected Financial Data

SELECTED FINANCIAL AND OPERATING DATA

The following table presents selected historical consolidated financial and operating data of Targa Resources Partners L.P. See "Basis of Presentation" included under Note 2 to our "Consolidated Financial Statements" beginning on page F-1 of this Annual Report for information regarding the retrospective adjustment of our financial information for the years 2005 through 2009 as entities under common control in connection with our acquisition of the Downstream Business. The information contained herein should be read in conjunction with our "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Consolidated Financial Statements" contained in this Annual Report.

The following table summarizes selected financial and operating data for the periods and as of the dates indicated:

	Year Ended December 31,				
	2009	2008	2007	2006	2005
	(In millions, except operating and price data)				
Statement of Operations data:					
Revenues (1) (2)	\$ 4,095.6	\$ 7,502.1	\$ 6,843.7	\$ 5,930.1	\$ 1,771.5
Costs and expenses:					
Product purchases (2)	3,585.6	6,950.8	6,302.0	5,501.5	1,624.2
Operating expenses	185.1	254.0	219.6	193.1	44.3
Depreciation and amortization expense	101.2	97.8	93.5	90.7	26.3
General and administrative expense	78.9	68.6	64.0	57.3	23.0
Other	(0.8)	(0.9)	(0.3)	-	-
Total costs and expenses	3,950.0	7,370.3	6,678.8	5,842.6	1,717.8
Income from operations	145.6	131.8	164.9	87.5	53.7
Other income (expense):					
Interest expense from affiliate	(43.4)	(59.2)	(58.5)	-	-
Interest expense allocated from Parent	-	-	(19.4)	(127.3)	(27.9)
Other interest expense, net	(52.0)	(37.9)	(21.5)	0.2	-
Equity in earnings of unconsolidated investment	5.0	3.9	3.5	2.8	0.4
Gain (loss) on debt repurchases	(1.5)	13.1	-	-	(3.7)
Gain (loss) on mark-to-market derivative instruments	0.8	(1.0)	(30.2)	16.8	(12.0)
Other income (expense):	0.7	1.4	(1.1)	(0.2)	(0.1)
Income (loss) before income taxes	55.2	52.1	37.7	(20.2)	10.4
Income tax expense	(1.0)	(2.4)	(2.5)	(3.4)	-
Net income (loss)	54.2	49.7	35.2	(23.6)	10.4
Less:					
Net income (loss) attributable to noncontrolling interest	2.2	0.3	0.1	(0.6)	0.2
Net income (loss) attributable to Targa Resources Partners LP	52.0	49.4	35.1	(23.0)	10.2
Net income (loss) attributable to predecessor operations	\$ (2.4)	\$ (42.1)	\$ 7.0		
Net income attributable to general partner	10.4	7.0	0.6		
Net income attributable to limited partners	44.0	84.5	27.5		
Net income attributable to Targa Resources Partners LP	\$ 52.0	\$ 49.4	\$ 35.1		
Net income per limited partner unit - basic and diluted	\$ 0.86	\$ 1.83	\$ 0.81		
Weighted average limited partner units outstanding - basic and diluted	51.2	46.2	34.0		
Financial data:					
Operating margin (3)	\$ 324.9	\$ 297.3	\$ 322.1	\$ 235.5	\$ 103.0
Adjusted EBITDA (4)	286.3	269.4	260.5	179.2	76.2
Distributable cash flow (5)	176.3	120.7	132.2	36.3	50.5
Operating data:					
Gathering throughput, MMcf/d (6)	468.6	445.8	452.0	433.8	302.4
Plant natural gas inlet, MMcf/d (7)(8)	445.9	421.2	429.3	419.6	253.6
Gross NGL production, MBbl/d	42.7	42.0	42.6	42.4	23.5
Natural gas sales, BBtu/d (8)	390.9	415.6	410.2	489.4	259.3
NGL sales, MBbl/d	273.1	297.3	310.1	290.1	57.6
Condensate sales, MBbl/d	2.8	2.5	3.6	3.3	1.3
Average realized prices (9):					
Natural gas, \$/MMBtu	3.96	8.45	6.63	6.64	9.36
NGL, \$/gal	0.79	1.39	1.19	1.03	1.01
Condensate, \$/Bbl	57.07	90.00	72.11	57.47	65.92

	Year Ended December 31,				
	2009	2008	2007	2006	2005
(In millions, except operating and price data)					
Balance Sheet Data (at year end):					
Property plant and equipment, net	\$ 1,678.5	\$ 1,719.1	\$ 1,716.4	\$ 1,732.6	\$ 1,843.4
Total assets	2,180.9	2,314.8	2,702.9	2,401.0	2,524.4
Long-term allocated debt, less current maturities	-	773.9	711.3	1,029.0	1,532.0
Long-term debt, less current maturities	908.4	696.8	626.3	-	-
Total equity	836.2	553.1	614.4	433.6	581.1
Cash Flow Data:					
Net cash provided by (used in):					
Operating activities	\$ 299.8	\$ 293.0	\$ 268.3	\$ 169.9	\$ 21.7
Investing activities	(57.1)	(86.1)	(76.8)	(54.6)	(8.0)
Financing activities	(277.6)	(175.9)	(139.7)	(110.7)	(12.0)
Cash dividends declared per unit	2.07	1.97	1.24	N/A	N/A

- (1) Includes business interruption insurance revenues of \$2.4 million, \$18.7 million, \$6.4 million and \$7.0 million for the years ended 2009, 2008, 2007 and 2006.
- (2) During 2009, we reclassified NGL marketing fractionation and other service fees to revenues that were originally recorded in product purchase costs. The reclassification increased revenues and product purchases for 2008, 2007, 2006 and 2005 by \$28.7 million, \$27.6 million, \$20.3 million and \$3.9 million.
- (3) Operating margin is total operating revenues less product purchases and operating expense. See “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—How We Evaluate Our Operations—Operating Margin” and “Non-GAAP Financial Measures.”
- (4) Adjusted EBITDA is net income before interest, income taxes, depreciation and amortization and non-cash income or loss related to derivative instruments. See “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—How We Evaluate Our Operations—Adjusted EBITDA” and “Non-GAAP Financial Measures.”
- (5) Distributable Cash Flow is net income plus depreciation and amortization and deferred taxes, adjusted for losses/(gains) on mark-to-market derivative contracts and debt repurchases, less maintenance capital expenditures. See “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—How We Evaluate Our Operations—Distributable Cash Flow” and “Non-GAAP Financial Measures.”
- (6) Gathering throughput represents the volume of natural gas gathered and passed through natural gas gathering pipelines from connections to producing wells and central delivery points.
- (7) Plant natural gas inlet represents the volume of natural gas passing through the meter located at the inlet of a natural gas processing plant.
- (8) Plant natural gas inlet volumes include producer take-in-kind, while natural gas sales exclude producer take-in-kind volumes.
- (9) Average realized prices include the impact of hedging activities.

Non-GAAP Financial Measures

Adjusted EBITDA. We define Adjusted EBITDA as net income before interest, income taxes, depreciation and amortization and non-cash income or loss related to derivative instruments. Adjusted EBITDA is used as a supplemental financial measure by our management and by external users of our financial statements such as investors, commercial banks and others, to assess:

- the financial performance of our assets without regard to financing methods, capital structure or historical cost basis;
- our operating performance and return on capital as compared to other companies in the midstream energy sector, without regard to financing or capital structure; and
- the viability of acquisitions and capital expenditure projects and the overall rates of return on alternative investment opportunities.

The economic substance behind management's use of Adjusted EBITDA is to measure the ability of our assets to generate cash sufficient to pay interest costs, support our indebtedness and make distributions to our investors.

The generally accepted accounting principles ("GAAP") measures most directly comparable to Adjusted EBITDA are net cash provided by operating activities and net income. Adjusted EBITDA should not be considered as an alternative to GAAP net cash provided by operating activities and GAAP net income. Adjusted EBITDA is not a presentation made in accordance with GAAP and has important limitations as an analytical tool. You should not consider Adjusted EBITDA in isolation or as a substitute for analysis of our results as reported under GAAP. Because Adjusted EBITDA excludes some, but not all, items that affect net income and net cash provided by operating activities and is defined differently by different companies in our industry, our definition of Adjusted EBITDA may not be comparable to similarly titled measures of other companies. Management compensates for the limitations of Adjusted EBITDA as an analytical tool by reviewing the comparable GAAP measures, understanding the differences between the measures and incorporating these insights into management's decision-making processes.

	Year Ended December 31,				
	2009	2008	2007	2006	2005
	(In millions)				
Reconciliation of net cash provided by operating activities to Adjusted EBITDA:					
Net cash provided by operating activities	\$ 299.8	\$ 293.0	\$ 268.3	\$ 169.9	\$ 21.7
Net income attributable to noncontrolling interest	(2.2)	(0.3)	(0.1)	0.6	(0.2)
Interest expense, net (1)	48.2	35.8	39.1	118.0	22.7
Gain (loss) on debt repurchases	(1.5)	13.1	-	-	(3.7)
Termination of commodity derivatives	-	87.4	-	-	-
Current income tax expense	0.2	0.6	0.6	-	-
Other	(1.6)	3.7	(1.5)	(0.6)	(4.3)
Changes in operating assets and liabilities which used (provided) cash:					
Accounts receivable and other assets	69.4	(658.2)	145.7	(71.1)	19.4
Accounts payable and other liabilities	(126.0)	494.3	(191.6)	(37.6)	20.6
Adjusted EBITDA	<u>\$ 286.3</u>	<u>\$ 269.4</u>	<u>\$ 260.5</u>	<u>\$ 179.2</u>	<u>\$ 76.2</u>

(1) Net of amortization of debt issuance costs of \$3.8 million, \$2.1 million, \$1.8 million, \$9.1 million and \$5.2 million for 2009, 2008, 2007, 2006 and 2005.

	Year Ended December 31,				
	2009	2008	2007	2006	2005
	(In millions)				
Reconciliation of net income (loss) attributable to Targa Resources Partners LP to Adjusted EBITDA:					
Net income attributable to Targa Resources Partners LP	\$ 52.0	\$ 49.4	\$ 35.1	\$ (23.0)	\$ 10.2
Add:					
Interest expense, net (1)	95.4	97.1	99.4	127.1	27.9
Income tax expense	1.0	2.4	2.5	3.4	-
Depreciation and amortization expense	101.2	97.8	93.5	90.7	26.3
Non-cash (gain) loss related to derivatives	37.6	23.4	30.8	(18.3)	12.0
Noncontrolling interest adjustment	(0.9)	(0.7)	(0.8)	(0.7)	(0.2)
Adjusted EBITDA	<u>\$ 286.3</u>	<u>\$ 269.4</u>	<u>\$ 260.5</u>	<u>\$ 179.2</u>	<u>\$ 76.2</u>

(1) Includes affiliate interest expense of \$43.4 million, \$59.2 million and \$58.5 million for 2009, 2008 and 2007 and allocated interest expense of \$19.4 million, \$127.3 million and \$27.9 million for 2007, 2006 and 2005.

Operating Margin. We define operating margin as total operating revenues, which consist of natural gas and NGL sales plus service fee revenues, less product purchases, which consist primarily of producer payments and other natural gas purchases and operating expense. Management reviews operating margin monthly for consistency

and trend analysis. Based on this monthly analysis, management takes appropriate action to maintain positive trends or to reverse negative trends. Management uses operating margin as an important performance measure of the core profitability of our operations.

The GAAP measure most directly comparable to operating margin is net income. Operating margin should not be considered as an alternative to GAAP net income. Operating margin is not a presentation made in accordance with GAAP and has important limitations as an analytical tool. You should not consider operating margin in isolation or as a substitute for analysis of our results as reported under GAAP. Because operating margin excludes some, but not all, items that affect net income and is defined differently by different companies in our industry, our definition of operating margin may not be comparable to similarly titled measures of other companies, thereby diminishing its utility. Management compensates for the limitations of operating margin as an analytical tool by reviewing the comparable GAAP measure, understanding the differences between the measures and incorporating these insights into management’s decision-making processes.

- We believe that investors benefit from having access to the same financial measures that our management uses in evaluating our operating results. Operating margin provides useful information to investors because it is used as a supplemental financial measure by our management and by external users of our financial statements, including such investors, commercial banks and others, to assess:
- the financial performance of our assets without regard to financing methods, capital structure or historical cost basis;
- our operating performance and return on capital as compared to other companies in the midstream energy sector, without regard to financing or capital structure; and
- the viability of acquisitions and capital expenditure projects and the overall rates of return on alternative investment opportunities.

	Year Ended December 31,				
	2009	2008	2007	2006	2005
	(In millions)				
Reconciliation of net income (loss) attributable to Targa Resources Partners LP to operating margin:					
Net income (loss) attributable to Targa Resources Partners LP	\$ 52.0	\$ 49.4	\$ 35.1	\$ (23.0)	\$ 10.2
Add:					
Depreciation and amortization expense	101.2	97.8	93.5	90.7	26.3
General and administrative and other expense	78.1	67.7	63.7	57.3	23.0
Interest expense, net (1)	95.4	97.1	99.4	127.1	27.9
Income tax expense	1.0	2.4	2.5	3.4	-
Loss (gain) on debt repurchases	1.5	(13.1)	-	-	3.7
Loss (gain) related to mark-to-market derivative instruments	(0.8)	1.0	30.2	(16.8)	12.0
Other, net	(3.5)	(5.0)	(2.3)	(3.2)	(0.1)
Operating margin	\$ 324.9	\$ 297.3	\$ 322.1	\$ 235.5	\$ 103.0

(1) Includes affiliated interest expense of \$43.4 million, \$59.2 million and \$58.5 million for 2009, 2008 and 2007 and allocated interest of \$19.4 million, \$127.3 million and \$27.9 million for 2007, 2006 and 2005.

Distributable Cash Flow. We define distributable cash flow as net income attributable to Targa Resources Partners LP plus depreciation and amortization, deferred taxes and amortization of debt issue costs included in interest expense, adjusted for non-cash losses/(gains) related to mark-to-market derivative instruments and debt repurchases, less maintenance capital expenditures. Distributable cash flow is a significant performance metric used by us and by external users of our financial statements, such as investors, commercial banks, research analysts and others to compare basic cash flows generated by us (prior to the establishment of any retained cash reserves by the board of directors of our general partner) to the cash distributions we expect to pay our unitholders. Using this

metric, management can quickly compute the coverage ratio of estimated cash flows to planned cash distributions. Distributable cash flow is also an important financial measure for our unitholders since it serves as an indicator of our success in providing a cash return on investment. Specifically, this financial measure indicates to investors whether or not we are generating cash flow at a level that can sustain or support an increase in our quarterly distribution rates. Distributable cash flow is also a quantitative standard used throughout the investment community with respect to publicly-traded partnerships and limited liability companies because the value of a unit of such an entity is generally determined by the unit's yield (which in turn is based on the amount of cash distributions the entity pays to a unitholder).

The economic substance behind our use of distributable cash flow is to measure the ability of our assets to generate cash flow sufficient to make distributions to our investors.

The GAAP measure most directly comparable to distributable cash flow is net income. Distributable cash flow should not be considered as an alternative to GAAP net income. Distributable cash flow is not a presentation made in accordance with GAAP and has important limitations as an analytical tool. You should not consider distributable cash flow in isolation or as a substitute for analysis of our results as reported under GAAP. Because distributable cash flow excludes some, but not all, items that affect net income and is defined differently by different companies in our industry, our definition of distributable cash flow may not be compatible to similarly titled measures of other companies, thereby diminishing its utility.

We compensate for the limitations of distributable cash flow as an analytical tool by reviewing the comparable GAAP measures, understanding the differences between the measures and incorporating these insights into our decision making processes.

	Year Ended December 31,				
	2009	2008	2007	2006	2005
	(In millions)				
Reconciliation of net income (loss)					
to distributable cash flow:					
Net income (loss) attributable to Targa Resources					
Partners LP	\$ 52.0	\$ 49.4	\$ 35.1	\$ (23.0)	\$ 10.2
Depreciation and amortization expense	101.2	97.8	93.5	90.7	26.3
Deferred income tax expense	0.8	1.8	1.9	3.4	-
Amortization of debt issue costs	3.8	2.1	1.8	9.1	5.2
Loss (gain) on debt repurchases	1.5	(13.1)	-	-	3.7
Non-cash loss (gain) on mark-to-market derivative instruments	37.6	23.4	30.8	(18.3)	12.0
Maintenance capital expenditures	(20.0)	(40.3)	(30.4)	(25.1)	(6.9)
Other (1)	(0.6)	(0.4)	(0.5)	(0.5)	-
Distributable cash flow	<u>\$ 176.3</u>	<u>\$ 120.7</u>	<u>\$ 132.2</u>	<u>\$ 36.3</u>	<u>\$ 50.5</u>

(1) Other includes the non-controlling interest percentage of our unconsolidated investment's depreciation, interest expense and maintenance capital expenditures.

Below is a reconciliation of distributable cash flow for the year ended December 31, 2009, to which unit holders are entitled which excludes the operations of the Downstream Business prior to our acquisition of it:

Reconciliation of net income (loss) attributable to Targa Resources Partners LP to distributable cash flow:	For the Year Ended December 31, 2009		
	TRP LP	Pre-Acquisition	Adjusted
		Downstream Predecessor Operations (In millions)	
Net income (loss) attributable to Targa Resources Partners LP	\$ 52.0	\$ (2.4)	\$ 54.4
Add:			
Depreciation and amortization expense	101.2	16.3	84.9
Deferred income tax expense	0.8	0.1	0.7
Amortization of debt issue costs	3.8	-	3.8
Loss (gain) on debt repurchases	1.5	-	1.5
Non-cash loss related to mark-to-market derivative instruments	37.6	-	37.6
Maintenance capital expenditures	(20.0)	(4.6)	(15.4)
Other	(0.6)	(0.6)	-
Distributable cash flow	<u>\$ 176.3</u>	<u>\$ 8.8</u>	<u>\$ 167.5</u>

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion analyzes our financial condition and results of operations. You should read the following discussion of our financial condition and results of operations in conjunction with our historical financial statements and notes included in Part IV of this Annual Report.

Targa's conveyances to us of the North Texas System, the SAOU and LOU Systems and the Downstream Business have been accounted for as transfers of net assets between entities under common control. We recognize transfers of net assets between entities under common control at Targa's historical basis in the net assets conveyed. In addition, transfers of net assets between entities under common control are accounted for as if the transfer occurred at the beginning of the period, and prior years are retroactively adjusted to furnish comparative information similar to the pooling of interests method. The amount of the purchase price in excess of Targa's basis in the net assets, if any, is recognized as a reduction to net parent investment.

Our consolidated financial statements and all other financial information included in this report have been retrospectively adjusted to assume that the acquisition of the Downstream Business from Targa by us had occurred at the date when both the Downstream Business and the North Texas System met the accounting requirements for entities under common control (October 31, 2005) following the acquisition of the SAOU and LOU Systems. As a result, financial statements and financial information presented for prior periods in this report have been retrospectively adjusted.

Overview

We are a Delaware limited partnership formed by Targa to own, operate, acquire and develop a diversified portfolio of complementary midstream energy assets. We are engaged in the business of gathering, compressing, treating, processing and selling natural gas and fractionating and selling NGLs and NGL products.

We are owned 98% by our limited partners and 2% by our general partner, Targa Resources GP LLC, an indirect, wholly owned subsidiary of Targa. Our limited partner common units began trading on the New York Stock Exchange on January 25, 2010 under the symbol "NGLS." Previously, our limited partner common units were listed on The NASDAQ Stock Market LLC under the same symbol.

We conduct our business operations through two divisions and report our results of operations under four segments: Our Natural Gas Gathering and Processing division is a single segment consisting of our natural gas gathering and processing facilities, as well as certain fractionation capability integrated within those facilities; and our NGL Logistics and Marketing division includes three segments: Logistics Assets, NGL Distribution and Marketing, and Wholesale Marketing.

Our natural gas gathering and processing assets are located primarily in the Fort Worth Basin in North Texas, the Permian Basin in West Texas and the onshore region of the Louisiana Gulf Coast. Our NGL logistics and marketing assets are located primarily at Mont Belvieu and Galena Park near Houston, Texas and in Lake Charles, Louisiana, with terminals and transportation assets across the U.S.

Factors That Significantly Affect Our Results

Our results of operations are substantially impacted by changes in commodity prices as well as increases and decreases in the volume of natural gas that we gather through our pipeline systems, which we refer to as throughput volume. Throughput volumes generally are driven by wellhead production, our competitive position on a regional basis and more broadly by prices and demand for natural gas and NGLs (which may be impacted by economic, political and regulatory development factors beyond our control).

Contract Mix. Our natural gas gathering and processing contract arrangements can have a significant impact on our profitability. Because of the significant volatility of natural gas and NGL prices, the contract mix of our natural gas gathering and processing segment can have a significant impact on our profitability. Negotiated contract terms are based upon a variety of factors, including natural gas quality, geographic location, the competitive environment at the time the contract is executed and customer preferences. Contract mix and, accordingly, exposure to natural gas and NGL prices may change over time as a result of changes in these underlying factors.

Set forth below is a table summarizing the contract mix of our natural gas gathering and processing division for 2009 and the potential impacts of commodity prices on operating margins:

Contract Type	Percent of Throughput	Impact of Commodity Prices
Percent-of-Proceeds	70%	Decreases in natural gas and/or NGL prices generate decreases in operating margin.
Wellhead Purchases/Keep Whole	28%	Increases in natural gas prices relative to NGL prices generate decreases in operating margin. Decreases in NGL prices relative to natural gas prices generate decreases in operating margin.
Hybrid	1%	In periods of favorable processing economics, similar to percent-of-proceeds (or wellhead purchases/keep-whole in some circumstances, if economically advantageous to the processor). In periods of unfavorable processing economics, similar to fee-based.
Fee Based	1%	No direct impact from commodity price movements.

Actual contract terms are based upon a variety of factors, including natural gas quality, geographic location, the competitive commodity and pricing environment at the time the contract is executed, and customer requirements. Our gathering and processing contract mix and, accordingly, our exposure to natural gas and NGL prices, may change as a result of producer preferences, competition, and changes in production as wells decline at different rates or are added, our expansion into regions where different types of contracts are more common as well as other market factors. We prefer to enter into contracts with less commodity price sensitivity including fee-based and percent-of-proceeds arrangements.

We attempt to mitigate the impact of commodity prices on our results of operations through hedging activities which can materially impact our results of operations. See “Item 7A. Quantitative and Qualitative Disclosures About Market Risk—Commodity Price Risk.”

Impact of Our Hedging Activities. In an effort to reduce the variability of our cash flows, we have hedged the commodity price associated with a portion of our expected natural gas, NGLs and condensate equity volumes for the years 2010 through 2013 by entering into derivative financial instruments including swaps and purchased puts (or floors). With these arrangements, we have attempted to mitigate our exposure to commodity price movements with respect to our forecasted volumes for this period. For additional information regarding our hedging activities, see “Item 7A. Quantitative and Qualitative Disclosures About Market Risk—Commodity Price Risk.”

General and Administrative Expenses. Under the terms of the Second Amended and Restated Omnibus Agreement (the “Omnibus Agreement”), we reimburse Targa for the payment of certain operating and direct expenses, including compensation and benefits of operating personnel, and for the provision of various general and administrative services for our benefit. Pursuant to these arrangements, Targa performs centralized corporate functions for us, such as legal, accounting, treasury, insurance, risk management, health, safety and environmental, information technology, human resources, credit, payroll, internal audit, tax, engineering and marketing. We reimburse Targa for the direct expenses to provide these services as well as other direct expenses it incurs on our behalf, such as compensation of operational personnel performing services for our benefit and the cost of its employee benefits, including 401(k), pension and health insurance benefits. Our general partner determines the amount of general and administrative expenses to be allocated to us in accordance with the Omnibus Agreement.

We reimbursed Targa for these general and administrative expenses as follows: (i) with respect to the North Texas System, we reimbursed Targa for (A) general and administrative expenses, which were capped at \$5 million annually, subject to certain increases through February 15, 2010, and (B) operating and certain direct expenses, which were not capped, and (ii) with respect to the SAOU and LOU Systems and the Downstream Business, we reimbursed Targa for general and administrative expenses, which were not capped, allocated to the SAOU and LOU Systems and the Downstream Business according to Targa’s allocation practice; and operating and certain direct expenses, which were not capped.

During the nine-quarter period beginning with the fourth quarter of 2009 and continuing through the fourth quarter of 2011, Targa will provide distribution support to us in the form of a reduction in the reimbursement for general and administrative expense allocated to us if necessary (or make a payment to us, if needed) for a 1.0 times distribution coverage ratio, at the current distribution level of \$0.5175 per limited partner unit, subject to maximum support of \$8 million in any quarter. No distribution support was required for the fourth quarter of 2009.

Allocated general and administrative expenses, including expenses allocated to the Downstream Business, were \$64.0 million, \$61.2 million and \$60.4 million for 2009, 2008 and 2007 were subject to the cap contained in the Omnibus Agreement.

In addition to these allocated general and administrative expenses, we incur incremental general and administrative expenses as a result of operating as a separate publicly held limited partnership. These direct, incremental general and administrative expenses, which were approximately \$15.9 million, \$7.5 million and \$3.6 million during 2009, 2008 and 2007, including expenses associated with our equity offerings, financing arrangements and acquisitions. These direct and incremental costs also include costs associated with annual and quarterly reports to unitholders, tax return and Schedule K-1 preparation and distribution, independent auditor fees, registrar and transfer agent fees and independent director compensation.

The historical financial statements of the SAOU and LOU Systems, the North Texas System and the Downstream Business include certain items that will not impact our future results of operations and liquidity including the items described below:

Affiliate Indebtedness. Affiliate indebtedness prior to the contribution of the North Texas System and our acquisitions of the SAOU and LOU Systems and the Downstream Business, consisted of borrowings incurred by Targa and allocated to us for financial reporting purposes. On January 1, 2007, Targa contributed to us affiliated indebtedness related to the assets of the North Texas System of \$846.3 million. Also on January 1, 2007, Targa

contributed to us affiliated indebtedness related to the assets of Targa Downstream LP and Targa LSNG LP of approximately \$639.7 million (including accrued interest and additional borrowings). During 2009, 2008 and 2007, we recorded \$43.4 million, \$59.3 million and \$58.5 million in interest expense associated with this affiliated debt.

On February 14, 2007, we borrowed approximately \$294.5 million under our credit facility. The proceeds from this borrowing, together with approximately \$371.2 million of net proceeds from our IPO, were used to repay approximately \$665.7 million of affiliate indebtedness associated with the North Texas System. The remaining affiliated debt associated with the North Texas System was retired and treated as a capital contribution to us.

On October 24, 2007, we completed our acquisition of the SAOU and LOU Systems concurrently with the sale of 13,500,000 common units representing limited partnership interests in us for gross proceeds of \$362.7 million. We used the net proceeds from the offering, after \$2.5 million in offering expenses and the payment of \$24.2 million to Targa for certain hedge transactions, of \$322.5 million along with net borrowings of \$375.5 million to pay approximately \$698.0 million of the acquisition costs of the SAOU and LOU Systems. The allocated indebtedness from Targa related to the SAOU and LOU Systems was \$124.0 million. In conjunction with our acquisition of the SAOU and LOU Systems, the allocated indebtedness was retired.

On September 24, 2009, in connection with our acquisition of the Downstream Business, the entire balance of affiliated indebtedness payable to Targa was settled with a \$397.5 million cash payment, the issuance of 8,527,615 common units with an agreed-upon value of \$129.8 million, the issuance of 174,033 general partner units with an agreed-upon value of \$2.7 million and a deemed parent contribution of \$287.3 million.

Working Capital Adjustments. Prior to the contribution of the North Texas System in February 2007, and the acquisition of the SAOU and LOU Systems in October 2007, all intercompany transactions, including commodity sales and expense reimbursements, were not cash settled with the Targa, but were recorded as an adjustment to parent equity on the balance sheet. The primary intercompany transactions between the respective parent and the Predecessor Business are natural gas and NGL sales, the provision of operations and maintenance activities and the provision of general and administrative services. Prior to acquisition of the Downstream Business in September 2009, all intercompany balances related to the Downstream Business were settled with the parent as part of the customary settlement process. Accordingly, the working capital of the Predecessor Business does not reflect any affiliate accounts payable for the personnel and services provided or paid for by the applicable parent on behalf of the Predecessor Business.

Distributions to our Unitholders

We intend to make cash distributions to our unitholders and our general partner at least at the minimum quarterly distribution rate of \$0.3375 per common unit per quarter (\$1.35 per common unit on an annualized basis). Due to our cash distribution policy, we expect that we will distribute to our unitholders most of the cash generated by our operations. As a result, we expect that we will rely upon external financing sources, including other debt and common unit issuances, to fund our acquisition and expansion capital expenditures, as well as our working capital needs.

The following table shows the distributions we paid in 2009 and 2008:

Date Paid	For the Three Months Ended	Distributions Paid (1)							Distributions per limited partner unit
		Limited Partners		General Partner			Total		
		Common	Subordinated (2)	Incentive	2%				
						(In millions, except per unit amounts)			
2009									
November 14, 2009	September 30, 2009	\$ 31.9	\$ -	\$ 2.6	\$ 0.7	\$ 35.2	\$ 0.5175		
August 14, 2009	June 30, 2009	23.9	-	2.0	0.5	26.4	0.5175		
May 15, 2009	March 31, 2009	18.0	5.9	1.9	0.5	26.3	0.5175		
February 13, 2009	December 31, 2008	18.0	6.0	1.9	0.5	26.4	0.5175		
2008									
November 14, 2008	September 30, 2008	\$ 17.9	\$ 6.0	\$ 1.9	\$ 0.5	\$ 26.3	\$ 0.5175		
August 14, 2008	June 30, 2008	17.8	5.9	1.7	0.5	25.9	0.5125		
May 15, 2008	March 31, 2008	14.5	4.8	0.2	0.4	19.9	0.4175		
February 14, 2008	December 31, 2007	13.8	4.6	0.1	0.4	18.9	0.3975		

(1) On February 12, 2010, we paid a cash distribution of \$0.5175 per unit on our outstanding common units. The total distribution paid was \$38.8 million, with \$24.8 million paid to our non-affiliated common unitholders and \$10.4 million, \$0.8 million and \$2.8 million paid to Targa for its common unit ownership, general partner interest and incentive distribution rights.

(2) Under the terms of our amended and restated Partnership Agreement, all 11,528,231 subordinated units converted to common units on a one-to-one basis on May 19, 2009.

General Trends and Outlook

We expect our business to continue to be affected by the following key trends. Our expectations are based on assumptions made by us and information currently available to us. To the extent our underlying assumptions about or interpretations of available information prove to be incorrect, our actual results may vary materially from our expected results.

Natural Gas Supply and Outlook. Fluctuations in energy prices can affect production rates and investments by third parties in the development of new natural gas reserves. Generally, drilling and production activity will increase as energy prices increase. The recent substantial decline in natural gas prices has led many exploration and production companies to reduce planned capital expenditures for drilling and production activities during 2010 which could lead to a decrease in the level of natural gas production in our areas of operation.

Significant Relationships. The following table lists the percentage of our consolidated sales and consolidated product purchases with our significant customers and suppliers:

	2009	2008	2007
% of consolidated revenues			
CPC	17%	20%	22%
% of consolidated product purchases			
Louis Dreyfus Energy Services L.P.	12%	9%	7%

No other third party customer accounted for more than 10% of our consolidated revenues or consolidated product purchases during these periods.

Commodity Prices. Our operating income generally improves in an environment of higher natural gas, NGL and condensate prices, primarily as a result of our percent-of-proceeds contracts. Our processing profitability is largely dependent upon pricing and market demand for natural gas, NGLs and condensate, which are beyond our control and have been volatile. Recent weak economic conditions have negatively affected the pricing and market demand

for natural gas, NGLs and condensate, which caused a reduction in profitability of our processing operations. In a declining commodity price environment, without taking into account our hedges, we will realize a reduction in cash flows under our percent-of-proceeds contracts proportionate to average price declines. We have attempted to mitigate our exposure to commodity price movements by entering into hedging arrangements. For additional information regarding our hedging activities, see “Item 7A. Quantitative and Qualitative Disclosures About Market Risk—Commodity Price Risk.”

Volatile Capital Markets. We are dependent on our ability to access the equity and debt capital markets in order to fund acquisitions and expansion expenditures. Global financial markets have been, and are expected to continue to be, extremely volatile and disrupted and the current weak economic conditions have recently caused a significant decline in commodity prices. As a result, we may be unable to raise equity or debt capital on satisfactory terms, or at all, which may negatively impact the timing and extent to which we execute growth plans. Prolonged periods of low commodity prices or volatile capital markets may impact our ability or willingness to enter into new hedges, fund organic growth, connect to new supplies of natural gas, execute acquisitions or implement expansion capital expenditures.

How We Evaluate Our Operations

Our profitability is a function of the difference between the revenues we receive from our operations, including revenues from the natural gas, NGLs and condensate we sell, and the costs associated with conducting our operations, including the costs of wellhead natural gas and Y-grade that we purchase as well as operating and general and administrative costs. Because commodity price movements tend to impact both revenues and costs, increases or decreases in our revenues alone are not necessarily indicative of increases or decreases in our profitability. Our contract portfolio, the prevailing pricing environment for natural gas and NGLs, and the natural gas and NGL throughput on our system are important factors in determining our profitability. Our profitability is also affected by the NGL content in gathered wellhead natural gas, demand for our products and changes in our customer mix.

Our management uses a variety of financial and operational measurements to analyze our performance. These measurements include: (1) throughput volumes, (2) facility efficiencies and fuel consumption; and the following non-GAAP measures (3) operating margin, (4) operating expenses, (5) Adjusted EBITDA and (6) distributable cash flow.

Throughput Volumes, Facility Efficiencies and Fuel Consumption. Our profitability is impacted by our ability to add new sources of natural gas supply to offset the natural decline of existing volumes from natural gas wells that are connected to our systems. This is achieved by connecting new wells, adding new volumes in existing areas of production as well as by capturing supplies currently gathered by third parties.

In addition, we seek to increase operating margins by limiting volume losses and reducing fuel consumption by increasing compression efficiency. With our gathering systems' extensive use of remote monitoring capabilities, we monitor the volumes of natural gas received at the wellhead or central delivery points along our gathering systems, the volume of natural gas received at our processing plant inlets and the volumes of NGLs and residue natural gas recovered by our processing plants. This information is tracked through our processing plants to determine customer settlements and helps us increase efficiency and reduce fuel consumption.

As part of monitoring the efficiency of our operations, we measure the difference between the volume of natural gas received at the wellhead or central delivery points on our gathering systems and the volume received at the inlet of our processing plants as an indicator of fuel consumption and line loss. We also track the difference between the volume of natural gas received at the inlet of the processing plant and the NGLs and residue gas produced at the outlet of such plants to monitor the fuel consumption and recoveries of the facilities. These volume, recovery and fuel consumption measurements are an important part of our operational efficiency analysis.

Operating Margin. We review performance based on operating margin. We define operating margin as total operating revenues, which consist of natural gas and NGL sales plus service fee revenues, less product purchases, which consist primarily of producer payments and other natural gas purchases, and operating expense. Natural gas and NGL sales revenue includes settlement gains and losses on commodity hedges. Our operating margin is

impacted by volumes and commodity prices as well as by our contract mix and hedging program, which are described in more detail below. We view our operating margin as an important performance measure of the core profitability of our operations. We review our operating margin monthly for consistency and trend analysis.

The GAAP measure most directly comparable to operating margin is net income. Operating margin should not be considered as an alternative to GAAP net income. Operating margin is not a presentation made in accordance with GAAP and has important limitations as an analytical tool. You should not consider operating margin in isolation or as a substitute for analysis of our results as reported under GAAP. Because operating margin excludes some, but not all, items that affect net income and is defined differently by different companies in our industry, our definition of operating margin may not be comparable to similarly titled measures of other companies, thereby diminishing its utility.

We compensate for the limitations of operating margin as an analytical tool by reviewing the comparable GAAP measure, understanding the differences between the measures and incorporating these insights into our decision-making processes.

	Year Ended December 31,		
	2009	2008	2007
	(In millions)		
Reconciliation of net income attributable to Targa Resources Partners LP to operating margin:			
Net income attributable to Targa Resources Partners LP	\$ 52.0	\$ 49.4	\$ 35.1
Add:			
Depreciation and amortization expense	101.2	97.8	93.5
General and administrative and other expense	78.1	67.7	63.7
Interest expense, net (1)	95.4	97.1	99.4
Income tax expense	1.0	2.4	2.5
Loss (gain) on debt repurchases	1.5	(13.1)	-
Loss (gain) related to mark-to-market derivative instruments	(0.8)	1.0	30.2
Other, net	(3.5)	(5.0)	(2.3)
Operating margin	<u>\$ 324.9</u>	<u>\$ 297.3</u>	<u>\$ 322.1</u>

(1) Includes affiliate interest expense of \$43.4 million, \$59.2 million and \$58.5 million for 2009, 2008 and 2007 and allocated interest expense of \$19.4 million for 2007.

Our operating margin by segment and in total is as follows for the periods indicated:

	Year Ended December 31,		
	2009	2008	2007
	(In millions)		
Natural Gas Gathering and Processing	\$ 168.4	\$ 215.8	\$ 203.8
Logistics Assets	87.0	49.9	40.0
NGL Distribution and Marketing Services	45.8	18.5	55.5
Wholesale Marketing	23.7	13.1	22.8
	<u>\$ 324.9</u>	<u>\$ 297.3</u>	<u>\$ 322.1</u>

We believe that investors benefit from having access to the same financial measures that our management uses in evaluating our operating results. Operating margin provides useful information to investors because it is used as a supplemental financial measure by us and by external users of our financial statements, including such investors, commercial banks and others, to assess:

- the financial performance of our assets without regard to financing methods, capital structure or historical cost basis;

- our operating performance and return on capital as compared to other companies in the midstream energy sector, without regard to financing or capital structure; and
- the viability of acquisitions and capital expenditure projects and the overall rates of return on alternative investment opportunities.

Operating Expenses. Operating expenses are costs associated with the operation of a specific asset. Direct labor, ad valorem taxes, repair and maintenance, utilities and contract services compose the most significant portion of our operating expenses. These expenses generally remain relatively stable independent of the volumes through our systems but fluctuate depending on the scope of the activities performed during a specific period.

Adjusted EBITDA. We define Adjusted EBITDA as net income before interest, income taxes, depreciation and amortization and non-cash income or loss related to derivative instruments. Adjusted EBITDA is used as a supplemental financial measure by us and by external users of our financial statements such as investors, commercial banks and others, to assess:

- the financial performance of our assets without regard to financing methods, capital structure or historical cost basis;
- our operating performance and return on capital as compared to other companies in the midstream energy sector, without regard to financing or capital structure; and
- the viability of acquisitions and capital expenditure projects and the overall rates of return on alternative investment opportunities.

The economic substance behind our use of Adjusted EBITDA is to measure the ability of our assets to generate cash sufficient to pay interest costs, support our indebtedness and make distributions to our investors.

The GAAP measures most directly comparable to Adjusted EBITDA are net cash provided by operating activities and net income. Adjusted EBITDA should not be considered as an alternative to GAAP net cash provided by operating activities and GAAP net income. Adjusted EBITDA is not a presentation made in accordance with GAAP and has important limitations as an analytical tool. You should not consider Adjusted EBITDA in isolation or as a substitute for analysis of our results as reported under GAAP. Because Adjusted EBITDA excludes some, but not all, items that affect net income and net cash provided by operating activities and is defined differently by different companies in our industry, our definition of Adjusted EBITDA may not be comparable to similarly titled measures of other companies.

We compensate for the limitations of Adjusted EBITDA as an analytical tool by reviewing the comparable GAAP measures, understanding the differences between the measures and incorporating these insights into our decision-making processes.

	Year Ended December 31,		
	2009	2008	2007
	(In millions)		
Reconciliation of net cash provided by operating activities to Adjusted EBITDA:			
Net cash provided by operating activities	\$ 299.8	\$ 293.0	\$ 268.3
Net income attributable to noncontrolling interest	(2.2)	(0.3)	(0.1)
Interest expense, net (1)	48.2	35.8	39.1
Gain (loss) on debt repurchases	(1.5)	13.1	-
Termination of commodity derivatives	-	87.4	-
Current income tax expense	0.2	0.6	0.6
Other	(1.6)	3.7	(1.5)
Changes in operating working capital which used (provided) cash:			
Accounts receivable and other assets	69.4	(658.2)	145.7
Accounts payable and other liabilities	(126.0)	494.3	(191.6)
Adjusted EBITDA	<u>\$ 286.3</u>	<u>\$ 269.4</u>	<u>\$ 260.5</u>

(1) Net of amortization of debt issuance costs of \$3.8 million, \$2.1 million and \$1.8 million for 2009, 2008 and 2007.

	Year Ended December 31,		
	2009	2008	2007
	(In millions)		
Reconciliation of net income attributable to Targa Resources Partners LP to Adjusted EBITDA:			
Net income attributable to Targa Resources Partners LP	\$ 52.0	\$ 49.4	\$ 35.1
Add:			
Interest expense, net (1)	95.4	97.1	99.4
Income tax expense	1.0	2.4	2.5
Depreciation and amortization expense	101.2	97.8	93.5
Non-cash loss related to derivatives	37.6	23.4	30.8
Noncontrolling interest adjustment	(0.9)	(0.7)	(0.8)
Adjusted EBITDA	<u>\$ 286.3</u>	<u>\$ 269.4</u>	<u>\$ 260.5</u>

(1) Includes affiliate interest expense of \$43.4 million, \$59.2 million and \$58.5 million for 2009, 2008 and 2007 and allocated interest expense of \$19.4 million for 2007.

Distributable Cash Flow. We define distributable cash flow as net income attributable to Targa Resources Partners LP plus depreciation and amortization, deferred taxes and amortization of debt issue costs included in interest expense, adjusted for non-cash losses/(gains) related to mark-to-market derivative instruments and debt repurchases, less maintenance capital expenditures. Distributable cash flow is a significant performance metric used by us and by external users of our financial statements, such as investors, commercial banks, research analysts and others to compare basic cash flows generated by us (prior to the establishment of any retained cash reserves by the board of directors of our general partner) to the cash distributions we expect to pay our unitholders. Using this metric, management can quickly compute the coverage ratio of estimated cash flows to planned cash distributions. Distributable cash flow is also an important financial measure for our unitholders since it serves as an indicator of our success in providing a cash return on investment. Specifically, this financial measure indicates to investors whether or not we are generating cash flow at a level that can sustain or support an increase in our quarterly distribution rates. Distributable cash flow is also a quantitative standard used throughout the investment community with respect to publicly-traded partnerships and limited liability companies because the value of a unit of such an

entity is generally determined by the unit's yield (which in turn is based on the amount of cash distributions the entity pays to a unitholder).

The economic substance behind our use of distributable cash flow is to measure the ability of our assets to generate cash flow sufficient to make distributions to our investors.

The GAAP measure most directly comparable to distributable cash flow is net income. Distributable cash flow should not be considered as an alternative to GAAP net income. Distributable cash flow is not a presentation made in accordance with GAAP and has important limitations as an analytical tool. You should not consider distributable cash flow in isolation or as a substitute for analysis of our results as reported under GAAP. Because distributable cash flow excludes some, but not all, items that affect net income and is defined differently by different companies in our industry, our definition of distributable cash flow may not be compatible to similarly titled measures of other companies, thereby diminishing its utility.

We compensate for the limitations of distributable cash flow as an analytical tool by reviewing the comparable GAAP measures, understanding the differences between the measures and incorporating these insights into our decision making processes.

	Year Ended December 31,		
	2009	2008	2007
		(In millions)	
Reconciliation of net income attributable to Targa Resources Partners LP to distributable cash flow:			
Net income attributable to Targa Resources Partners LP	\$ 52.0	\$ 49.4	\$ 35.1
Add:			
Depreciation and amortization expense	101.2	97.8	93.5
Deferred income tax expense	0.8	1.8	1.9
Amortization of debt issue costs	3.8	2.1	1.8
Loss (gain) on debt repurchases	1.5	(13.1)	-
Non-cash loss related to mark-to-market derivative instruments	37.6	23.4	30.8
Maintenance capital expenditures	(20.0)	(40.3)	(30.4)
Other (1)	(0.6)	(0.4)	(0.5)
Distributable cash flow	<u>\$ 176.3</u>	<u>\$ 120.7</u>	<u>\$ 132.2</u>

(1) Other includes the non-controlling interest percentage of our unconsolidated investment's depreciation, interest expense and maintenance capital expenditures.

Results of Operations

The following table summarizes the key components of our results of operations for the periods indicated:

	Year Ended December 31,		
	2009	2008	2007
	(In millions, except operating and price data)		
Revenues (1) (2)	\$ 4,095.6	\$ 7,502.1	\$ 6,843.7
Costs and expenses:			
Product purchases (2)	3,585.6	6,950.8	6,302.0
Operating expenses	185.1	254.0	219.6
Depreciation and amortization expense	101.2	97.8	93.5
General and administrative expense	78.9	68.6	64.0
Other	(0.8)	(0.9)	(0.3)
Income from operations	145.6	131.8	164.9
Interest expense from affiliate	(43.4)	(59.2)	(58.5)
Interest expense allocated from Parent	-	-	(19.4)
Other interest expense, net	(52.0)	(37.9)	(21.5)
Equity in earnings of unconsolidated investment	5.0	3.9	3.5
Gain (loss) on debt repurchases	(1.5)	13.1	-
Gain (loss) on mark-to-market derivative instruments	0.8	(1.0)	(30.2)
Other income (expense)	0.7	1.4	(1.1)
Income tax expense	(1.0)	(2.4)	(2.5)
Net income	54.2	49.7	35.2
Less: Net income attributable to noncontrolling interest	2.2	0.3	0.1
Net income attributable to Targa Resources Partners LP	<u>\$ 52.0</u>	<u>\$ 49.4</u>	<u>\$ 35.1</u>

Financial and operating data:

Financial data:

Operating margin (3)	\$ 324.9	\$ 297.3	\$ 322.1
Adjusted EBITDA (4)	286.3	269.4	260.5
Distributable cash flow (5)	176.3	120.7	132.2

Operating data:

Gathering throughput, MMcf/d (6)	468.6	445.8	452.0
Plant natural gas inlet, MMcf/d (7)(8)	445.9	421.2	429.3
Gross NGL production, MBbl/d	42.7	42.0	42.6
Natural gas sales, BBtu/d (8)	390.9	415.6	410.2
NGL sales, MBbl/d	273.1	297.3	310.1
Condensate sales, MBbl/d	2.8	2.5	3.6

Average realized prices (9):

Natural Gas, \$/MMBtu	3.96	8.45	6.63
NGL, \$/gal	0.79	1.39	1.19
Condensate, \$/Bbl	57.07	90.00	72.11

(1) Includes business interruption insurance revenues of \$2.4 million, \$18.7 million and \$6.4 million for 2009, 2008 and 2007.

- (2) During 2009, we reclassified NGL marketing fractionation and other service fees to revenues that were originally recorded in product purchase costs. The reclassification increased revenues and product purchases for 2008 and 2007 by \$28.7 million and \$27.6 million.
- (3) Operating margin is revenues less product purchases and operating expense. See “How We Evaluate Our Operations.”
- (4) Adjusted EBITDA is net income before interest, income taxes, depreciation and amortization and non-cash gain or loss related to derivative instruments. See “How We Evaluate Our Operations.”
- (5) Distributable Cash Flow is net income plus depreciation and amortization and deferred taxes, adjusted for losses on mark-to-market derivative contracts and debt repurchases, less maintenance capital expenditures. See “How We Evaluate Our Operations.”
- (6) Gathering throughput represents the volume of natural gas gathered and passed through natural gas gathering pipelines from connections to producing wells and central delivery points.
- (7) Plant natural gas inlet represents the volume of natural gas passing through the meter located at the inlet of a natural gas processing plant.
- (8) Plant natural gas inlet volumes include producer take-in-kind, while natural gas sales exclude producer take-in-kind volumes.
- (9) Average realized prices include the impact of hedging activities.

Year Ended December 31, 2009 Compared to Year Ended December 31, 2008

Revenues decreased by \$3,406.5 million, or 45%, to \$4,095.6 million for 2009 compared to \$7,502.1 million for 2008. Revenues from the sale of natural gas decreased by \$719.0 million, consisting of decreases of \$639.6 million due to lower realized prices and \$79.4 million due to lower sales volumes. Revenues from the sale of NGL decreased by \$2,659.2 million, consisting of a decrease of \$2,511.5 million due to lower realized prices and a decrease of \$147.7 million due to lower sales volumes. Revenues from the sale of condensate decreased by \$22.1 million, which is the net of a decrease of \$33.9 million due to lower realized prices and an increase of \$11.8 million due to higher sales volumes. Non-commodity revenues, which principally include revenues derived from fee-based services and business interruption insurance, decreased by \$6.2 million.

Our average realized prices for natural gas decreased by \$4.49 per MMBtu, or 53%, to \$3.96 per MMBtu for 2009 compared to \$8.45 per MMBtu for 2008. Our average realized prices for NGL decreased by \$0.60 per gallon, or 43%, to \$0.79 per gallon for 2009 compared to \$1.39 per gallon for 2008. Our average realized price for condensate decreased by \$32.93 per barrel, or 37%, to \$57.07 per barrel for 2009 compared to \$90.00 per barrel for 2008.

Natural gas sales volumes decreased by 24.7 BBTu/d, or 6%, to 390.9 BBTu/d for 2009 compared to 415.6 BBTu/d for 2008. NGL sales volumes decreased by 24.2 MBbl/d, or 8%, to 273.1 MBbl/d for 2009 compared to 297.3 MBbl/d for 2008. Condensate sales volumes increased by 0.3 MBbl/d, or 12%, to 2.8 MBbl/d for 2009 compared to 2.5 MBbl/d for 2008. For information regarding the period to period changes in our commodity sales volumes, see “Results of Operations—By Segment.”

Product purchases decreased by \$3,365.2 million, or 48%, to \$3,585.6 million for 2009 compared to \$6,950.8 million for 2008. See “Results of Operations—By Segment” for a detailed explanation of the components of the decrease.

Operating expenses decreased by \$68.9 million, or 27%, to \$185.1 million for 2009 compared to \$254.0 million for 2008. See “Results of Operations—By Segment” for a detailed explanation of the components of the decrease.

Depreciation and amortization expense increased by \$3.4 million, or 3%, to \$101.2 million for 2009 compared to \$97.8 million for 2008. The increase is primarily attributable to a 3% increase in our property, plant and equipment balance for 2009 compared to 2008.

General and administrative expense increased by \$10.3 million, or 15%, to \$78.9 million for 2009 compared to \$68.6 million for 2008. The increase included increases in compensation related expenses, professional services, allocated corporate level expenses and insurance expenses.

Interest expense decreased by \$1.7 million, or 3%, to \$95.4 million for 2009 compared to \$97.1 million for 2008. The decrease is primarily from lower average outstanding debt during 2009. See “Liquidity and Capital Resources” for information regarding our outstanding debt obligations.

Loss on debt repurchases of \$1.5 million for 2009 relates to open market repurchases of our 11¼% Senior Notes due 2017.

Our gain on mark-to-market derivative instruments was \$0.8 million for 2009 compared to a loss of \$1.0 million for 2008. During 2008 we adjusted the fair value of certain contracts with Lehman Brothers Commodity Services Inc. to zero as a result of the Lehman Brothers bankruptcy filing.

Year Ended December 31, 2008 Compared to Year Ended December 31, 2007

Revenues increased by \$658.4 million, or 10%, to \$7,502.1 million for 2008 compared to \$6,843.7 million for 2007. Revenues from the sale of natural gas increased by \$291.7 million, consisting of increases of \$275.9 million due to higher realized prices and \$15.8 million due to higher sales volumes. Revenues from the sale of NGL increased by \$306.5 million, consisting of an increase of \$875.6 million due to higher realized prices, partially offset by a decrease of \$569.1 million due to lower sales volumes. Revenues from the sale of condensate increased by \$23.2 million, consisting of increases of \$22.2 million due to higher realized prices and \$1.0 million due to higher sales volumes. Non-commodity revenues, which principally include revenues derived from fee-based services and business interruption insurance, increased by \$37.0 million.

Our average realized prices for natural gas increased by \$1.82 per MMBtu, or 27%, to \$8.45 per MMBtu for 2008 compared to \$6.63 per MMBtu for 2007. Our average realized prices for NGL increased by \$0.20 per gallon, or 17%, to \$1.39 per gallon for 2008 compared to \$1.19 per gallon for 2007. Our average realized price for condensate increased by \$17.89, or 25%, to \$90.00 per barrel for 2008 compared to \$72.11 per barrel for 2007.

Natural gas sales volumes increased by 5.4 BBtu/d, or 1%, to 415.6 BBtu/d for 2008 compared to 410.2 BBtu/d for 2007. NGL sales volumes decreased by 12.8 MBbl/d, or 4%, to 297.3 MBbl/d for 2008 compared to 310.1 MBbl/d for 2007. Condensate sales volumes decreased 1.1 MBbl/d, or 31%, to 2.5 MBbl/d for 2008 compared to 3.6 MBbl/d for 2007. For information regarding the period to period changes in our commodity sales volumes, see “Results of Operations—By Segment.”

Product purchases increased by \$648.8 million, or 10%, to \$6,950.8 million for 2008 compared to \$6,302.0 million for 2007. See “Results of Operations—By Segment” for a detailed explanation of the components of the increase.

Operating expenses increased by \$34.4 million, or 16%, to \$254.0 million for 2008 compared to \$219.6 million for 2007. See “Results of Operations—By Segment” for a detailed explanation of the components of the increase.

Depreciation and amortization expense increased by \$4.3 million, or 5%, to \$97.8 million for 2008 compared to \$93.5 million for 2007. The increase is primarily attributable to a 27% increase in purchases of property, plant and equipment for 2008 compared to 2007.

General and administrative expense increased by \$4.6 million, or 7%, to \$68.6 million for 2008 compared to \$64.0 million for 2007. The increase included increases in compensation related expenses, professional services, allocated corporate level expenses and insurance expenses.

Interest expense decreased by \$2.3 million, or 2%, to \$97.1 million for 2008 compared to \$99.4 million for 2007. The decrease is primarily from lower average outstanding debt during 2008. See “Liquidity and Capital Resources” for information regarding our outstanding debt obligations.

Gain on debt repurchases of \$13.1 million for 2008 relates to open market repurchases of our 8¾% Senior Notes due 2016.

Our loss on mark-to-market derivative instruments was \$1.0 million for 2008 compared to \$30.2 million for 2007. During 2008 we adjusted the fair value of certain contracts with Lehman Brothers Commodity Services Inc. to zero as a result of the Lehman Brothers bankruptcy filing. The 2007 loss resulted from derivative financial instruments that did not qualify for hedge accounting.

Results of Operations—By Segment

Natural Gas Gathering and Processing Segment

The following table provides summary financial data regarding results of operations in our Natural Gas Gathering and Processing segment for the periods indicated:

	Year Ended December 31,		
	2009	2008	2007
		(\$ in millions)	
Revenues	\$ 1,076.5	\$ 2,074.1	\$ 1,661.5
Product purchases	(856.7)	(1,803.0)	(1,406.8)
Operating expenses	(51.4)	(55.3)	(50.9)
Operating margin (1)	<u>\$ 168.4</u>	<u>\$ 215.8</u>	<u>\$ 203.8</u>
Operating statistics (2):			
Gathering throughput, MMcf/d	468.6	445.8	452.0
Plant natural gas inlet, MMcf/d	445.9	421.2	429.3
Gross NGL production, MBbl/d	42.7	42.0	42.6
Natural gas sales, BBtu/d	390.9	415.6	410.2
NGL sales, MBbl/d	38.9	37.3	36.4
Condensate sales, MBbl/d	3.0	3.6	3.6
Average realized prices:			
Natural gas, \$/MMBtu	3.96	8.45	6.63
NGL, \$/gal	0.71	1.22	1.03
Condensate, \$/Bbl	55.59	81.26	72.11

(1) See “How We Evaluate Our Operations.”

(2) Segment operating statistics include the effect of intersegment sales, which have been eliminated from the consolidated presentation. For all volume statistics presented, the numerator is the total volume sold during the year and the denominator is the number of calendar days during the year.

Year Ended December 31, 2009 Compared to Year Ended December 31, 2008

Revenues. Revenues decreased \$997.6 million, or 48%, to \$1,076.5 million for 2009 compared to \$2,074.1 million for 2008. The decrease was primarily due to a decrease attributable to prices of \$928.3 million, consisting of decreases in natural gas, NGL, and condensate revenues of \$639.6 million, \$260.4 million, and \$28.3 million; a decrease attributable to volumes of \$68.5 million, consisting of decreases in natural gas and condensate revenues of \$79.4 million and \$19.4 million; partially offset by an increase in NGL revenues of \$30.3 million; and a decrease in fee and other revenues of \$0.8 million.

Average realized prices for our sales of natural gas decreased by \$4.49 per MMBtu, or 53%, to \$3.96 per MMBtu during 2009 compared to \$8.45 per MMBtu for 2008. Average realized prices for our sales of NGLs decreased by \$0.51 per gallon, or 42%, to \$0.71 per gallon for 2009 compared to \$1.22 per gallon for 2008. Average realized prices for our sales of condensate decreased by \$25.67 per Bbl, or 32%, to \$55.59 per Bbl for 2009 compared to \$81.26 per Bbl for 2008.

Natural gas sales volume decreased by 24.7 BBtu/d or 6%, to 390.9 BBtu/d during 2009 compared to 415.6 BBtu/d for 2008 due to a decrease in purchases from affiliates for resale partially offset by an increase in

demand from our industrial customers. NGL sales increased by 1.6 MBbl/d, or 4%, to 38.9 MBbl/d for 2009 compared to 37.3 MBbl/d for 2008. Condensate sales volumes decreased by 0.6 MBbl/d, or 17%, to 3.0 MBbl/d for 2009 compared to 3.6 MBbl/d for 2008.

Product Purchases. Product purchases during 2009 were \$856.7 million, which decreased by \$946.3 million or 52%, compared to \$1,803.0 million during 2008. The decrease in product purchases corresponds with the decrease in commodity revenue for 2009.

Operating Expenses. Operating expenses during 2009 were \$51.4 million, which decreased by \$3.9 million or 7%, compared to \$55.3 million during 2008. The decrease in operating expenses was primarily the result of decreases in system maintenance, repairs and supplies expenses and ad valorem taxes partially offset by increases in compensation and benefit costs.

Year Ended December 31, 2008 Compared to Year Ended December 31, 2007

Revenues. Revenues increased \$412.6 million, or 25%, to \$2,074.1 million for 2008 compared to \$1,661.5 million for 2007. The increase was primarily due to an increase attributable to prices of \$383.5 million, consisting of increases in natural gas, NGL, and condensate revenues of \$280.5 million, \$80.8 million, and \$22.2 million; an increase attributable to volumes of \$32.2 million, consisting of increases in natural gas, NGL and condensate revenues of \$15.7 million, \$15.5 million, and \$1.0 million; and an increase in fee and other revenues of \$3.1 million.

Average realized prices for our sales of natural gas increased by \$1.82 per MMBtu, or 27%, to \$8.45 per MMBtu during 2008 compared to \$6.63 per MMBtu for 2007. Average realized prices for our sales of NGLs increased by \$0.19 per gallon, or 18%, to \$1.22 per gallon for 2008 compared to \$1.03 per gallon for 2007. Average realized prices for our sales of condensate increased by \$9.15 per Bbl, or 24%, to \$81.26 per Bbl for 2008 compared to \$72.11 per Bbl for 2007.

Natural gas sales volume increased by 5.4 BBtu/d or 1%, to 415.6 BBtu/d during 2008 compared to 410.2 BBtu/d for 2007 due to a lower proportion of take-in-kind volumes, increased marketing activity and the effects of unfavorable processing economics. NGL sales increased by 0.9 MBbl/d or 2%, to 37.3 MBbl/d for 2008 compared to 36.4 MBbl/d for 2007. Condensate sales remained flat at 3.6 MBbl/d.

Product Purchases. Product purchases during 2008 were \$1,803.0 million, which increased by \$396.2 million or 28%, compared to \$1,406.8 million during 2007. The increase in product purchases corresponds with the increase in commodity revenue for 2008.

Operating Expenses. Operating expenses during 2008 were \$55.3 million, which increased by \$4.4 million or 9%, compared to \$50.9 million during 2007. The increase in operating expenses was primarily the result of increases in general maintenance and supplies, lube oil, environmental and automotive expenses, compensation related expenses and ad valorem taxes.

Logistics Assets Segment

The following table provides summary financial data regarding results of operations of our Logistics Assets segment for the periods indicated:

	Year Ended December 31,		
	2009	2008	2007
		(\$ in millions)	
Revenues from services	\$ 212.4	\$ 235.4	\$ 195.1
Other revenues (1)	1.9	2.6	-
	214.3	238.0	195.1
Operating expenses	(127.3)	(188.1)	(155.1)
Operating margin (2)	\$ 87.0	\$ 49.9	\$ 40.0
Equity in earnings of GCF	\$ 5.0	\$ 3.9	\$ 3.5
Operating statistics:			
Fractionation volumes, MBbl/d	217.2	212.2	209.2
Treating volumes, MBbl/d (3)	21.9	20.7	9.1

(1) Includes business interruption insurance revenues of \$1.9 million and \$2.6 million for 2009 and 2008.

(2) See “How We Evaluate Our Operations.”

(3) Consists of the volumes treated in our low sulfur natural gasoline (“LSNG”) unit, which began commercial operations in June 2007.

Year Ended December 31, 2009 Compared to Year Ended December 31, 2008

Revenues from fractionation, terminalling and storage, transport, and treating decreased \$23.0 million, or 10%, to \$212.4 million for 2009 compared to \$235.4 million for 2008. Fractionation and treating volumes increased slightly, but fractionation and treating revenue decreased as the variable components of the related fees were lower due to decreased fuel and electricity prices. Reduced barge and truck utilization also contributed to the lower revenue. These reductions in revenue were partially offset by increased fixed portions on the fractionation fees and increased wholesale terminal revenue in 2009.

Operating expenses decreased \$60.8 million, or 32%, to \$127.3 million for 2009 compared to \$188.1 million for 2008. The decrease was primarily the result of lower fuel and electricity expenses. Also contributing to the lower operating expenses were reduced barge and truck utilization, lower third party fractionation expense in 2009, lower general maintenance and supplies expense and lower contract labor costs.

Year Ended December 31, 2008 Compared to Year Ended December 31, 2007

Revenues from fractionation, terminalling and storage, transport, and treating increased \$40.3 million, or 21%, to \$235.4 million for 2008 compared to \$195.1 million for 2007. The increase was due to higher service rates, a full year of commercial operations at our LSNG unit in 2008 compared to six months of operations in 2007, increased treating and related service revenues, additional transport fees from spot barge activity and additional terminalling revenue from a new common carrier connection.

Operating expenses increased \$33.0 million, or 21%, to \$188.1 million for 2008 compared to \$155.1 million for 2007. The increase was primarily the result of higher fuel and utilities expense, increased LSNG unit and other facility maintenance costs, plant turnaround costs and third party fractionation expense, additional barge activity, inventory adjustments and pipeline integrity costs.

NGL Distribution and Marketing Services Segment

The following table provides summary financial data regarding results of operations of our NGL Distribution and Marketing Services segment for the periods indicated:

	Year Ended December 31,		
	2009	2008	2007
	(\$ in millions)		
NGL sales revenues	\$ 2,907.7	\$ 5,172.2	\$ 4,889.3
Other revenues (1)	28.5	41.2	34.1
	2,936.2	5,213.4	4,923.4
Product purchases	(2,890.1)	(5,193.2)	(4,866.4)
Operating expenses	(0.3)	(1.7)	(1.5)
Operating margin (2)	\$ 45.8	\$ 18.5	\$ 55.5
Operating statistics:			
NGL sales, MBbl/d	245.7	244.6	275.6
NGL realized price, \$/gal	0.77	1.38	1.16

(1) Includes business interruption insurance revenues of \$9.6 million and \$3.8 million for 2008 and 2007.

(2) See “How We Evaluate Our Operations.”

Year Ended December 31, 2009 Compared to Year Ended December 31, 2008

Revenues decreased \$2,277.2 million, or 44%, to \$2,936.2 million for 2009 compared to \$5,213.4 million for 2008. Lower market prices decreased revenue \$2,096.0 million. Overall sales volumes were higher as the value associated with the volumes is \$168.5 million lower due to product mix. Other revenue is lower primarily because no business interruption revenues were received in 2009.

NGL sales increased 1.1 MBbl/d, or less than 1%, to 245.7 MBbl/d for 2009 compared to 244.6 MBbl/d for 2008. Sales to petrochemical customers increased inasmuch as plant operational rates were higher, partially offset by lower spot sales.

Product purchases decreased \$2,303.1 million, or 44%, to \$2,890.1 million for 2009 compared to \$5,193.2 million for 2008. Lower market prices decreased product purchases by \$2,134.4 million. Overall purchase volumes were higher but the cost associated with these purchased volumes was \$168.7 million lower due to product mix.

Year Ended December 31, 2008 Compared to Year Ended December 31, 2007

Revenues increased \$290.0 million, or 6%, to \$5,213.4 million for 2008 compared to \$4,923.4 million for 2007. Higher market prices increased revenue \$820.6 million partially offset by lower sales volume, which decreased revenue by \$537.8 million. The increase in other revenues was primarily from increased business interruption insurance revenues during 2008.

NGL sales decreased 31.0 MBbl/d, or 11%, to 244.6 MBbl/d for 2008 compared to 275.6 MBbl/d for 2007. The decrease was primarily the result of disruptions due to hurricanes Gustav and Ike as well as reduced petrochemical operating rates for 2008 as compared to 2007.

Product purchases increased \$326.8 million, or 7%, to \$5,193.2 million for 2008 compared to \$4,866.4 million for 2007. Higher market prices increased product purchases by \$859.0 million partially offset by lower volumes, which decreased product purchases by \$532.2 million.

Wholesale Marketing Segment

The following table provides summary financial data regarding results of operations of our Wholesale Marketing segment for the periods indicated:

	Year Ended December 31,		
	2009	2008	2007
	(\$ in millions)		
NGL sales revenues	\$ 884.7	\$ 1,453.3	\$ 1,294.7
Other revenues (1)	1.3	6.8	1.3
	886.0	1,460.1	1,296.0
Product purchases	(862.3)	(1,446.9)	(1,273.1)
Operating expenses	-	(0.1)	(0.1)
Operating margin (2)	\$ 23.7	\$ 13.1	\$ 22.8
Operating statistics:			
NGL sales, MBbl/d	58.8	62.5	63.6
NGL realized price, \$/gal	0.98	1.51	1.33

(1) Includes business interruption insurance revenues of \$0.5 million, \$6.5 million and \$0.8 million for 2009, 2008 and 2007.

(2) See “How We Evaluate Our Operations.”

Year Ended December 31, 2009 Compared to Year Ended December 31, 2008

Revenues decreased \$574.1 million, or 39%, to \$886.0 million for 2009 compared to \$1,460.1 million for 2008. Lower NGL market prices decreased revenue by \$478.7 million, and lower sales volume decreased revenue an additional \$89.9 million. The decrease in other revenues is due primarily to a decrease in business interruption insurance proceeds of \$6.0 million.

Our average realized price for NGL decreased \$0.53 per gallon, or 35%, to \$0.98 per gallon for 2009 compared to \$1.51 per gallon for 2008. The decrease was primarily due to overall lower market prices. NGL sales volume decreased 3.7 MBbl/d, or 6%, to 58.8 MBbl/d for 2009 compared to 62.5 MBbl/d for 2008. The decrease in volumes is due primarily to expiration of a refinery purchase agreement.

Product purchases decreased \$584.6 million, or 40%, to \$862.3 million for 2009 compared to \$1,446.9 million for 2008. Lower NGL market prices decreased product purchases by \$489.4 million while lower volumes decreased product purchases an additional \$89.2 million. During 2008, we had lower of cost or market adjustments that flowed to product purchases of \$6.0 million.

Year Ended December 31, 2008 Compared to Year Ended December 31, 2007

Revenues increased \$164.1 million, or 13%, to \$1,460.1 million for 2008 compared to \$1,296.0 million for 2007. Higher NGL market prices increased revenue \$177.4 million partially offset by lower sales volume, which decreased revenue by \$18.9 million. The increase in other revenues consists of a \$5.7 million increase in business interruption insurance revenues.

Our average realized price for NGL increased \$0.18 per gallon, or 14%, to \$1.51 per gallon for 2008 compared to \$1.33 per gallon for 2007. The increase was primarily due to higher overall market prices for all components. However, market prices dropped significantly in the fourth quarter of 2008 quarter due to overall market conditions. NGL sales decreased 1.1 MBbl/d, or 2%, to 62.5 MBbl/d for 2008 compared to 63.6 MBbl/d for 2007. The decrease in volumes is due primarily to the expiration of refinery supply agreements and an operating disruption at a customer facility.

Product purchases increased \$173.8 million, or 14%, to \$1,446.9 million for 2008 compared to \$1,273.1 million for 2007. Higher NGL market prices and lower of cost or market adjustments increased product purchases by \$186.4 million and \$6.0 million partially offset by lower volumes, which decreased product purchases by \$18.6 million.

Insurance Claims

Certain of our Louisiana and Texas facilities sustained damage and had disruption to their operations during the 2008 hurricane season from two Gulf Coast hurricanes—Gustav and Ike. As of December 31, 2008, we recorded a \$4.8 million loss provision (net of estimated insurance reimbursements) related to the hurricanes. The estimate was reduced by \$0.8 million during 2009. During 2009, we had expenditures related to the hurricanes of \$6.9 million for previously accrued repair costs and \$0.3 million capitalized as improvements.

During 2009, 2008 and 2007, we recognized revenue from business interruption insurance of:

	Year Ended December 31,		
	2009	2008	2007
	(In millions)		
Natural Gas Gathering and Processing	\$ -	\$ -	\$ 1.8
Logistics Assets	1.9	2.6	-
NGL Distribution and Marketing	-	9.6	3.8
Wholesale Marketing	0.5	6.5	0.8
	<u>\$ 2.4</u>	<u>\$ 18.7</u>	<u>\$ 6.4</u>

Business interruption insurance receipts recognized as revenue during 2009 relate primarily to the 2008 hurricanes; amounts recognized during 2008 and 2007 relate primarily to Hurricanes Katrina and Rita from the 2005 hurricane season. Under the terms of our agreements related to the acquisition of the Downstream Business, Targa retained all property damage and business interruption claims related primarily to hurricanes.

Liquidity and Capital Resources

Our ability to finance our operations, including funding capital expenditures and acquisitions, to meet our indebtedness obligations, to refinance our indebtedness, to meet our collateral requirements, or to pay our distributions will depend on our ability to generate cash in the future. Our ability to generate cash is subject to a number of factors, some of which are beyond our control, including weather, commodity prices, particularly for natural gas and NGLs, and our ongoing efforts to manage operating costs and maintenance capital expenditures, as well as general economic, financial, competitive, legislative, regulatory and other factors.

Our main sources of liquidity and capital resources are internally generated cash flow from operations, borrowings under our credit facility, the issuance of additional equity and access to debt markets. The capital markets continue to experience volatility. Many financial institutions have or have had liquidity concerns, prompting government intervention to mitigate pressure on the credit markets. Our exposures to the current credit conditions include our credit facility, cash investments and counterparty performance risks. Continued volatility in the debt markets may increase costs associated with issuing debt instruments due to increased spreads over relevant interest rate benchmarks and affect our ability to access those markets.

Current market conditions also elevate the concern over counterparty risks related to our commodity derivative contracts and trade credit. We have all of our commodity derivatives with major financial institutions or major oil companies. Should any of these financial counterparties not perform, we may not realize the benefit of some of our hedges under lower commodity prices, which could have a material adverse effect on our results of operation. We sell our natural gas, NGLs and condensate to a variety of purchasers. Non-performance by a trade creditor could result in losses.

Crude oil and natural gas prices are also volatile and have recently declined significantly. In a continuing effort to reduce the volatility of our cash flows, we have periodically entered into commodity derivative contracts for a portion of our estimated equity volumes through 2013. See “Item 7A. Quantitative and Qualitative Disclosures About Market Risk—Commodity Price Risk.” The current market conditions may also impact our ability to enter into future commodity derivative contracts. In the event of a continued global recession, commodity prices may stay depressed or fall further thereby causing a prolonged downturn, which could reduce our operating margins and cash flow from operations.

As of December 31, 2009, we had liquidity of \$470.5 million, including \$60.4 million of available cash and \$410.1 million of available borrowings under our credit facility. We will continue to monitor our liquidity and the credit markets. Additionally, we will continue to monitor events and circumstances surrounding each of the other twenty three lenders in our credit facility. To date, other than the Lehman Bank default, we have experienced no disruptions in our ability to access funds committed under our credit facility. However, we cannot predict with any certainty the impact to us of any further disruptions in the credit environment.

Our cash generated from operations has been sufficient to finance our operating expenditures and non-acquisition related capital expenditures, with remaining amounts being distributed to Targa during its period of ownership and to our unitholders since our IPO. Based on our anticipated levels of operations and absent any disruptive events, we believe that internally generated cash flow and borrowings available under our senior secured credit facilities should provide sufficient resources to finance our operations, non-acquisition related capital expenditures, long-term indebtedness obligations, collateral requirements and minimum quarterly cash distributions for at least the next twelve months.

We intend to make cash distributions to our unitholders and our general partner in an amount at least equal to the minimum quarterly distribution rate of \$0.3375 per common unit per quarter (\$1.35 per common unit on an annualized basis). Due to our cash distribution policy, we expect that we will distribute to our unitholders most of the cash generated by our operations. As a result, we expect that we will rely upon external financing sources, including other debt and common unit issuances, to fund our acquisition and expansion capital expenditures. Historically, we have relied on internally generated cash flows for these purposes. See “Factors That Significantly Affect Our Results—Distributions to our Unitholders” for a table that shows the distributions we declared paid in 2009 and 2008.

Working Capital. Working capital is the amount by which current assets exceed current liabilities. Our working capital requirements are primarily driven by changes in accounts receivable and accounts payable. These changes are impacted by changes in the prices of commodities that we buy and sell. In general, our working capital requirements increase in periods of rising commodity prices and decrease in periods of declining commodity prices. However, our working capital needs do not necessarily change at the same rate as commodity prices because both accounts receivable and accounts payable are impacted by the same commodity prices. In addition, the timing of payments received by our customers or paid to our suppliers can also cause fluctuations in working capital because we settle with most of our larger suppliers and customers on a monthly basis and often near the end of the month. We expect that our future working capital requirements will be impacted by these same factors.

Prior to the contribution of the North Texas System in February 2007, the acquisition of the SAOU and LOU Systems in October 2007 and the acquisition of the Downstream Business in September 2009, all intercompany transactions, including expense reimbursements, were not cash settled with Targa, but were recorded as an adjustment to parent equity on the balance sheet. The primary transactions between Targa and us are natural gas and NGL sales, the provision of operations and maintenance activities and the provision of general and administrative services. As a result of this accounting treatment, our working capital did not reflect any affiliate accounts receivable for intercompany commodity sales or any affiliate accounts payable for the personnel and services provided by or paid for by our parent prior to the acquisition of the North Texas System and the subsequent acquisition of the SAOU and LOU Systems.

As of December 31, 2009, we had a positive working capital balance of \$59.1 million.

The Partnership is obligated to make minimum quarterly cash distributions to unitholders from available cash, as defined in the partnership agreement. As of December 31, 2009, such minimum amounts payable to non-Targa unitholders total approximately \$56.1 million annually.

Cash Flow

The following table summarizes cash flow provided by or used in operating activities, investing activities and financing activities for the periods indicated:

	Year Ended December 31,		
	2009	2008	2007
	(In millions)		
Net cash provided by (used in):			
Operating activities	\$ 299.8	\$ 293.0	\$ 268.3
Investing activities	(57.1)	(86.1)	(76.8)
Financing activities	(277.6)	(175.9)	(139.7)

Operating Activities

Net cash provided by operating activities was \$299.8 million for 2009 compared to \$293.0 million for 2008. The \$6.8 million increase was primarily due to changes in operating assets and liabilities, which provided \$56.6 million in cash during 2009, compared to providing \$163.9 million in cash during 2008, partially offset by an \$87.4 million payment during 2008 to terminate certain out-of-the-money commodity derivatives.

Net cash provided by operating activities was \$293.0 million for 2008 compared to \$268.3 million for 2007. The \$24.7 million increase was primarily due to changes in operating assets and liabilities, which provided \$163.9 million in cash during 2008, compared to providing \$45.9 million in cash during 2007, partially offset by an \$87.4 million payment during 2008 to terminate certain out-of-the-money commodity derivatives.

Investing Activities

Net cash used in investing activities decreased by \$29.0 million to \$57.1 million for 2009 compared to \$86.1 million for 2008.

Net cash used in investing activities was \$86.1 million for 2008 compared to \$76.8 million for 2007. The \$9.3 million increase is primarily due to increased capital expenditures during 2008. The increase is primarily from increased expenditures related to gathering system expansion projects begun in the third quarter of 2008.

The following table lists gross additions to property, plant and equipment, cash flows used in property, plant and equipment additions and the difference, which is primarily settled accruals and non-cash additions:

	Year Ended December 31,		
	2009	2008	2007
	(In millions)		
Gross additions to property, plant and equipment	\$ 60.6	\$ 100.5	\$ 78.9
Non-cash additions to property, plant and equipment	(9.8)	(5.8)	0.2
Change in accruals	6.4	(8.4)	(1.5)
Cash expenditures	<u>\$ 57.2</u>	<u>\$ 86.3</u>	<u>\$ 77.6</u>

Financing Activities

Net cash used in financing activities was \$277.6 million for 2009 compared to net cash used in financing activities of \$175.9 million for 2008. The \$101.7 million increase in cash used is primarily due to repayment of affiliated debt associated with our purchase of the Downstream Business offset by a net increase in debt and by equity offering proceeds from our public offering of 6,900,000 common units in August 2009.

Net cash used in financing activities was \$175.9 million for 2008 compared to net cash used in financing activities of \$139.7 million for 2007. The \$36.2 million increase is primarily due to \$772.8 million of nonrecurring net proceeds from equity offerings in 2007, a \$285.6 million decrease in proceeds from borrowings, a \$59.7 million increase in distributions to unitholders, and a \$26.8 million repurchase of senior notes in 2008, partially offset by a \$671.7 million net decrease in distributions to Targa and a \$436.9 million decrease in repayments of indebtedness.

Capital Requirements

The midstream energy business can be capital intensive, requiring significant investment to maintain and upgrade existing operations. A significant portion of the cost of constructing new gathering lines to connect to our gathering system is generally paid for by the natural gas producer. However, we expect to make significant expenditures during the next year for the construction of additional natural gas gathering and processing infrastructure and to enhance the value of our natural gas logistics and marketing assets.

We categorize our capital expenditures as either: (i) maintenance expenditures or (ii) expansion expenditures. Maintenance expenditures are those expenditures that are necessary to maintain the service capability of our existing assets including the replacement of system components and equipment which is worn, obsolete or completing its useful life, the addition of new sources of natural gas supply to our systems to replace natural gas production declines and expenditures to remain in compliance with environmental laws and regulations. Expansion expenditures improve the service capability of the existing assets, extend asset useful lives, increase capacities from existing levels, add capabilities, reduce costs or enhance revenues.

	Year Ended December 31,		
	2009	2008	2007
	(In millions)		
Capital expenditures:			
Expansion	\$ 40.6	\$ 60.2	\$ 48.5
Maintenance	20.0	40.3	30.4
	<u>\$ 60.6</u>	<u>\$ 100.5</u>	<u>\$ 78.9</u>

Our planned capital expenditures for 2010 are approximately \$130 million with maintenance capital expenditures accounting for approximately 25%. Included in the planned capital expenditures for 2010 is the expansion of our facility at Cedar Bayou. Given our objective of growth through acquisitions, expansions of existing assets and other internal growth projects, we anticipate that over time we will invest significant amounts of capital to grow and acquire assets. Expansion capital expenditures may vary significantly based on investment opportunities.

Credit Facilities and Long-Term Debt

As of December 31, 2009, we had outstanding loans of \$479.2 million and approximately \$410.1 million of availability under our senior secured revolving credit facility. See “Debt Obligations” included under Note 10 to our “Consolidated Financial Statements” beginning on page F-1 of this Annual Report for a discussion of our credit agreements.

On September 24, 2009, in association with our purchase of the Downstream Business, the entire balance of affiliated indebtedness payable to Targa (by Targa Downstream LP and Targa LSNG LP) was settled with Targa via capital contributions made by Targa and repayments by us.

Description of 8¼% Senior Notes. On June 18, 2008, we completed the private placement under Rule 144 A and Regulation S of the Securities Act of 1933 of \$250 million in aggregate principal amount of our 8¼% senior unsecured notes due 2016 (the “8¼% Notes”). In connection with the issuance of the 8¼% Notes, we entered into an indenture (the “2008 Indenture”) governing the terms of the 8¼% Notes.

The 8¼% Notes will mature on July 15, 2016 and interest is payable on the 8¼% Notes semi-annually in arrears on each January 1 and July 1. The 8¼% Notes are guaranteed on a senior unsecured basis by certain of our subsidiaries.

The 2008 Indenture restricts our ability to make distributions to unitholders if we are in default or an event of default (as defined in the 2008 Indenture) exists. It also restricts our ability and the ability of certain of our subsidiaries to: (i) incur additional debt or enter into sale and leaseback transactions; (ii) pay certain distributions on or repurchase, equity interests (only if such distributions do not meet specified conditions); (iii) make certain investments; (iv) incur liens; (v) enter into transactions with affiliates; (vi) merge or consolidate with another company; and (vii) transfer and sell assets. These covenants are subject to a number of important exceptions and qualifications. If at any time when the 8¼% Notes are rated investment grade by both Moody’s Investors Service, Inc. and Standard & Poor’s Ratings Services and no Default (as defined in the 2008 Indenture) has occurred and is continuing, many of such covenants will terminate and we and our subsidiaries will cease to be subject to such covenants.

Description of 11¼% Senior Notes. On July 6, 2009, we completed the private placement under Rule 144A and Regulation S of the Securities Act of 1933 of \$250 million in aggregate principal amount of 11¼% senior notes due 2017 (the “11¼% Notes”). The 11¼% Notes were issued at 94.973% of the face amount, resulting in gross proceeds of \$237.4 million. Proceeds from the 11¼% Notes were used to repay borrowings under our senior secured revolving credit facility. In connection with the issuance of the 11¼% Notes, we entered into an indenture (the “2009 Indenture”) governing the terms of the 11¼% Notes.

The 11¼% Notes will mature on July 1, 2017 and interest is payable on the 11¼% Notes semi-annually in arrears on each January 15 and July 15. The 11¼% Notes are guaranteed on a senior unsecured basis by certain of our subsidiaries.

The 2009 Indenture restricts our ability to make distributions to unitholders if we are in default or an event of default (as defined in the 2009 Indenture) exists. It also restricts our ability and the ability of certain of our subsidiaries to: (i) incur additional debt or enter into sale and leaseback transactions; (ii) pay certain distributions on or repurchase, equity interests (only if such distributions do not meet specified conditions); (iii) make certain investments; (iv) incur liens; (v) enter into transactions with affiliates; (vi) merge or consolidate with another company; and (vii) transfer and sell assets. These covenants are subject to a number of important exceptions and qualifications. If at any time when the 11¼% Notes are rated investment grade by both Moody’s Investors Service, Inc. and Standard & Poor’s Ratings Services and no Default (as defined in the 2009 Indenture) has occurred and is continuing, many of such covenants will terminate and we and our subsidiaries will cease to be subject to such covenants.

Off-Balance Sheet Arrangements

We currently have no off-balance sheet arrangements as defined by the SEC. See “Contractual Obligations” below and “Commitments and Contingencies” included under Note 16 to our “Consolidated Financial Statements” beginning on page F-1 of this Annual Report for a discussion of our commitments and contingencies, some of which are not recognized in the consolidated balance sheets under GAAP.

Contractual Obligations

Following is a summary of our contractual cash obligations over the next several fiscal years, as of December 31, 2009:

Contractual Obligations (1)	Total	Less Than 1 Year	1-3 Years (In millions)	4-5 Years	More Than 5 Years
Debt obligations (2)	\$ 919.6	\$ -	\$ 479.2	\$ -	\$ 440.4
Interest on debt obligations (3)	327.5	52.9	97.3	86.5	90.8
Operating lease obligations (4)	38.0	8.9	12.7	5.9	10.5
Capacity payments (5)	2.7	2.0	0.7	-	-
Right-of-way	11.4	0.9	1.6	1.2	7.7
Asset retirement obligation	6.6	-	-	-	6.6
Purchase order commitments	3.8	3.8	-	-	-
	<u>\$ 1,309.6</u>	<u>\$ 68.5</u>	<u>\$ 591.5</u>	<u>\$ 93.6</u>	<u>\$ 556.0</u>

- (1) Contractual obligations exclude current and long-term unrealized losses on derivative instruments included in the consolidated balance sheet as those amounts represent the current fair value of various derivative contracts and do not represent future cash purchase obligations. These contracts may be settled financially at the difference between the future market price and the contractual price and may result in either cash payments or cash receipts; therefore, it is not possible to estimate the timing or amounts of potential future obligations.
- (2) Represents our scheduled future maturities of consolidated debt obligations for the periods indicated. See “Debt Obligations” included under “Note 10 to our “Consolidated Financial Statements” beginning on page F-1 of this Annual Report for information regarding our debt obligations.
- (3) Represents interest expense on our debt obligations based on interest rates as of December 31, 2009 and the scheduled future maturities of those debt obligations.
- (4) Include minimum lease payment obligations associated with site leases and railcar leases.
- (5) Consist of capacity payments for firm transportation contracts.

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with GAAP requires our management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates. The policies and estimates discussed below are considered by management to be critical to an understanding of our financial statements because their application requires the most significant judgments from management in estimating matters for financial reporting that are inherently uncertain. See the description of our accounting policies in the notes to the financial statements for additional information about our critical accounting policies and estimates.

Property, Plant and Equipment. In general, depreciation is the systematic and rational allocation of an asset’s cost, less its residual value (if any), to the period it benefits. Our property, plant and equipment is depreciated using the straight-line method over the estimated useful lives of the assets. Our estimate of depreciation incorporates assumptions regarding the useful economic lives and residual values of our assets. At the time we place our assets in-service, we believe such assumptions are reasonable; however, circumstances may develop that would cause us to change these assumptions, which would change our depreciation amounts prospectively. Examples of such circumstances include:

- changes in energy prices;
- changes in competition;
- changes in laws and regulations that limit the estimated economic life of an asset;

- changes in technology that render an asset obsolete;
- changes in expected salvage values; and
- changes in the forecast life of applicable resources basins, if any.

As of December 31, 2009, the net book value of our property, plant and equipment was \$1.7 billion and we recorded \$101.2 million in depreciation expense for 2009. The weighted average life of our long-lived assets is approximately 20 years. If the useful lives of these assets were found to be shorter than originally estimated, depreciation expense may increase, liabilities for future asset retirement obligations may be insufficient and impairments in carrying values of tangible and intangible assets may result. For example, if the depreciable lives of our assets were reduced by 10%, we estimate that depreciation expense would increase by \$11.2 million per year, which would result in a corresponding reduction in our operating income. In addition, if an assessment of impairment resulted in a reduction of 1% of our long-lived assets, our operating income would decrease by \$16.8 million per year. There have been no material changes impacting estimated useful lives of the assets.

Revenue Recognition. As of December 31, 2009, the Partnership's balance sheet reflects total accounts receivable from third parties of \$328.3 million. We have recorded an allowance for doubtful accounts as of December 31, 2009 of \$2.2 million.

The Partnership's exposure to uncollectible accounts receivable relates to the financial health of its counterparties. The Partnership and its indirect parent, Targa, have an active credit management process which is focused on controlling loss exposure to bankruptcies or other liquidity issues of counterparties. If an assessment of uncollectibility resulted in a 1% reduction of our third party accounts receivable, our annual operating income would decrease by \$3.3 million.

Price Risk Management (Hedging). Our net income and cash flows are subject to volatility stemming from changes in commodity prices and interest rates. To reduce the volatility of our cash flows, we have entered into (i) derivative financial instruments related to a portion of our equity volumes to manage the purchase and sales prices of commodities and (ii) interest rate financial instruments to fix the interest rate on our variable debt. We are exposed to the credit risk of our counterparties in these derivative financial instruments. We also monitor NGL inventory levels with a view to mitigating losses related to downward price exposure.

Our cash flow is affected by the derivative financial instruments we enter into to the extent these instruments are settled by (i) making or receiving a payment to/from the counterparty or (ii) making or receiving a payment for entering into a contract that exactly offsets the original derivative financial instrument. Typically a derivative financial instrument is settled when the physical transaction that underlies the derivative financial instrument occurs.

One of the primary factors that can affect our operating results each period is the price assumptions we use to value our derivative financial instruments, which are reflected at their fair values in the balance sheet. The relationship between the derivative financial instruments and the hedged item must be highly effective in achieving the offset of changes in cash flows attributable to the hedged risk both at the inception of the derivative financial instrument and on an ongoing basis. Hedge accounting is discontinued prospectively when a derivative financial instrument becomes ineffective. Gains and losses deferred in other comprehensive income related to cash flow hedges for which hedge accounting has been discontinued remain deferred until the forecasted transaction occurs. If it is probable that a hedged forecasted transaction will not occur, deferred gains or losses on the derivative financial instrument are reclassified to earnings immediately.

The estimated fair value of our derivative financial instruments was a liability of \$10.3 million as of December 31, 2009, net of an adjustment for credit risk. The credit risk adjustment is based on the default probabilities by year for each counterparty's traded credit default swap transactions. These default probabilities have been applied to the unadjusted fair values of the derivative financial instruments to arrive at the credit risk adjustment, which aggregates to less than \$0.1 million as of December 31, 2009. We and our indirect parent, Targa, have an active credit management process which is focused on controlling loss exposure to bankruptcies or other liquidity issues of counterparties. If a financial instrument counterparty were to declare bankruptcy, we would be exposed to the loss of fair value of the financial instrument transaction with that counterparty. Ignoring our

adjustment for credit risk, if a bankruptcy by financial instrument counterparty impacted 10% of the fair value of commodity-based financial instruments, we estimate that our operating income would decrease by \$1.0 million per year.

Recent Accounting Pronouncements.

For a discussion of recent accounting pronouncements that will affect us, see “Significant Accounting Policies” included under Note 4 to our “Consolidated Financial Statements” beginning on page F-1 of this Annual Report.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Our principal market risks are our exposure to changes in commodity prices, particularly to the prices of natural gas and NGLs, changes in interest rates, as well as nonperformance by our customers. We do not use risk sensitive instruments for trading purposes.

Commodity Price Risk. A majority of our revenues are derived from percent-of-proceeds contracts under which we receive a portion of the natural gas and/or NGLs or equity volumes, as payment for services. The prices of natural gas and NGLs are subject to fluctuations in response to changes in supply, demand, market uncertainty and a variety of additional factors beyond our control. We monitor these risks and enter into hedging transactions designed to mitigate the impact of commodity price fluctuations on our business. Cash flows from a derivative instrument designated as a hedge are classified in the same category as the cash flows from the item being hedged.

The primary purpose of our commodity risk management activities is to hedge our exposure to commodity price risk and reduce fluctuations in our operating cash flow despite fluctuations in commodity prices. In an effort to reduce the variability of our cash flows, as of December 31, 2009, we have hedged the commodity price associated with a significant portion of our expected natural gas, NGL and condensate equity volumes for the years 2010 through 2013 by entering into derivative financial instruments including swaps and purchased puts (or floors). The percentages of our expected equity volumes that are hedged decrease over time. With swaps, we typically receive an agreed fixed price for a specified notional quantity of natural gas or NGL and we pay the hedge counterparty a floating price for that same quantity based upon published index prices. Since we receive from our customers substantially the same floating index price from the sale of the underlying physical commodity, these transactions are designed to effectively lock-in the agreed fixed price in advance for the volumes hedged. In order to avoid having a greater volume hedged than our actual equity volumes, we typically limit our use of swaps to hedge the prices of less than our expected natural gas and NGL equity volumes. We utilize purchased puts (or floors) to hedge additional expected equity commodity volumes without creating volumetric risk. We intend to continue to manage our exposure to commodity prices in the future by entering into similar hedge transactions using swaps, collars, purchased puts (or floors) or other hedge instruments as market conditions permit.

We have tailored our hedges to generally match the NGL product composition and the NGL and natural gas delivery points to those of our physical equity volumes. Our NGL hedges cover baskets of ethane, propane, normal butane, isobutane and natural gasoline based upon our expected equity NGL composition. We believe this strategy avoids uncorrelated risks resulting from employing hedges on crude oil or other petroleum products as “proxy” hedges of NGL prices. Our NGL hedges fair values are based on published index prices for delivery at Mont Belvieu through 2012, except for the price of isobutane in 2012, which is based on the ending 2011 pricing. Our natural gas hedges fair values are based on published index prices for delivery at Waha and Mid-Continent, which closely approximate our actual NGL and natural gas delivery points. We hedge a portion of our condensate sales using crude oil hedges that are based on the NYMEX futures contracts for West Texas Intermediate light, sweet crude.

Our commodity price hedging transactions are typically documented pursuant to a standard International Swap Dealers Association form with customized credit and legal terms. Our principal counterparties (or, if applicable, their guarantors) have investment grade credit ratings. Our payment obligations in connection with substantially all of these hedging transactions and any additional credit exposure due to a rise in natural gas and NGL prices relative to the fixed prices set forth in the hedges, are secured by a first priority lien in the collateral securing our senior secured indebtedness that ranks equal in right of payment with liens granted in favor of our senior secured lenders. As long as this first priority lien is in effect, we expect to have no obligation to post cash, letters of credit or other

additional collateral to secure these hedges at any time, even if our counterparty's exposure to our credit increases over the term of the hedge as a result of higher commodity prices or because there has been a change in our creditworthiness. A purchased put (or floor) transaction does not create credit exposure to us for our counterparties.

During 2009, 2008 and 2007, we entered into hedging arrangements for a portion of our forecasted equity volumes. Floor volumes and floor pricing are based solely on purchased puts (or floors). During 2009, 2008 and 2007, our operating revenues were increased (decreased) by net hedge adjustments of \$45.7 million, (\$33.7) million and (\$1.0) million.

As of December 31, 2009, our commodity derivative arrangements were as follows:

Natural Gas

Instrument Type	Index	Price \$/MMBtu	MMBtu per day				Fair Value (In millions)
			2010	2011	2012	2013	
Swap	IF-NGPL MC	8.86	5,685	-	-	-	\$ 6.7
Swap	IF-NGPL MC	7.34	-	2,750	-	-	1.2
Swap	IF-NGPL MC	7.18	-	-	2,750	-	0.9
			5,685	2,750	2,750	-	
Swap	IF-Waha	6.48	10,809	-	-	-	3.4
Swap	IF-Waha	6.10	-	11,250	-	-	(0.1)
Swap	IF-Waha	6.30	-	-	7,250	-	0.1
Swap	IF-Waha	5.59	-	-	-	4,000	(0.9)
			10,809	11,250	7,250	4,000	
Total Sales			16,494	14,000	10,000	4,000	
Basis Swap	Jan 2010-May 2011, Rec IF-CGT, Pay NYMEX less \$0.12, 20,000 MMBtu/d						0.8
Fuel cost swap	Jan 2010-May 2011, Rec IF-CGT, Pay \$5.96, 226 MMBtu/d						-
							\$ 12.1

NGL

Instrument Type	Index	Price \$/gal	Barrels per day				Fair Value (In millions)
			2010	2011	2012	2013	
Swap	OPIS-MB	1.21	5,607	-	-	-	\$ 8.7
Swap	OPIS-MB	0.90	-	4,000	-	-	(10.9)
Swap	OPIS-MB	0.92	-	-	2,700	-	(6.8)
Total Swaps			5,607	4,000	2,700	-	
Floor	OPIS-MB	1.44	-	199	-	-	1.1
Floor	OPIS-MB	1.43	-	-	231	-	1.4
Total Floors			-	199	231	-	
Total Sales			5,607	4,199	2,931	-	
							\$ (6.5)

Condensate

Instrument Type	Index	Price \$/Bbl	Barrels per day				Fair Value (In millions)
			2010	2011	2012	2013	
Swap	NY-WTI	70.62	501	-	-	-	\$ (2.1)
Swap	NY-WTI	76.54	-	350	-	-	(1.2)
Swap	NY-WTI	72.60	-	-	200	-	(1.0)
Swap	NY-WTI	74.00	-	-	-	200	(1.0)
Total Swap			501	350	200	200	
Total Sales			501	350	200	200	\$ (5.3)

These contracts may expose us to the risk of financial loss in certain circumstances. Our hedging arrangements provide us protection on the hedged volumes if prices decline below the prices at which these hedges are set. If prices rise above the prices at which we have hedged, we will receive less revenue on the hedged volumes than we would receive in the absence of hedges.

We account for the fair value of our financial assets and liabilities using a three-tier fair value hierarchy, which prioritizes the significant inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore required an entity to develop its own assumptions. We determine the value of our NGL derivative contracts utilizing a discounted cash flow model for swaps and a standard option pricing model for options, based on inputs that are either readily available in public markets or are quoted by counterparties to these contracts. In 2008, all of our NGL contracts were classified as Level 3 within the hierarchy. In 2009, we were able to obtain inputs from quoted prices related to certain of these commodity derivatives for similar assets and liabilities in active markets. These inputs are observable for the asset or liability, either directly or indirectly, for the full term of the commodity swaps and options. For the NGL contracts that have inputs from quoted prices, we have changed our classification of these instruments from Level 3 to Level 2 within the fair value hierarchy. For those NGL contracts where we were unable to obtain quoted prices for the full term of the commodity swap and options the NGL valuations are still classified as Level 3 within the fair value hierarchy.

Interest Rate Risk. We are exposed to changes in interest rates, primarily as a result of variable rate borrowings under our senior secured revolving credit facility. To the extent that interest rates increase, interest expense for our revolving debt will also increase. As of December 31, 2009, we had borrowings of \$479.2 million outstanding under our senior secured revolving credit facility. In an effort to reduce the variability of our cash flows, we have entered into several interest rate swap and interest rate basis swap agreements. Under these agreements, which are accounted for as cash flow hedges, the base interest rate on the specified notional amount of our variable rate debt is effectively fixed for the term of each agreement and ineffectiveness is required to be measured each reporting period. The fair values of the interest rate swap agreements, which are adjusted regularly, have been aggregated by counterparty for classification in our consolidated balance sheets. Accordingly, unrealized gains and losses relating to the interest rate swaps are recorded in accumulated other comprehensive income ("OCI") until the interest expense on the related debt is recognized in earnings.

As of December 31, 2009 we had the following open interest rate swaps:

Period	Fixed Rate	Notional Amount	Fair Value (In millions)
2010	3.67%	\$300 million	\$ (7.8)
2011	3.52%	300 million	(5.1)
2012	3.40%	300 million	(0.6)
2013	3.39%	300 million	1.6
01/01 - 4/24/2014	3.39%	300 million	1.3
			\$ (10.6)

We have designated all interest rate swaps as cash flow hedges. Accordingly, unrealized gains and losses relating to the interest rate swaps are recorded in OCI until the interest expense on the related debt is recognized in earnings. A hypothetical increase of 100 basis points in the underlying interest rate, after taking into account our interest rate swaps, would increase our annual interest expense by \$1.8 million.

Credit Risk. We are subject to risk of losses resulting from nonpayment or nonperformance by our customers. Our credit exposure related to commodity derivative instruments is represented by the fair value of contracts with a net positive fair value to us at the reporting date. At such times, these outstanding instruments expose us to credit loss in the event of nonperformance by the counterparties to the agreements. Should the creditworthiness of one or more of our counterparties decline, our ability to mitigate nonperformance risk is limited to a counterparty agreeing to either a voluntary termination and subsequent cash settlement or a novation of the derivative contract to a third party. In the event of a counterparty default, we may sustain a loss and our cash receipts could be negatively impacted.

As of December 31, 2009, affiliates of Goldman Sachs and BofA accounted for 93% and 5% of our counterparty credit exposure related to commodity derivative instruments. Goldman Sachs and BofA are major financial institutions, each possessing investment grade credit ratings, based upon minimum credit ratings assigned by Standard & Poor's Ratings Services.

Item 8. Financial Statements and Supplementary Data

Our Consolidated Financial Statements, together with the report of our independent registered public accounting firm begin on page F-1 of this Annual Report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

The Chief Executive Officer and Chief Financial Officer of our general partner, after evaluating the effectiveness of the Partnership's "disclosure controls and procedures" (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")), as of December 31, 2009, have concluded that as of December 31, 2009, the Partnership's disclosure controls and procedures were effective and designed to provide reasonable assurance that information required to be disclosed by the Partnership in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms and accumulated and communicated to the Partnership's management, including the chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosures.

Internal Control Over Financial Reporting

(a) Management's Report on Internal Control Over Financial Reporting

The management of our general partner is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). The general partner's management, including the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the Partnership's internal control over financial reporting based on the *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the results of this evaluation, the general partner's management concluded that the Partnership's internal control over financial reporting was effective as of December 31, 2009 as stated in its report included in our consolidated financial statements on page F-2 of this Annual Report, which is incorporated herein by reference.

The effectiveness of the Partnership's internal control over financial reporting as of December 31, 2009, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in its report included in our Consolidated Financial Statements on page F-3 of this Annual Report, which is incorporated herein by reference.

(b) Changes in Internal Control Over Financial Reporting

During the quarter ended December 31, 2009, there were no changes in the Partnership's internal control over financial reporting that have materially affected or are reasonably likely to materially affect, the Partnership's internal control over financial reporting.

Item 9B. Other Information

On March 1, 2010, we issued a press release (the "Earnings Release") regarding our financial results for the three months and year ended December 31, 2009, which was filed with a current report on Form 8-K. As reflected in our Consolidated Statement of Cash Flow for the year ended December 31, 2009 included in this Annual Report, net cash provided by operating activities was \$299.8 million and net cash used in financing activities was \$277.6 million. The cash flow statement included in the Earnings Release incorrectly reported net cash provided by operating activities as \$179.0 million and net cash used in financing activities as \$156.8 million. The understatement in these two figures reported in the cash flow statement included in the Earnings Release resulted from the inclusion of \$120.8 million in repayment of affiliated indebtedness related to the acquisition of the Downstream Business in cash flows from operating activities rather than in cash flows from financing activities. You should rely on the Consolidated Statements of Cash Flows included in this Annual Report.

Part III

Item 10. Directors, Executive Officers and Corporate Governance

We are a limited partnership and, therefore, have no officers or directors. Unless otherwise indicated, references to officers and directors of the Partnership in Items 10-14 of this Annual Report refer to the officers and directors of our general partner.

Management of Targa Resources Partners LP

Targa Resources GP LLC, our general partner, manages our operations and activities. Our general partner is not elected by our unitholders and is not subject to re-election on a regular basis in the future. Unitholders are not entitled to elect the directors of our general partner or directly or indirectly participate in our management or operation. Our general partner owes a fiduciary duty to our unitholders, but our partnership agreement contains various provisions modifying and restricting the fiduciary duty. Our general partner is liable, as general partner, for all of our debts (to the extent not paid from our assets), except for indebtedness or other obligations that are made expressly nonrecourse to it. Our general partner therefore may cause us to incur indebtedness or other obligations that are nonrecourse to it.

The directors of our general partner oversee our operations. Our general partner currently has seven directors. Targa elects all members to the board of directors of our general partner (the “Board”) and our general partner has three directors that are independent as defined under the independence standards established by the New York Stock Exchange (the “NYSE”). The NYSE does not require a listed limited partnership like us to have a majority of independent directors on the Board or to establish a compensation committee or a nominating/corporate governance committee.

The Board has a standing audit committee (the “Audit Committee”) that consists of three directors. Messrs. Robert B. Evans, Barry R. Pearl and William D. Sullivan serve as the members of the Audit Committee. The Board has affirmatively determined that Messrs. Evans, Pearl and Sullivan are independent as described in the rules of the NYSE and the Exchange Act, as amended. The Board has also determined that, based upon relevant experience, Audit Committee member Barry R. Pearl is an “audit committee financial expert” as defined in Item 407 of Regulation S-K of the Exchange Act, as amended. Mr. Pearl serves as the Chairman of the Audit Committee. The Audit Committee assists the Board in its oversight of the integrity of our financial statements and our compliance with legal and regulatory requirements and partnership policies and controls. The Audit Committee has sole authority to retain and terminate our independent registered public accounting firm, approve all auditing services and related fees and the terms thereof and pre-approve any non-audit services to be rendered by our independent registered public accounting firm. The Audit Committee is also responsible for confirming the independence and objectivity of our independent registered public accounting firm. Our independent registered public accounting firm has been given unrestricted access to the Audit Committee.

The compensation of our general partner’s executive officers is set by Targa Resources Investments Inc., the indirect parent of our general partner, with the Board playing no role in the process. Compensation decisions relating to oversight of the long-term incentive plan described below, however, are made by the Board. While the Board may establish a compensation committee in the future, it has no current plans to do so.

The Board has a standing conflicts committee (the “Conflicts Committee”) to review specific matters that the Board believes may involve conflicts of interest. Messrs. Evans, Pearl and Sullivan serve as the members of the Conflicts Committee. Mr. Pearl serves as the Chairman of the Conflicts Committee. The Conflicts Committee determines if the resolution of the conflict of interest is fair and reasonable to us. The members of the Conflicts Committee may not be officers or employees of our general partner or directors, officers or employees of its affiliates and must meet the independence and experience standards established by the NYSE and the Exchange Act to serve on an audit committee of a board of directors and certain other requirements. Any matters approved by the Conflicts Committee in good faith will be conclusively deemed to be fair and reasonable to us, approved by all of our partners and not a breach by our general partner of any duties it may owe us or our unitholders.

All of our executive management personnel are employees of Targa Resources LLC (“Targa Resources”), a wholly-owned subsidiary of Targa, and devote their time as needed to conduct our business and affairs. These officers of Targa Resources manage the day-to-day affairs of our business. We believe that during 2009, the officers of the general partner devoted similar amounts of time to Targa’s and to the Partnership’s business. We expect the amount of time that the executive management personnel of our general partner devote to our business in future periods to be driven by the needs and demands of our ongoing business and business development efforts, which are likely to increase as our asset base and operations increase in size. However, depending on how our business develops and the nature of the business development efforts by executive management, the amount of time that the executive management team of our general partner devotes to our business may increase or decrease in future periods. We also utilize a significant number of employees of Targa Resources to operate our business and provide us with general and administrative services. We reimburse Targa for allocated expenses of operational personnel who perform services for our benefit, allocated general and administrative expenses and certain direct expenses. See “Reimbursement of Expenses of Our General Partner” included in this Item 10.

Directors and Executive Officers

The following table shows information regarding the current directors and executive officers of Targa Resources GP LLC:

Name	Age (1)	Position with Targa Resources GP LLC
Rene R. Joyce	62	Chief Executive Officer and Director
Joe Bob Perkins	49	President
James W. Whalen	68	President — Finance and Administration and Director
Roy E. Johnson	65	Executive Vice President
Michael A. Heim	61	Executive Vice President and Chief Operating Officer
Jeffrey J. McParland	55	Executive Vice President and Chief Financial Officer
Paul W. Chung	49	Executive Vice President, General Counsel and Secretary
Peter R. Kagan	41	Director
Chansoo Joung	49	Director
Robert B. Evans	61	Director
Barry R. Pearl	60	Director
William D. Sullivan	53	Director

(1) As of February 25, 2010

Our general partner’s directors hold office until the earlier of their death, resignation, removal or disqualification or until their successors have been elected and qualified. Officers serve at the discretion of the Board. There are no family relationships among any of our general partner’s directors or executive officers.

Rene R. Joyce has served as a director and Chief Executive Officer of our general partner since October 2006 and of Targa since its formation in February 2004 and was a consultant for the Targa predecessor company during 2003. He is also a member of the supervisory directors of Core Laboratories N.V. Mr. Joyce served as a consultant in the energy industry from 2000 through 2003 providing advice to various energy companies and investors regarding their operations, acquisitions and dispositions. Mr. Joyce served as President of onshore pipeline operations of Coral Energy, LLC, a subsidiary of Shell Oil Company (“Shell”) from 1998 through 1999 and President of energy services of Coral Energy Holding, L.P. (“Coral”) a subsidiary of Shell which was the gas and power marketing joint venture between Shell and Tejas Gas Corporation (“Tejas”) during 1999. Mr. Joyce served as President of various operating subsidiaries of Tejas, a natural gas pipeline company, from 1990 until 1998 when Tejas was acquired by Shell. As the founding Chief Executive Officer of Targa, Mr. Joyce brings deep experience in the midstream business, expansive knowledge of the oil and gas industry, as well as relationships with chief executives and other senior management at peer companies, customers and other oil and natural gas companies throughout the world. His experience and industry knowledge, complemented by an engineering and legal educational background, enable Mr. Joyce to provide the board with executive counsel on the full range of business, technical, and professional matters.

Joe Bob Perkins has served as President of our general partner since October 2006 and of Targa since February 2004 and was a consultant for the Targa predecessor company during 2003. Mr. Perkins also served as a consultant in the energy industry from 2002 through 2003 and was an active partner in RTM Media (an outdoor advertising firm) during such time period. Mr. Perkins served as President and Chief Operating Officer for the Wholesale Businesses, Wholesale Group and Power Generation Group of Reliant Resources, Inc. and its parent/predecessor companies, from 1998 to 2002 and Vice President, Corporate Planning and Development of Houston Industries from 1996 to 1998. He served as Vice President, Business Development, of Coral from 1995 to 1996 and as Director, Business Development, of Tejas from 1994 to 1995. Prior to 1994, Mr. Perkins held various positions with the consulting firm of McKinsey & Company and with an exploration and production company.

James W. Whalen has served as a director of our general partner since February 2007 and has served as President-Finance and Administration of our general partner since October 2006 and of Targa since January 2006 and as a director of Targa since May 2004. Since November 2005, Mr. Whalen has served as President—Finance and Administration for various Targa subsidiaries. Between October 2002 and October 2005, Mr. Whalen served as the Senior Vice President and Chief Financial Officer of Parker Drilling Company. Between January 2002 and October 2002, he was the Chief Financial Officer of Diversified Diagnostic Products, Inc. He served as Chief Commercial Officer of Coral from February 1998 through January 2000. Previously, he served as Chief Financial Officer for Tejas from 1992 to 1998. Mr. Whalen is also a director of EQT Corp. Mr. Whalen brings a breadth and depth of experience as an executive, board member, and audit committee member across several different companies and in energy and other industry areas. His valuable management and financial expertise includes an understanding of the accounting and financial matters that the Partnership and industry address on a regular basis.

Roy E. Johnson has served as Executive Vice President of our general partner since October 2006 and of Targa since April 2004 and was a consultant for the Targa predecessor company during 2003. Mr. Johnson also served as a consultant in the energy industry from 2000 through 2003 providing advice to various energy companies and investors regarding their operations, acquisitions and dispositions. He served as Vice President, Business Development and President of the International Group of Tejas from 1995 to 2000. In these positions, he was responsible for acquisitions, pipeline expansion and development projects in North and South America. Mr. Johnson served as President of Louisiana Resources Company, a company engaged in intrastate natural gas transmission, from 1992 to 1995. Prior to 1992, Mr. Johnson held various positions with a number of different companies in the upstream and downstream energy industry.

Michael A. Heim has served as Executive Vice President and Chief Operating Officer of our general partner since October 2006 and of Targa since April 2004 and was a consultant for the Targa predecessor company during 2003. Mr. Heim also served as a consultant in the energy industry from 2001 through 2003 providing advice to various energy companies and investors regarding their operations, acquisitions and dispositions. Mr. Heim served as Chief Operating Officer and Executive Vice President of Coastal Field Services, a subsidiary of The Coastal Corp. (“Coastal”), a diversified energy company, from 1997 to 2001 and President of Coastal States Gas Transmission Company from 1997 to 2001. In these positions, he was responsible for Coastal’s midstream gathering, processing and marketing businesses. Prior to 1997, he served as an officer of several other Coastal exploration and production, marketing and midstream subsidiaries.

Jeffrey J. McParland has served as Executive Vice President and Chief Financial Officer of our general partner since October 2006 and of Targa since April 2004 and was a consultant for the Targa predecessor company during 2003. He served as a director of our general partner from October 2006 to February 2007. Mr. McParland served as Treasurer of our general partner from October 2006 until May 2007 and he has served as Treasurer of Targa from April 2004 until May 2007. Mr. McParland served as Secretary of Targa since February 2004 until May 2004, at which time he was elected as Assistant Secretary. Mr. McParland served as Senior Vice President, Finance of Dynegy Inc., a company engaged in power generation, the midstream natural gas business and energy marketing, from 2000 to 2002. In this position, he was responsible for corporate finance and treasury operations activities. He served as Senior Vice President, Chief Financial Officer and Treasurer of PG&E Gas Transmission, a midstream natural gas and regulated natural gas pipeline company, from 1999 to 2000. Prior to 1999, he worked in various engineering and finance positions with companies in the power generation and engineering and construction industries.

Peter R. Kagan has served as a director of our general partner since February 2007 and has served as a director of Targa since February 2004. Mr. Kagan is a Managing Director of Warburg Pincus LLC and a general partner of Warburg Pincus & Co., where he has been employed since 1997 and became a partner of Warburg Pincus & Co. in 2002. He is also a member of Warburg Pincus' Executive Management Group. He is also a director of Antero Resources Corporation, Broad Oak Energy, Inc. ("Broad Oak"), Canbriam Energy, Fairfield Energy Limited, Laredo Petroleum and MEG Energy Corp. Mr. Kagan serves as a director because certain investment funds managed by Warburg Pincus LLC, for whom Mr. Kagan is a managing director and member, control us through their ownership of securities in Targa Resources Investments Inc. Mr. Kagan has significant experience with energy companies and investments and broad familiarity with the industry and related transactions and capital markets activity, which enhance his contributions to the board.

Chansoo Joung has served as a director of our general partner since February 2007 and has served as a director of Targa since December 2005. Mr. Joung is a Member and Managing Director of Warburg Pincus LLC, where he has been employed since 2005 and became a partner of Warburg Pincus & Co. in 2005. Prior to joining Warburg Pincus, Mr. Joung was head of the Americas Natural Resources Group in the investment banking division of Goldman Sachs. He joined Goldman Sachs in 1987 and served in the Corporate Finance and Mergers and Acquisitions departments and also founded and led the European Energy Group. He is a director of Sheridan Production Partners, Broad Oak, Ceres, Inc. and Suniva, Inc. Mr. Joung serves as a director because certain investment funds managed by Warburg Pincus LLC, for whom Mr. Joung is a managing director and member, control us through their ownership of securities in Targa Resources Investments Inc. Mr. Joung has significant experience with energy companies and investments and broad familiarity with the industry and related transactions and capital markets activity, which enhance his contributions to the board.

Robert B. Evans has served as a director of our general partner since February 2007. Mr. Evans is a director of New Jersey Resources Corporation. Mr. Evans was the President and Chief Executive Officer of Duke Energy Americas, a business unit of Duke Energy Corp., from January 2004 to March 2006, after which he retired. Mr. Evans served as the transition executive for Energy Services, a business unit of Duke Energy, during 2003. Mr. Evans also served as President of Duke Energy Gas Transmission beginning in 1998 and was named President and Chief Executive Officer in 2002. Prior to his employment at Duke Energy, Mr. Evans served as Vice President of marketing and regulatory affairs for Texas Eastern Transmission and Algonquin Gas Transmission from 1996 to 1998. Mr. Evans' extensive experience in the gas transmission and energy services sectors enhances the knowledge of the board in these areas of the oil and gas industry. As a former President and CEO of various operating companies, his breadth of executive experiences are applicable to many of the matters routinely facing the Partnership.

Barry R. Pearl has served as a director of our general partner since February 2007. Mr. Pearl is Executive Vice President of Kealine LLC LLC (and its WesPac Energy LLC affiliate), a private developer and operator of petroleum infrastructure facilities and is a director of Seaspan Corporation, Kayne Anderson Energy Development Company and Magellan Midstream Holdings, L.P., the general partner of Magellan Midstream Partners, L.P. Mr. Pearl served as President and Chief Executive Officer of TEPPCO Partners from May 2002 until December 2005 and as President and Chief Operating Officer from February 2001 through April 2002. Mr. Pearl served as Vice President of Finance and Chief Financial Officer of Maverick Tube Corporation from June 1998 until December 2000. From 1984 to 1998, Mr. Pearl was Vice President of Operations, Senior Vice President of business development and planning and Senior Vice President and Chief Financial Officer of Santa Fe Pacific Pipeline Partners, L.P. Mr. Pearl's board and executive experience across energy related companies including other MLPs enable him to make broad contributions to the issues and opportunities that the Partnership faces. His industry, financial and executive experience enable him to make valuable contributions to our audit and conflicts committees.

William D. Sullivan has served as a director of our general partner since February 2007. Mr. Sullivan is a director of St. Mary Land & Exploration Company, where he serves as a non-executive Chairman of the Board. Mr. Sullivan is also a director of Legacy Reserves GP, LLC and Tetra Technologies, Inc. Mr. Sullivan served as President and Chief Executive Officer of Leor Energy LP from June 15, 2005 to August 5, 2005. Between 1981 and August 2003, Mr. Sullivan was employed in various capacities by Anadarko Petroleum Corporation, including serving as Executive Vice President, Exploration and Production between August 2001 and August 2003. Since Mr. Sullivan's departure from Anadarko Petroleum Corporation in August 2003, he has served on various private energy company boards. Mr. Sullivan's extensive experience in the exploration and production sector enhances the knowledge of the board in this particular area of the oil and gas industry. As a former exploration and production operating officer with responsibilities over significant gas gathering, compression and processing operations, his experience is valuable to the board's understanding of one of the Partnership's most important customer types and contributes to other matters routinely facing the Partnership.

Reimbursement of Expenses of Our General Partner

Under the terms of the Second Amended and Restated Omnibus Agreement (the "Omnibus Agreement"), we reimburse Targa for the payment of certain operating and direct expenses, including compensation and benefits of operating personnel, and for the provision of various general and administrative services for our benefit. Pursuant to these arrangements, Targa performs centralized corporate functions for us, such as legal, accounting, treasury, insurance, risk management, health, safety and environmental, information technology, human resources, credit, payroll, internal audit, taxes, engineering and marketing. We reimburse Targa for the direct expenses to provide these services as well as other direct expenses it incurs on our behalf, such as compensation of operational personnel performing services for our benefit and the cost of their employee benefits, including 401(k), pension and health insurance benefits. Our general partner determines the amount of general and administrative expenses to be allocated to us in accordance with our partnership agreement.

Prior to February 15, 2010, we reimbursed Targa for these expenses as follows: (i) with respect to the North Texas System, we reimbursed Targa for (A) general and administrative expenses, which were capped at \$5.0 million annually, subject to certain increases; and (B) operating and certain direct expenses, which were not capped, and (ii) with respect to the SAOU and LOU Systems and the Downstream Business, we reimbursed Targa for (X) general and administrative expenses, which were not capped, allocated to the SAOU and LOU Systems and the Downstream Business according to Targa's allocation practice; and (Y) operating and certain direct expenses, which were not capped.

During the nine-quarter period beginning with the fourth quarter of 2009 and continuing through the fourth quarter of 2011, Targa will provide distribution support to us in the form of a reduction in the reimbursement for general and administrative expense allocated to us if necessary (or make a payment to us, if needed) for a 1.0 times distribution coverage ratio, at the current distribution level of \$0.5175 per limited partner unit, subject to maximum support of \$8.0 million in any quarter.

Corporate Governance

Code of Ethics

Our general partner has adopted a Code of Ethics For Chief Executive Officer and Senior Financial Officers (the "Code of Ethics"), which applies to our general partner's Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer, Controller and all other senior financial and accounting officers of our general partner, and Targa's Code of Conduct (the "Code of Conduct"), which applies to officers, directors and employees of Targa and its subsidiaries, including our general partner. In accordance with the disclosure requirements of applicable law or regulation, we intend to disclose any amendment to or waiver from, any provision of the Code of Ethics or Code of Conduct under Item 5.05 of a current report on Form 8-K.

Available Information

We make available, free of charge within the "Corporate Governance" section of our website at www.targaresources.com and in print to any unitholder who so requests, our Corporate Governance Guidelines,

Code of Ethics, Code of Conduct and the Audit Committee Charter. Requests for print copies may be directed to: Investor Relations, Targa Resources Partners LP, 1000 Louisiana, Suite 4300, Houston, Texas 77002 or made by telephone by calling (713) 584-1000. The information contained on or connected to, our internet website is not incorporated by reference into this Annual Report and should not be considered part of this or any other report that we file with or furnish to the SEC.

Executive Sessions of Non-Management Directors

Our non-management directors meet in executive session without management participation at regularly scheduled executive sessions. These meetings are chaired by Mr. Peter Kagan.

Interested parties may communicate directly with our non-management directors by writing to: Non-Management Directors, Targa Resources Partners LP, 1000 Louisiana, Suite 4300, Houston, Texas 77002.

Section 16(A) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our directors, executive officers and 10% unitholders to file with the SEC reports of ownership and changes in ownership of our equity securities. Based solely upon a review of the copies of the Form 3, 4 and 5 reports furnished to us and certifications from our directors and executive officers, we believe that during 2009, all of our directors, executive officers and beneficial owners of more than 10% of our common units complied with Section 16(a) filing requirements applicable to them.

Item 11. Executive Compensation

Executive Compensation

Compensation Discussion and Analysis

The following discussion and analysis contains statements regarding our and our executive officers' future performance targets and goals. These targets and goals are disclosed in the limited context of our compensation programs and should not be understood to be statements of management's expectations or estimates of results or other guidance.

Overview

Neither we nor our general partner directly employ any of the persons responsible for managing our business. Any compensation decisions that are required to be made by our general partner will be made by the Board, which does not have a compensation committee. All of our general partner's executive officers are employees of Targa Resources LLC and serve in the same capacities for Targa. All of the outstanding equity of Targa is held indirectly by Targa Resources Investments Inc. ("Targa Investments"). We reimburse Targa and its affiliates for the compensation of our general partner's executive officers pursuant to the terms of, and subject to the limitations contained in, the Omnibus Agreement.

Targa Investments has ultimate decision making authority with respect to the compensation of our general partner's executive officers identified in the Summary Compensation Table ("named executive officers"). Under the terms of the Targa Investments' Amended and Restated Stockholders' Agreement, as amended (the "Stockholders' Agreement"), compensatory arrangements with Targa's named executive officers, who are also our general partner's named executive officers, are required to be submitted to a vote of Targa Investments' stockholders unless such arrangements have been approved by the Compensation Committee of Targa Investments (the "TRII Compensation Committee"). As such, the TRII Compensation Committee is responsible for overseeing the development of an executive compensation philosophy, strategy, framework and individual compensation elements for our general partner's named executive officers that are based on Targa Investments' business priorities.

The following Compensation Discussion and Analysis describes the material elements of compensation for our general partner's named executive officers as determined by the TRII Compensation Committee and is presented from the perspective of our general partner's named executive officers in their roles as officers of Targa. These

elements and the TRII Compensation Committee’s decisions with respect to determinations on payments are not subject to approval by the Board or the board of directors of Targa (the “Targa Board”). Certain members of the Board and the entire Targa Board, including the Targa Board’s compensation committee, are members of the board of directors of Targa Investments (the “Targa Investments Board”), including the TRII Compensation Committee. Mr. Pearl, one of our directors, was an observer at the TRII Compensation Committee’s meetings in 2009. As used in this Compensation Discussion and Analysis (other than in this overview), references to “our,” “we,” “us,” the “Company” and similar terms refer to Targa.

Compensation Philosophy

The TRII Compensation Committee believes that total compensation of executives should be competitive with the market in which we compete for executive talent - the energy industry and midstream natural gas companies. The following compensation objectives guide the TRII Compensation Committee in its deliberations about executive compensation matters:

- provide a competitive total compensation program that enables us to attract and retain key executives;
- ensure an alignment between our strategic and financial performance and the total compensation received by our named executive officers;
- provide compensation for performance relative to expectations and our peer group;
- ensure a balance between short-term and long-term compensation while emphasizing at-risk or variable, compensation as a valuable means of supporting our strategic goals and aligning the interests of our named executive officers with those of our shareholders; and
- ensure that our total compensation program supports our business objectives and priorities.

Consistent with this philosophy and compensation objectives, we do not pay for perquisites for any of our named executive officers, other than parking subsidies.

The Role of Peer Groups and Benchmarking

Our chief executive officer (the “CEO”), president and chief financial officer (collectively, “Senior Management”) review compensation practices at peer companies, as well as broader industry compensation practices, at a general level and by individual position to ensure that our total compensation is reasonably comparable and meets our compensation objectives. In addition, when evaluating compensation levels for each named executive officer, the TRII Compensation Committee reviews publicly available compensation data for executives in our peer group, compensation surveys and compensation levels for each named executive officer with respect to their roles with the Company and levels of responsibility, accountability and decision-making authority. Although Senior Management and the TRII Compensation Committee consider compensation data from other companies, they do not attempt to set compensation components to meet specific benchmarks, such as salaries “above the median” or total compensation “at the 50th percentile.” The peer company data that is reviewed by Senior Management and the TRII Compensation Committee is simply one factor out of many that is used in connection with the establishment of the compensation for the Company’s officers. The other factors considered by Senior Management and the TRII Compensation Committee include, but are not limited to, (i) available compensation data about rankings and comparisons, (ii) ownership stake (both peer management’s stake in peer companies and Targa management’s stake in the Partnership and Targa Investments), (iii) effort and accomplishment on a group basis, (iv) challenges faced and challenges overcome, (v) unique skills, (vi) contribution to the management team and (vii) the perception of both the Targa Investments Board and the TRII Compensation Committee of performance relative to expectations, actual market/business conditions and relative peer company performance. All of these factors, including peer company data, are utilized in a subjective assessment of each year’s decisions relating to annual cash incentives, long-term cash incentives and base compensation changes with a view towards total compensation and pay-for-performance.

For 2009, Senior Management identified peer companies in the midstream energy industry and reviewed compensation information filed by the peer companies with the SEC. The peer group reviewed by Senior Management for 2009 consisted of the following companies: Atlas America, Copano, Crosstex, DCP Midstream, Enbridge Energy Partners, Energy Transfer Partners, Magellan Midstream, MarkWest Energy Partners, Martin Midstream, NuStar Energy, Oneok Partners, Plains All American Pipeline, Regency Energy Partners, TEPPCO Partners and Williams Energy Partners.

Senior Management and the TRII Compensation Committee review our compensation practices and performance against peer companies on at least an annual basis.

Role of Senior Management in Establishing Compensation for Named Executive Officers

Typically, Senior Management consults with a compensation consultant engaged by the TRII Compensation Committee and reviews market data to determine relevant compensation levels and compensation program elements. Based on these consultations and a review of publicly available information for the peer group, Senior Management submits a proposal to the chairman of the TRII Compensation Committee. The proposal includes a recommendation of base salary, annual bonus and any new long-term compensation to be paid or awarded to executive officers and employees. The chairman of the TRII Compensation Committee reviews and discusses this proposal with Senior Management and may request that Senior Management provide him with additional information or reconsider their recommendation. The resulting recommendation is then submitted to the TRII Compensation Committee for consideration, which also meets separately with the compensation consultant. The final compensation decisions are reported to the Targa Investments Board.

Our Senior Management has no other role in determining compensation for our executive officers, but our executive officers are delegated the authority and responsibility to determine the compensation for all other employees.

Elements of Compensation for Named Executive Officers

Our compensation philosophy for executive officers emphasizes our executives having a significant long-term equity stake. For this reason, in connection with our formation in 2004 and with the DMS Acquisition in 2005, the named executive officers were granted restricted stock and options to purchase restricted stock of Targa Investments to attract, motivate and retain our executive team. As a result, executive compensation has been weighted toward long-term equity awards. Our executive officers have also invested a significant portion of their personal investable assets in the equity of Targa Investments and have made significant investments in the equity of the Partnership. With these equity interests as context, elements of compensation for our named executive officers are the following: (i) annual base salary; (ii) discretionary annual cash awards; (iii) performance awards under Targa Investments' long-term incentive plan, (iv) contributions under our 401(k) and profit sharing plan; and (v) participation in our health and welfare plans on the same basis as all of our other employees.

Base Salary. The base salaries for our named executive officers are set and reviewed annually by the TRII Compensation Committee. The salaries are based on historical salaries paid to our named executive officers for services rendered to us, the extent of their equity ownership in Targa Investments, market data and responsibilities of our named executive officers. Base salaries are intended to provide fixed compensation comparable to market levels for similarly situated executive officers.

Annual Cash Incentives. The discretionary annual cash awards paid to our named executive officers supplement the annual base salary of our named executive officers so that, on a combined basis, the annual cash compensation for our named executive officers yield competitive cash compensation levels and drive performance in support of our business strategies. It is Targa Investments' general policy to pay these awards prior to the end of the first quarter of the next fiscal year. The payment of individual cash bonuses to executive management, including our named executive officers, is subject to the sole discretion of the TRII Compensation Committee.

The discretionary annual cash awards are designed to reward our employees for contributions towards our achievement of financial and operational business priorities (including business priorities of the Partnership) approved by the TRII Compensation Committee and to aid us in retaining and motivating employees. These

priorities are not objective in nature – they are subjective. The approach taken by the TRII Compensation Committee in reviewing performance against the priorities is along the lines of grading a multi-faceted essay rather than a simple true/false exam. As such, success does not depend on achieving a particular target; rather, success is determined based on past norms, expectations and unanticipated obstacles or opportunities that arise. For example, hurricanes and deteriorating market conditions may alter the priorities initially established by the TRII Compensation Committee such that certain performance that would otherwise be deemed a negative may, in context, be a positive result. This subjectivity allows the TRII Compensation Committee to account for the full industry and economic context of the actual performance of Targa or its personnel. The TRII Compensation Committee considers all strategic priorities and reviews performance against the priorities but does not assign specific weightings to the strategic priorities in advance.

Under plans to pay a discretionary annual cash award that have been adopted and are expected to be adopted in subsequent years, funding of a discretionary cash bonus pool is expected to be recommended by our CEO and approved by the TRII Compensation Committee annually based on our achievement of certain strategic, financial and operational objectives. Such plans are and will be approved by the TRII Compensation Committee, which considers certain recommendations by the CEO. Near or following the end of each year, the CEO recommends to the TRII Compensation Committee the total amount of cash to be allocated to the bonus pool based upon our overall performance relative to these objectives. Upon receipt of the CEO's recommendation, the TRII Compensation Committee, in its sole discretion, determines the total amount of cash to be allocated to the bonus pool. Additionally, the TRII Compensation Committee, in its sole discretion, determines the amount of the cash bonus award to each of our executive officers, including the CEO. The executive officers determine the amount of the cash bonus pool to be allocated to our departments, groups and employees (other than our executive officers) based on performance and on the recommendation of their supervisors, managers and line officers.

LTIP Awards. Targa Investments may grant to the named executive officers and other key employees cash-settled performance unit awards linked to the performance of the Partnership's common units, with the amounts vesting under such awards dependent on the Partnership's performance compared to a peer-group consisting of the Partnership and 12 other publicly traded partnerships. These performance unit awards are made pursuant to a plan adopted by Targa Investments. These awards are designed to further align the interests of the named executive officers and other key employees with those of the Partnership's equity holders.

Retirement Benefits. We offer eligible employees a Section 401(k) tax-qualified, defined contribution plan to enable employees to save for retirement through a tax-advantaged combination of employee and Company contributions and to provide employees the opportunity to directly manage their retirement plan assets through a variety of investment options. Our employees, including our named executive officers, are eligible to participate in our 401(k) plan and may elect to defer up to 30% of their annual compensation on a pre-tax basis and have it contributed to the plan, subject to certain limitations under the Internal Revenue Code. In addition, we make the following contributions to the 401(k) Plan for the benefit of our employees, including our named executive officers: (i) 3% of the employee's eligible compensation; and (ii) an amount equal to the employee's contributions to the 401(k) Plan up to 5% of the employee's eligible compensation. We may also make discretionary contributions to the 401(k) Plan for the benefit of employees depending on Targa's performance.

Health and Welfare Benefits. All full-time employees, including our named executive officers, may participate in our health and welfare benefit programs, including medical, health, life insurance and dental coverage and disability insurance.

Perquisites. We believe that the elements of executive compensation should be tied directly or indirectly to the actual performance of the Company. It is the TRII Compensation Committee's policy not to pay for perquisites for any of our named executive officers, other than parking subsidies.

Relation of Compensation Elements to Compensation Philosophy

Our named executive officers, other senior managers and directors, through a combination of personal investment and equity grants, own approximately 20% of the fully diluted equity of Targa Investments. Based on our named executive officers' ownership interests in Targa Investments and their direct ownership of the

Partnership's common units, they own, directly and indirectly, approximately 3% of the Partnership's limited partner interests. The TRII Compensation Committee believes that the elements of its compensation program fit the established overall compensation objectives in the context of management's substantial ownership of Targa Investment's equity, which allows Targa to provide competitive compensation opportunities to align and drive the performance of the named executive officers in support of Targa Investments' and the Partnership's own business strategies and to attract, motivate and retain high quality talent with the skills and competencies required by Targa Investments and the Partnership.

Application of Compensation Elements

Equity Ownership. The TRII Compensation Committee did not award additional equity to the named executive officers in 2009.

Base Salary. In 2009, base salaries for our named executive officers were established based on historical levels for these officers, taking into consideration officer salaries in our peer group and the long-term equity component of our compensation program.

Annual Cash Incentives. The TRII Compensation Committee approved our 2009 Annual Incentive Plan (the "Bonus Plan") in January 2009 with the following eight key business priorities to be considered when making awards under the Bonus Plan: (i) manage controllable costs to levels at or below plan levels – with a continuous effort to improve costs for 2009 and beyond; (ii) examine, prioritize and approve each capital project closely for economics (or necessity) in the current environment; (iii) increase scrutiny and proactively manage credit and liquidity across finance, credit and commercial areas; (iv) reduce (eliminate where appropriate) Downstream's inventory exposure (for Targa only); (v) continue to invest in our businesses primarily within existing cash flow; (vi) pursue selected opportunities including new shale play gathering and processing build outs, other fee-based capital projects and the potential to purchase distressed strategic assets; (vii) analyze and recommend approaches to achieve maximum value; and (viii) execute on the above priorities, including the 2009 financial business plan. The TRII Compensation Committee also established the following overall threshold, target and maximum levels for the Company's bonus pool: 50% of the cash bonus pool for the threshold level; 100% for the target level and 200% for the maximum level. The cash bonus pool target is determined by summing, on an employee by employee basis, the product of base salaries and market-based bonus targets. The CEO and the TRII Compensation Committee relied on compensation consultants and market data to establish the threshold, target and maximum levels, which were determined to be in a typical and competitive range. The CEO and the TRII Compensation Committee arrive at the total amount of cash to be allocated to the cash bonus pool by multiplying percentage of target awarded by the TRII Compensation Committee by the total target cash bonus pool. The funding of the cash bonus pool and the payment of individual cash bonuses to executive management, including our named executive officers, are subject to the sole discretion of the TRII Compensation Committee.

In December 2009, the TRII Compensation Committee approved a cash bonus pool equal to 200% of the target level for the employee group, including our named executive officers, under the Bonus Plan for performance during 2009 in recognition of outstanding efforts and organizational performance. The TRII Compensation Committee determined to pay these above target level bonuses because it considered overall performance, including organizational performance, to have substantially exceeded expectations in 2009 based on the eight key business priorities it established for 2009. The TRII Compensation Committee considered or subjectively evaluated (rather than measured) organizational performance by reviewing the performance of Targa's personnel with respect to the initial and subsequent business priorities relative to expectations and peer performance, which included strategic and impactful changes to Targa's and Targa's subsidiaries' capital structures, demonstrated success in dispute resolution and promising project development efforts. The executive officers received the following bonus awards, which are equivalent to the same average percentage of target as the Company bonus pool with a 1.5x performance multiplier, based on exceeding our overall goals in 2009, including the successful implementation of strategic initiatives that were driven by the executive officers:

Rene R. Joyce	\$ 510,000
Jeffrey J. McParland	400,500
Joe Bob Perkins	459,000
James W. Whalen	445,500
Michael A. Heim	424,500

In January 2009, the TRII Compensation Committee approved a cash bonus pool of 150% of the target level for the employee group under the cash bonus plan for performance during 2008 in recognition of significant efforts and organizational performance. The TRII Compensation Committee determined to pay these above target level bonuses because it considered overall performance, including organizational performance, to be strong in 2008 based on the six key business priorities it established for 2008 as well as a number of unanticipated priorities and performance factors, which included operating through two hurricanes that impacted Targa's personnel and assets while meeting customer needs and business objectives. The TRII Compensation Committee considered or subjectively evaluated (rather than measured) organizational performance by reviewing the performance of Targa's personnel with respect to the initial and subsequent business priorities relative to expectations and peer performance, which included demonstrated successes in hurricane preparedness, accounting systems, commercial business initiatives and area manager involvement.

Long-term Cash Incentives. In January 2008 and 2009, Targa Investments granted executive officers of the General Partner cash-settled performance unit awards linked to the performance of the Partnership's common units that will vest in June of 2011 and 2012, with the amounts vesting under such awards dependent on the Partnership's performance compared to a peer-group consisting of the Partnership and 12 other publicly traded partnerships. The peer group companies for 2008 and 2009 were Energy Transfer Partners, Oneok Partners, Copano, DCP Midstream, Regency Energy Partners, Plains All American Pipeline, MarkWest Energy Partners, Williams Energy Partners, Magellan Midstream, Martin Midstream, Enbridge Energy Partners, Crosstex and Targa Resources Partners LP. These performance unit awards were made pursuant to a plan adopted by Targa Investments and administered by Targa Resources. The TRII Compensation Committee has the ability to modify the peer-group in the event a peer company is no longer determined to be one of the Partnership's peers. The cash settlement value of each performance unit award will be the value of an equivalent Partnership common unit at the time of vesting plus associated distributions over the vesting period, which may be higher or lower than the Partnership's common unit price at the time of the award. If the Partnership's performance equals or exceeds the performance for the median of the group, 100% of the award will vest. If the Partnership ranks tenth in the group, 50% of the award will vest, between tenth and seventh, 50% to 100% will vest and for a performance ranking lower than tenth, no amounts will vest. In January 2008, our named executive officers, who are also executive officers of the General Partner, received an award of performance units as follows: 4,000 performance units to Mr. Joyce, 2,700 performance units to Mr. McParland, 3,500 performance units to Mr. Perkins, 3,500 performance units to Mr. Whalen and 3,500 performance units to Mr. Heim. In January 2009, the named executive officers received an award of performance units as follows: 34,000 performance units to Mr. Joyce, 15,500 performance units to Mr. McParland, 20,800 performance units to Mr. Perkins and 20,800 performance units to Mr. Heim.

Set forth below is the "performance for the median" of the peer group for each of the 2008 and 2009 grants and a comparison of the Partnership's performance to the peer group as of December 31, 2009:

Grant	Performance (1)		Partnership Position
	Peer Group Median	Partnership	
2008	7.9%	15.2%	5th of 13
2009	53.1%	79.6%	3rd of 13

- (1) Total return measured by (i) subtracting the average closing price per share/unit for the first ten trading days of the performance period (the "Beginning Price") from the sum of (a) the average closing price per share/unit for the last ten trading days ending on the date that is 15 days prior to the end of the performance period plus (b) the aggregate amount of dividends/distributions paid with respect to a share/unit during such period (the result being referred to as the "Value Increase") and (ii) dividing the Value Increase by the Beginning Price. The performance period for the 2008 and 2009 awards begins on June 30, 2008 and June 30, 2009, and ends on the third anniversary of such dates.

In addition to the January 2009 grants, in December 2009, our executive officers were awarded performance units under Targa Investments' long-term incentive plan for the 2010 compensation cycle that will vest in June 2013 as follows: 18,025 performance units to Mr. Joyce, 13,464 performance units to Mr. Whalen, 9,350 performance units to Mr. McParland, 13,860 performance units to Mr. Perkins and 9,894 performance units to Mr. Heim. The cash settlement value of these performance unit awards will be the value of an equivalent Partnership common unit at the time of vesting multiplied by a performance percentage which may be zero or range from 25% to 150% of the value of a common unit plus associated distributions over the three year period, which may be higher or lower than the Partnership common unit price at the time of the grant. If the Partnership's performance equals or exceeds the performance for the 25th percentile of the group but is less than or equal to the 50th percentile of the group, the award will vest with a performance percentage ranging from 25% to 100%. If the Partnership's performance equals or exceeds the performance for the 50th percentile of the group, the award will vest with a performance percentage ranging from 100% to 150%. If the Partnership's performance is below the performance of the 25th percentile of the group, the performance percentage will be zero and no amounts will vest. The performance period for these performance unit awards begins on June 30, 2010 and ends on the third anniversary of such date.

Health and Welfare Benefits. For 2009, our named executive officers participated in our health and welfare benefit programs, including medical, health, life insurance, dental coverage and disability insurance.

Perquisites. Consistent with our compensation philosophy, we did not pay for perquisites for any of our named executive officers during 2009, other than parking subsidies.

Changes for 2010

Annual Cash Incentives. In light of recent economic and financial events, Senior Management developed and proposed a set of strategic priorities to the TRII Compensation Committee. In February 2010, the TRII Compensation Committee approved the Targa Investments 2010 Annual Incentive Compensation Plan (the "2010 Bonus Plan"), the cash bonus plan for performance during 2010, and, established the following nine key business priorities: (i) continue to control all operating, capital and general and administrative costs, (ii) invest in our businesses primarily within existing cashflow, (iii) continue priority emphasis and strong performance relative to a safe workplace, (iv) reinforce business philosophy and mindset that promotes environmental and regulatory compliance, (v) continue to tightly manage the Downstream Business' inventory exposure, (vi) execute on major capital and development projects, such as finalizing negotiations, completing projects on time and on budget, and optimizing economics and capital funding, (vii) pursue selected opportunities, including new shale play gathering and processing build-outs, other fee-based capex projects and potential purchases of strategic assets, (viii) pursue commercial and financial approaches to achieve maximum value and manage risks, and (ix) execute on all business dimensions, including the financial business plan. The TRII Compensation Committee also established the following overall threshold, target and maximum levels for the Company's bonus pool: 50% of the cash bonus pool for the threshold level; 100% for the target level and 200% for the maximum level. As with the Bonus Plan, funding of the cash bonus pool and the payment of individual cash bonuses to executive management, including our named executive officers, are subject to the sole discretion of the TRII Compensation Committee.

Long-term Cash Incentives. The cash settlement value of any future grants of performance unit awards under Targa Investments' long-term incentive plan will be determined using the formula adopted for the performance unit awards granted in December 2009.

Compensation and Peer Group Review. The TRII Compensation Committee has engaged a consultant to review executive and key employee compensation during the second quarter of 2010 to help the committee assure that compensation goals are met and that the most recent trends in compensation are appropriately considered. In this process, the peer companies will be reassessed to determine whether the peer groups for long-term cash incentive awards (performance units) and for compensation comparison and analysis are appropriate and adequately reflect the market for executive talent.

Compensation Committee Interlocks and Insider Participation

The Partnership's general partner does not maintain a compensation committee. The following officers of the Partnership's general partner participated in deliberations of the Compensation Committee of Targa Investments

concerning executive officer compensation at the December 2009 committee meeting: Messrs. Joyce, Perkins, Whalen and Chung. See “Item 13. Certain Relationships and Related Transactions, and Director Independence” for a description of certain relationships and related-party transactions.

Compensation Committee Report

In fulfilling its oversight responsibilities, the Board reviewed and discussed with management the compensation discussion and analysis contained in this Annual Report. Based on these reviews and discussions, the Board recommended that the compensation discussion and analysis be included in the Annual Report for the year ended December 31, 2009 for filing with the SEC.

The information contained in this report shall not be deemed to be “soliciting material” or to be “filed” with the SEC, nor shall such information be incorporated by reference into any future filings with the SEC or subject to the liabilities of Section 18 of the Exchange Act, except to the extent that the Partnership specifically incorporates it by reference into a document filed under the Securities Act of 1933, as amended or the Exchange Act.

Rene R. Joyce
James W. Whalen
Peter R. Kagan
Chansoo Joung
Robert B. Evans
Barry R. Pearl
William D. Sullivan

Executive Compensation

The following Summary Compensation Table sets forth the compensation of our named executive officers for 2009, 2008 and 2007. Additional details regarding the applicable elements of compensation in the Summary Compensation Table are provided in the footnotes following the table.

Summary Compensation Table for 2009						
Name	Year	Salary	Stock Awards \$(1)	Non-Equity Incentive Plan Compensation	All Other Compensation (2)	Total Compensation
Rene R. Joyce	2009	\$ 337,500	\$ 742,965	\$ 510,000	\$ 20,187	\$ 1,610,652
Chief Executive Officer	2008	322,500	148,218	247,500	19,205	737,423
	2007	293,750	459,769	300,000	817,963	1,871,482
Jeffrey J. McParland	2009	265,000	435,695	400,500	20,061	1,121,256
Executive Vice President and	2008	253,000	114,247	194,250	19,031	580,528
Chief Financial Officer	2007	230,000	316,770	235,000	674,292	1,456,062
Joe Bob Perkins	2009	303,750	574,514	459,000	20,129	1,357,393
President	2008	290,250	126,228	222,750	19,124	658,352
	2007	265,000	366,318	270,000	817,888	1,719,206
James W. Whalen	2009	297,000	306,914	445,500	19,936	1,069,350
President—Finance and	2008	290,250	66,488	222,750	18,871	598,359
Administration	2007	265,000	224,796	270,000	817,888	1,577,684
Michael A. Heim	2009	281,000	553,310	424,500	20,089	1,278,899
Executive Vice President and	2008	268,750	127,172	206,250	19,071	621,243
Chief Operating Officer	2007	243,750	366,318	250,000	817,838	1,677,906

- (1) Amounts represent the aggregate grant date fair value of awards computed in accordance with FASB ASC Topic 718. Detailed information about the amount recognized for specific awards is reported in the table under “Grants of Plan Based Awards for 2009” below. The fair value of a performance unit is the sum of: (i) the closing price of a common unit of the Partnership on the reporting date; (ii) the fair value of an at-the-money call option on a performance unit with a grant date equal to the reporting date and an expiration date equal to the last day of the performance period; and (iii) estimated DERs. The grant date value of a performance unit award granted on January 22, 2009 (for the 2009 compensation cycle) and December 3, 2009 (for the 2010 compensation cycle), assuming the highest performance condition will be achieved, is \$36.74 and \$36.04. Accordingly, the highest aggregate value of the performance unit awards granted in 2009 for the named executive officers is as follows: Mr. Joyce - \$1,898,745; Mr. McParland - \$906,431; Mr. Perkins - \$1,263,693; Mr. Whalen - \$485,284; and Mr. Heim - \$1,120,746.
- (2) For 2009 “All Other Compensation” includes the (i) aggregate value of matching and non-matching contributions to our 401(k) plan and (ii) the dollar value of life insurance coverage.

Name	401(k) and Profit Sharing Plan	Dollar Value of Life Insurance	Total
Rene R. Joyce	\$ 19,600	\$ 587	\$ 20,187
Jeffrey J. McParland	19,600	461	20,061
Joe Bob Perkins	19,600	529	20,129
James W. Whalen	19,600	336	19,936
Michael A. Heim	19,600	489	20,089

Grants of Plan-Based Awards

The following table and the footnotes thereto provide information regarding grants of plan-based equity and non-equity awards made to the named executive officers during 2009:

Grants of Plan Based Awards for 2009								
Name	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards (1)			Estimated Future Payouts Under Equity Incentive Plan Awards (2)			Grant Date Fair Value of Stock and Option Awards (3)
		Threshold	Target	2X Target	Threshold	Target (Units)	Maximum	
Mr. Joyce	N/A	\$ 85,000	\$ 170,000	\$ 340,000				
	01/22/09					34,000		\$ 1,249,068
Mr. McParland	12/03/09					18,025		649,677
	N/A	66,750	133,500	267,000				
	01/22/09					15,500		569,428
	12/03/09					9,350		337,003
Mr. Perkins	N/A	76,500	153,000	306,000				
	01/22/09					20,800		764,136
	12/03/09					13,860		499,557
	N/A	74,250	148,500	297,000				
Mr. Whalen	12/03/09					13,464		485,284
	N/A	70,750	141,500	283,000				
Mr. Heim	01/22/09					20,800		764,136
	12/03/09					9,894		356,610

- (1) These awards were granted under the Bonus Plan. At the time the Bonus Plan was adopted, the estimated future payouts in the above table under the heading “Estimated Possible Payouts Under Non-Equity Incentive Plan Awards” represented the portion of the cash bonus pool available for awards to the named executive officers under the Bonus Plan based on the three performance levels. In December 2009, the TRII Compensation Committee approved a bonus award for the named executive officers equal to the maximum payout with a 1.5x performance multiplier. See “Compensation Discussion and Analysis—Application of Compensation Elements—Annual Cash Incentives.”
- (2) These performance unit awards were granted under the Targa Investments Long-Term Incentive Plan and are discussed in more detail under the heading “Compensation Discussion & Analysis—Application of Compensation Elements—Long-Term Cash Incentives.”
- (3) The dollar amounts shown for the performance units granted on January 22, 2009 are determined by multiplying the number of units reported in the table by \$36.74 (the grant date fair value of awards computed in accordance with FASB ASC Topic 718) and assume full payout under the awards at the time of vesting. The dollar amounts shown for the performance units granted on December 3, 2009 are determined by multiplying the number of units reported in the table by \$36.04 (the grant date fair value of awards computed in accordance with FASB ASC Topic 718) and assume full payout under the awards at the time of vesting.

Narrative Disclosure to Summary Compensation Table and Grants of Plan Based Awards Table

A discussion of 2009 salaries, bonuses and incentive plans is included in “Compensation Discussion and Analysis.”

Targa Investments 2005 Stock Incentive Plan

Stock Option Grants. Under the Targa Investments 2005 Stock Incentive Plan, as amended (the “2005 Incentive Plan”), incentive stock options and non-incentive stock options to purchase, in the aggregate, up to 5,159,786 shares of Targa Investments’ restricted stock may be granted to our employees, directors and consultants. Subject to the terms of the applicable stock option agreement, options granted under the 2005 Incentive Plan have a vesting period of four years, remain exercisable for ten years from the date of grant and have an exercise price at least equal to the fair market value of a share of restricted stock on the date of grant. Additional details relating to previously granted non-incentive stock options under the 2005 Incentive Plan are included in “Outstanding Equity Awards at 2009 Fiscal Year-End” below. No option awards were granted to the named executive officers in 2007, 2008 and 2009.

Restricted Stock Grants. Under the 2005 Incentive Plan, up to 7,293,882 shares of restricted stock of Targa Investments may be granted to our employees, directors and consultants. Subject to the terms of the restricted stock agreement, restricted stock granted under the Incentive Plan has a vesting period of four years from the date of grant. Additional details relating to previously granted shares of common stock are included in “Outstanding Equity Awards at 2009 Fiscal Year-End” below. No stock awards were granted to the named executive officers in 2007, 2008 and 2009.

Outstanding Equity Awards at 2009 Fiscal Year-End

Targa Investments indirectly owns all of Targa’s equity interests. The following table and the footnotes related thereto provide information regarding each stock option and other equity-based awards of Targa Investments outstanding as of December 31, 2009 for each of our named executive officers.

Outstanding Equity Awards at 2009 Fiscal Year-End					
Name	Option Awards			Stock Awards	
	Options Exercisable	Option Exercise Price	Option Expiration Date	Equity Incentive Plan Awards: Number of Unearned Performance Units That Have Not Vested(1)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Performance Units That Have Not Vested(2)
Rene R. Joyce	21,772	\$ 0.75	10/31/15	71,025	\$ 1,848,849
	291,376	3.00	10/31/15		
	246,549	15.00	10/31/15		
	3,006	3.00	12/20/15		
	2,559	15.00	12/20/15		
Jeffrey J. McParland	218,532	3.00	10/31/15	35,750	934,717
	184,912	15.00	10/31/15		
	2,254	3.00	12/20/15		
	1,919	15.00	12/20/15		
Joe Bob Perkins	236,014	3.00	10/31/15	48,960	1,276,843
	199,705	15.00	10/31/15		
	2,435	3.00	12/20/15		
	2,073	15.00	12/20/15		
James W. Whalen	90,908	3.00	11/01/15		
	192,308	15.00	11/01/15	27,764	740,040
	937	3.00	12/20/15		
	1,996	15.00	12/20/15		
Michael A. Heim	21,772	0.75	10/31/15		
	236,014	3.00	10/31/15	44,194	1,157,174
	199,705	15.00	10/31/15		
	2,435	3.00	12/20/15		
	2,073	15.00	12/20/15		

- (1) Represents the number of performance units awarded on February 8, 2007, January 17, 2008, January 22, 2009 and December 3, 2009 under the Targa Investments Long-Term Incentive Plan. These awards vest in August 2010, June 2011, June 2012, and June 2013, based on the Partnership’s performance over the applicable period measured against a peer group of companies. These awards are discussed in more detail under the heading “Compensation Discussion & Analysis — Application of Compensation Elements — Long-Term Cash Incentives.”
- (2) The dollar amounts shown are determined by multiplying the number of performance units reported in the table by the sum of the closing price of a common unit of the Partnership on December 31, 2009 (\$24.31) and the related distribution equivalent rights for each award and assume full payout under the awards at the time of vesting.

Option Exercises and Stock Vested in 2009

The following table provides the amount realized during 2009 by each named executive officer upon the exercise of options and upon the vesting of restricted common stock.

Name	Option Exercises and Stock Vested for 2009			
	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (1)	Value Realized on Exercise	Number of Shares Acquired on Vesting	Value Realized on Vesting (2)
Rene R. Joyce	-	\$ -	148,263 (3)	\$ 296,526
Jeffrey J. McParland	21,772	43,544	112,091 (4)	224,182
Joe Bob Perkins	21,772	43,544	123,489 (5)	246,978
James W. Whalen	-	-	102,249 (6)	204,498
Michael A. Heim	-	-	123,489 (5)	246,978

- (1) At the time of exercise of the stock options, the common stock acquired upon exercise had a value of \$2.00 per share. This value was determined by an independent consultant pursuant to a valuation of Targa Investments common stock dated November 4, 2009.
- (2) The value realized on vesting used a per share price based on the estimated market price of Targa Investments common stock on such date. These values were determined by an independent consultant pursuant to valuations of Targa Investments common stock prepared at various times during 2009 and 2008, which management believes are reasonable approximations of the value of such stock as of the applicable dates.
- (3) The shares vested as follows: 146,840 shares on October 31, 2009 and 1,432 shares on December 20, 2009.
- (4) The shares vested as follows: 111,024 shares on October 31, 2009 and 1,067 shares on December 20, 2009.
- (5) The shares vested as follows: 122,336 shares on October 31, 2009 and 1,153 shares on December 20, 2009.
- (6) The shares vested as follows: 544 shares on October 31, 2009, 100,595 shares on November 1, 2009 and 1,110 shares on December 20, 2009.

Change in Control and Termination Benefits

2005 Incentive Plan. If a Change of Control or a Liquidation Event (each as defined below) or in the case of restricted stock, certain drag-along transactions, occurs during a named executive officer’s employment with us, the options granted to him under Targa Investments’ form of Non-Statutory Stock Option Agreement (the “Option Agreement”) and/or the restricted stock granted to him under Targa Investments’ form of Restricted Stock Agreement (the “Stock Agreement”) will fully vest and be exercisable (in the case of options) by him so long as he remains an employee of Targa Investments.

Options granted to a named executive officer under the Option Agreement will terminate and cease to be exercisable upon the termination of his employment with Targa Investments, except that: (i) if his employment is terminated by reason of a disability, he (or his estate or the person who acquires the options by will or the laws of descent and distribution or otherwise by reason of his death) may exercise the options in full for 180 days following such termination; (ii) if he dies while employed by Targa Investments, his estate or the person who acquires the options by will or the laws of descent and distribution or otherwise by reason of his death, may exercise the options in full for 180 days following his death; or (iii) if he resigns or is terminated by Targa Investments without Cause (as defined below), then he (or his estate or the person who acquires the options by will or the laws of descent and distribution or otherwise by reason of his death) may exercise the options for three months following such resignation or termination, but only as to the options he was entitled to exercise as of the date his employment terminates.

Restricted stock granted to a named executive officer under the Stock Agreement will fully vest if his employment is terminated by reason of a disability or his death. If a named executive officer resigns or he is terminated by Targa Investments without Cause, then his unvested restricted stock is forfeited to Targa Investments for no consideration. If a named executive officer is terminated by Targa Investments for Cause, then all restricted

stock (both vested and unvested) granted to him under the Stock Agreement is forfeited to Targa Investments for no consideration. For five years following a named executive officer's termination of employment, Targa Investments has the right to repurchase all of his restricted stock and other Capital Stock (as defined below), after any applicable forfeitures, at a purchase price equal to, in the case of a termination by death, disability, resignation or without Cause, the then Fair Market Value (as defined below) of such restricted stock and Capital Stock determined in accordance with the Stockholders Agreement, and, in the case of a termination with Cause, the lower of the Original Cost (as defined below) or the then Fair Market Value of such Capital Stock.

The following terms have the specified meanings for purposes of the 2005 Incentive Plan:

- *Change of Control* means, in one transaction or a series of related transactions, a consolidation, merger or any other form of corporate reorganization involving Targa Investments or a sale of Preferred Stock (or a sale of Targa Investments' common stock following conversion of the Preferred Stock) by stockholders of Targa Investments with the result immediately after such merger, consolidation, corporate reorganization or sale that (A) a single person, together with its affiliates, owns, if prior to any firm commitment underwritten offering by Targa Investments of its common stock to the public pursuant to an effective registration statement under the Securities Act (x) for which the aggregate cash proceeds to be received by Targa Investments from such offering (without deducting underwriting discounts, expenses and commissions) are at least \$35,000,000 and (y) pursuant to which Targa Investments' common stock is listed for trading on the New York Stock Exchange or is admitted to trading and quoted on the NASDAQ National Market System (a "Qualified Public Offering"), either a greater number of shares of Targa Investments' common stock (calculated assuming that all shares of Preferred Stock have been converted at the specified conversion ratio) than Warburg Pincus and its affiliates then own or, in the context of a consolidation, merger or other corporate reorganization in which Targa Investments is not the surviving entity, more voting stock generally entitled to elect directors of such surviving entity (or in the case of a triangular merger, of the parent entity of such surviving entity) than Warburg Pincus and its affiliates then own or, if on or after a Qualified Public Offering, either a majority of Targa Investments' common stock calculated on a fully-diluted basis (i.e. on the basis that all shares of Preferred Stock have been converted at the specified conversion ratio, that all Management Stock is outstanding, whether vested or not and that all outstanding options to acquire Targa Investments' common stock had been exercised (whether then exercisable or not)) or, in the context of a consolidation, merger or other corporate reorganization in which Targa Investments is not the surviving entity, a majority of the voting stock generally entitled to elect directors of such surviving entity (or in the case of a triangular merger, of the parent entity of such surviving entity) calculated on a fully diluted basis and (B) Warburg Pincus and its affiliates collectively own less than a majority of the initial shares of Capital Stock outstanding on October 31, 2005 owned by them (the "Initial Shares") or, in the event such Initial Shares are converted or exchanged into other voting securities of Targa Investment or such surviving or parent entity, less than a majority of such voting securities Warburg Pincus and its affiliates would have owned had they retained all such Initial Shares;
- *Management Stock* means the shares of Targa Investments' common stock granted pursuant to the terms of the 2005 Incentive Plan, any such shares transferred to a permitted transferee and any and all securities of any kind whatsoever of Targa Investments which may be issued in respect of, in exchange for or upon conversion of such shares of common stock pursuant to a merger, consolidation, stock split, stock dividend, recapitalization of Targa Investments or otherwise;
- *Liquidation Event* means the voluntary or involuntary liquidation, dissolution or winding up of the affairs of Targa Investments; provided that neither the merger or consolidation of Targa Investments with or into another entity, nor the merger or consolidation of another entity with or into Targa Investments, nor the sale of all or substantially all of the assets of Targa Investments shall be deemed to be a Liquidation Event;
- *Cause* means discharge by Targa Investments based on (A) an employee's gross negligence or willful misconduct in the performance of duties, (B) conviction of a felony or other crime involving moral turpitude; (C) an employee's willful refusal, after fifteen days' written notice from the Targa Investments Board, to perform the material lawful duties or responsibilities required of him; (D) willful and material breach of any corporate policy or code of conduct established by Targa Investments; and (E) willfully

engaging in conduct that is known or should be known to be materially injurious to Targa Investments or any of its subsidiaries;

- *Capital Stock* means any and all shares of capital stock of or other equity interests in, Targa Investments and any and all warrants, options or other rights to purchase or acquire any of the foregoing;
- *Original Cost* means, with respect to a particular share of Capital Stock, the cash amount originally paid to Targa Investments to purchase such share (or if such share was issued in respect of other shares of Targa Investments issued in connection with the merger of one of Targa Investments' subsidiaries with and into us, then the cash amount originally paid to us to purchase such other shares), subject to adjustment for subdivisions, combinations or stock dividends involving such Capital Stock or, if no cash amount was originally paid to Targa Investments to purchase such share, then no consideration (or if such share was issued in respect of other shares of Targa Investments issued in connection with the merger of one of Targa Investments' subsidiaries with and into us and such other shares were issued by us for no cash consideration, then no consideration); and
- *Fair Market Value* means the value determined by the unanimous resolution of all directors of the Targa Investments Board, provided that if the Targa Investments Board does not or is unable to make such a determination, Fair Market Value means the value determined by an investment banking firm of recognized national standing selected by a majority of the directors of the Targa Investments Board.

No payments would have been made to each of the named executive officers under the 2005 Incentive Plan and related agreements in the event there was a Change of Control or their employment was terminated, each as of December 31, 2009.

Long Term Incentive Plan. If a Change of Control (as defined below) occurs during the performance period established for the performance units and related distribution equivalent rights granted to a named executive officer under Targa Investments' form of Performance Unit Grant Agreement (a "Performance Unit Agreement"), the performance units and related distribution equivalent rights then credited to a named executive officer will be cancelled and the named executive officer will be paid an amount of cash equal to the sum of (i) the product of (a) the Fair Market Value (as defined below) of a common unit of the Partnership multiplied by (b) the number of performance units granted to the named executive officer, plus (ii) the amount of distribution equivalent rights then credited to the named executive officer, if any.

Performance units and the related distribution equivalent rights granted to a named executive officer under a Performance Unit Agreement will be automatically forfeited without payment upon the termination of his employment with Targa Investments and its affiliates, except that: if his employment is terminated by reason of his death, a disability that entitles him to disability benefits under Targa Investments' long-term disability plan or by Targa Investments' other than for Cause (as defined below), he will be vested in his performance units that he is otherwise qualified to receive payment for based on achievement of the performance goal at the end of the Performance Period.

The following terms have the specified meanings for purposes of the Long-Term Incentive Plan:

- *Change of Control* means (i) any "person" or "group" within the meaning of those terms as used in Sections 13(d) and 14(d)(2) of the Exchange Act, other than an affiliate of Targa Investments, becoming the beneficial owner, by way of merger, consolidation, recapitalization, reorganization or otherwise, of 50% or more of the combined voting power of the equity interests in the Partnership or its general partner, (ii) the limited partners of the Partnership approving, in one or a series of transactions, a plan of complete liquidation of the Partnership, (iii) the sale or other disposition by either the Partnership or its general partner of all or substantially all of its assets in one or more transactions to any person other than the Partnership's general partner or one of such general partner's affiliates or (iv) a transaction resulting in a person other than the Partnership's general partner or one of such general partner's affiliates being the general partner of the Partnership. With respect to an award subject to Section 409A of the Code, Change of Control will mean a "change of control event" as defined in the regulations and guidance issued under Section 409A of the Code.

- *Fair Market Value* means the closing sales price of a common unit of the Partnership on the principal national securities exchange or other market in which trading in such common units occurs on the applicable date (or if there is not trading in the common units on such date, on the next preceding date on which there was trading) as reported in The Wall Street Journal (or other reporting service approved by the TRII Compensation Committee). In the event the common units are not traded on a national securities exchange or other market at the time a determination of fair market value is required to be made, the determination of fair market value shall be made in good faith by the TRII Compensation Committee.
- *Cause* means (i) failure to perform assigned duties and responsibilities, (ii) engaging in conduct which is injurious (monetarily or otherwise) to Targa Investments or its affiliates, (iii) breach of any corporate policy or code of conduct established by Targa Investments or its affiliates or breach of any agreement between the named executive officer and Targa Investments or its affiliates or (iv) conviction of a misdemeanor involving moral turpitude or a felony. If the named executive officer is a party to an agreement with Targa Investments or its affiliates in which this term is defined, then that definition will apply for purposes of the Long-Term Incentive Plan and the Performance Unit Agreement.

The following table reflects payments that would have been made to each of the named executive officers under the Long-Term Incentive Plan and related agreements in the event there was a Change of Control or their employment was terminated, each as of December 31, 2009. Substantially all of the stock option and restricted stock awards available for grant under the 2005 Incentive Plan have been granted and have subsequently vested. No payments would be made under the 2005 Incentive Plan to any named executive officer in the event there was a Change of Control or their employment was terminated, each as of December 31, 2009.

Name	Change of Control		Termination for Death or Disability	
Rene R. Joyce	\$	1,848,849 (1)	\$	1,848,849 (1)
Jeffrey J. McParland		934,717 (2)		934,717 (2)
Joe Bob Perkins		1,276,843 (3)		1,276,843 (3)
James W. Whalen		740,040 (4)		740,040 (4)
Michael A. Heim		1,157,174 (5)		1,157,174 (5)

- (1) Of this amount, \$364,650 and \$71,381 relate to the performance units and related distribution equivalent rights granted on February 7, 2007; \$97,240 and \$15,660 relate to the performance units and related distribution equivalent rights granted on January 17, 2008; \$826,540 and \$35,190 relate to the performance units and related distribution equivalent rights granted on January 22, 2009; and \$438,188 and \$0 relate to the performance units and related distribution equivalent rights granted on December 3, 2009.
- (2) Of this amount, \$199,342 and \$39,022 relate to the performance units and related distribution equivalent rights granted on February 7, 2007; \$65,637 and \$10,571 relate to the performance units and related distribution equivalent rights granted on January 17, 2008; \$376,805 and \$16,043 relate to the performance units and related distribution equivalent rights granted on January 22, 2009; and \$227,299 and \$0 relate to the performance units and related distribution equivalent rights granted on December 3, 2009.
- (3) Of this amount, \$262,548 and \$51,395 relate to the performance units and related distribution equivalent rights granted on February 7, 2007; \$85,085 and \$13,703 relate to the performance units and related distribution equivalent rights granted on January 17, 2008; \$505,648 and \$21,528 relate to the performance units and related distribution equivalent rights granted on January 22, 2009; and \$336,937 and \$0 relate to the performance units and related distribution equivalent rights granted on December 3, 2009.
- (4) Of this amount, \$262,548 and \$51,395 relate to the performance units and related distribution equivalent rights granted on February 7, 2007; \$85,085 and \$13,703 relate to the performance units and related distribution equivalent rights granted on January 17, 2008; and \$327,310 and \$0 relate to the performance units and related distribution equivalent rights granted on December 3, 2009.
- (5) Of this amount, \$243,100 and \$47,588 relate to the performance units and related distribution equivalent rights granted on February 7, 2007; \$85,085 and \$13,703 relate to the performance units and related distribution equivalent rights granted on January 17, 2008; \$505,648 and \$21,548 relate to the performance units and related distribution equivalent rights granted on January 22, 2009; and \$240,523 and \$0 relate to the performance units and related distribution equivalent rights granted on December 3, 2009.

Director Compensation

The following table sets forth the compensation earned by our non-employee directors for 2009:

Name	Fees Earned or Paid in Cash	Stock Awards \$(1)	All Other Compensation (4)	Total Compensation
Robert B. Evans (2) (3)	\$ 76,000	\$ 40,556	\$ 16,560	\$ 133,116
Chansoo Joung (2) (3)	47,500	40,556	16,560	104,616
Peter R. Kagan (2) (3)	46,000	40,556	16,560	103,116
Barry R. Pearl (2) (3)	97,500	40,556	16,560	154,616
William D. Sullivan (2) (3)	77,500	40,556	16,560	134,616

- (1) Amounts represent the aggregate grant date fair value of awards computed in accordance with FASB ASC Topic 718. For a discussion of the assumptions and methodologies used to value the awards reported in these columns, see the discussion of stock awards contained in Accounting for Unit-Based Compensation included under Note 13 to our “Consolidated Financial Statements” beginning on page F-1 in this Annual Report.
- (2) Messrs. Evans, Joung, Kagan, Pearl and Sullivan each received 4,000 common units of the Partnership on January 22, 2009 in connection with their service on the Board of Directors of the Partnership’s general partner. The grant date fair value of the 4,000 common units granted to each of these named individuals was \$8.20, based on the closing price of the common units on the day prior to the grant date. During 2009, each of the directors received \$16,560 in distributions on the common units of the Partnership that were awarded to them. The Partnership also recognized \$16,560 of expense for each of the stock awards held by Messrs. Joung and Kagan.
- (3) As of December 31, 2009, Mr. Evans held 23,900 common units, Mr. Joung and Mr. Kagan each held 8,000 common units, Mr. Pearl held 10,300 common units and Mr. Sullivan held 12,700 common units of the Partnership.
- (4) For 2009 “All Other Compensation” consists of the distributions paid on common units of the Partnership from unit awards.

Narrative to Director Compensation Table

For 2009, each independent director received an annual cash retainer of \$34,000 and the chairman of the Audit Committee received an additional annual retainer of \$20,000. All of our independent directors receive \$1,500 for each Board, Audit Committee and Conflicts Committee meeting attended. Payment of independent director fees is generally made twice annually, at the second regularly scheduled meeting of the Board and the final meeting of the Board for the fiscal year. All independent directors are reimbursed for out-of-pocket expenses incurred in attending Board and committee meetings.

A director who is also an employee receives no additional compensation for services as a director. Accordingly, the Summary Compensation Table reflects total compensation received by Messrs. Joyce and Whalen for services performed for us and our affiliates.

Director Long-term Equity Incentives. The Partnership made equity-based awards in January 2009 to the General Partners’ non-management and independent directors under the Partnership’s long-term incentive plan. These awards were determined by Targa Investments and approved by the Board. Each of these directors received an award of 4,000 restricted units, which will settle with the delivery of Partnership common units. The Partnership has made similar grants under its long-term incentive plan to Targa’s independent directors. All of these awards are subject to three-year vesting, without a performance condition and vest ratably on each anniversary of the grant. The awards are intended to align the long-term interests of executive officers and directors of the General Partner with those of the Partnership’s unitholders. The independent and non-management directors of the General Partner and the independent directors of Targa Investments currently participate in the Partnership’s plan.

Changes for 2010

Director Compensation. In December 2009, the Board approved changes to director compensation for the 2010 fiscal year. For 2010, each independent director will receive an annual cash retainer of \$40,000.

Director Long-term Equity Incentives. In January 2010, each of the General Partners’ non-management and independent directors received an award of 2,250 restricted units under the Partnership’s long-term incentive plan, which will settle with the delivery of Partnership common units. The Partnership has made similar grants under its long-term incentive plan to Targa’s independent directors.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth the beneficial ownership of our units as of February 26, 2010 held by:

- each person who then beneficially owns 5% or more of the then outstanding units;
- all of the directors of Targa Resources GP LLC;
- each named executive officer of Targa Resources GP LLC, and;
- all directors and executive officers of Targa Resources GP LLC as a group.

Name of Beneficial Owner (1)	Targa Resources Partners LP		Targa Resources Investments Inc.			
	Common Units Beneficially Owned (2)	Percentage of Common Units Beneficially Owned	Series B Preferred Stock	Restricted Common Stock	Percentage of Series B Preferred Stock Beneficially Owned	Percentage of Restricted Common Stock Beneficially Owned
Targa Resources Investments Inc. (3)	20,055,846	29.5	-	-	-	-
Targa Resources Investments Inc. (3)	20,055,846	29.5	-	-	-	-
Tortoise Capital Advisor, L.L.C. (4)	3,562,141	5.2	-	-	-	-
Rene R. Joyce	81,000	*	56,208	1,390,687 (5)	*	17.1
Joe Bob Perkins	32,100	*	47,632	1,163,553 (6)	*	14.5
Michael A. Heim	8,000	*	39,192	1,163,553 (7)	*	14.5
Jeffrey J. McParland	16,500	*	32,856	1,058,936 (8)	*	13.3
James W. Whalen	111,152	*	14,978	960,307 (9)	*	12.3
Chansoo Joung (3)	10,250	*	-	-	-	-
Peter R. Kagan (3)	10,250	*	-	-	-	-
Robert B. Evans	26,150	*	-	-	-	-
Barry R. Pearl	12,550	*	-	-	-	-
William D. Sullivan	14,950	*	-	-	-	-
All directors and executive officers as a group (12 persons)	350,402	*	241,114	7,874,526 (10)	3.8	74.4

* Less than 1%

- (1) Unless otherwise indicated, the address for all beneficial owners in this table is 1000 Louisiana, Suite 4300, Houston, Texas 77002. The nature of the beneficial ownership for all the equity securities is sole voting and investment power.
- (2) The common units of the Partnership presented as being beneficially owned by our directors and executive officers do not include the common units held indirectly by Targa Resources Investments Inc. that may be attributable to such directors and officers based on their ownership of equity interests in Targa Resources Investments Inc.
- (3) The units attributed to Targa Resources Investments Inc. are held by two indirect wholly-owned subsidiaries, Targa GP Inc. and Targa LP Inc. Warburg Pincus Private Equity VIII, L.P., a Delaware limited partnership and two affiliated partnerships (“WP VIII”), and Warburg Pincus Private Equity IX, L.P., a Delaware limited partnership (“WP IX”), in the aggregate own, on a fully diluted basis, approximately 74% of the equity interests of Targa Resources Investments Inc. The general partner of WP VIII is Warburg Pincus Partners, LLC, a New York limited liability company (“WP Partners LLC”), and the general partner of WP IX is Warburg Pincus IX, LLC, a New York limited liability company, of which WP Partners LLC is the sole member. Warburg Pincus & Co., a New York general partnership (“WP”), is the

managing member of WP Partners LLC. WP VIII and WP IX are managed by Warburg Pincus LLC, a New York limited liability company (“WP LLC”). The address of the Warburg Pincus entities is 450 Lexington Avenue, New York, New York 10017. Messrs. Kagan and Joung, are Partners of WP and Managing Directors and Members of WP LLC. Charles R. Kaye and Joseph P. Landy are Managing General Partners of WP and Managing Members and Co-Presidents of WP LLC and may be deemed to control the Warburg Pincus entities. Messrs. Joung, Kagan, Kaye and Landy disclaim beneficial ownership of all shares held by the Warburg Pincus entities.

- (4) The business address for Tortoise Capital Advisors, L.L.C. (“TCA”) is 11550 Ash Street, Suite 300, Leawood, Kansas 66211. TCA acts as an investment adviser to certain closed-end investment companies registered or regulated under the Investment Company Act of 1940. TCA, by virtue of investment advisory agreements with these investment companies, has all investment and voting power over securities owned of record by these investment companies. However, despite their delegation of investment and voting power to TCA, these investment companies may be deemed to be the beneficial owners under Rule 13d-3 of the Act of the securities they own of record because they have the right to acquire investment and voting power through termination of their investment advisory agreement with TCA. Thus, TCA has reported that it shares voting power and dispositive power over the securities owned of record by these investment companies. TCA also acts as an investment advisor to certain managed accounts. Under contractual agreements with individual account holders, TCA, with respect to the securities held in the managed accounts, shares investment and voting power with certain account holders, and has no voting power but shares investment power with certain other account holders. Of the 3,562,141 common units reported as beneficially owned by TCA, TCA has reported that it has shared voting power with respect to 3,362,465 of these units and shared dispositive power with respect to all of the units. None of the securities listed are owned of record by TCA, and TCA disclaims any beneficial interest in such securities. The source of the foregoing information is the Schedule 13G filed by TCA with the Commission on February 11, 2010.
- (5) Of this amount, 543,490 shares of restricted common stock reflect options that are currently exercisable for shares of restricted common stock.
- (6) Of this amount, 440,227 shares of restricted common stock reflect options that are currently exercisable for shares of restricted common stock.
- (7) Of this amount, 440,227 shares of restricted common stock reflect options that are currently exercisable for shares of restricted common stock.
- (8) Of this amount, 407,617 shares of restricted common stock reflect options that are currently exercisable for shares of restricted common stock.
- (9) Of this amount, 286,149 shares of restricted common stock reflect options that are currently exercisable for shares of restricted common stock.
- Of this amount, 2,878,595 shares of restricted common stock reflect options that are currently exercisable for shares of restricted common stock.
- (10)

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets forth certain information as of December 31, 2009 regarding the Partnership’s long-term incentive plan, under which the Partnership’s common units are authorized for issuance to employees, consultants and directors of the Partnership, its general partner and their affiliates. The Partnership’s sole equity compensation plan is its long-term incentive plan, which was approved by its partners prior to its initial public offering.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	-	\$ -	1,616,000
Equity compensation plans not approved by security holders	-	-	-
Total	-	\$ -	1,616,000

Generally, awards of restricted units under our long-term incentive plan are subject to vesting over time as determined by the Compensation Committee and, prior to vesting, are subject to forfeiture. Long-term incentive plan

awards may vest in other circumstances, as approved by the Compensation Committee and reflected in an award agreement. Restricted common units are issued, subject to vesting, on the date of grant. The Compensation Committee may provide that distributions on restricted units are subject to vesting and forfeiture provisions, in which case such distributions would be held, without interest, until they vest or are forfeited.

Item 13. Certain Relationships and Related Transactions, and Director Independence

As of February 1, 2010, our general partner and its management own 20,406,248 common units representing an aggregate 30.0% limited partner interest in us. In addition, our general partner owns a 2% general partner interest in us and the incentive distribution rights.

Distributions and Payments to Our General Partner and its Affiliates

The following table summarizes the distributions and payments made and to be made by us to our general partner and its affiliates in connection with our ongoing operation and any liquidation of us. These distributions and payments were determined by and among affiliated entities and, consequently, are not the result of arm's-length negotiations.

	Operational Stage
Distributions of available cash to our general partner and its affiliates	<p>We will generally make cash distributions 98% to our limited partner unitholders pro rata, including our general partner and its management as the holders of 20,406,248 common units, and 2% to our general partner. In addition, if distributions exceed the minimum quarterly distribution and other higher target distribution levels, our general partner will be entitled to increasing percentages of the distributions, up to 50% of the distributions above the highest target distribution level.</p> <p>Assuming we have sufficient available cash to pay the full minimum quarterly distribution on all of our outstanding units for four quarters, our general partner and its affiliates would receive an annual distribution of approximately \$1.7 million on their general partner units and \$27.5 million on their common units.</p>
Payments to our general partner and its affiliates	<p>We reimburse Targa for the payment of certain operating expenses and for the provision of various general and administrative services for our benefit. See “Omnibus Agreement—Reimbursement of Operating and General and Administrative Expense.”</p>
Withdrawal or removal of our general partner	<p>If our general partner withdraws or is removed, its general partner interest and its incentive distribution rights will either be sold to the new general partner for cash or converted into common units, in each case for an amount equal to the fair market value of those interests.</p>

Liquidation Stage

Liquidation	Upon our liquidation, the partners, including our general partner, will be entitled to receive liquidating distributions according to their respective capital account balances.
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Purchase and Sale Agreement

On July 27, 2009, we entered into a purchase and sale agreement (the “Purchase Agreement”) with Targa GP Inc. and Targa LP Inc., each a subsidiary of Targa (the “Sellers”), pursuant to which we acquired (i) 100% of the limited liability company interests in Targa Downstream GP LLC (“Targa Downstream GP”), (ii) 100% of the limited liability company interests in Targa LSNG GP LLC (“Targa LSNG GP”), (iii) 100% of the limited partner interests in Targa Downstream LP (“Targa Downstream LP”), and (iv) 100% of the limited partner interests in Targa LSNG LP (“Targa LSNG LP”), for aggregate consideration of \$530 million, subject to certain adjustments, consisting of \$397.5 million in cash, the issuance to the Sellers of 8,527,615 common units and the issuance to our general partner of 174,033 general partner units, enabling our general partner to maintain its general partner interest in us. Targa Downstream LP and Targa LSNG LP, collectively, own the Downstream Business. Pursuant to the Purchase Agreement, the Sellers agreed to indemnify us from and against (i) all losses that we incur arising from any breach of the Sellers’ representations, warranties or covenants in the Purchase Agreement, (ii) certain environmental matters and (iii) certain litigation matters. We agreed to indemnify the Sellers from and against all losses that it incurs arising from or out of (i) the business and operations of Targa Downstream GP, Targa LSNG GP, Targa Downstream LP, Targa LSNG LP and their subsidiaries at the closing of the acquisition (whether relating to periods prior to or after the closing of the acquisition of the Downstream Business) to the extent such losses are not matters for which the Sellers have indemnified us or (ii) any breach of our representations, warranties or covenants in the Purchase Agreement. Certain of the Seller’s indemnification obligations are subject to an aggregate deductible of \$7.95 million and a cap equal to \$58.3 million. In addition, the parties’ reciprocal indemnification obligations for certain tax liability and losses are not subject to the deductible and cap. The acquisition closed on September 24, 2009.

Agreements Relating to the Acquisition of the Downstream Business

We and other affiliates of our general partner entered into the various documents and agreements that effected our acquisition of the Downstream Business, including the vesting of assets in and the assumption of liabilities by, us and our subsidiaries. These agreements were not the result of arm’s-length negotiations and they or any of the transactions that they provide for, may not have been effected on terms at least as favorable to the parties to these agreements as they could have obtained from unaffiliated third parties. All of the transaction expenses incurred in connection with these transactions, including the expenses associated with transferring assets into our subsidiaries, were paid from available cash or borrowings under our credit facility.

Omnibus Agreement

Our Omnibus Agreement with Targa, our general partner and others addresses the reimbursement of our general partner for costs incurred on our behalf, competition and indemnification matters. Any or all of the provisions of the Omnibus Agreement, other than the indemnification provisions described below, are terminable by Targa at its option if our general partner is removed without cause and units held by our general partner and its affiliates are not voted in favor of that removal. The Omnibus Agreement will also terminate in the event of a Change of Control of us or our general partner.

Reimbursement of Operating and General and Administrative Expense

Under the terms of the Omnibus Agreement, we reimburse Targa for the payment of certain operating and direct expenses, including compensation and benefits of operating personnel, and for the provision of various general and administrative services for our benefit. Pursuant to these arrangements, Targa performs centralized corporate functions for us, such as legal, accounting, treasury, insurance, risk management, health, safety and environmental,

information technology, human resources, credit, payroll, internal audit, taxes, engineering and marketing. We reimburse Targa for the direct expenses to provide these services as well as other direct expenses it incurs on our behalf, such as compensation of operational personnel performing services for our benefit and the cost of their employee benefits, including 401(k), pension and health insurance benefits. Our general partner determines the amount of general and administrative expenses to be allocated to us in accordance with our partnership agreement.

With respect to the North Texas System, prior to February 15, 2010, we reimbursed Targa for general and administrative expenses, which were capped at \$5.0 million annually, subject to certain increases; and operating and certain direct expenses, which were not capped. With respect to the SAOU and LOU Systems and the Downstream Business, we reimbursed Targa for general and administrative expenses, which were not capped, allocated to the SAOU and LOU Systems and the Downstream Business according to Targa's allocation practice; and operating and certain direct expenses, which were not capped.

During the nine-quarter period beginning with the fourth quarter of 2009 and continuing through the fourth quarter of 2011, Targa will provide distribution support to us in the form of a reduction in the reimbursement for general and administrative expense allocated to us if necessary (or make a payment to us, if needed) for a 1.0 times distribution coverage ratio, at the current distribution level of \$0.5175 per limited partner unit, subject to maximum support of \$8.0 million in any quarter. No distribution support was necessary for the fourth quarter of 2009.

Competition

Targa is not restricted, under either our partnership agreement or the Omnibus Agreement, from competing with us. Targa may acquire, construct or dispose of additional midstream energy or other assets in the future without any obligation to offer us the opportunity to purchase or construct those assets.

Indemnification

Under the Omnibus Agreement, we have agreed to indemnify Targa against environmental liabilities related to the North Texas System arising or occurring after February 14, 2007.

Additionally, Targa has agreed to indemnify us for losses relating to income tax liabilities attributable to pre-IPO operations that are not reserved on the books of the Predecessor Business of the North Texas System as of February 14, 2007. Targa does not have any obligation under this indemnification until our aggregate losses exceed \$250,000. Targa's obligation under this indemnification will terminate upon the expiration of any applicable statute of limitations. We will indemnify Targa for all losses attributable to the post-IPO operations of the North Texas System.

Contracts with Affiliates

Natural Gas Purchase Agreements. Both the North Texas System and the SAOU and LOU Systems have entered into market based natural gas purchase agreements with Targa Gas Marketing LLC. These agreements have an initial term of 15 years and automatically extend for a term of five years, unless the agreements are otherwise terminated by either party. Furthermore, either party may elect to terminate the agreements if either party ceases to be an affiliate of Targa. In addition, Targa manages the SAOU and LOU Systems' natural gas sales to third parties under contracts that remain in the name of the SAOU and LOU Systems.

NGL Product Purchase Agreements for the Downstream Business. We have entered into product purchase agreements with Targa Midstream Services Limited Partnership, a wholly-owned subsidiary of Targa ("TMSLP"), and Targa Permian LP, an indirect, wholly-owned subsidiary of Targa ("Targa Permian"), pursuant to which we will purchase all volumes of NGLs that are owned or controlled by TMSLP and Targa Permian and not otherwise committed for sale to a third party, at a price based on the prevailing market price less transportation, fractionation and certain other fees. The product purchase agreements will have an initial term of 15 years and will automatically extend for a term of five years. Furthermore, either party may elect to terminate the agreement if either party ceases to be an affiliate of Targa. Each product purchase agreement is effective as of September 1, 2009.

Indemnification Agreements. In February 2007, Targa Resources GP LLC, our general partner and we entered into Indemnification Agreements (each, an “Indemnification Agreement”) with each independent director of Targa Resources GP LLC (each, an “Indemnitee”). Each Indemnification agreement provides that each of the Partnership and Targa Resources GP LLC will indemnify and hold harmless each Indemnitee against Expenses (as defined in the Indemnification Agreement) to the fullest extent permitted or authorized by law, including the Delaware Revised Uniform Limited Partnership Act and the Delaware Limited Liability Company Act in effect on the date of the agreement or as such laws may be amended to provide more advantageous rights to the Indemnitee. If such indemnification is unavailable as a result of a court decision and if we or Targa Resources GP LLC is jointly liable in the proceeding with the Indemnitee, we and Targa Resources GP LLC will contribute funds to the Indemnitee for his Expenses in proportion to relative benefit and fault of the Partnership or Targa Resources GP LLC on the one hand and Indemnitee on the other in the transaction giving rise to the proceeding.

Each Indemnification Agreement also provides that we and Targa Resources GP LLC will indemnify and hold harmless the Indemnitee against Expenses incurred for actions taken as a director or officer of the Partnership or Targa Resources GP LLC or for serving at the request of the Partnership or Targa Resources GP LLC as a director or officer or another position at another corporation or enterprise, as the case may be, but only if no final and non-appealable judgment has been entered by a court determining that, in respect of the matter for which the Indemnitee is seeking indemnification, the Indemnitee acted in bad faith or engaged in fraud or willful misconduct or, in the case of a criminal proceeding, the Indemnitee acted with knowledge that the Indemnitee’s conduct was unlawful. The Indemnification Agreement also provides that we and Targa Resources GP LLC must advance payment of certain Expenses to the Indemnitee, including fees of counsel, subject to receipt of an undertaking from the Indemnitee to return such advance if it is ultimately determined that the Indemnitee is not entitled to indemnification.

In February 2007, Targa Resources Investments Inc., the indirect holder of all of Targa’s common units, entered into Indemnification Agreements (each, a “Parent Indemnification Agreement”) with each director and officer of Targa (each, a “Parent Indemnitee”), including Messrs. Joyce, Whalen, Kagan and Joung who serve as directors and/or officers of our general partner. Each Parent Indemnification Agreement provides that Targa Resources Investments Inc. will indemnify and hold harmless each Parent Indemnitee for Expenses (as defined in the Parent Indemnification Agreement) to the fullest extent permitted or authorized by law, including the Delaware General Corporation Law, in effect on the date of the agreement or as it may be amended to provide more advantageous rights to the Parent Indemnitee. If such indemnification is unavailable as a result of a court decision and if Targa Resources Investments Inc. and the Parent Indemnitee are jointly liable in the proceeding, Targa Resources Investments Inc. will contribute funds to the Parent Indemnitee for his Expenses in proportion to relative benefit and fault of Targa Resources Investments Inc. and Parent Indemnitee in the transaction giving rise to the proceeding.

Each Indemnification Agreement also provides that Targa Resources Investments Inc. will indemnify the Parent Indemnitee for monetary damages for actions taken as a director or officer of Targa Resources Investments Inc. or for serving at Targa’s request as a director or officer or another position at another corporation or enterprise, as the case may be but only if (i) the Parent Indemnitee acted in good faith and, in the case of conduct in his official capacity, in a manner he reasonably believed to be in the best interests of Targa Resources Investments Inc. and, in all other cases, not opposed to the best interests of Targa Resources Investments Inc. and (ii) in the case of a criminal proceeding, the Parent Indemnitee must have had no reasonable cause to believe that his conduct was unlawful. The Parent Indemnification Agreement also provides that Targa Resources Investments Inc. must advance payment of certain Expenses to the Parent Indemnitee, including fees of counsel, subject to receipt of an undertaking from the Parent Indemnitee to return such advance if it is ultimately determined that the Parent Indemnitee is not entitled to indemnification.

Relationships with Warburg Pincus LLC

Chansoo Joung and Peter Kagan, two of the directors of our general partner and Targa, are Managing Directors of Warburg Pincus LLC and are also directors of Broad Oak Energy, Inc. (“Broad Oak”) from whom we buy natural gas and NGL products. Affiliates of Warburg Pincus LLC own a controlling interest in Broad Oak. We purchased \$9.7 million and \$4.8 million of product from Broad Oak during 2009 and 2008. These transactions were at market prices consistent with similar transactions with nonaffiliated entities.

Conflicts of Interest

Conflicts of interest exist and may arise in the future as a result of the relationships between our general partner and its affiliates (including Targa) on the one hand and our partnership and our limited partners, on the other hand. The directors and officers of Targa Resources GP LLC have fiduciary duties to manage Targa and our general partner in a manner beneficial to its owners. At the same time, our general partner has a fiduciary duty to manage our partnership in a manner beneficial to us and our unitholders.

Whenever a conflict arises between our general partner or its affiliates, on the one hand and us or any other partner, on the other hand, our general partner will resolve that conflict. Our partnership agreement contains provisions that modify and limit our general partner’s fiduciary duties to our unitholders. Our partnership agreement also restricts the remedies available to unitholders for actions taken that, without those limitations, might constitute breaches of fiduciary duty.

Our general partner will not be in breach of its obligations under the partnership agreement or its duties to us or our unitholders if the resolution of the conflict is:

- approved by the conflicts committee, although our general partner is not obligated to seek such approval;
- approved by the vote of a majority of the outstanding common units, excluding any common units owned by our general partner or any of its affiliates;
- on terms no less favorable to us than those generally being provided to or available from unrelated third parties; or
- fair and reasonable to us, taking into account the totality of the relationships among the parties involved, including other transactions that may be particularly favorable or advantageous to us.

Our general partner may, but is not required to, seek the approval of such resolution from the conflicts committee of its board of directors. If our general partner does not seek approval from the conflicts committee and its board of directors determines that the resolution or course of action taken with respect to the conflict of interest satisfies either of the standards set forth in the third or fourth bullet points above, then it will be presumed that, in making its decision, the board of directors acted in good faith and in any proceeding brought by or on behalf of any limited partner or the partnership, the person bringing or prosecuting such proceeding will have the burden of overcoming such presumption. Unless the resolution of a conflict is specifically provided for in our partnership agreement, our general partner or the conflicts committee may consider any factors it determines in good faith to consider when resolving a conflict. When our partnership agreement provides that someone act in good faith, it requires that person to believe he is acting in the best interests of the partnership.

Review, Approval or Ratification of Transactions with Related Persons

If a conflict or potential conflict of interest arises between our general partner and its affiliates (including Targa) on the one hand and our partnership and our limited partners, on the other hand, the resolution of any such conflict or potential conflict is addressed as described under “Conflicts of Interest.”

Pursuant to Targa’s Code of Conduct, our officers and directors are required to abandon or forfeit any activity or interest that creates a conflict of interest between them and Targa or any of its subsidiaries, unless the conflict is pre-approved by the Board of Directors.

Director Independence

The NYSE does not require a listed limited partnership like us to have a majority of independent directors on the board of directors of our general partner or to establish a compensation committee or a nominating/governance committee. Our general partner has a standing Audit Committee that consists of three directors: Messrs. Evans, Pearl and Sullivan. The board of directors of our general partner has affirmatively determined that Messrs. Evans, Pearl

and Sullivan are independent as described in the rules of the NYSE and the Exchange Act for purposes of serving on the board of directors and the Audit Committee.

The board of directors of our general partner examined the relationship between Targa and its subsidiaries and each of Legacy Reserves LP (“Legacy”) and St. Mary Land & Exploration Company (“St. Mary”). William D. Sullivan, one of our general partner’s directors, is a director of each of Legacy Reserves GP, LLC, Legacy’s general partner, and St. Mary. The Board determined that the relationship was not material since (i) the amounts involved were a small percentage of the total revenues of Targa, the Partnership and each of Legacy and St. Mary and (ii) the payments to Targa and the Partnership were for gas gathering and processing arrangements in the ordinary course of business. The relationship is consistent with Mr. Sullivan’s status as an independent director.

To be independent under the NYSE rules, a company’s board of directors must affirmatively determine that the director has no material relationship with the company (either directly or as a partner, stockholder or officer of an organization that has a relationship with the company). The board of directors of our general partner has made no such determination with respect to Messrs. Joyce, Kagan, Joung and Whalen because the NYSE rules do not require us to have a majority of independent directors. As such, Messrs. Joyce, Kagan, Joung and Whalen are not independent under NYSE rules applicable to service on a compensation and nominating/governance committee.

Item 14. Principal Accountant Fees and Service

We have engaged PricewaterhouseCoopers LLP as our principal accountant. The following table summarizes fees we were billed by PricewaterhouseCoopers LLP for independent auditing, tax and related services for each of the last two fiscal years:

	Year Ended December 31,	
	2009	2008
	(In millions)	
Audit Fees (1)	\$ 1.8	\$ 1.2
Tax Fees (2)	0.2	0.5
	<u>\$ 2.0</u>	<u>\$ 1.7</u>

- (1) Audit fees represent amounts billed for each of the years presented for professional services rendered in connection with (i) the integrated audit of our annual financial statements and internal control over financial reporting, (ii) the review of our quarterly financial statements or (iii) those services normally provided in connection with statutory and regulatory filings or engagements including comfort letters, consents and other services related to SEC matters. This information is presented as of the latest practicable date for this Annual Report.
- (2) Tax fees represent amounts we were billed in each of the years presented for professional services rendered in connection with tax compliance, tax advice and tax planning. This category primarily includes services relating to the preparation of unitholder annual K-1 statements.

All services provided by our independent auditor are subject to pre-approval by our audit committee. The Audit Committee is informed of each engagement of the independent auditor to provide services under the policy. The Audit Committee has approved the use of PricewaterhouseCoopers LLP as our independent principal accountant.

PART IV**Item 15. Exhibits and Financial Statement Schedules****(a)(1) Financial Statements**

Our Consolidated Financial Statements are included under Part II, Item 8 of the Annual Report. For a listing of these statements and accompanying footnotes, see “*Index to Financial Statements*” Page F-1 of this Annual Report.

(a)(2) Financial Statement Schedules

All schedules have been omitted because they are either not applicable, not required or the information called for therein appears in the consolidated financials statements or notes thereto.

(a)(3) Exhibits

- 2.1** Purchase and Sale Agreement, dated as of September 18, 2007, by and between Targa Resources Holdings LP and Targa Resources Partners LP (incorporated by reference to Exhibit 2.1 to Targa Resources Partners LP’s Current Report on Form 8-K filed September 21, 2007 (File No. 001-33303)).
- 2.2 Amendment to Purchase and Sale Agreement, dated October 1, 2007, by and between Targa Resources Holdings LP and Targa Resources Partners LP (incorporated by reference to Exhibit 2.2 to Targa Resources Partners LP’s Current Report on Form 8-K filed October 24, 2007 (File No. 001-33303)).
- 2.3 Purchase and Sale Agreement dated July 27, 2009, by and between Targa Resources Partners LP, Targa GP Inc. and Targa LP Inc. (incorporated by reference to Exhibit 2.1 to Targa Resources Partners LP’s Current Report on Form 8-K filed July 29, 2009 (File No. 001-33303)).
- 3.1 Certificate of Limited Partnership of Targa Resources Partners LP (incorporated by reference to Exhibit 3.2 to Targa Resources Partners LP’s Registration Statement on Form S-1 filed November 16, 2006 (File No. 333-138747)).
- 3.2 Certificate of Formation of Targa Resources GP LLC (incorporated by reference to Exhibit 3.3 to Targa Resources Partners LP’s Registration Statement on Form S-1/A filed January 19, 2007 (File No. 333-138747)).
- 3.3 Agreement of Limited Partnership of Targa Resources Partners LP (incorporated by reference to Exhibit 3.3 to Targa Resources Partners LP’s Annual Report on Form 10-K filed April 2, 2007 (File No. 001-33303)).
- 3.4 First Amended and Restated Agreement of Limited Partnership of Targa Resources Partners LP (incorporated by reference to Exhibit 3.1 to Targa Resources Partners LP’s Current Report on Form 8-K filed February 16, 2007 (File No. 001-33303)).
- 3.5 Amendment No. 1, dated May 13, 2008, to the First Amended and Restated Agreement of Limited Partnership of Targa Resources Partners LP (incorporated by reference to Exhibit 3.5 to Targa Resources Partners LP’s Quarterly Report on Form 10-Q filed May 14, 2008 (File No. 001-33303)).
- 3.6 Limited Liability Company Agreement of Targa Resources GP LLC (incorporated by reference to Exhibit 3.4 to Targa Resources Partners LP’s Registration Statement on Form S-1/A filed January 19, 2007 (File No. 333-138747)).
- 4.1 Specimen Unit Certificate representing common units (incorporated by reference to Exhibit 4.1 to Targa Resources Partners LP’s Annual Report on Form 10-K filed April 2, 2007 (File No. 001-33303)).

- 4.2 Indenture dated June 18, 2008, among Targa Resources Partners LP, Targa Resources Partners Finance Corporation, the Guarantors named therein and U.S. Bank National Association (incorporated by reference to Exhibit 4.1 to Targa Resources Partners LP's Current Report on Form 8-K filed June 18, 2008 (File No. 001-33303)).
- 4.3 Supplemental Indenture dated September 24, 2009 to Indenture dated June 18, 2008, among Targa Downstream GP LLC, a subsidiary of Targa Resources Partners LP, Targa Resources Partners Finance Corporation, the other Subsidiary Guarantors and U.S. Bank National Association (incorporated by reference to Exhibit 4.3 to Targa Resources Partners LP's Quarterly Report on Form 10-Q filed November 9, 2009 (File No. 001-33303)).
- 4.4 Supplemental Indenture dated September 24, 2009 to Indenture dated June 18, 2008, among Targa Downstream LP, a subsidiary of Targa Resources Partners LP, Targa Resources Partners Finance Corporation, the other Subsidiary Guarantors and U.S. Bank National Association (incorporated by reference to Exhibit 4.5 to Targa Resources Partners LP's Quarterly Report on Form 10-Q filed November 9, 2009 (File No. 001-33303)).
- 4.5 Supplemental Indenture dated September 24, 2009 to Indenture dated June 18, 2008, among Targa LSNG GP LLC, a subsidiary of Targa Resources Partners LP, Targa Resources Partners Finance Corporation, the other Subsidiary Guarantors and U.S. Bank National Association (incorporated by reference to Exhibit 4.7 to Targa Resources Partners LP's Quarterly Report on Form 10-Q filed November 9, 2009 (File No. 001-33303)).
- 4.6 Supplemental Indenture dated September 24, 2009 to Indenture dated June 18, 2008, among Targa LSNG LP, a subsidiary of Targa Resources Partners LP, Targa Resources Partners Finance Corporation, the other Subsidiary Guarantors and U.S. Bank National Association (incorporated by reference to Exhibit 4.9 to Targa Resources Partners LP's Quarterly Report on Form 10-Q filed November 9, 2009 (File No. 001-33303)).
- 4.7 Supplemental Indenture dated September 24, 2009 to Indenture dated June 18, 2008, among Targa Sparta LLC, a subsidiary of Targa Resources Partners LP, Targa Resources Partners Finance Corporation, the other Subsidiary Guarantors and U.S. Bank National Association (incorporated by reference to Exhibit 4.11 to Targa Resources Partners LP's Quarterly Report on Form 10-Q filed November 9, 2009 (File No. 001-33303)).
- 4.8 Supplemental Indenture dated September 24, 2009 to Indenture dated June 18, 2008, among Midstream Barge Company LLC, a subsidiary of Targa Resources Partners LP, Targa Resources Partners Finance Corporation, the other Subsidiary Guarantors and U.S. Bank National Association (incorporated by reference to Exhibit 4.13 to Targa Resources Partners LP's Quarterly Report on Form 10-Q filed November 9, 2009 (File No. 001-33303)).
- 4.9 Supplemental Indenture dated September 24, 2009 to Indenture dated June 18, 2008, among Targa Retail Electric LLC, a subsidiary of Targa Resources Partners LP, Targa Resources Partners Finance Corporation, the other Subsidiary Guarantors and U.S. Bank National Association (incorporated by reference to Exhibit 4.15 to Targa Resources Partners LP's Quarterly Report on Form 10-Q filed November 9, 2009 (File No. 001-33303)).
- 4.10 Supplemental Indenture dated September 24, 2009 to Indenture dated June 18, 2008, among Targa NGL Pipeline Company LLC, a subsidiary of Targa Resources Partners LP, Targa Resources Partners Finance Corporation, the other Subsidiary Guarantors and U.S. Bank National Association (incorporated by reference to Exhibit 4.17 to Targa Resources Partners LP's Quarterly Report on Form 10-Q filed November 9, 2009 (File No. 001-33303)).

- 4.11 Supplemental Indenture dated September 24, 2009 to Indenture dated June 18, 2008, among Targa Transport LLC, a subsidiary of Targa Resources Partners LP, Targa Resources Partners Finance Corporation, the other Subsidiary Guarantors and U.S. Bank National Association (incorporated by reference to Exhibit 4.19 to Targa Resources Partners LP's Quarterly Report on Form 10-Q filed November 9, 2009 (File No. 001-33303)).
- 4.12 Supplemental Indenture dated September 24, 2009 to Indenture dated June 18, 2008, among Targa Co-Generation LLC, a subsidiary of Targa Resources Partners LP, Targa Resources Partners Finance Corporation, the other Subsidiary Guarantors and U.S. Bank National Association (incorporated by reference to Exhibit 4.21 to Targa Resources Partners LP's Quarterly Report on Form 10-Q filed November 9, 2009 (File No. 001-33303)).
- 4.13 Supplemental Indenture dated September 24, 2009 to Indenture dated June 18, 2008, among Targa Liquids GP LLC, a subsidiary of Targa Resources Partners LP, Targa Resources Partners Finance Corporation, the other Subsidiary Guarantors and U.S. Bank National Association (incorporated by reference to Exhibit 4.23 to Targa Resources Partners LP's Quarterly Report on Form 10-Q filed November 9, 2009 (File No. 001-33303)).
- 4.14 Supplemental Indenture dated September 24, 2009 to Indenture dated June 18, 2008, among Targa Liquids Marketing and Trade, a subsidiary of Targa Resources Partners LP, Targa Resources Partners Finance Corporation, the other Subsidiary Guarantors and U.S. Bank National Association (incorporated by reference to Exhibit 4.25 to Targa Resources Partners LP's Quarterly Report on Form 10-Q filed November 9, 2009 (File No. 001-33303)).
- 4.15 Indenture dated as of July 6, 2009, among Targa Resources Partners LP, Targa Resources Partners Finance Corporation, the Guarantors named therein and U.S. Bank National Association (incorporated by reference to Exhibit 4.1 to Targa Resources Partners LP's Current Report on Form 8-K filed July 6, 2009 (File No. 001-33303)).
- 4.16 Supplemental Indenture dated September 24, 2009 to Indenture dated July 6, 2009, among Targa Downstream GP LLC, a subsidiary of Targa Resources Partners LP, Targa Resources Partners Finance Corporation, the other Subsidiary Guarantors and U.S. Bank National Association (incorporated by reference to Exhibit 4.4 to Targa Resources Partners LP's Quarterly Report on Form 10-Q filed November 9, 2009 (File No. 001-33303)).
- 4.17 Supplemental Indenture dated September 24, 2009 to Indenture dated July 6, 2009, among Targa Downstream LP, a subsidiary of Targa Resources Partners LP, Targa Resources Partners Finance Corporation, the other Subsidiary Guarantors and U.S. Bank National Association (incorporated by reference to Exhibit 4.6 to Targa Resources Partners LP's Quarterly Report on Form 10-Q filed November 9, 2009 (File No. 001-33303)).
- 4.18 Supplemental Indenture dated September 24, 2009 to Indenture dated July 6, 2009, among Targa LSNG GP LLC, a subsidiary of Targa Resources Partners LP, Targa Resources Partners Finance Corporation, the other Subsidiary Guarantors and U.S. Bank National Association (incorporated by reference to Exhibit 4.8 to Targa Resources Partners LP's Quarterly Report on Form 10-Q filed November 9, 2009 (File No. 001-33303)).
- 4.19 Supplemental Indenture dated September 24, 2009 to Indenture dated July 6, 2009, among Targa LSNG LP, a subsidiary of Targa Resources Partners LP, Targa Resources Partners Finance Corporation, the other Subsidiary Guarantors and U.S. Bank National Association (incorporated by reference to Exhibit 4.10 to Targa Resources Partners LP's Quarterly Report on Form 10-Q filed November 9, 2009 (File No. 001-33303)).

- 4.20 Supplemental Indenture dated September 24, 2009 to Indenture dated July 6, 2009, among Targa Sparta LLC, a subsidiary of Targa Resources Partners LP, Targa Resources Partners Finance Corporation, the other Subsidiary Guarantors and U.S. Bank National Association (incorporated by reference to Exhibit 4.12 to Targa Resources Partners LP's Quarterly Report on Form 10-Q filed November 9, 2009 (File No. 001-33303)).
- 4.21 Supplemental Indenture dated September 24, 2009 to Indenture dated July 6, 2009, among Midstream Barge Company LLC, a subsidiary of Targa Resources Partners LP, Targa Resources Partners Finance Corporation, the other Subsidiary Guarantors and U.S. Bank National Association (incorporated by reference to Exhibit 4.14 to Targa Resources Partners LP's Quarterly Report on Form 10-Q filed November 9, 2009 (File No. 001-33303)).
- 4.22 Supplemental Indenture dated September 24, 2009 to Indenture dated July 6, 2009, among Targa Retail Electric LLC, a subsidiary of Targa Resources Partners LP, Targa Resources Partners Finance Corporation, the other Subsidiary Guarantors and U.S. Bank National Association (incorporated by reference to Exhibit 4.16 to Targa Resources Partners LP's Quarterly Report on Form 10-Q filed November 9, 2009 (File No. 001-33303)).
- 4.23 Supplemental Indenture dated September 24, 2009 to Indenture dated July 6, 2009, among Targa NGL Pipeline Company LLC, a subsidiary of Targa Resources Partners LP, Targa Resources Partners Finance Corporation, the other Subsidiary Guarantors and U.S. Bank National Association (incorporated by reference to Exhibit 4.18 to Targa Resources Partners LP's Quarterly Report on Form 10-Q filed November 9, 2009 (File No. 001-33303)).
- 4.24 Supplemental Indenture dated September 24, 2009 to Indenture dated July 6, 2009, among Targa Transport LLC, a subsidiary of Targa Resources Partners LP, Targa Resources Partners Finance Corporation, the other Subsidiary Guarantors and U.S. Bank National Association (incorporated by reference to Exhibit 4.20 to Targa Resources Partners LP's Quarterly Report on Form 10-Q filed November 9, 2009 (File No. 001-33303)).
- 4.25 Supplemental Indenture dated September 24, 2009 to Indenture dated July 6, 2009, among Targa Co-Generation LLC, a subsidiary of Targa Resources Partners LP, Targa Resources Partners Finance Corporation, the other Subsidiary Guarantors and U.S. Bank National Association (incorporated by reference to Exhibit 4.22 to Targa Resources Partners LP's Quarterly Report on Form 10-Q filed November 9, 2009 (File No. 001-33303)).
- 4.26 Supplemental Indenture dated September 24, 2009 to Indenture dated July 6, 2009, among Targa Liquids GP LLC, a subsidiary of Targa Resources Partners LP, Targa Resources Partners Finance Corporation, the other Subsidiary Guarantors and U.S. Bank National Association (incorporated by reference to Exhibit 4.24 to Targa Resources Partners LP's Quarterly Report on Form 10-Q filed November 9, 2009 (File No. 001-33303)).
- 4.27 Supplemental Indenture dated September 24, 2009 to Indenture dated July 6, 2009, among Targa Liquids Marketing and Trade, a subsidiary of Targa Resources Partners LP, Targa Resources Partners Finance Corporation, the other Subsidiary Guarantors and U.S. Bank National Association (incorporated by reference to Exhibit 4.26 to Targa Resources Partners LP's Quarterly Report on Form 10-Q filed November 9, 2009 (File No. 001-33303)).
- 4.28 Registration Rights Agreement dated as of July 6, 2009, among Targa Resources Partners LP, Targa Resources Partners Finance Corporation, the Guarantors named therein and the initial purchasers named therein (incorporated by reference to Exhibit 4.2 to Targa Resources Partners LP's Current Report on Form 8-K filed July 6, 2009 (File No. 001-33303)).

- 10.1* Credit Agreement, dated February 14, 2007, by and among Targa Resources Partners LP, as Borrower, Bank of America, N.A., as Administrative Agent, Wachovia Bank, N.A., as Syndication Agent, Merrill Lynch Capital, Royal Bank of Canada and The Royal Bank of Scotland PLC, as Co-Documentation Agents, and the other lenders party thereto.
- 10.2 First Amendment to Credit Agreement, dated October 24, 2007, by and among Targa Resources Partners LP, Bank of America, N.A. and each Lender party thereto (incorporated by reference to Exhibit 10.3 to Targa Resources Partners LP's Current Report on Form 8-K filed October 24, 2007 (File No. 001-33303)).
- 10.3 Commitment Increase Supplement, dated October 24, 2007, by and among Targa Resources Partners LP, Bank of America, N.A. and the parties signatory thereto as the Increasing Lenders and the New Lenders (incorporated by reference to Exhibit 10.2 to Targa Resources Partners LP's Current Report on Form 8-K filed October 24, 2007 (File No. 001-33303)).
- 10.4 Commitment Increase Supplement, dated June 18, 2008, by and among Targa Resources Partners LP, Bank of America, N.A. and other parties signatory thereto (incorporated by reference to Exhibit 10.1 to Targa Resources Partners LP's Current Report on Form 8-K filed June 24, 2008 (File No. 001-33303)).
- 10.5 Commitment Increase Supplement, dated July 29, 2009, by and among Targa Resources Partners LP, Bank of America, N.A. and the other parties signatory thereto (incorporated by reference to Exhibit 10.1 to Targa Resources Partners LP's Current Report on Form 8-K filed August 4, 2009 (File No. 001-33303)).
- 10.6 Contribution, Conveyance and Assumption Agreement, dated February 14, 2007, by and among Targa Resources Partners LP, Targa Resources Operating LP, Targa Resources GP LLC, Targa Resources Operating GP LLC, Targa GP Inc., Targa LP Inc., Targa Regulated Holdings LLC, Targa North Texas GP LLC and Targa North Texas LP (incorporated by reference to Exhibit 10.2 to Targa Resources Partners LP's Current Report on Form 8-K filed February 16, 2007 (File No. 001-33303)).
- 10.7 Contribution, Conveyance and Assumption Agreement, dated October 24, 2007, by and among Targa Resources Partners LP, Targa Resources Holdings LP, Targa TX LLC, Targa TX PS LP, Targa LA LLC, Targa LA PS LP and Targa North Texas GP LLC (incorporated by reference to Exhibit 10.4 to Targa Resources Partners LP's Current Report on Form 8-K filed October 24, 2007 (File No. 001-33303)).
- 10.8 Contribution, Conveyance and Assumption Agreement, dated September 24, 2009, by and among Targa Resources Partners LP, Targa GP Inc., Targa LP Inc., Targa Resources Operating LP and Targa North Texas GP LLC (incorporated by reference to Exhibit 10.1 to Targa Resources Partners LP's Current Report on Form 8-K filed September 24, 2009 (File No. 001-33303)).
- 10.9 Second Amended and Restated Omnibus Agreement, dated September 24, 2009, by and among Targa Resources Partners LP, Targa Resources, Inc., Targa Resources LLC and Targa Resources GP LLC (incorporated by reference to Exhibit 10.2 to Targa Resources Partners LP's Current Report on Form 8-K filed September 24, 2009 (file No. 001-33303)).
- 10.10 Purchase Agreement dated as of June 30, 2009 among Targa Resources Partners LP, Targa Resources Partners Finance Corporation, the Guarantors named therein and Barclays Capital Inc., as representative of the several initial purchasers (incorporated by reference to Exhibit 10.1 to Targa Resources Partners LP's Current Report on Form 8-K filed July 6, 2009 (File No. 001-33303)).
- 10.11+ Targa Resources Partners Long-Term Incentive Plan (incorporated by reference to Exhibit 10.2 to Targa Resources Partners LP's Registration Statement on Form S-1/A filed February 1, 2007 (File No. 333-138747)).
- 10.12+ Targa Resources Investments Inc. Long-Term Incentive Plan (incorporated by reference to Exhibit 10.9 to Targa Resources Partners LP's Registration Statement on Form S-1/A filed February 1, 2007 (File No. 333-138747)).

- 10.13+ Amendment to Targa Resources Partners LP Long-Term Incentive Plan dated December 18, 2008 (incorporated by reference to Exhibit 10.10 to Targa Resources Partners LP's Annual Report on Form 10-K filed February 27, 2009 (File No. 001-33303)).
- 10.14+ Form of Restricted Unit Grant Agreement - 2007 (incorporated by reference to Exhibit 10.2 to Targa Resources Partners LP's Current Report on Form 8-K filed February 13, 2007 (File No. 001-33303)).
- 10.15+* Form of Restricted Unit Grant Agreement - 2010.
- 10.16+ Form of Performance Unit Grant Agreement – 2007 (incorporated by reference to Exhibit 10.3 to the Partnership's Current Report on Form 8-K filed with the SEC on February 13, 2007 (File No. 001-33303)).
- 10.17+ Form of Performance Unit Grant Agreement – 2008 (incorporated by reference to Exhibit 10.2 to Targa Resources Partners LP's Current Report on Form 8-K filed January 22, 2008 (File No. 001-33303)).
- 10.18+ Form of Performance Unit Grant Agreement – 2009 (incorporated by reference to Exhibit 10.2 to Targa Resources Partners LP's Current Report on Form 8-K filed January 28, 2009 (File No. 001-33303)).
- 10.19+ Form of Performance Unit Grant Agreement – 2010 (incorporated by reference to Exhibit 10.2 to Targa Resources Partners LP's Current Report on Form 8-K filed December 7, 2009 (File No. 001-33303)).
- 10.20+ Targa Resources Investments Inc. 2008 Annual Incentive Compensation Plan (incorporated by reference to Exhibit 10.13 to Targa Resources Partners LP's Annual Report on Form 10-K filed February 27, 2009 (File No. 001-33303)).
- 10.21+ Targa Resources Investments Inc. 2009 Annual Incentive Compensation Plan (incorporated by reference to Exhibit 10.14 to Targa Resources Partners LP's Annual Report on Form 10-K filed February 27, 2009 (File No. 001-33303)).
- 10.22+* Targa Resources Investments Inc. 2010 Annual Incentive Compensation Plan.
- 10.23 Gas Gathering and Purchase Agreement by and between Burlington Resources Oil & Gas Company LP, Burlington Resources Trading Inc. and Targa Midstream Services Limited Partnership (portions of this exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment) (incorporated by reference to Exhibit 10.5 to Targa Resources Partners LP's Registration Statement on Form S-1/A filed February 8, 2007 (File No. 333-138747)).
- 10.24* Amended and Restated Natural Gas Purchase Agreement, effective March 1, 2009, by and between Targa Gas Marketing LLC (Buyer) and Targa North Texas LP (Seller).
- 10.25 Raw Product Purchase Agreement dated September 24, 2009, to be effective September 1, 2009, between Targa Liquids Marketing and Trade and Targa Permian LP (incorporated by reference to Exhibit 10.3 to Targa Resources Partners LP's Current Report on Form 8-K filed September 24, 2009 (file No. 001-33303)).
- 10.26 Specification Product Purchase Agreement dated September 24 , 2009, to be effective September 1, 2009, between Targa Liquids Marketing and Trade and Targa Midstream Services Limited Partnership (SE La) (incorporated by reference to Exhibit 10.4 to Targa Resources Partners LP's Current Report on Form 8-K filed September 24, 2009 (file No. 001-33303)).
- 10.27 Raw Product Purchase Agreement dated September 24 , 2009, to be effective September 1, 2009, between Targa Liquids Marketing and Trade and Targa Midstream Services Limited Partnership (Versado) (incorporated by reference to Exhibit 10.5 to Targa Resources Partners LP's Current Report on Form 8-K filed September 24, 2009 (file No. 001-33303)).

- 10.28 Raw Product Purchase Agreement dated September 24, 2009, to be effective September 1, 2009, between Targa Liquids Marketing and Trade and Targa Midstream Services Limited Partnership (West La) (incorporated by reference to Exhibit 10.6 to Targa Resources Partners LP's Current Report on Form 8-K filed September 24, 2009 (file No. 001-33303)).
- 10.29 Amended and Restated Natural Gas Sales Agreement, effective December 1, 2005, by and between Targa Louisiana Field Services LLC (Buyer) and Targa Gas Marketing LLC (Seller) (incorporated by reference to Exhibit 10.15 to Targa Resources Partners LP's Registration Statement on Form S-1/A filed October 12, 2007 (File No. 333-146436)).
- 10.30 Amended and Restated Natural Gas Purchase Agreement, effective December 1, 2005, by and between Targa Gas Marketing LLC (Buyer) and Targa Louisiana Field Services LLC (Seller) (incorporated by reference to Exhibit 10.16 to Targa Resources Partners LP's Registration Statement on Form S-1/A filed October 12, 2007 (File No. 333-146436)).
- 10.31* Amended and Restated Natural Gas Purchase Agreement, effective March 1, 2009, by and between Targa Gas Marketing LLC (Buyer) and Targa Texas Field Services LP (Seller).
- 10.32* Amendment to the Amended and Restated Natural Gas Purchase Agreement, effective July 1, 2009, by and between Targa Gas Marketing LLC (Buyer) and Targa Texas Field Services LP (Seller).
- 10.33+ Targa Resources Partners LP Indemnification Agreement for Barry R. Pearl dated February 14, 2007 (incorporated by reference to Exhibit 10.11 to Targa Resources Partners LP's Annual Report on Form 10-K filed April 2, 2007 (File No. 001-33303)).
- 10.34+ Targa Resources Partners LP Indemnification Agreement for Robert B. Evans dated February 14, 2007 (incorporated by reference to Exhibit 10.12 to Targa Resources Partners LP's Annual Report on Form 10-K filed April 2, 2007 (File No. 001-33303)).
- 10.35+ Targa Resources Partners LP Indemnification Agreement for Williams D. Sullivan dated February 14, 2007 (incorporated by reference to Exhibit 10.13 to Targa Resources Partners LP's Annual Report on Form 10-K filed April 2, 2007 (File No. 001-33303)).
- 10.36 Purchase Agreement dated June 12, 2008, among Targa Resources Partners LP, Targa Resources Partners Finance Corporation, the Guarantors named therein and the initial purchasers named therein (incorporated by reference to Exhibit 10.1 to Targa Resources Partners LP's Current Report on Form 8-K filed June 18, 2008 (File No. 001-33303)).
- 21.1* Subsidiaries of Targa Resources Partners LP.
- 23.1* Consent of Independent Registered Public Accounting Firm.
- 31.1* Certification of the Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934.
- 31.2* Certification of the Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934.
- 32.1* Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2* Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed herewith

** Pursuant to Item 601(b)(2) of Regulation S-K, the Partnership agrees to furnish supplementally a copy of any omitted exhibit or Schedule to the SEC upon request.

+ Management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Targa Resources Partners LP

(Registrant)

By: Targa Resources GP LLC, its general partner

By: /s/ John Robert Sparger

John Robert Sparger
Senior Vice President and
Chief Accounting Officer
(Principal Accounting Officer)

Date: March 3, 2010

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on March 3, 2010.

Signature	Title (Position with Targa Resources GP LLC)
<u>/s/ Rene R. Joyce</u> Rene R. Joyce	Chief Executive Officer and Director (Principal Executive Officer)
<u>/s/ Jeffrey J. McParland</u> Jeffrey J. McParland	Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)
<u>/s/ John Robert Sparger</u> John Robert Sparger	Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)
<u>/s/ James W. Whalen</u> James W. Whalen	President —Finance and Administration and Director
<u>/s/ Peter R. Kagan</u> Peter R. Kagan	Director
<u>/s/ Chansoo Joung</u> Chansoo Joung	Director
<u>/s/ Barry R. Pearl</u> Barry R. Pearl	Director
<u>/s/ Robert B. Evans</u> Robert B. Evans	Director
<u>/s/ William D. Sullivan</u> William D. Sullivan	Director

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MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Targa Resources GP LLC, the general partner of Targa Resources Partners LP ("the Partnership"), is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

The management of Targa Resources GP LLC has used the framework set forth in the report entitled "Internal Control—Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") to evaluate the effectiveness of the Partnership's internal control over financial reporting. Based on that evaluation, management has concluded that the Partnership's internal control over financial reporting was effective as of December 31, 2009.

The effectiveness of the Partnership's internal control over financial reporting as of December 31, 2009 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears on page F-3.

/s/ Rene R. Joyce

Rene R. Joyce

*Chief Executive Officer of Targa Resources GP LLC,
the general partner of Targa Resources Partners LP
(Principal Executive Officer)*

/s/ Jeffrey J. McParland

Jeffrey J. McParland

*Executive Vice President and Chief Financial Officer
of Targa Resources GP LLC, the general partner of
Targa Resources Partners LP
(Principal Financial Officer)*

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Partners of Targa Resources Partners LP:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of comprehensive income, of changes in owners' equity and of cash flows present fairly, in all material respects, the financial position of Targa Resources Partners LP and its subsidiaries (the "Partnership") at December 31, 2009 and 2008, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2009 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Partnership maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Partnership's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Partnership's internal control over financial reporting based on our audits (which were integrated audits in 2009 and 2008). We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 15 to the consolidated financial statements, the Partnership has engaged in significant transactions with other subsidiaries of its parent company, Targa Resources, Inc., a related-party.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Houston, Texas
March 3, 2010

**TARGA RESOURCES PARTNERS LP
CONSOLIDATED BALANCE SHEETS**

		December 31,	
		2009	2008
		(In millions)	
ASSETS			
Current assets:			
Cash and cash equivalents	\$	60.4	\$ 95.3
Trade receivables, net of allowances of \$2.2 million		328.3	236.1
Inventory		39.3	72.2
Assets from risk management activities		25.8	91.8
Other current assets		1.2	0.8
Total current assets		455.0	496.2
Property, plant and equipment, at cost		2,096.8	2,036.4
Accumulated depreciation		(418.3)	(317.3)
Property, plant and equipment, net		1,678.5	1,719.1
Long-term assets from risk management activities		9.1	68.3
Investment in unconsolidated affiliate		18.5	18.5
Other long-term assets		19.8	12.7
Total assets	\$	2,180.9	\$ 2,314.8
LIABILITIES AND OWNERS' EQUITY			
Current liabilities:			
Accounts payable to third parties	\$	164.0	\$ 138.7
Accounts payable to affiliates		101.4	17.2
Accrued liabilities		114.2	104.2
Liabilities from risk management activities		16.3	11.7
Total current liabilities		395.9	271.8
Long-term debt payable to third parties		908.4	696.8
Long-term debt payable to Targa Resources, Inc.		-	773.9
Long-term liabilities from risk management activities		28.9	9.7
Deferred income taxes		4.9	3.3
Other long-term liabilities		6.6	6.2
Commitments and contingencies (see Note 16)			
Owners' equity:			
Common unitholders (61,639,846 and 34,652,000 units issued and outstanding as of December 31, 2009 and 2008)		850.5	769.9
Subordinated unitholders (0 and 11,528,231 units issued and outstanding as of December 31, 2009 and 2008)		-	(85.2)
General partner (1,257,957 and 942,455 units issued and outstanding as of December 31, 2009 and 2008)		10.1	5.6
Net parent investment		-	(223.5)
Accumulated other comprehensive income (loss)		(37.8)	72.2
		822.8	539.0
Noncontrolling interest in subsidiary		13.4	14.1
Total owners' equity		836.2	553.1
Total liabilities and owners' equity	\$	2,180.9	\$ 2,314.8
See notes to consolidated financial statements			

TARGA RESOURCES PARTNERS LP
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,		
	2009	2008	2007
	(In millions, except per unit amounts)		
Revenues from third parties	\$ 3,897.7	\$ 7,012.3	\$ 6,426.3
Revenues from affiliates	197.9	489.8	417.4
Total operating revenues	4,095.6	7,502.1	6,843.7
Costs and expenses:			
Product purchases from third parties	2,830.6	5,853.1	5,349.2
Product purchases from affiliates	755.0	1,097.7	952.8
Operating expenses from third parties	158.3	195.2	175.1
Operating expenses from affiliates	26.8	58.8	44.5
Depreciation and amortization expenses	101.2	97.8	93.5
General and administrative expenses	78.9	68.6	64.0
Other	(0.8)	(0.9)	(0.3)
	3,950.0	7,370.3	6,678.8
Income from operations	145.6	131.8	164.9
Other income (expense):			
Interest expense from affiliate	(43.4)	(59.2)	(58.5)
Interest expense allocated from Parent	-	-	(19.4)
Other interest expense, net	(52.0)	(37.9)	(21.5)
Equity in earnings of unconsolidated investment	5.0	3.9	3.5
Gain (loss) on debt repurchases (See Note 10)	(1.5)	13.1	-
Gain (loss) on mark-to-market derivative instruments	0.8	(1.0)	(30.2)
Other	0.7	1.4	(1.1)
	(90.4)	(79.7)	(127.2)
Income before income taxes	55.2	52.1	37.7
Income tax expense:			
Current	(0.2)	(0.6)	(0.6)
Deferred	(0.8)	(1.8)	(1.9)
	(1.0)	(2.4)	(2.5)
Net income	54.2	49.7	35.2
Less: Net income attributable to noncontrolling interest	2.2	0.3	0.1
Net income attributable to Targa Resources Partners LP	\$ 52.0	\$ 49.4	\$ 35.1
Net income (loss) attributable to predecessor operations	\$ (2.4)	\$ (42.1)	\$ 7.0
Net income attributable to general partner	10.4	7.0	0.6
Net income attributable to limited partners	44.0	84.5	27.5
Net income attributable to Targa Resources Partners LP	\$ 52.0	\$ 49.4	\$ 35.1
Net income per limited partner unit - basic and diluted	\$ 0.86	\$ 1.83	\$ 0.81
Weighted average limited partner units outstanding - basic and diluted	51.2	46.2	34.0

See notes to consolidated financial statements

TARGA RESOURCES PARTNERS LP
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,		
	2009	2008	2007
	(In millions)		
Net income	\$ 54.2	\$ 49.7	\$ 35.2
Other comprehensive income (loss):			
Commodity hedging contracts:			
Change in fair value	(72.6)	129.9	(105.6)
Reclassification adjustment for settled periods	(45.7)	33.7	1.0
Related income taxes	-	-	0.3
Interest rate swaps:			
Change in fair value	(2.1)	(19.0)	(1.7)
Reclassification adjustment for settled periods	10.4	2.7	(0.2)
Foreign currency translation adjustment	-	(1.8)	1.9
Other comprehensive income (loss)	(110.0)	145.5	(104.3)
Comprehensive income (loss)	(55.8)	195.2	(69.1)
Less: Comprehensive income attributable to noncontrolling interest	2.2	0.3	0.1
Comprehensive income (loss) attributable to Targa Resources Partners LP	\$ (58.0)	\$ 194.9	\$ (69.2)

See notes to consolidated financial statements

TARGA RESOURCES PARTNERS LP
CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

	Limited Partners		General Partner	Accumulated Other Comprehensive Income (Loss)	Net Parent Investment	Non-controlling Interest	Total
	Common	Subordinated					
(In millions)							
Balance, December 31, 2006	\$ -	\$ -	\$ -	\$ 31.3	\$ 349.2	\$ 13.4	\$ 393.9
Contribution from Parent, net	-	-	-	(0.3)	270.5	-	270.2
Book value of net assets transferred under common control	-	(83.7)	(4.1)	-	(642.0)	-	(729.8)
Issuance of units to public (including underwriter over-allotment), net of offering and other costs	771.8	-	8.4	-	-	-	780.2
Amortization of equity awards	0.2	-	-	-	-	-	0.2
Distributions to unitholders	(20.9)	(9.7)	(0.6)	-	-	-	(31.2)
Net income	19.1	8.4	0.6	-	7.0	0.1	35.2
Other comprehensive loss	-	-	-	(104.3)	-	-	(104.3)
Balance, December 31, 2007	770.2	(85.0)	4.3	(73.3)	(15.3)	13.5	614.4
Amortization of equity awards	0.3	-	-	-	-	-	0.3
Distributions to unitholders	(64.0)	(21.3)	(5.7)	-	-	-	(91.0)
Distribution to Parent	-	-	-	-	(166.1)	-	(166.1)
Contribution from noncontrolling interest	-	-	-	-	-	0.3	0.3
Net income (loss)	63.4	21.1	7.0	-	(42.1)	0.3	49.7
Other comprehensive income	-	-	-	145.5	-	-	145.5
Balance, December 31, 2008	769.9	(85.2)	5.6	72.2	(223.5)	14.1	553.1
Issuance of common units:							
Equity offering	103.1	-	2.2	-	-	-	105.3
Acquisition related	129.8	-	2.7	-	-	-	132.5
Contribution under common control	(7.7)	-	(0.2)	-	7.2	-	(0.7)
Distributions to Parent	-	-	-	-	(68.6)	(2.6)	(71.2)
Settlement of affiliated indebtedness	-	-	-	-	287.3	-	287.3
Distributions to noncontrolling interest	-	-	-	-	-	(0.3)	(0.3)
Amortization of equity awards	0.3	-	-	-	-	-	0.3
Other comprehensive loss	-	-	-	(110.0)	-	-	(110.0)
Conversion of subordinated units	(97.6)	97.6	-	-	-	-	-
Net income (loss)	44.5	(0.5)	10.4	-	(2.4)	2.2	54.2
Distributions to unitholders	(91.8)	(11.9)	(10.6)	-	-	-	(114.3)
Balance, December 31, 2009	<u>\$ 850.5</u>	<u>\$ -</u>	<u>\$ 10.1</u>	<u>\$ (37.8)</u>	<u>\$ -</u>	<u>\$ 13.4</u>	<u>\$ 836.2</u>

See notes to consolidated financial statements

TARGA RESOURCES PARTNERS LP
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2009	2008	2007
	(In millions)		
Cash flows from operating activities			
Net income	\$ 54.2	\$ 49.7	\$ 35.2
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization in interest expense	3.8	2.1	1.8
Amortization in general and administrative expense	0.3	0.4	0.2
Interest expense on affiliate indebtedness	43.4	59.2	58.5
Depreciation and amortization expense	101.2	97.8	93.5
Accretion of asset retirement obligations	0.4	0.3	0.4
Deferred income tax expense	0.8	1.8	1.9
Equity in earnings of unconsolidated investments, net of distributions	-	0.8	0.4
Risk management activities	37.6	(64.0)	30.8
Loss (gain) on debt repurchases	1.5	(13.1)	-
Gain on sale of assets	-	(5.9)	(0.3)
Changes in operating assets and liabilities:			
Receivables and other assets	(92.5)	582.8	(117.1)
Inventory	23.1	75.4	(28.6)
Accounts payable and other liabilities	126.0	(494.3)	191.6
Net cash provided by operating activities	299.8	293.0	268.3
Cash flows from investing activities			
Outlays for property, plant and equipment	(57.2)	(86.3)	(77.6)
Other, net	0.1	0.2	0.8
Net cash used in investing activities	(57.1)	(86.1)	(76.8)
Cash flows from financing activities			
Proceeds from borrowings under credit facility	569.2	185.3	721.3
Repayments of credit facility	(577.7)	(323.8)	(95.0)
Proceeds from issuance of senior notes	237.4	250.0	-
Repurchases of senior notes	(18.9)	(26.8)	-
Repayment of affiliated indebtedness	(397.5)	-	(665.7)
Proceeds from equity offerings	103.1	-	777.5
Distributions to unitholders	(114.3)	(91.0)	(31.2)
General partner contributions	2.2	-	-
Costs incurred in connection with public offerings	-	(0.1)	(4.6)
Costs incurred in connection with financing arrangements	(9.6)	(7.1)	(7.5)
Parent distributions	(71.2)	(166.1)	(847.5)
Loan from Parent	-	3.4	13.0
Contribution from (distributions to) noncontrolling interest	(0.3)	0.3	-
Net cash used in financing activities	(277.6)	(175.9)	(139.7)
Net change in cash and cash equivalents	(34.9)	31.0	51.8
Cash and cash equivalents, beginning of year	95.3	64.3	12.5
Cash and cash equivalents, end of year	\$ 60.4	\$ 95.3	\$ 64.3

See notes to consolidated financial statements

TARGA RESOURCES PARTNERS LP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Targa Resources Partners LP, together with its subsidiaries, is a publicly traded Delaware limited partnership formed on October 26, 2006 by Targa Resources, Inc. (“Targa” or “Parent”). In this report, unless the context requires otherwise, references to “we,” “us,” “our” or the “Partnership” are intended to mean the business and operations of Targa Resources Partners LP and its consolidated subsidiaries. References to “TRP LP” are intended to mean and include Targa Resources Partners LP, individually, and not on a consolidated basis. Our common units began trading on the New York Stock Exchange on January 25, 2010 under the symbol “NGLS.” Previously, our common units were listed on The NASDAQ Stock Market LLC under the same symbol. Our business operations consist of natural gas gathering and processing, and the fractionating, storing, terminalling, transporting, distributing and marketing of natural gas liquids (“NGLs”). See Note 19.

Targa Resources GP LLC is a Delaware single-member limited liability company, formed in October 2006 to own a 2% general partner interest in us. Its primary business purpose is to manage our affairs and operations. Targa Resources GP LLC is an indirect wholly-owned subsidiary of Targa.

On February 14, 2007, we completed an initial public offering (“IPO”) of common units representing limited partner interests in the Partnership. Concurrent with the IPO, Targa conveyed its ownership interests in Targa North Texas GP LLC and Targa North Texas LP (collectively, the “North Texas System”) to us.

On October 24, 2007, Targa conveyed its ownership interests in Targa Texas Field Services LP (the “SAOU System”) and Targa Louisiana Field Services LLC (the “LOU System”) to us. This conveyance consisted of the SAOU System’s natural gas gathering and processing businesses and the LOU System’s natural gas gathering and processing businesses.

On September 24, 2009, we acquired Targa’s interests in Targa Downstream LP, Targa LSNG LP, Targa Downstream GP LLC and Targa LSNG GP LLC (collectively, the “Downstream Business”) in a transaction among entities under common control. See Note 5.

Note 2—Basis of Presentation

These consolidated financial statements include our accounts and: (i) prior to September 24, 2009 the assets, liabilities and operations of the Downstream Business; (ii) prior to October 24, 2007 the assets, liabilities and operations of the SAOU and LOU Systems as the predecessor entities; and (iii) prior to February 14, 2007 the assets, liabilities and operations of the North Texas System. The effect on reported equity of including such prior results of these acquired businesses is reported as net parent investment in our consolidated balance sheets and consolidated statement of changes in owners’ equity.

Targa’s conveyances to us of the North Texas System, the SAOU and LOU Systems and the Downstream Business have been accounted for as transfers of net assets between entities under common control. We recognize transfers of net assets between entities under common control at Targa’s historical basis in the net assets conveyed. In addition, transfers of net assets between entities under common control are accounted for as if the transfer occurred at the beginning of the period, and prior years are retroactively adjusted to furnish comparative information similar to the pooling of interests method. The difference between the purchase price and Targa’s basis in the net assets, if any, is recognized as an adjustment to net parent investment.

Our consolidated financial statements and all other financial information included in this report have been retrospectively adjusted to assume that the acquisition of the Downstream Business from Targa by us had occurred at the date when both the Downstream Business and the North Texas System met the accounting requirements for entities under common control (October 31, 2005) following the acquisition of the SAOU and LOU Systems. As a

result, financial statements and financial information presented for prior periods in this report have been retrospectively adjusted.

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). We refer to the operations, assets and liabilities of the North Texas System, the SAOU and LOU Systems, and the Downstream Business, prior to our acquisition from Targa, collectively as our “predecessors.” The consolidated financial statements of our predecessors have been prepared from the separate records maintained by Targa and may not necessarily be indicative of the conditions that would have existed or the results of operations if our predecessors had been operated as unaffiliated entities. All significant intercompany balances and transactions have been eliminated. Transactions among us and other Targa operations have been identified in the consolidated financial statements as transactions among affiliates.

We have been allocated certain general and administrative expenses incurred by our Parent in order to present financial statements on a stand-alone basis. See Note 15. All of the allocations are not necessarily indicative of the costs and expenses that would have resulted had we been operated as stand-alone entities.

In preparing the accompanying consolidated financial statements, the Partnership has reviewed, as determined necessary by the Partnership, events that have occurred after December 31, 2009, up until the issuance of the financial statements. See Notes 11 and 16.

Note 3—Out of Period Adjustment

During 2009, we recorded an adjustment related to prior periods which increased our revenue, income before income taxes and net income for 2009 by \$1.8 million. The adjustment related to natural gas sales transactions which occurred during 2006. After evaluating the quantitative and qualitative aspects of the error, we concluded that our previously issued financial statements were not materially misstated and the effect of recognizing the adjustment in the 2009 financial statements was not material to our results of operations, financial position or cash flows.

Note 4—Significant Accounting Policies

Asset retirement obligations (“ARO”). AROs are legal obligations associated with the retirement of tangible long-lived assets that result from the asset’s acquisition, construction, development and/or normal operation. An ARO is initially measured at its estimated fair value. Upon initial recognition of an ARO, we record an increase to the carrying amount of the related long-lived asset and an offsetting ARO liability. The consolidated cost of the asset and the capitalized asset retirement obligation is depreciated using the straight-line method over the period during which the long-lived asset is expected to provide benefits. After the initial period of ARO recognition, the ARO will change as a result of either the passage of time or revisions to the original estimates of either the amounts of estimated cash flows or their timing.

Changes due to the passage of time increase the carrying amount of the liability because there are fewer periods remaining from the initial measurement date until the settlement date; therefore, the present values of the discounted future settlement amount increases. These changes are recorded as a period cost called accretion expense. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows shall be recognized as an increase or a decrease in the carrying amount of the liability for an asset retirement obligation and the related asset retirement cost capitalized as part of the carrying amount of the related long-lived asset. Upon settlement, AROs will be extinguished by us at either the recorded amount or we will recognize a gain or loss on the difference between the recorded amount and the actual settlement cost. See Note 9.

Cash and Cash Equivalents. Cash and cash equivalents include all cash on hand, demand deposits, and investments with original maturities of three months or less. We consider cash equivalents to include short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. As of December 31, 2009 and 2008, accrued liabilities included approximately \$5.3 million and \$3.6 million of outstanding checks that were reclassified from cash and cash equivalents.

Comprehensive Income. Comprehensive income includes net income and other comprehensive income (“OCI”), which includes unrealized gains and losses on derivative instruments that are designated as hedges, and currency translation adjustments.

Concentration of Credit Risk. Financial instruments which potentially subject us to concentrations of credit risk consist primarily of trade accounts receivable and commodity derivative instruments.

Trade Accounts Receivable. We extend credit to customers and other parties in the normal course of business. We have established various procedures to manage our credit exposure, including initial credit approvals, credit limits and terms, letters of credit, and rights of offset. We also use prepayments and guarantees to limit credit risk to ensure that our established credit criteria are met.

Estimated losses on accounts receivable are provided through an allowance for doubtful accounts. In evaluating the level of established reserves, we make judgments regarding each party’s ability to make required payments, economic events and other factors. As the financial condition of any party changes, circumstances develop or additional information becomes available, adjustments to an allowance for doubtful accounts may be required.

The following table presents the activity of our allowance for doubtful accounts for the periods indicated:

	Year Ended December 31,		
	2009	2008	2007
Balance at beginning of year	\$ 2.2	\$ 0.9	\$ 0.8
Additions	-	1.3	0.2
Deductions	-	-	(0.1)
Balance at end of year	<u>\$ 2.2</u>	<u>\$ 2.2</u>	<u>\$ 0.9</u>

Significant Commercial Relationships. The following table lists the percentage of our consolidated sales or purchases with customers and suppliers which accounted for more than 10% of our consolidated revenues and consolidated product purchases for the periods indicated:

	Year Ended December 31,		
	2009	2008	2007
% of consolidated revenues			
Chevron Phillips Chemical Company LLC	17%	20%	22%
% of consolidated product purchases			
Louis Dreyfus Energy Services L.P.	12%	9%	7%

Consolidation Policy. We evaluate our financial interests in business enterprises to determine if they represent variable interest entities where we are the primary beneficiary. If such criteria are met, we consolidate the financial statements of such businesses with those of our own. Our consolidated financial statements include our accounts and those of our majority-owned subsidiaries in which we have a controlling interest.

We follow the equity method of accounting if our ownership interest is between 20% and 50% and we exercise significant influence over the operating and financial policies of the investee.

Debt Issue Costs. Costs incurred in connection with the issuance of long-term debt are deferred and charged to interest expense over the term of the related debt.

Environmental Liabilities. Liabilities for loss contingencies, including environmental remediation costs arising from claims, assessments, litigation, fines, and penalties and other sources are charged to expense when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated. See Note 16.

Gas Processing Imbalances. Quantities of natural gas and/or NGLs over-delivered or under-delivered related to certain gas plant operational balancing agreements are recorded monthly as inventory or as a payable using weighted average prices as of the time the imbalance was created. Monthly, inventory imbalances receivable are valued at the lower of cost or market; inventory imbalances payable are valued at replacement cost. These imbalances are settled either by current cash-out settlements or by adjusting future receipts or deliveries of natural gas or NGLs.

Income Taxes. Our earnings or losses for federal income tax purposes are included in the tax returns of our individual partners. As such, we are not subject to federal income taxes.

In May 2006, Texas adopted a margin tax, consisting generally of a 1% tax on the amount by which total revenues exceed cost of goods sold, as apportioned to Texas. Accordingly, we have estimated our liability for this tax and it is recorded as a tax liability.

Inventory. Our product inventories consist primarily of NGLs. Most product inventories turn over monthly, but some inventory, primarily propane, is acquired and held during the year to meet anticipated heating season requirements of our customers. Product inventories are valued at the lower of cost or market using the average cost method.

Net Income per Limited Partner Unit. Net income attributable to Targa Resources Partners LP is allocated to the general partner and the limited partners (common unitholders) in accordance with their respective ownership percentages, after giving effect to incentive distributions paid to the general partner. Basic and diluted net income per limited partner unit is calculated by dividing limited partners' interest in net income by the weighted average number of outstanding limited partner units during the period.

Unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are classified as participating securities and are included in our computation of basic and diluted net income per limited partner unit.

We compute earnings per unit using the two-class method. The two-class method requires that securities that meet the definition of a participating security be considered for inclusion in the computation of basic earnings per unit using the two-class method. Under the two-class method, earnings per unit is calculated as if all of the earnings for the period were distributed under the terms of the partnership agreement, regardless of whether the general partner has discretion over the amount of distributions to be made in any particular period, whether those earnings would actually be distributed during a particular period from an economic or practical perspective, or whether the general partner has other legal or contractual limitations on its ability to pay distributions that would prevent it from distributing all of the earnings for a particular period.

The two-class method does not impact our overall net income or other financial results; however, in periods in which aggregate net income exceeds our aggregate distributions for such period, it will have the impact of reducing net income per limited partner unit. This result occurs as a larger portion of our aggregate earnings, as if distributed, is allocated to the incentive distribution rights of the general partner, even though we make distributions on the basis of available cash and not earnings. In periods in which our aggregate net income does not exceed our aggregate distributions for such period, the two-class method does not have any impact on our calculation of earnings per limited partner unit.

The calculation of basic and diluted net income per common unit are the same for all periods presented as distributable cash flow was greater than net income for those periods.

Noncontrolling Interest. Noncontrolling interest represents third party ownership in the net assets of our consolidated subsidiary, Cedar Bayou Fractionators. For financial reporting purposes, the assets and liabilities of our majority owned subsidiary are consolidated with any third party investor's interest shown as noncontrolling interest. In the statements of operations, noncontrolling interest reflects the allocation of joint venture earnings to a third party investor. Distributions to and contributions from noncontrolling interest represent cash payments and cash contributions from such third party investor.

Price Risk Management (Hedging). We have designated certain downstream liquids marketing contracts that meet the definition of a derivative as normal purchases and normal sales, which are not accounted for as derivatives. All derivative instruments not qualifying for the normal purchases and normal sales exception are recorded on the balance sheets at fair value. If a derivative does not qualify as a hedge or is not designated as a hedge, the gain or loss on the derivative is recognized currently in earnings. If a derivative qualifies for hedge accounting and is designated as a cash flow hedge, the effective portion of the unrealized gain or loss on the derivative is deferred in accumulated OCI, a component of owner’s equity, and reclassified to earnings when the forecasted transaction occurs. Cash flows from a derivative instrument designated as a hedge are classified in the same category as the cash flows from the item being hedged.

Our policy is to formally document all relationships between hedging instruments and hedged items, as well as our risk management objectives and strategy for undertaking the hedge. This process includes specific identification of the hedging instrument and the hedged item, the nature of the risk being hedged and the manner in which the hedging instrument’s effectiveness will be assessed. At the inception of the hedge and on an ongoing basis, we assess whether the derivatives used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items. Hedge ineffectiveness is measured on a quarterly basis. Any ineffective portion of the unrealized gain or loss is reclassified to earnings in the current period.

The relationship between the hedging instrument and the hedged item must be highly effective in achieving the offset of changes in cash flows attributable to the hedged risk both at the inception of the contract and on an ongoing basis. Hedge accounting is discontinued prospectively when a hedge instrument is terminated or ceases to be highly effective. Gains and losses deferred in OCI related to cash flow hedges for which hedge accounting has been discontinued remain deferred until the forecasted transaction occurs. If it is no longer probable that a hedged forecasted transaction will occur, deferred gains or losses on the hedging instrument are reclassified to earnings immediately. See Notes 14, 15 and 18.

Product Exchanges. Exchanges of NGL products are executed to satisfy timing and logistical needs of the exchanging parties. Volumes received and delivered under exchange agreements are recorded as inventory. If the locations of receipt and delivery are in different markets, a price differential may be billed or owed. The price differential is recorded as either accounts receivable or accrued liabilities.

Property, Plant and Equipment. Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated service lives of our functional asset groups are as follows:

Asset Group	Range of Years
Gas gathering systems and processing systems	5 to 20
Fractionation, terminalling and natural gas liquids storage facilities	5 to 25
Transportation assets	10 to 25
Other property and equipment	3 to 25

Expenditures for maintenance and repairs are expensed as incurred. Expenditures to refurbish assets that extend the useful lives or prevent environmental contamination are capitalized and depreciated over the remaining useful life of the asset or major asset component.

Our determination of the useful lives of property, plant and equipment requires us to make various assumptions, including the supply of and demand for hydrocarbons in the markets served by our assets, normal wear and tear of the facilities, and the extent and frequency of maintenance programs.

We capitalize certain costs directly related to the construction of assets, including internal labor costs, interest and engineering costs. Upon disposition or retirement of property, plant and equipment, any gain or loss is charged to operations.

We evaluate the recoverability of our property, plant and equipment when events or circumstances such as economic obsolescence, the business climate, legal and other factors indicate we may not recover the carrying

amount of the assets. Asset recoverability is measured by comparing the carrying value of the asset with the asset's expected future undiscounted cash flows. These cash flow estimates require us to make projections and assumptions for many years into the future for pricing, demand, competition, operating cost and other factors. If the carrying amount exceeds the expected future undiscounted cash flows we recognize an impairment loss to write down the carrying amount of the asset to its fair value as determined by quoted market prices in active markets or present value techniques if quotes are unavailable. The determination of the fair value using present value techniques requires us to make projections and assumptions regarding the probability of a range of outcomes and the rates of interest used in the present value calculations. Any changes we make to these projections and assumptions could result in significant revisions to our evaluation of recoverability of our property, plant and equipment and the recognition of an impairment loss in our consolidated statements of operations.

Revenue Recognition. Our primary types of sales and service activities reported as operating revenues include:

- sales of natural gas, NGLs and condensate;
- natural gas processing, from which we generate revenues through the compression, gathering, treating, and processing of natural gas; and
- NGL fractionation, terminalling and storage, transportation and treating.

We recognize revenues when all of the following criteria are met: (1) persuasive evidence of an exchange arrangement exists, if applicable, (2) delivery has occurred or services have been rendered, (3) the price is fixed or determinable and (4) collectibility is reasonably assured.

For processing services, we receive either fees or a percentage of commodities as payment for these services, depending on the type of contract. Under percent-of-proceeds contracts, we receive either an agreed upon percentage of the actual proceeds that we receive from our sales of the residue natural gas and NGLs or an agreed upon percentage based on index related prices for the natural gas and NGLs. Percent-of-value and percent-of-liquids contracts are variations on this arrangement. Under keep-whole contracts, we keep the NGLs extracted and return the processed natural gas or value of the natural gas to the producer. Natural gas or NGLs that we receive for services or purchase for resale are in turn sold and recognized in accordance with the criteria outlined above. Under fee-based contracts, we receive a fee based on throughput volumes.

We generally report revenues gross in our consolidated statements of operations. Except for fee-based contracts, we act as the principal in the transactions where we receive commodities, take title to the natural gas and NGLs, and incur the risks and rewards of ownership.

During 2009, we reclassified NGL marketing fractionation and other service fees to revenues that were originally recorded in product purchase costs. The reclassification increased revenues and product purchases for 2008 and 2007 by \$28.7 million and \$27.6 million. This reclassification had no impact on our income from operations, net income, financial position or cash flows and we concluded that our previously issued financial statements were not materially misstated.

Unit-Based Employee Compensation. We award share-based compensation to non-management directors in the form of restricted common units, which are deemed to be equity awards. Compensation expense on restricted common units is measured by the fair value of the award at the date of grant. Compensation expense is recognized in general and administrative expense over the requisite service period of each award. See Note 13.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the period. Estimates and judgments are based on information available at the time such estimates and judgments are made. Adjustments made with respect to the use of these estimates and judgments often relate to information not previously available. Uncertainties with respect to such estimates and judgments are inherent in the preparation of financial statements. Estimates and judgments are used in, among other things, (1) estimating unbilled revenues and operating and

general and administrative costs (2) developing fair value assumptions, including estimates of future cash flows and discount rates, (3) analyzing long-lived assets for possible impairment, (4) estimating the useful lives of assets and (5) determining amounts to accrue for contingencies, guarantees and indemnifications. Actual results could differ materially from estimated amounts.

Accounting Pronouncements Recently Adopted

Financial Accounting Standards Board (“FASB”) Codification

In June 2009, FASB issued the FASB Accounting Standards Codification (the “Codification” or “ASC”) as the source of authoritative GAAP recognized by FASB to be applied by nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission (“SEC”) under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. The Codification is effective for financial statements issued for interim and annual periods ending after September 15, 2009. As of the effective date, the Codification supersedes all then-existing non-SEC accounting and reporting standards. All other non-grandfathered non-SEC accounting literature not included in the Codification has become non-authoritative.

Following the Codification, FASB will no longer issue new standards in the form of Statements, FASB Staff Positions, or Emerging Issues Task Force Abstracts. Instead, it will issue Accounting Standards Updates (“ASUs”). FASB will not consider ASUs as authoritative in their own right. They will serve only to update the Codification, provide background information about the guidance, and provide the basis for conclusions on changes in the Codification.

Fair Value Measurements

In September 2006, FASB issued guidance regarding fair value measurement that defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This guidance applies to previous accounting guidance that require or permit fair value measurements, and accordingly, does not require any new fair value measurements. The guidance was initially effective as of January 1, 2008, but in February 2008, FASB delayed the effective date for applying the guidance to nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis, until periods beginning after November 15, 2008. We adopted the guidance as of January 1, 2008 with respect to financial assets and liabilities within its scope and the impact was not material to our financial statements. As of January 1, 2009, nonfinancial assets and nonfinancial liabilities were also required to be measured at fair value. The adoption of these additional provisions did not have a material impact on our financial statements. See Note 18.

In April 2009, FASB issued guidance for determining fair values when there is no active market or where the price inputs being used represent distressed sales. Specifically, it reaffirms the need to use judgment to ascertain if a formerly active market has become inactive and in determining fair values when markets have become inactive. We adopted the guidance as of June 30, 2009. There have been no material financial statement implications relating to our adoption.

In April 2009, FASB issued guidance that requires disclosures of fair value for any financial instruments not currently reflected at fair value on the balance sheets for all interim periods. We adopted these provisions as of June 30, 2009. There have been no material financial statement implications relating to this adoption. See Note 17.

In January 2010, FASB issued guidance that requires additional disclosures about fair value measurements including transfers in and out of Levels 1 and 2 and a higher level of disaggregation for the different types of financial instruments. For the reconciliation of Level 3 fair value measurements, information about purchases, sales, issuances and settlements should be presented separately. This guidance is effective for annual and interim reporting periods beginning after December 15, 2009 for most of the new disclosures and for periods beginning after December 15, 2010 for the new Level 3 disclosures. Comparative disclosures are not required in the first year the disclosures are required. Our adoption did not have a material impact on our consolidated financial statements.

Business Combinations

In December 2007, FASB issued guidance that requires the acquiring entity in a business combination to recognize all assets acquired and liabilities assumed in the transaction, establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed and requires the acquirer to disclose certain information related to the nature and financial effect of the business combination. It also establishes principles and requirements for how an acquirer recognizes any noncontrolling interest in the acquiree and the goodwill acquired in a business combination. This guidance was effective on a prospective basis for business combinations for which the acquisition date is on or after January 1, 2009. For any business combination that takes place subsequent to January 1, 2009, this guidance may have a material impact on our financial statements. The nature and extent of any such impact will depend upon the terms and conditions of the transaction. This guidance did not apply to our acquisition of the Downstream Business as it is a transfer of net assets between entities under common control.

In April 2009, FASB issued guidance that amends and clarifies application issues on initial recognition and measurement, subsequent measurement and accounting, and disclosure of assets and liabilities arising from contingencies in a business combination. This update is effective for assets and liabilities arising from contingencies in business combinations for which the acquisition date is on or after January 1, 2009. There have been no material financial statement implications relating to the adoption of this update.

Other

In December 2007, FASB issued guidance that requires all entities to report noncontrolling interests in subsidiaries as a separate component of equity in the consolidated statement of financial position, to clearly identify consolidated net income attributable to the parent and to the noncontrolling interest on the face of the consolidated statement of income, and to provide sufficient disclosure that clearly identifies and distinguishes between the interest of the parent and the interests of noncontrolling owners. It also establishes accounting and reporting standards for changes in a parent's ownership interest and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. We adopted these amended provisions effective January 1, 2009, which required retrospective reclassification of our consolidated financial statements for all periods presented in this filing. As a result of adoption, we have reclassified our noncontrolling interest (formerly minority interest) on our consolidated balance sheets, from a component of liabilities to a component of equity and have also reclassified net income attributable to noncontrolling interest on our consolidated statements of operations, to below net income for all periods presented. Furthermore, we have displayed the portion of other comprehensive income that is attributable to the noncontrolling interest within our consolidated statements of comprehensive income.

In March 2008, the FASB's Emerging Issues Task Force ("EITF") issued guidance as to how a master limited partnership ("MLP") should allocate and present earnings per unit using the two-class method when the MLP's partnership agreement contains incentive distribution rights. Under the two-class method, current period earnings are allocated to the partners according to the distribution formula for available cash set forth in the MLP's partnership agreement. Our adoption of this guidance on January 1, 2009, did not impact our consolidated financial position, results of operations or cash flows, or our basic and diluted net income per unit.

In June 2008, FASB issued guidance that requires us to retrospectively adjust our earnings per unit data that result in us recognizing unvested unit-based payment awards as participating units in our basic earnings per unit calculation. Our adoption of this guidance on adopted January 1, 2009 did not have a material impact on our computation of basic and diluted net income per unit.

In May 2009, FASB issued guidance that establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. This guidance sets forth (1) the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, (2) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, and (3) the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. It is effective for interim and annual periods ended after June 15, 2009 and should be applied prospectively. Our adoption did not have a material impact on our financial statements.

In June 2009, the SEC Staff issued guidance that amends or rescinds portions of the SEC staff's interpretive guidance included in the Staff Accounting Bulletin Series in order to make the relevant interpretive guidance consistent with the ASC. Our adoption did not have a material impact on our consolidated financial statements.

In December 2009, the FASB amended consolidation guidance for variable interest entities ("VIEs"). VIEs are entities whose equity investors do not have sufficient equity capital at risk such that the entity cannot finance its own activities. When a business has a controlling financial interest in a VIE, the assets, liabilities and profit or loss of that entity must be included in consolidation. A business enterprise must consolidate a VIE when that enterprise has a variable interest that will cover most of the entity's expected losses and/or receive most of the entity's anticipated residual return. The new guidance, among other things, eliminates the scope exception for qualifying special-purpose entities, amends certain guidance for determining whether an entity is a VIE, expands the list of events that trigger reconsideration of whether an entity is a VIE, requires a qualitative rather than a quantitative analysis to determine the primary beneficiary of a VIE, requires continuous assessments of whether a company is the primary beneficiary of a VIE and requires enhanced disclosures about a company's involvement with a VIE. This guidance is effective for us on January 1, 2010 and early adoption is prohibited. At December 31, 2009, we had not identified any interests which qualified as VIEs and our adoption of this new guidance is not expected to have a material impact on our financial statements.

Note 5—Acquisition of Downstream Business

On September 24, 2009, we acquired Targa's interests in the Downstream Business for \$530 million. Consideration to Targa comprised \$397.5 million in cash and the issuance to Targa of 174,033 general partner units and 8,527,615 common units. The form of the transaction reflected in our consolidated financial statements was:

- Targa contributed the Downstream Business to us.
 - Prior to the contribution, the Downstream Business' affiliate indebtedness payable to Targa totaled \$817.3 million, inclusive of \$223.0 million of accrued interest.
 - Immediately prior to, and in contemplation of, the contribution, \$287.3 million of the Downstream Business' affiliated indebtedness was settled through a separate capital contribution from Targa.
 - On the contribution date, the Downstream Business' affiliate indebtedness payable to Targa was \$530 million.
- We repaid the affiliate indebtedness with: (i) \$397.5 million in cash; (ii) 174,033 in general partner units with an agreed-upon value of \$2.7 million; and (iii) 8,527,615 in common units with an agreed-upon value of \$129.8 million.

Our acquisition of the Downstream Business has been accounted for as a transfer of net assets between entities under common control.

As part of the transaction, Targa agreed to provide distribution support to us in the form of a reduction in the reimbursement for general and administrative expense allocated to us if necessary (or make a payment to us, if needed) for a 1.0 times distribution coverage ratio, at the current distribution level of \$0.5175 per limited partner unit, subject to maximum support of \$8.0 million in any quarter. The distribution support is in effect for the nine-quarter period beginning with the fourth quarter of 2009 and continuing through the fourth quarter of 2011.

We now operate in two divisions: (i) Natural Gas Gathering and Processing (also a segment) and (ii) NGL Logistics and Marketing. Our NGL Logistics and Marketing division consists of three segments: (a) Logistics Assets, (b) NGL Distribution and Marketing and (c) Wholesale Marketing. As a result of the acquisition of the Downstream Business, we are now reporting segment information. See Note 19.

Note 6—Inventory

Due to fluctuating commodity prices for natural gas liquids, we occasionally recognize lower of cost or market adjustments when the carrying values of our inventories exceeds their net realizable value. These non-cash adjustments are charged to product purchases within operating costs and expenses in the period they are recognized, with the related cash impact in the subsequent period. For 2009, we did not recognize an adjustment to the carrying value of our NGL inventory. As of December 31, 2008 and 2007, we recognized \$6.0 million and \$0.2 million to reduce the carrying value of NGL inventory to its net realizable value.

Note 7—Property, Plant and Equipment

Property, plant and equipment and accumulated depreciation were as follows as of the dates indicated:

	December 31,	
	2009	2008
Natural gas gathering systems	\$ 1,225.6	\$ 1,187.1
Processing and fractionation facilities	404.4	374.0
Terminalling and natural gas liquids storage facilities	238.5	221.9
Transportation assets	150.7	144.5
Other property and equipment	16.8	14.9
Land	49.8	49.8
Construction in progress	11.0	44.2
	2,096.8	2,036.4
Accumulated depreciation	(418.3)	(317.3)
	<u>\$ 1,678.5</u>	<u>\$ 1,719.1</u>

Note 8—Investment in Unconsolidated Affiliate

As of December 31, 2009 and 2008, our unconsolidated investment consisted of a 38.75% ownership interest in Gulf Coast Fractionators LP (“GCF”), a venture that fractionates natural gas liquids on the Gulf Coast. As of December 31, 2009 and 2008, our investment in GCF was \$18.5 million.

Our equity in the net assets of GCF exceeded our acquisition date investment account by approximately \$5.2 million. This amount is being amortized over the estimated useful life of the net assets (25 years) on a straight-line basis, and is included as a component of our equity in earnings of unconsolidated investments.

The following table shows our equity earnings and cash distributions with respect to our unconsolidated investment in GCF for the years indicated:

	Year Ended December 31,			
	2009	2008	2007	
Equity in earnings	\$ 5.0	\$ 3.9	\$ 3.5	
Cash distributions	5.0	4.7	3.9	

Pursuant to the Purchase and Sales Agreement of the Downstream Business acquisition, Targa is entitled to receive cumulative distributions made after September 23, 2009 of up to \$4.6 million. As of December 31, 2009, Targa was still entitled to \$2.3 million of GCF future distributions.

Note 9—Asset Retirement Obligations

Our asset retirement obligations are included in our consolidated balance sheets as a component of other long-term liabilities. The changes in our aggregate asset retirement obligations are as follows:

	Year Ended December 31,		
	2009	2008	2007
Beginning of period	\$ 6.2	\$ 5.9	\$ 5.4
Liabilities settled	-	(0.2)	-
Change in cash flow estimate	-	0.2	0.1
Accretion expense	0.4	0.3	0.4
End of period	<u>\$ 6.6</u>	<u>\$ 6.2</u>	<u>\$ 5.9</u>

Note 10—Debt Obligations

Consolidated debt obligations consisted of the following as of the dates indicated:

	December 31,	
	2009	2008
Targa Resources Partners LP:		
Senior secured revolving credit facility, variable rate, due February 2012	\$ 479.2	\$ 487.7
Senior unsecured notes, 8¼% fixed rate, due July 2016	209.1	209.1
Senior unsecured notes, 11¼% fixed rate, due July 2017 (1)	220.1	-
Targa Downstream LP:		
Note payable to Parent, 10% fixed rate, due December 2011 (including accrued interest of \$0 and \$175,343)	-	744.0
Targa LSNG LP:		
Note payable to Parent, 10% fixed rate, due December 2011 (including accrued interest of \$0 and \$4,281)	-	29.9
Total long-term debt	<u>\$ 908.4</u>	<u>\$ 1,470.7</u>
Letters of credit outstanding under senior secured revolving credit facility	<u>\$ 69.2</u>	<u>\$ 9.7</u>

(1) The carrying amount of the notes includes \$11.2 million of unamortized original issue discount as of December 31, 2009.

Information Regarding Variable Interest Rates Paid

The following table shows the range of interest rates paid and weighted average interest rate paid on our variable-rate debt obligations during 2009:

	Range of interest rates paid	Weighted average interest rate paid
Senior secured revolving credit facility	1.2% to 4.5%	1.7%

Affiliated Indebtedness

The contributions of the North Texas System and the Downstream Business have been treated as transfers between entities under common control (see Note 2) and periods prior to the dates of the transfers have been adjusted to present comparative information. On January 1, 2007, Targa contributed to us affiliated indebtedness related to the North Texas System of \$904.5 million (including accrued interest of \$88.3 million computed at 10%

per annum) and affiliated indebtedness related to the Downstream Business of \$639.7 million (including accrued interest of \$61.8 million). We recorded \$9.8 million in interest expense associated with this affiliated debt for the period from January 1, 2007 through February 13, 2007 associated with the North Texas System. During 2009, 2008 and 2007, we recorded \$43.4 million, \$59.2 million and \$58.5 million in affiliated interest expense related to the affiliated indebtedness associated with the Downstream Business.

In connection with the contribution of the North Texas System in 2007, all affiliated debt and accrued interest was settled. In connection with the acquisition of the Downstream Business in September 2009, we settled all of the remaining obligations, including accrued interest, under our affiliated debt agreement. See Note 5. At December 31, 2009 we had no affiliated indebtedness outstanding.

Credit Agreement

On February 14, 2007, we entered into a credit agreement which provided for a five-year \$500 million credit facility with a syndicate of financial institutions. On October 24, 2007, we entered into the First Amendment to Credit Agreement which allows us to request commitments under the credit agreement, as supplemented and amended, up to \$1 billion. We currently have \$977.5 million committed under the senior secured credit facility. In October 2008, Lehman Bank defaulted on a borrowing request under our senior secured credit facility. Lehman's commitment under the facility is \$19 million and is currently unfunded which effectively reduces our total commitments under our credit facility by \$19 million.

The credit facility bears interest at our option, at the higher of the lender's prime rate or the federal funds rate plus 0.5%, plus an applicable margin ranging from 0% to 1.25% dependent on our total leverage ratio, or LIBOR plus an applicable margin ranging from 1.0% to 2.25% dependent on our total leverage ratio. Our credit facility is secured by substantially all of our assets. As of December 31, 2009, we had approximately \$479.2 million of borrowings outstanding under our senior secured credit facility and approximately \$69.2 million of outstanding letters of credit.

Our senior secured credit facility restricts our ability to make distributions of available cash to unitholders if a default or an event of default (as defined in our senior secured credit agreement) has occurred and is continuing. The senior secured credit facility requires us to maintain a leverage ratio (the ratio of consolidated indebtedness to our consolidated EBITDA, as defined in the senior secured credit agreement of less than or equal to 5.50 to 1.00 and a senior secured indebtedness ratio (the ratio of senior secured indebtedness to consolidated EBITDA, as defined in the senior secured credit agreement) of less than or equal to 4.50 to 1.00, each subject to certain adjustments. The senior secured credit facility also requires us to maintain an interest coverage ratio (the ratio of our consolidated EBITDA to our consolidated interest expense, as defined in the senior secured credit agreement) of greater than or equal to 2.25 to 1.00 determined as of the last day of each quarter for the four-fiscal quarter period ending on the date of determination, as well as upon the occurrence of certain events, including the incurrence of additional permitted indebtedness. In conjunction with a material acquisition, we have the option to increase the leverage ratio to 6.00 to 1.00 and to increase the senior secured indebtedness ratio to 5.00 to 1.00 for a period of up to a year.

The credit facility matures on February 14, 2012, at which time all unpaid principal and interest is due.

8¼% Senior Notes due 2016

On June 18, 2008, we completed the private placement under Rule 144A and Regulation S of the Securities Act of 1933 of \$250 million in aggregate principal amount of 8¼% senior notes due 2016 (the "8¼% Notes"). The 8¼% Notes:

- are our unsecured senior obligations;
- rank *pari passu* in right of payment with our existing and future senior indebtedness, including indebtedness under our credit facility;
- are senior in right of payment to any of our future subordinated indebtedness; and

- are unconditionally guaranteed by us.

The 8¼% Notes are effectively subordinated to all secured indebtedness under our credit agreement, which is secured by substantially all of our assets, to the extent of the value of the collateral securing that indebtedness.

Interest on the 8¼% Notes accrues at the rate of 8¼% per annum and is payable semi-annually in arrears on January 1 and July 1, commencing on January 1, 2009.

At any time prior to July 1, 2011, we may redeem up to 35% of the aggregate principal amount of the 8¼% Notes with the net cash proceeds of one or more equity offerings by us at a redemption price of 108.25% of the principal amount, plus accrued and unpaid interest and liquidated damages, if any, to the redemption date provided that:

- (1) at least 65% of the aggregate principal amount of the 8¼% Notes (excluding 8¼% Notes held by us) remains outstanding immediately after the occurrence of such redemption; and
- (2) the redemption occurs within 90 days of the date of the closing of such equity offering.

At any time prior to July 1, 2012, we may also redeem all or a part of the 8¼% Notes at a redemption price equal to 100% of the principal amount of the 8¼% Notes redeemed plus the applicable premium as defined in the indenture agreement as of, and accrued and unpaid interest and liquidated damages, if any, to the date of redemption.

On or after July 1, 2012, we may redeem all or a part of the 8¼% Notes at the redemption prices set forth below (expressed as percentages of principal amount) plus accrued and unpaid interest and liquidated damages, if any, on the 8¼% Notes redeemed, if redeemed during the twelve-month period beginning on July 1 of each year indicated below:

Year	Percentage
2012	104.125%
2013	102.063%
2014 and thereafter	100.000%

During 2008, we repurchased \$40.9 million face value of our outstanding 8¼% Notes in open market transactions at an aggregate purchase price of \$28.3 million, including \$1.5 million of accrued interest. We recognized a gain on the debt repurchases of \$13.1 million associated with the purchased notes. The repurchased 8¼% Notes were retired and are not eligible for re-issue at a later date.

11¼% Senior Notes due 2017

On July 6, 2009, we completed the private placement under Rule 144A and Regulation S of the Securities Act of 1933 of \$250 million in aggregate principal amount of 11¼% senior notes due 2017 (the “11¼% Notes”). The 11¼% Notes were issued at 94.973% of the face amount, resulting in gross proceeds of \$237.4 million. The 11¼% Notes:

- are our unsecured senior obligations;
- rank *pari passu* in right of payment with our existing and future senior indebtedness, including indebtedness under our senior secured revolving credit facility;
- are senior in right of payment to any of our future subordinated indebtedness; and
- are unconditionally guaranteed by us.

The 11¼% Notes are effectively subordinated to all indebtedness under our credit agreement, which is secured by substantially all of our assets, to the extent of the value of the collateral securing that indebtedness.

Interest on the 11¼% Notes accrues at the rate of 11¼% per annum and is payable semi-annually in arrears on January 15 and July 15, commencing on January 15, 2010.

At any time prior to July 15, 2012, we may redeem up to 35% of the aggregate principal amount of the 11¼% Notes with the net cash proceeds of certain equity offerings by us at a redemption price of 111.25% of the principal amount, plus accrued and unpaid interest to the redemption date, provided that:

- (1) at least 65% of the aggregate principal amount of the 11¼% Notes (excluding 11¼% Notes held by us) remains outstanding immediately after the occurrence of such redemption; and
- (2) the redemption occurs within 90 days of the date of the closing of such equity offering.

At any time prior to July 15, 2013, we may also redeem all or a part of the 11¼% Notes at a redemption price equal to 100% of the principal amount of the 11¼% Notes redeemed plus the applicable premium as defined in the indenture as of, and accrued and unpaid interest to, the date of redemption.

On or after July 15, 2013, we may redeem all or a part of the 11¼% Notes at the redemption prices set forth below (expressed as percentages of principal amount) plus accrued and unpaid interest on the 11¼% Notes redeemed, if redeemed during the twelve-month period beginning on July 15 of each year indicated below:

Year	Percentage
2013	105.625%
2014	102.813%
2015 and thereafter	100.000%

The 11¼% Notes are subject to a registration rights agreement dated as of July 6, 2009. Under the registration rights agreement, we are required to file by July 7, 2010 a registration statement with respect to any 11¼% Notes that are not freely transferable without volume restrictions by holders of the 11¼% Notes that are not affiliates of ours. If we fail to do so, additional interest will accrue on the principal amount of the 11¼% Notes. We have determined that the payment of additional interest is not probable. As a result, we have not recorded a liability for any contingent obligation. Any subsequent accruals of a liability or payments made under this registration rights agreement will be charged to earnings as interest expense in the period they are recognized or paid.

During 2009, we repurchased \$18.7 million face value of our outstanding 11¼% Notes in open market transactions at an aggregated purchase price of \$18.9 million plus accrued interest of \$0.3 million. We recognized a loss on the debt repurchases of \$1.5 million, including \$0.4 million in debt issue costs associated with the repurchased notes. The repurchased 11¼% Notes were retired and are not eligible for re-issue at a later date.

Compliance with Debt Covenants

As of December 31, 2009, the Partnership was in compliance with the covenants contained in our various debt agreements.

Note 11—Partnership Equity and Distributions

General. In accordance with the Partnership Agreement, we must distribute all of our available cash to unitholders of record on the applicable record date, as determined by the general partner within 45 days after the end of each quarter.

Conversion of Subordinated Units. Under the terms of our amended and restated Partnership Agreement, all 11,528,231 subordinated units converted to common units on a one-for-one basis on May 19, 2009. The conversion had no impact upon our calculation of earnings per unit since the subordinated units were included in the basic and diluted earnings per unit calculation.

Public Offering of Common Units. On August 12, 2009, we completed a unit offering under our shelf registration statement of 6,900,000 common units representing limited partner interests in us at a price of \$15.70 per common unit. Net proceeds of the offering were \$105.3 million, after deducting underwriting discounts, commissions and offering expenses, and including the general partner's proportionate capital contribution of \$2.2 million. We used a portion of the proceeds to repay \$103.5 million of outstanding borrowings under our senior secured revolving credit facility.

Distributions will generally be made 98% to the common unitholders and 2% to the general partner, subject to the payment of incentive distributions to the extent that certain target levels of cash distributions are achieved.

Under the quarterly incentive distribution provisions, generally our general partner is entitled to 13% of amounts distributed in excess of \$0.3881 per unit, 23% of the amounts distributed in excess of \$0.4219 per unit and 48% of amounts distributed in excess of \$0.50625 per unit. No incentive distributions were paid to us as part of our general partner interest prior to the fourth quarter of 2007. To the extent there is sufficient available cash, the holders of common units are entitled to receive the minimum quarterly distribution of \$0.3375 per unit, plus arrearages.

The following table shows the amount of cash distributions we paid to date:

Date Paid	For the Three Months Ended	Distributions Paid							Distributions per limited partner unit
		Limited Partners		General Partner			Total		
		Common	Subordinated	Incentive	2%				
						(In millions, except per unit amounts)			
2009									
November 14, 2009	September 30, 2009	\$ 31.9	\$ -	\$ 2.6	\$ 0.7	\$ 35.2	\$ 0.5175		
August 14, 2009	June 30, 2009	23.9	-	2.0	0.5	26.4	0.5175		
May 15, 2009	March 31, 2009	18.0	5.9	1.9	0.5	26.3	0.5175		
February 13, 2009	December 31, 2008	18.0	6.0	1.9	0.5	26.4	0.5175		
2008									
November 14, 2008	September 30, 2008	\$ 17.9	\$ 6.0	\$ 1.9	\$ 0.5	\$ 26.3	\$ 0.5175		
August 14, 2008	June 30, 2008	17.8	5.9	1.7	0.5	25.9	0.5125		
May 15, 2008	March 31, 2008	14.5	4.8	0.2	0.4	19.9	0.4175		
February 14, 2008	December 31, 2007	13.8	4.6	0.1	0.4	18.9	0.3975		

Subsequent Events. On January 19, 2010, we completed a public offering of 5,500,000 common units representing limited partner interests in the Partnership ("common units") under our existing shelf registration statement on Form S-3 at a price of \$23.14 per common unit (\$22.17 per common unit, net of underwriting discounts), providing net proceeds of \$121.9 million. Pursuant to the exercise of the underwriters' over-allotment option, we sold an additional 825,000 common units at \$23.14 per common unit, providing net proceeds of \$18.3 million. We used the net proceeds from the offering for general partnership purposes, which included reducing borrowings under our senior secured credit facility.

On February 12, 2010, we paid a cash distribution of \$0.5175 per unit on our outstanding common units to unitholders of record on February 3, 2010, for the three months ended December 31, 2009. The total distribution paid was \$38.8 million, with \$24.8 million paid to our non-affiliated common unitholders and \$10.4 million, \$0.8 million and \$2.8 million paid to Targa for its common unit ownership, general partner interest and incentive distribution rights.

Note 12—Insurance Claims

We recognize income from business interruption insurance in our consolidated statements of operations as a component of revenues from third parties in the period that a proof of loss is executed and submitted to the insurers for payment. For 2009, income from business interruption insurance resulting from the effects of Hurricane Ike was \$1.9 million. In addition, we received \$0.5 million during 2009 as a result of fire damage at a third-party plant related to our wholesale marketing segment. For 2008 and 2007, income from business interruption insurance resulting from the effects of Hurricanes Katrina and Rita was \$18.1 million and \$6.4 million. In addition, we received \$0.6 million during 2008 as a result of fire damage at a third-party plant related to our wholesale marketing segment.

Hurricanes Gustav and Ike

Certain of our Louisiana and Texas facilities sustained damage and had disruptions to their operations during the 2008 hurricane season from two Gulf Coast hurricanes—Gustav and Ike. As of December 31, 2008, we recorded a \$4.8 million loss provision (net of estimated insurance reimbursements) related to the hurricanes. During 2009, the estimate was reduced by \$0.8 million. During 2009, expenditures related to the hurricanes included \$6.9 million for previously accrued repair costs and \$0.3 million capitalized as improvements.

Under Common Control accounting, the effects of insurance claims on predecessor operations have been included in our restated financial statements, however, as part of the Downstream acquisition, Targa retained the right to receive any future insurance proceeds from claims associated with Gustav and Ike.

Note 13—Accounting for Unit-Based Compensation

In 2007, the parent of Targa, Targa Resources Investments Inc. (“Targa Investments”), adopted a Long-Term Incentive Plan (“LTIP”) for employees, consultants and directors of us and our affiliates who perform services for Targa Investments or its affiliates. The LTIP provides for the grant of cash-settled performance units, which are linked to the performance of our common units and may include distribution equivalent rights (“DERs”). The LTIP is administered by the compensation committee of the board of directors of Targa Investments. Subject to applicable vesting criteria, a DER entitles the grantee to a cash payment equal to cash distributions paid on an outstanding common unit.

Grants outstanding under Targa Investments’ LTIP were 275,400 under the 2007 program, 135,800 under the 2008 program, 534,900 units under the 2009 program and 90,403 units under the 2010 program. During 2009, there were forfeitures under the LTIP of 12,025 units. Grants under the 2007, 2008, 2009 and 2010 programs are payable in August 2010, July 2011, June 2012 and June 2013. Each vested performance unit will entitle the grantee to a cash payment equal to the then value of a Partnership common unit, including DERs. Vesting of performance units is based on the total return per our common unit through the end of the performance period, relative to the total return of a defined peer group.

Because the performance units require cash settlement, they have been accounted for as liabilities by Targa. The fair value of a performance unit is the sum of: (i) the closing price of one of our common units on the reporting date; (ii) the fair value of an at-the-money call option on a performance unit with a grant date equal to the reporting date and an expiration date equal to the last day of the performance period; and (iii) estimated DERs. The fair value of the call options was estimated using a Black-Scholes option pricing model with a dividend yield of 8.5%, and with risk-free rates and volatilities of 0.3% and 42% under the 2007 program, 0.8% and 61% under the 2008 program, 1.4% and 61% under the 2009 program and 1.4% and 52% under the 2010 program.

At December 31, 2009, the aggregate fair value of performance units expected to vest was \$23.5 million. The remaining recognition period for the unrecognized compensation cost is approximately three and a half years. During 2009, 2008 and 2007 Targa recognized compensation expense of \$10.5 million, \$0.1 million and \$2.7 million related to the performance units. Based on Targa’s allocation methodology, we recognized allocated general and administrative expenses related to the performance units of \$6.6 million, \$0.1 million and \$1.9 million for 2009, 2008 and 2007.

During 2009 and 2008, Targa Resources GP LLC, the general partner of the Partnership, also made equity-based awards of 32,000 and 16,000 restricted common units of the Partnership (4,000 and 2,000 restricted common units of the Partnership to each of the Partnership's and Targa Investments' non-management directors) under its ("Incentive Plan"). The awards will settle with the delivery of common units and are subject to three-year vesting, without a performance condition, and will vest ratably on each anniversary of the grant date. During 2009 and 2008, we recognized compensation expense of \$0.3 million related to these awards. We estimate that the remaining fair value of \$0.2 million will be recognized in expense over approximately two years. As of December 31, 2009 there were 41,993 unvested restricted common units outstanding under this plan.

The following table summarizes our unit-based awards for each of the periods indicated (in units and dollars):

	Year Ended December 31, 2009
Outstanding at beginning of period	26,664
Granted	32,000
Vested	<u>(16,671)</u>
Outstanding at end of period	<u>41,993</u>
Weighted average grant date fair value per share	<u>\$ 12.88</u>

Subsequent Event. On January 22, 2010, TRGP made equity-based awards of 2,250 restricted common units (15,750 total restricted common units) of the Partnership to each of ours and Targa Investments' non-management directors under the Incentive Plan. The awards will settle with the delivery of common units and are subject to three year vesting, without a performance condition, and will vest ratably on each anniversary of the grant date.

Note 14—Derivative Instruments and Hedging Activities

Our principal market risks are our exposure to changes in commodity prices, particularly to the prices of natural gas and NGLs, as well as changes in interest rates.

Commodity Price Risk. A majority of the revenues from our natural gas gathering and processing business are derived from percent-of-proceeds contracts under which we receive a portion of the natural gas and/or NGLs or equity volumes, as payment for services. The prices of natural gas and NGLs are subject to market fluctuations in response to changes in supply, demand, market uncertainty and a variety of additional factors beyond our control. We monitor these risks and enter into commodity derivative transactions designed to mitigate the impact of commodity price fluctuations on our business. Cash flows from a derivative instrument designated as a hedge are classified in the same category as the cash flows from the item being hedged.

The primary purpose of our commodity risk management activities is to hedge our exposure to commodity price risk and reduce fluctuations in our operating cash flow despite fluctuations in commodity prices. In an effort to reduce the variability of our cash flows, as of December 31, 2009, we have hedged the commodity price associated with a significant portion of our expected natural gas, NGL and condensate equity volumes for the years 2010 through 2013 by entering into derivative financial instruments including swaps and purchased puts (or floors). The percentages of our expected equity volumes that are hedged decrease over time. With swaps, we typically receive an agreed upon fixed price for a specified notional quantity of natural gas or NGL and we pay the hedge counterparty a floating price for that same quantity based upon published index prices. Since we receive from our customers substantially the same floating index price from the sale of the underlying physical commodity, these transactions are designed to effectively lock-in the agreed fixed price in advance for the volumes hedged. In order to avoid having a greater volume hedged than our actual equity volumes, we typically limit our use of swaps to hedge the prices of less than our expected natural gas and NGL equity volumes. We utilize purchased puts (or floors) to hedge additional expected equity commodity volumes without creating volumetric risk. Our commodity hedges may expose us to the risk of financial loss in certain circumstances. Our hedging arrangements provide us protection on the hedged volumes if market prices decline below the prices at which these hedges are set. If market prices rise

above the prices at which we have hedged, we will receive less revenue on the hedged volumes than we would receive in the absence of hedges.

We have tailored our hedges to generally match the NGL product composition and the NGL and natural gas delivery points to those of our physical equity volumes. Our NGL hedges cover baskets of ethane, propane, normal butane, iso-butane and natural gasoline based upon our expected equity NGL composition. We believe this strategy avoids uncorrelated risks resulting from employing hedges on crude oil or other petroleum products as “proxy” hedges of NGL prices. Additionally, our NGL hedges are based on published index prices for delivery at Mont Belvieu and our natural gas hedges are based on published index prices for delivery at Columbia Gulf, Houston Ship Channel, Mid-Continent and Waha, which closely approximate our actual NGL and natural gas delivery points. We hedge a portion of our condensate sales using crude oil hedges that are based on the NYMEX futures contracts for West Texas Intermediate light, sweet crude.

At December 31, 2009, the notional volumes of our commodity hedges were:

Commodity	Instrument	Unit	2010	2011	2012	2013
Natural Gas	Swaps	MMBtu/d	16,494	14,000	10,000	4,000
NGL	Swaps	Bbl/d	5,607	4,000	2,700	-
NGL	Floors	Bbl/d	-	199	231	-
Condensate	Swaps	Bbl/d	501	350	200	200

Interest Rate Risk. We are exposed to changes in interest rates, primarily as a result of our variable rate borrowings under our credit facility. To the extent that interest rates increase, our interest expense for our revolving debt will also increase. As of December 31, 2009, we had borrowings of approximately \$479.2 million outstanding under our revolving credit facility. In an effort to reduce the variability of our cash flows, we have entered into several interest rate swap and interest rate basis swap agreements. Under these agreements, which are accounted for as cash flow hedges, the base interest rate on the specified notional amount of our variable rate debt is effectively fixed for the term of each agreement and ineffectiveness is required to be measured each reporting period. The fair values of the interest rate swap agreements, which are adjusted regularly, have been aggregated by counterparty for classification in our consolidated balance sheets. Accordingly, unrealized gains and losses relating to the interest rate swaps are recorded in OCI until the interest expense on the related debt is recognized in earnings.

Credit Risk. Our credit exposure related to commodity derivative instruments is represented by the fair value of contracts with a net positive fair value to us at the reporting date. At such times, these outstanding instruments expose us to credit loss in the event of nonperformance by the counterparties to the agreements. Should the creditworthiness of one or more of our counterparties decline, our ability to mitigate nonperformance risk is limited to a counterparty agreeing to either a voluntary termination and subsequent cash settlement or a novation of the derivative contract to a third party. In the event of a counterparty default, we may sustain a loss and our cash receipts could be negatively impacted.

As of December 31, 2009, affiliates of Goldman Sachs and Bank of America (“BoFA”) accounted for 93% and 5% of our counterparty credit exposure related to commodity derivative instruments. Goldman Sachs and BoFA are major financial institutions, each possessing investment grade credit ratings based upon minimum credit ratings assigned by Standard & Poor’s Ratings Services.

The following schedules reflect the fair values of derivative instruments in our financial statements:

	Asset Derivatives			Liability Derivatives		
	Balance Sheet	Fair Value		Balance Sheet	Fair Value	
	Location	2009	2008	Location	2009	2008
Derivatives designated as hedging instruments						
Commodity contracts	Current assets	\$ 24.5	\$ 88.2	Current liabilities	\$ 7.8	\$ -
	Long term assets	7.0	68.3	Long term liabilities	24.2	0.1
Interest rate contracts	Current assets	0.2	-	Current liabilities	8.0	8.0
	Long term assets	1.9	-	Long term liabilities	4.7	9.6
Total derivatives designated as hedging instruments		33.6	156.5		44.7	17.7
Derivatives not designated as hedging instruments						
Commodity contracts	Current assets	1.1	3.6	Current liabilities	0.5	3.7
	Long term assets	0.2	-	Long term liabilities	-	-
Total derivatives not designated as hedging instruments		1.3	3.6		0.5	3.7
Total derivatives		\$ 34.9	\$ 160.1		\$ 45.2	\$ 21.4

The fair value of derivative instruments, depending on the type of instrument, was determined by the use of present value methods or standard option valuation models with assumptions about commodity prices based on those observed in underlying markets. These contracts may expose us to the risk of financial loss in certain circumstances. Our hedging arrangements provide us protection on the hedged volumes if prices decline below the prices at which these hedges are set. If prices rise above the prices at which we have hedged, we will receive less revenue on the hedged volumes than we would receive in the absence of hedges.

Our earnings are also affected by the use of the mark-to-market method of accounting for derivative financial instruments that do not qualify for hedge accounting or that have not been designated as hedges. The changes in fair value of these instruments are recorded on the balance sheets and through earnings (i.e., using the “mark-to-market” method) rather than being deferred until the anticipated transaction affects earnings. The use of mark-to-market accounting for financial instruments can cause non-cash earnings volatility due to changes in the underlying commodity price indices. During 2009, 2008 and 2007, we recorded mark-to-market gains (losses) of \$0.8 million, (\$1.0) million and (\$30.2) million.

The following tables reflect amounts reclassified from OCI to revenue and expense:

	Location of Gain (Loss) Reclassified from OCI into Income	Amount of Gain (Loss) Reclassified from OCI to Income (Effective Portion)		
		Year Ended December 31,		
		2009	2008	2007
Interest expense, net		\$ (10.4)	\$ (2.7)	\$ 0.2
Revenues		45.8	(33.7)	(1.0)
		<u>\$ 35.4</u>	<u>\$ (36.4)</u>	<u>\$ (0.8)</u>

	Location of Gain (Loss) Reclassified from OCI into Income	Amount of Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion)		
		Year Ended December 31,		
		2009	2008	2007
Interest expense, net		\$ -	\$ -	\$ -
Revenues		(0.1)	-	-
		<u>\$ (0.1)</u>	<u>\$ -</u>	<u>\$ -</u>

	Derivatives in Cash Flow Hedging Relationships	Amount of Gain (Loss) Recognized in OCI on Derivatives (Effective Portion)		
		Year Ended December 31,		
		2009	2008	2007
Interest rate contracts		\$ (2.1)	\$ (19.0)	\$ (1.7)
Commodity contracts		(72.6)	129.9	(105.6)
		<u>\$ (74.7)</u>	<u>\$ 110.9</u>	<u>\$ (107.3)</u>

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivatives	Amount of Gain (Loss) Recognized in Income on Derivatives		
		Year Ended December 31,		
		2009	2008	2007
Commodity contracts	Other income (expense)	<u>\$ 0.8</u>	<u>\$ (1.0)</u>	<u>\$ (30.2)</u>

As of December 31, 2009, OCI included \$28.7 million of unrealized net losses on commodity hedges. As of December 31, 2008 and 2007, OCI included \$89.6 million and \$74.0 million of unrealized net gains on commodity hedges. Hedge ineffectiveness of \$0.1 million was recorded in 2009. There were no adjustments for hedge ineffectiveness for 2008 or 2007.

As of December 31, 2009, 2008 and 2007, OCI also included \$9.3 million, \$17.5 million and \$1.2 million of unrealized losses on interest rate hedges. There were no adjustments for hedge ineffectiveness for 2009, 2008 or 2007.

As of December 31, 2009, deferred net gains (losses) of \$31.5 million on commodity hedges and (\$7.8) million on interest rate hedges recorded in OCI are expected to be reclassified to expense during the next twelve months.

In May 2008 we entered into certain NGL derivative contracts with Lehman Brothers Commodity Services Inc., a subsidiary of Lehman Brothers Holdings Inc. ("Lehman"). Due to Lehman's bankruptcy filing, it is unlikely that we will receive full or partial payment of any amounts that may become owed to us under these contracts. Accordingly, we discontinued hedge accounting treatment for these contracts in July 2008. Deferred losses of

\$0.1 million and \$0.3 million will be reclassified from OCI to revenues during 2011 and 2012 when the forecasted transactions related to these contracts are expected to occur. During 2008, we recognized a non-cash mark-to-market loss on derivatives of \$1.0 million to adjust the fair value of the Lehman derivative contracts to zero. In October 2008, we terminated the Lehman derivative contracts.

In July 2008, we paid \$87.4 million to terminate certain out-of-the-money natural gas and NGL commodity swaps. Prior to the terminations, these swaps were designated as hedges. Deferred losses of \$27.9 million will be reclassified from OCI as a non-cash reduction of revenue during 2010 when the hedged forecasted sales transactions occur. During 2009 and 2008, deferred losses of \$38.8 million and \$20.8 million related to the terminated swaps were reclassified from OCI as a non-cash reduction to revenue. We also entered into new natural gas and NGL commodity swaps at then current market prices that match the production volumes of the terminated swaps through 2010.

Interest Rate Swaps

As of December 31, 2009, we had \$479.2 million outstanding under our credit facility, with interest accruing at a base rate plus an applicable margin. In order to mitigate the risk of changes in cash flows attributable to changes in market interest rates we have entered into interest rate swaps and interest rate basis swaps that effectively fix the base rate on \$300 million in borrowings as shown below:

Period	Fixed Rate	Notional Amount	Fair Value
2010	3.67%	\$300 million	\$ (7.8)
2011	3.52%	300 million	(5.1)
2012	3.40%	300 million	(0.6)
2013	3.39%	300 million	1.6
01/01 - 4/24/2014	3.39%	300 million	1.3
			<u>\$ (10.6)</u>

All interest rate swaps and interest rate basis swaps have been designated as cash flow hedges of variable rate interest payments on borrowings under our credit facility.

The fair value of derivative instruments, depending on the type of instrument, was determined by the use of present value methods or standard option valuation models with assumptions about commodity prices and interest rates based on those observed in underlying markets. These contracts may expose us to the risk of financial loss in certain circumstances.

See Notes 4, 15 and 18 for additional disclosures related to derivative instruments and hedging activities.

Note 15—Related-Party Transactions

Targa Resources, Inc.

On February 14, 2007, we entered into an Omnibus Agreement with Targa, our general partner and others that addressed the reimbursement of our general partner for costs incurred on our behalf and indemnification matters. Any or all of the provisions of this agreement, other than the indemnification provisions described in Note 16, are terminable by Targa at its option if our general partner is removed without cause and units held by our general partner and its affiliates are not voted in favor of that removal. The Omnibus Agreement will terminate in the event of a change of control of us or our general partner.

Concurrent with the closing of the acquisition of the SAOU and LOU Systems and the Downstream Business, we amended and restated our Omnibus Agreement (as amended and restated) with Targa, our general partner and others that addresses the reimbursement of our general partner for costs incurred on our behalf, competition and indemnification matters.

As part of the Downstream Business transaction, Targa is providing distribution support to us in the form of a reduction in the reimbursement for general and administrative expense allocated to us if necessary for a 1.0 times distribution coverage ratio, at the current \$0.5175 per limited partner unit, subject to maximum support of \$8.0 million in any quarter. The distribution support is in effect for the nine-quarter period beginning with the fourth quarter of 2009 and continuing through the fourth quarter of 2011. No distribution support was required for the fourth quarter of 2009.

Reimbursement of Operating and General and Administrative Expense

Under the Omnibus Agreement, we reimburse Targa for the payment of certain operating expenses, including compensation and benefits of operating personnel, and for the provision of various general and administrative services for our benefit. With respect to the North Texas System, we reimburse Targa for the following expenses:

- general and administrative expenses, which were capped at \$5.0 million annually for three years through February 14, 2010, subject to increases based on increases in the Consumer Price Index and subject to further increases in connection with expansions of our operations through the acquisition or construction of new assets or businesses with the concurrence of our conflicts committee; thereafter, our general partner will determine the general and administrative expenses to be allocated to us in accordance with our partnership agreement; and
- operations and certain direct general and administrative expenses, which are not subject to the \$5.0 million cap for general and administrative expenses.

With respect to the SAOU System, the LOU System and the Downstream Business, we will reimburse Targa for the following expenses:

- general and administrative expenses, which are not capped, allocated to the SAOU System, the LOU System and the Downstream Business according to Targa's allocation practice; and
- operating and certain direct expenses, which are not capped.

Pursuant to these arrangements, Targa performs centralized corporate functions for us, such as legal, accounting, treasury, insurance, risk management, health, safety and environmental, information technology, human resources, credit, payroll, internal audit, taxes, engineering and marketing. We reimburse Targa for the direct expenses to provide these services as well as other direct expenses it incurs on our behalf, such as compensation of operational personnel performing services for our benefit and the cost of their employee benefits, including 401(k), pension and health insurance benefits.

Allocations

Allocation of costs. The employees supporting our operations are employees of Targa. Our financial statements include costs allocated to us by Targa for centralized general and administrative services performed by Targa, as well as depreciation of assets utilized by Targa's centralized general and administrative functions. Costs allocated to us were based on identification of Targa's resources which directly benefit us and our proportionate share of costs based on our estimated usage of shared resources and functions. All of the allocations are based on assumptions that management believes are reasonable; however, these allocations are not necessarily indicative of the costs and expenses that would have resulted if we had been operated as a stand-alone entity. Prior to the initial IPO and the subsequent acquisition of the SAOU and LOU Systems these allocations were not settled in cash, but were settled through an adjustment to partners' capital accounts. Effective February 14, 2007, all of the North Texas System's allocations were settled monthly in cash. Effective October 23, 2007, all of the SAOU and LOU Systems' allocations were settled monthly in cash.

Allocations of long-term debt, debt issue costs, interest rate swaps and interest expense. Prior to January 1, 2007, our financial statements included long-term debt, debt issue costs, interest rate swaps and interest expense allocated from Targa. The allocations were calculated in a manner similar to Targa's purchase price allocation related to its acquisition of the SAOU and LOU Systems and the Downstream Business, and were based on the fair

value of acquired tangible assets plus related net working capital and unconsolidated equity interests. These allocations were not settled in cash. Settlement of these allocations occurred through adjustments to partners' capital. The allocated debt, debt issue costs and interest rate swaps for the North Texas System and the Downstream Business, were settled through deemed partner contributions of \$846.3 million and \$478.7 million on January 1, 2007. On October 23, 2007, The allocated debt, debt issue costs and interest rate swaps related to the SAOU and LOU Systems were settled through a deemed partner contribution of \$179.6 million.

Contracts with Affiliates

Sales to and purchases from affiliates. We routinely conduct business with other subsidiaries of Targa. The related-party transactions result primarily from purchases and sales of natural gas and purchases of NGL products. Prior to February 14, 2007, all of our expenditures were paid through Targa, resulting in intercompany transactions. Prior to February 14, 2007, settlement of these intercompany transactions was through adjustments to partners' capital accounts. After the conveyance of the assets of the North Texas System, the SAOU and LOU Systems, and the Downstream Business, all intercompany transactions were settled in cash.

Natural Gas Purchase Agreements. During 2007, the North Texas, SAOU and LOU Systems entered into natural gas purchase agreements at a price based on Targa Gas Marketing LLC's ("TGM") sale price for such natural gas, less TGM's costs and expenses associated therewith. These agreements have an initial term of 15 years and automatically extend for a term of five years, unless the agreements are otherwise terminated by either party. Furthermore, either party may elect to terminate the agreements if either party ceases to be an affiliate of Targa. In addition, Targa manages the SAOU and LOU Systems' natural gas sales to third parties under contracts that remain in the name of the Targa Texas Field Services and Targa Louisiana Field Services.

NGL Product Purchase Agreements. On September 24, 2009, Targa Liquids Marketing and Trade, a Delaware general partnership and indirectly, wholly-owned subsidiary of the Partnership ("Targa Liquids"), entered into product purchase agreements with Targa Midstream Services Limited Partnership, a Delaware limited partnership and indirectly wholly-owned subsidiary of Targa ("TMSLP"), and Targa Permian LP, a Delaware limited partnership and indirectly, wholly-owned subsidiary of Targa ("Targa Permian"), pursuant to which Targa Liquids will purchase all volumes of NGLs that are owned or controlled by TMSLP and Targa Permian and not otherwise committed for sale to a third party, at a price based on the prevailing market price less transportation, fractionation and certain other fees. The product purchase agreements will have an initial term of 15 years and will automatically extend for a term of five years. Furthermore, either party may elect to terminate the agreement if either party ceases to be an affiliate of Targa. Each product purchase agreement is effective as of September 1, 2009.

The following table summarizes the sales to and purchases from affiliates of Targa, payments made or received by Targa on behalf of us and allocations of costs from Targa which were settled through adjustments to partners' capital prior to the contribution of the North Texas System and the Downstream Business by Targa and the acquisition of the SAOU and LOU Systems from Targa. Management believes these transactions are executed on terms that are fair and reasonable.

	Year Ended December 31,		
	2009	2008	2007
Sales to affiliates	\$ 197.9	\$ 489.8	\$ 417.4
Purchases from affiliates:			
Included in product purchases	755.0	1,097.7	952.8
Included in operating expenses	26.8	58.8	44.5
Payments made to our Parent	(1,255.9)	(1,658.2)	(911.6)
Parent allocation of interest expense	-	-	19.4
Parent allocation of general and administrative expense	63.9	61.2	60.4
Net change in affiliate payable	84.2	48.4	23.5
Unit distributions to Targa	132.5	-	-
Cash distributions to Targa	32.9	27.0	10.4
Settlement of affiliated indebtedness	287.3	-	-

Centralized Cash Management

Prior to the conveyance of the assets of the North Texas, SAOU and LOU Systems and the Downstream Business to us, the excess cash from these subsidiaries was held in separate bank accounts and swept to a centralized account under Targa. Beginning with the contribution of these systems to us, their bank accounts have been maintained under a separate centralized cash management system applicable to our business operations.

For the North Texas System, prior to February 14, 2007, cash distributions are deemed to have occurred through partners’ capital and are reflected as an adjustment to partners’ capital. For the period from January 1, 2007 through February 13, 2007, deemed net capital distributions from us were \$0.5 million. For the SAOU and LOU Systems for the period from January 1, 2007 through October 23, 2007, deemed net capital distributions from us were \$133.6 million. For the Downstream Business for the period from January 1, 2007 through September 23, 2009, net capital distributions of cash to (from) Targa were \$71.2 million, \$166.1 million and \$(26.0) million for 2009, 2008 and 2007.

Transactions with GCF

For the years 2009, 2008 and 2007, transactions with GCF which were included in revenues totaled \$0.2 million, \$0.5 million and \$4.5 million. For the same periods, transactions included in costs and expenses were \$1.4 million, \$3.5 million and \$3.3 million. These transactions were at market prices consistent with similar transactions with nonaffiliated entities.

Relationships with Warburg Pincus LLC

Chansoo Joung and Peter Kagan, two of the directors of Targa, are Managing Directors of Warburg Pincus LLC and are also directors of Broad Oak Energy, Inc. (“Broad Oak”) from whom we buy natural gas and NGL products. Affiliates of Warburg Pincus LLC own a controlling interest in Broad Oak. We purchased \$9.7 million and \$4.8 million of product from Broad Oak during 2009 and 2008. These transactions were at market prices consistent with similar transactions with nonaffiliated entities.

Relationships with Bank of America

Equity

An affiliate of BofA is an equity investor in Targa Investments, which indirectly owns our general partner.

Financial Services

BofA is a lender and an administrative agent under our senior secured credit facility.

Hedging Arrangements

We have entered into various commodity derivative transactions with BofA. The following table shows our open commodity derivatives with BofA as of December 31, 2009:

Period	Commodity	Daily Volumes		Average Price		Index
Jan 2010 - Dec 2010	Natural Gas	3,289	MMBtu	\$ 7.39	per MMBtu	IF-WAHA
Jan 2010 - Jun 2010	Natural Gas	663	MMBtu	8.16	per MMBtu	NY-HH
Jan 2010 - Dec 2010	Condensate	181	Bbl	69.28	per Bbl	NY-WTI

As of December 31, 2009, the fair value of these open positions was an asset of \$0.9 million. During 2009, 2008 and 2007, we received from (paid to) BofA \$25.4 million, (\$9.1) million and (\$1.9) million in commodity derivative settlements.

Commercial Relationships

We have executed NGL sales and purchase transactions on the spot market with BofA. For the years 2009, 2008 and 2007, sales to BofA which were included in revenues totaled \$0.5 million, \$4.4 million and \$18.1 million. For the same periods, purchases from BofA were \$0.3 million, \$0.8 million and \$9.4 million.

Note 16—Commitments and Contingencies

Certain property and equipment is leased under non-cancelable leases that require fixed monthly rental payments and expire at various dates through 2099. Transportation contracts require us to make payments for capacity and expire at various dates through 2013. Surface and underground access for gathering, processing, and distribution assets that are located on property not owned by us is obtained through right-of-way agreements, which require annual rental payments and expire at various dates through 2099. Future non-cancelable commitments related to certain contractual obligations are presented below:

	Payments Due by Period							
	Total	2010	2011	2012	2013	2014	Thereafter	
Operating lease obligations (1)	\$ 38.0	\$ 8.9	\$ 6.5	\$ 6.2	\$ 3.3	\$ 2.6	\$ 10.5	
Capacity payments (2)	2.7	2.0	0.7	-	-	-	-	
Right-of-way	11.4	0.9	0.8	0.8	0.7	0.5	7.7	
	\$ 52.1	\$ 11.8	\$ 8.0	\$ 7.0	\$ 4.0	\$ 3.1	\$ 18.2	

(1) Include minimum lease payment obligations associated with gas processing plant site leases and railcar leases.

(2) Consist of capacity payments for firm transportation contracts.

Total expenses related to operating leases, right-of-way and capacity payments were \$10.7 million, \$1.1 million, and \$3.4 million for 2009, \$11.3 million, \$2.2 million and \$3.1 million for 2008, and \$13.1 million, \$1.4 million and \$2.9 million for 2007.

Environmental

Under the Omnibus Agreement described in Note 15, Targa indemnified us for three years from February 14, 2007 against certain potential environmental claims, losses and expenses associated with the operation of the North Texas System occurring before such date that were not reserved on the books of the North Texas System. Targa's maximum liability for this indemnification obligation will not exceed \$10.0 million and Targa will not have any obligation under this indemnification until our aggregate losses exceed \$250,000. We have indemnified Targa against environmental liabilities related to the North Texas System arising or occurring after February 14, 2007.

Our environmental liabilities not covered by the Omnibus Agreement are for ground water assessment and remediation and such reserves were less than \$0.1 million as of December 31, 2008.

Legal Proceedings

We are a party to various legal proceedings and/or regulatory proceedings and certain claims, suits and complaints arising in the ordinary course of business have been filed or are pending against us. We believe all such matters are without merit or involve amounts which, if resolved unfavorably, would not have a material effect on our financial position, results of operations, or cash flows, except for the items more fully described below.

On December 8, 2005, WTG Gas Processing ("WTG") filed suit in the 333rd District Court of Harris County, Texas against several defendants, including Targa Resources, Inc. and three other Targa entities and private equity funds affiliated with Warburg Pincus LLC, seeking damages from the defendants. The suit alleges that Targa and private equity funds affiliated with Warburg Pincus, along with ConocoPhillips Company ("ConocoPhillips") and Morgan Stanley, tortiously interfered with (i) a contract WTG claims to have had to purchase the SAOU System from ConocoPhillips and (ii) prospective business relations of WTG. WTG claims the alleged interference resulted from Targa's competition to purchase the ConocoPhillips' assets and its successful acquisition of those assets in

2004. On October 2, 2007, the District Court granted defendants’ motions for summary judgment on all of WTG’s claims. WTG’s motion to reconsider and for a new trial was overruled. On January 2, 2008, WTG filed a notice of appeal. On February 3, 2009, the parties presented oral arguments to the 14th Court of Appeals in Houston Texas.

Subsequent event. On February 23, 2010, the 14th Court of Appeals affirmed the District Court’s final judgment in favor of defendants in its entirety. Targa has agreed to indemnify us for any claim or liability arising out of the WTG suit.

Note 17—Fair Value of Financial Instruments

The estimated fair values of our assets and liabilities classified as financial instruments have been determined using available market information and valuation methodologies described below. Considerable judgment is required in interpreting market data to develop the estimates of fair value. The use of different market assumptions or valuation methodologies may have a material effect on the estimated fair value amounts.

The carrying values of items comprising current assets and current liabilities approximate fair values due to the short term maturities of these instruments. Derivative financial instruments included in our financial statements are stated at fair value.

The carrying value of the senior secured revolving credit facility approximates its fair value, as its interest rate is based on prevailing market rates. The fair value of the senior unsecured notes is based on quoted market prices based on trades of such debt. The carrying value of the notes payable to Parent at December 31, 2008 approximates their fair value as they were settled at their stated amount on September 24, 2009. The carrying amounts and fair values of our other financial instruments are as follows as of the dates indicated:

	As of December 31,			
	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Senior unsecured notes, 8¼% fixed rate	\$ 209.1	\$ 206.5	\$ 209.1	\$ 128.3
Senior unsecured notes, 11¼% fixed rate (1)	220.1	253.5	-	-
Notes payable to Parent:				
Targa Downstream LP	-	-	744.0	744.0
Targa LSNG LP	-	-	29.9	29.9

(1) The carrying amount of the 11¼% Notes includes \$11.2 million of unamortized original issue discount as of December 31, 2009.

Note 18—Fair Value Measurements

We account for the fair value of our financial assets and liabilities using a three-tier fair value hierarchy, which prioritizes the significant inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Our derivative instruments consist of financially settled commodity and interest rate swap and option contracts and fixed price commodity contracts with certain customers. We determine the value of our derivative contracts utilizing a discounted cash flow model for swaps and a standard option pricing model for options, based on inputs that are readily available in public markets. We have consistently applied these valuation techniques in all periods presented and believe we have obtained the most accurate information available for the types of derivative contracts we hold. We have categorized the inputs for these contracts as Level 2 or Level 3.

The following tables set forth, by level within the fair value hierarchy, our financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2009 and 2008. These financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of the fair value assets and liabilities and their placement within the fair value hierarchy levels.

As of December 31, 2009	Total	Level 1	Level 2	Level 3
Assets from commodity derivative contracts	\$ 31.5	\$ -	\$ 31.5	\$ -
Assets from interest rate derivatives	2.1	-	2.1	-
Total assets	\$ 33.6	\$ -	\$ 33.6	\$ -
Liabilities from commodity derivative contracts	\$ 32.0	\$ -	\$ 21.9	\$ 10.1
Liabilities from interest rate derivatives	12.7	-	12.7	-
Total liabilities	\$ 44.7	\$ -	\$ 34.6	\$ 10.1

As of December 31, 2008	Total	Level 1	Level 2	Level 3
Assets from commodity derivative contracts	\$ 160.1	\$ -	\$ 36.8	\$ 123.3
Assets from interest rate derivatives	-	-	-	-
Total assets	\$ 160.1	\$ -	\$ 36.8	\$ 123.3
Liabilities from commodity derivative contracts	\$ 3.9	\$ -	\$ 3.9	\$ -
Liabilities from interest rate derivatives	17.5	-	17.5	-
Total liabilities	\$ 21.4	\$ -	\$ 21.4	\$ -

The following table sets forth a reconciliation of the changes in the fair value of our financial instruments classified as Level 3 in the fair value hierarchy:

	Commodity Derivative Contracts	
	2009	2008
Balance, December 31, 2008	\$ 123.3	\$ (71.4)
Unrealized gains (losses) included in OCI	(37.7)	99.1
Purchases	-	2.9
Terminations	-	77.8
Settlements	(31.4)	14.9
Transfers out of Level 3 (1)	(64.3)	-
Balance, December 31, 2009	\$ (10.1)	\$ 123.3

- (1) During 2009, we reclassified certain of our NGL derivative contracts from Level 3 (unobservable inputs in which little or no market data exist) to Level 2 as we were able to obtain directly observable inputs other than quoted prices in active markets.

Note 19—Segment Information

We categorize the midstream natural gas industry into, and describe our business in, two divisions: (i) Natural Gas Gathering and Processing (also a segment) and (ii) NGL Logistics and Marketing. Our NGL Logistics and Marketing division consists of three segments: (a) Logistics Assets, (b) NGL Distribution and Marketing and (c) Wholesale Marketing.

The Natural Gas Gathering and Processing segment includes assets used in the gathering of natural gas produced from oil and gas wells and processing this raw natural gas into merchantable natural gas by extracting

natural gas liquids and removing impurities. These assets are located in North Texas, Louisiana and the Permian Basin of West Texas.

The Logistics Assets segment is involved with gathering and storing mixed NGLs and fractionating, storing, and transporting of finished NGLs. These assets are generally connected to and supplied, in part, by our Natural Gas Gathering and Processing segment and are predominantly located in Mont Belvieu, Texas and Western Louisiana.

The NGL Distribution and Marketing segment markets our own natural gas liquids production and purchased natural gas liquids products in selected United States markets. We also had the right to purchase or market substantially all of Chevron's natural gas liquids pursuant to a Master Natural Gas Liquids Purchase Agreement.

The Wholesale Marketing segment includes our refinery services business and wholesale propane marketing operations. In our refinery services business, we provide liquefied petroleum gas balancing services, purchase natural gas liquids products from refinery customers and sell natural gas liquids products to various customers. Our wholesale propane marketing operations include the sale of propane and related logistics services to multi-state retailers, independent retailers and other end users. Wholesale Marketing operates principally in the United States, and has a small marketing presence in Canada.

Eliminations and Other includes amounts related to general and administrative expenses not allocated to segment operations, corporate development, interest expense, income tax expense, and the depreciation and cost of equipment used in our headquarters office. Eliminations and Other also includes the elimination of intersegment revenues and expenses.

Our reportable segment information is shown in the following tables:

	Year Ended December 31, 2009					
	Natural Gas Gathering and Processing	Logistics Assets	NGL Distribution and Marketing	Wholesale Marketing	Eliminations and Other	Total
Revenues from third parties	\$ 448.9	\$ 118.6	\$ 2,522.2	\$ 808.0	\$ -	\$ 3,897.7
Revenues from affiliates	197.0	0.2	-	0.7	-	197.9
Intersegment revenues	430.6	95.5	414.0	77.3	(1,017.4)	-
Revenues	1,076.5	214.3	2,936.2	886.0	(1,017.4)	4,095.6
Product purchases from third parties	655.3	-	1,721.1	454.2	-	2,830.6
Product purchases from affiliates	169.3	-	585.7	-	-	755.0
Intersegment product purchases	32.1	-	583.3	408.1	(1,023.5)	-
Product purchases	856.7	-	2,890.1	862.3	(1,023.5)	3,585.6
Operating expenses	51.4	106.6	0.3	-	-	158.3
Operating expenses from affiliates	-	20.7	-	-	6.1	26.8
Operating expenses	51.4	127.3	0.3	-	6.1	185.1
Operating margin	\$ 168.4	\$ 87.0	\$ 45.8	\$ 23.7	\$ -	\$ 324.9
Other financial information:						
Equity in earnings of unconsolidated investment	\$ -	\$ 5.0	\$ -	\$ -	\$ -	\$ 5.0
Identifiable assets	1,284.5	494.0	214.2	117.9	70.3	2,180.9
Unconsolidated investments	-	18.5	-	-	-	18.5
Capital expenditures	28.8	22.0	9.8	-	-	60.6
Revenues by type:						
Commodity Sales	\$ 1,065.6	\$ 0.1	\$ 2,907.9	\$ 884.5	\$ (919.8)	\$ 3,938.3
Services	11.1	212.3	28.3	1.0	(97.6)	155.1
Other	(0.2)	1.9	-	0.5	-	2.2
	\$ 1,076.5	\$ 214.3	\$ 2,936.2	\$ 886.0	\$ (1,017.4)	\$ 4,095.6

Year Ended December 31, 2008						
	Natural Gas Gathering and Processing	Logistics Assets	NGL Distribution and Marketing	Wholesale Marketing	Eliminations and Other	Total
Revenues from third parties	\$ 848.7	\$ 106.0	\$ 4,642.1	\$ 1,415.5	\$ -	\$ 7,012.3
Revenues from affiliates	489.1	-	-	0.7	-	489.8
Intersegment revenues	736.3	132.0	571.3	43.9	(1,483.5)	-
Revenues	2,074.1	238.0	5,213.4	1,460.1	(1,483.5)	7,502.1
Product purchases from third parties	1,479.0	(0.1)	3,474.0	900.2	-	5,853.1
Product purchases from affiliates	286.9	-	808.6	2.2	-	1,097.7
Intersegment product purchases	37.1	0.1	910.6	544.5	(1,492.3)	-
Product purchases	1,803.0	-	5,193.2	1,446.9	(1,492.3)	6,950.8
Operating expenses from third parties	55.3	138.1	1.7	0.1	-	195.2
Operating expenses from affiliates	-	50.0	-	-	8.8	58.8
Operating expenses	55.3	188.1	1.7	0.1	8.8	254.0
Operating margin	\$ 215.8	\$ 49.9	\$ 18.5	\$ 13.1	\$ -	\$ 297.3
Other financial information:						
Equity in earnings of unconsolidated investment	\$ -	\$ 3.9	\$ -	\$ -	\$ -	\$ 3.9
Identifiable assets	1,580.9	498.2	142.3	115.7	(22.3)	2,314.8
Unconsolidated investments	-	18.5	-	-	-	18.5
Capital expenditures	59.0	41.5	-	-	-	100.5
Revenues by type:						
Commodity sales	\$ 2,063.7	\$ -	\$ 5,172.2	\$ 1,453.2	\$ (1,349.3)	\$ 7,339.8
Services	10.4	235.4	31.6	0.4	(134.1)	143.7
Other	-	2.6	9.6	6.5	(0.1)	18.6
	<u>\$ 2,074.1</u>	<u>\$ 238.0</u>	<u>\$ 5,213.4</u>	<u>\$ 1,460.1</u>	<u>\$ (1,483.5)</u>	<u>\$ 7,502.1</u>

Year Ended December 31, 2007						
	Natural Gas Gathering and Processing	Logistics Assets	NGL Distribution and Marketing	Wholesale Marketing	Eliminations and Other	Total
Revenues from third parties	\$ 630.8	\$ 83.1	\$ 4,447.2	\$ 1,265.2	\$ -	\$ 6,426.3
Revenues from affiliates	420.0	-	(3.3)	0.7	-	417.4
Intersegment revenues	610.7	112.0	479.5	30.1	(1,232.3)	-
Revenues	1,661.5	195.1	4,923.4	1,296.0	(1,232.3)	6,843.7
Product purchases from third parties	1,215.7	-	3,350.1	783.4	-	5,349.2
Product purchases from affiliates	188.5	-	764.1	0.2	-	952.8
Intersegment product purchases	2.6	-	752.2	489.5	(1,244.3)	-
Product purchases	1,406.8	-	4,866.4	1,273.1	(1,244.3)	6,302.0
Operating expenses from third parties	50.9	122.6	1.5	0.1	-	175.1
Operating expenses from affiliates	-	32.5	-	-	12.0	44.5
Operating expenses	50.9	155.1	1.5	0.1	12.0	219.6
Operating margin	\$ 203.8	\$ 40.0	\$ 55.5	\$ 22.8	\$ -	\$ 322.1
Other financial information:						
Equity in earnings of unconsolidated investment	\$ -	\$ 3.5	\$ -	\$ -	\$ -	\$ 3.5
Identifiable assets	1,480.0	482.2	588.5	239.7	15.8	2,806.2
Unconsolidated investments	-	19.2	-	-	-	19.2
Capital expenditures	43.9	35.2	(0.2)	-	-	78.9
Revenues by type:						
Commodity Sales	\$ 1,652.5	\$ -	\$ 4,889.3	\$ 1,294.6	\$ (1,118.1)	\$ 6,718.3
Services	7.2	195.1	30.3	0.6	(114.3)	118.9
Other	1.8	-	3.8	0.8	0.1	6.5
	<u>\$ 1,661.5</u>	<u>\$ 195.1</u>	<u>\$ 4,923.4</u>	<u>\$ 1,296.0</u>	<u>\$ (1,232.3)</u>	<u>\$ 6,843.7</u>

The following table is a reconciliation of operating margin to net income for each period presented:

	Year Ended December 31,		
	2009	2008	2007
Reconciliation of operating margin to net income:			
Operating margin	\$ 324.9	\$ 297.3	\$ 322.1
Depreciation and amortization expense	(101.2)	(97.8)	(93.5)
General and administrative expense	(78.9)	(68.6)	(64.0)
Interest expense, net	(95.4)	(97.1)	(99.4)
Income tax expense	(1.0)	(2.4)	(2.5)
Other, net	5.8	18.3	(27.5)
Net income	<u>\$ 54.2</u>	<u>\$ 49.7</u>	<u>\$ 35.2</u>

Note 20—Other Operating Income

Our other operating (income) expense consists of the following items for the periods indicated:

	Year Ended December 31,		
	2009	2008	2007
Casualty loss adjustment (see Note 12)	\$ (0.8)	\$ 5.0	\$ -
Loss (gain) on sale of assets	-	(5.9)	(0.3)
	<u>\$ (0.8)</u>	<u>\$ (0.9)</u>	<u>\$ (0.3)</u>

Note 21—Supplemental Cash Flow Information

The following table provides supplemental cash flow information for each period presented:

	Year Ended December 31,		
	2009	2008	2007
Cash:			
Interest paid	\$ 27.0	\$ 29.3	\$ 15.5
Non-cash:			
Net settlement of allocated indebtedness and debt issue costs	287.3	-	941.5
Net contribution of affiliated receivables	-	-	184.5
Non-cash long-term debt allocation of payments from Parent	-	-	(419.3)
Debt issue costs allocated from Parent	-	-	(9.7)
Like-kind exchange of property, plant and equipment	-	5.8	-
Inventory line-fill transferred to property, plant and equipment	9.8	-	(0.2)
Issuance of Common Units in Downstream Acquisition	129.8	-	-
Issuance of General Partner Units in Downstream Acquisition	2.7	-	-

Note 22—Significant Risks and Uncertainties
Nature of Operations in Midstream Energy Industry

We operate in the midstream energy industry. Our business activities include gathering, transporting, processing, fractionating and storage of natural gas, NGLs and crude oil. Our results of operations, cash flows and financial condition may be affected by (i) changes in the commodity prices of these hydrocarbon products and (ii) changes in the relative price levels among these hydrocarbon products. In general, the prices of natural gas, NGLs, condensate and other hydrocarbon products are subject to fluctuations in response to changes in supply, market uncertainty and a variety of additional factors that are beyond our control.

Our profitability could be impacted by a decline in the volume of natural gas, NGLs and condensate transported, gathered or processed at our facilities. A material decrease in natural gas or condensate production or condensate refining, as a result of depressed commodity prices, a decrease in exploration and development activities or otherwise, could result in a decline in the volume of natural gas, NGLs and condensate handled by our facilities.

A reduction in demand for NGL products by the petrochemical, refining or heating industries, whether because of (i) general economic conditions, (ii) reduced demand by consumers for the end products made with NGL products, (iii) increased competition from petroleum-based products due to the pricing differences, (iv) adverse weather conditions, (v) government regulations affecting commodity prices and production levels of hydrocarbons or the content of motor gasoline or (vi) other reasons, could also adversely affect our results of operations, cash flows and financial position.

Counterparty Risk with Respect to Financial Instruments

Where we are exposed to credit risk in our financial instrument transactions, management analyzes the counterparty's financial condition prior to entering into an agreement, establishes credit and/or margin limits and monitors the appropriateness of these limits on an ongoing basis. Generally, management does not require collateral and does not anticipate nonperformance by our counterparties.

We have master netting agreements with most of our hedge counterparties. These netting agreements allow us to net settle asset and liability positions with the same counterparties. As of December 31, 2009, we had \$7.4 million in liabilities to offset the default risk of counterparties with which we also had asset positions of \$25.9 million as of that date.

Casualty or Other Risks

Targa maintains coverage in various insurance programs on our behalf, which provides us with property damage, business interruption and other coverages which are customary for the nature and scope of our operations.

Management believes that Targa has adequate insurance coverage, although insurance may not cover every type of interruption that might occur. As a result of insurance market conditions, premiums and deductibles for certain insurance policies have increased substantially, and in some instances, certain insurance may become unavailable, or available for only reduced amounts of coverage. As a result, Targa may not be able to renew existing insurance policies or procure other desirable insurance on commercially reasonable terms, if at all.

If we were to incur a significant liability for which we were not fully insured, it could have a material impact on our consolidated financial position and results of operations. In addition, the proceeds of any such insurance may not be paid in a timely manner and may be insufficient if such an event were to occur. Any event that interrupts the revenues generated by us, or which causes us to make significant expenditures not covered by insurance, could reduce our ability to meet our financial obligations.

A portion of the insurance costs described above is allocated to us by Targa through the allocation methodology as prescribed in the Omnibus Agreement described in Note 15.

Under the Omnibus Agreement, Targa has also indemnified us for losses attributable to rights-of-way, certain consents or governmental permits, pre-closing litigation relating to the North Texas System and income taxes attributable to pre-closing operations that were not reserved on the books of the North Texas System as of February 14, 2007. Targa does not have any obligation under these indemnifications until our aggregate losses exceed \$250,000. We have indemnified Targa for all losses attributable to the post-closing operations of the North Texas System. Targa's obligations under this additional indemnification will survive for three years from February 14, 2007, except that the indemnification for income tax liabilities will terminate upon the expiration of the applicable statutes of limitations.

Note 23—Selected Quarterly Financial Data (Unaudited)

Our results of operations by quarter for the years ended December 31, 2009 and 2008, as adjusted to reflect the consideration of common control accounting as discussed in Note 2, were as follows:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
	(In millions, except per unit amounts)				
Year Ended December 31, 2009:					
Revenues	\$ 916.0	\$ 916.3	\$ 1,008.5	\$ 1,254.8	\$ 4,095.6
Operating income	18.7	32.7	39.4	54.8	145.6
Net income (loss)	(5.4)	9.3	10.9	39.4	54.2
Net income (loss) per limited partner unit - basic and diluted	(0.09)	0.10	0.17	0.56	0.86
Year Ended December 31, 2008:					
Revenues	\$ 2,085.3	\$ 2,128.3	\$ 2,222.5	\$ 1,066.0	\$ 7,502.1
Operating income (loss)	45.2	67.9	(7.4)	26.1	131.8
Net income (loss)	22.8	45.0	(38.1)	20.0	49.7
Net income per limited partner unit - basic and diluted	0.50	0.54	0.31	0.48	1.83

As discussed in Note 3, we recorded an adjustment in the third quarter of 2009 related to prior period natural gas transactions which increased revenues, operating income, and net income by \$1.8 million.

The following table reconciles the previously reported amounts to those shown above. This table show the first and second quarter 2009 adjustments applicable to our acquisition of the Downstream Business:

	Historical Targa Resources Partners LP	Downstream Business	Adjustments	Targa Resources Partners LP
First Quarter 2009				
Revenues	\$ 239.0	\$ 764.4	\$ (87.4)	\$ 916.0
Operating income	7.4	11.3	-	18.7
Net income (loss)	(2.1)	(3.3)	-	(5.4)
Net loss per limited partner unit - basic and diluted	(0.09)	-	-	(0.09)
Second Quarter 2009				
Revenues	\$ 240.7	\$ 779.5	\$ (103.9)	\$ 916.3
Operating income	16.7	16.0	-	32.7
Net income (loss)	6.5	2.8	-	9.3
Net income per limited partner unit - basic and diluted	0.10	-	-	0.10

During 2009, we reclassified NGL marketing fractionation and other service fees to revenues that were originally recorded in product purchase costs. This reclassification had no impact on our income from operations, net income, financial position or cash flows. The following table reconciles the previously reported amounts for the periods indicated.

	Revenues As Reported	Adjustments	Adjusted Revenues
	\$	\$	\$
First Quarter 2008	2,079.5	5.8	2,085.3
Second Quarter 2008	2,120.2	8.1	2,128.3
Third Quarter 2008	2,214.9	7.6	2,222.5
Fourth Quarter 2008	1,058.9	7.1	1,066.0
First Quarter 2009	912.3	3.7	916.0
Second Quarter 2009	906.1	10.2	916.3
Third Quarter 2009	1,003.8	4.7	1,008.5

CREDIT AGREEMENT

Dated as of February 14, 2007

Among

TARGA RESOURCES PARTNERS LP,

as the Borrower,

BANK OF AMERICA, N.A.,

as the Administrative Agent, Swing Line Lender

and

L/C Issuer,

WACHOVIA BANK, NATIONAL ASSOCIATION,

as the Syndication Agent,

MERRILL LYNCH CAPITAL,

ROYAL BANK OF CANADA,

and

THE ROYAL BANK OF SCOTLAND PLC,

as the Co-Documentation Agents,

and

The Other Lenders Party Hereto

BANC OF AMERICA SECURITIES LLC and WACHOVIA CAPITAL MARKETS, LLC

as

Joint Lead Arrangers

and

BANC OF AMERICA SECURITIES LLC,

as

Sole Book Manager

\$500,000,000 Five-Year Revolving Credit Facility

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CREDIT AGREEMENT

This CREDIT AGREEMENT (“Agreement”) is entered into as of February 14, 2007, among Targa Resources Partners L.P, a Delaware limited partnership (the “Borrower”), each lender from time to time party hereto (collectively, the “Lenders” and individually, a “Lender”), and Bank of America, N.A., as Administrative Agent, Collateral Agent, Swing Line Lender and L/C Issuer.

The Borrower has requested that the Lenders provide a revolving credit facility, and the Lenders are willing to do so on the terms and conditions set forth herein.

In consideration of the mutual covenants and agreements herein contained, the parties hereto covenant and agree as follows:

ARTICLE I. DEFINITIONS AND ACCOUNTING TERMS

1.01 **Defined Terms.** As used in this Agreement, the following terms shall have the meanings set forth below:

“Acquired Entity or Business” means any Person, property, business or asset acquired by the Borrower or any Restricted Subsidiary (but not any related Person, property, business or assets to the extent not so acquired), to the extent not subsequently sold, transferred or otherwise disposed by the Borrower or such Restricted Subsidiary.

“Acquisition” means the acquisition by the Borrower from Targa of all the outstanding partnership interests of Targa North Texas.

“Additional Debt” means Indebtedness for borrowed money other than Indebtedness described in Section 7.03.

“Administrative Agent” means Bank of America in its capacity as administrative agent under any of the Loan Documents, or any successor administrative agent.

“Administrative Agent’s Office” means the Administrative Agent’s address and, as appropriate, account as set forth on Schedule 10.02, or such other address or account as the Administrative Agent may from time to time notify to the Borrower and the Lenders.

“Administrative Questionnaire” means an Administrative Questionnaire in a form supplied by the Administrative Agent.

“Affiliate” means, with respect to any Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

“**Agent-Related Persons**” means, with respect to any Agent, such Agent, together with its Affiliates, and the officers, directors, employees, agents, advisors and attorneys-in-fact of such Agent and its Affiliates.

“**Agents**” means, collectively, the Administrative Agent, the Collateral Agent and the Syndication Agent.

“**Aggregate Commitments**” means the Commitments of all the Lenders.

“**Agreement**” means this Credit Agreement.

“**Applicable Percentage**” means with respect to any Lender at any time, the percentage (carried out to the ninth decimal place) of the Aggregate Commitments represented by such Lender’s Commitment at such time. If the commitment of each Lender to make Loans and the obligation of the L/C Issuer to make L/C Credit Extensions have been terminated pursuant to [Section 8.02](#) or if the Aggregate Commitments have expired, then the Applicable Percentage of each Lender shall be determined based on the Applicable Percentage of such Lender most recently in effect, giving effect to any subsequent assignments. The initial Applicable Percentage of each Lender is set forth opposite the name of such Lender on [Schedule 2.01](#) or in the Assignment and Assumption pursuant to which such Lender becomes a party hereto, as applicable.

“**Applicable Rate**” means, from time to time, the following percentages per annum, based upon, as of any date of determination, the ratio of (i) Consolidated Funded Indebtedness as of such date to (ii) Consolidated Adjusted EBITDA for the period of four consecutive fiscal quarters most recently ended for which the Compliance Certificate has been received by Administrative Agent pursuant to [Section 6.02\(b\)](#), or (c):

Pricing Level	Consolidated Funded Indebtedness to Consolidated Adjusted EBITDA	Commitment Fee	Revolver	
			Eurodollar Rate	Revolver Base Rate
1	Greater than or equal to 5.25 to 1.0	0.35%	2.25%	1.25%
2	Less than 5.25 to 1.00 but greater than or equal to 4.75 to 1.0	0.35%	2.00%	1.00%
3	Less than 4.75 to 1.00 but greater than or equal to 4.25 to 1.0	0.30%	1.75%	0.75%
4	Less than 4.25 to 1.00 but greater than or equal to 3.75 to 1.0	0.30%	1.50%	0.50%
5	Less than 3.75 to 1.00 but greater than or equal to 3.25 to 1.0	0.25%	1.25%	0.25%
6	Less than 3.25 to 1.00	0.20%	1.00%	0.00%

Any increase or decrease in the Applicable Rate resulting from a change in the ratio of Consolidated Funded Indebtedness to Consolidated Adjusted EBITDA shall become effective as of the first Business Day immediately following the date a Compliance Certificate is delivered pursuant to [Section 6.02\(b\)](#) or (c); provided, however, that at the option of the Administrative Agent or the Required Lenders, the highest Pricing Level (i.e., the Pricing Level that produces the highest Applicable Rate) shall apply as of the first Business Day after the date on which a Compliance Certificate was required to have been delivered but was not delivered, and shall continue to so apply to and including the date on which such Compliance Certificate is so delivered (and thereafter the Pricing Level otherwise determined in accordance with this definition shall apply). The Applicable Rate in effect from the Closing Date through the date following the Closing Date on which a Compliance Certificate is delivered or to be delivered pursuant to [Section 6.02\(b\)](#) or (c) shall be determined based upon Pricing Level 4.

“[Approved Fund](#)” means any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

“[Arranger](#)” means each of Banc of America Securities LLC and Wachovia Capital Markets, LLC, in its capacity as a joint lead arranger.

“[Assignee Group](#)” means two or more Eligible Assignees that are Affiliates of one another or two or more Approved Funds managed by the same investment advisor.

“[Assignment and Assumption](#)” means an assignment and assumption entered into by a Lender and an Eligible Assignee (with the consent of any party whose consent is required by [Section 10.06\(b\)](#)), and accepted by the Administrative Agent, in substantially the form of [Exhibit E](#) or any other form approved by the Administrative Agent.

“[Attributable Indebtedness](#)” means, on any date, (a) in respect of any Capital Lease of any Person, the capitalized amount thereof that would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP, and (b) in respect of any Synthetic Lease Obligation, the capitalized amount of the remaining lease payments under the relevant lease that would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP if such lease were accounted for as a Capital Lease.

“[Audited Financial Statements](#)” means the audited Consolidated financial statements of the predecessor business of the Borrower and its Subsidiaries for the ten month period ended October 31, 2005 and the two month period ended December 31, 2005, and the related Consolidated statements of income or operations, shareholders’ equity and cash flows for such periods of the predecessor business of the Borrower and its Subsidiaries, including the notes thereto.

“Availability Period” means the period from and including the Closing Date to the earliest of (a) the Maturity Date, (b) the date of termination of the Aggregate Commitments pursuant to Section 2.06, and (c) the date of termination of the commitment of each Lender to make Loans and of the obligation of the L/C Issuer to make L/C Credit Extensions pursuant to Section 8.02.

“Bank of America” means Bank of America, N.A. and its successors.

“Base Rate” means for any day a fluctuating rate per annum equal to the higher of (a) the Federal Funds Rate plus 1/2 of 1% and (b) the rate of interest in effect for such day as publicly announced from time to time by Bank of America as its “prime rate.” The “prime rate” is a rate set by Bank of America based upon various factors including Bank of America’s costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate. Any change in such rate announced by Bank of America shall take effect at the opening of business on the day specified in the public announcement of such change.

“Base Rate Committed Loan” means a Committed Loan that is a Base Rate Loan.

“Base Rate Loan” means a Loan that bears interest based on the Base Rate.

“Borrower” has the meaning specified in the introductory paragraph hereto.

“Borrower Materials” has the meaning specified in Section 6.02.

“Borrower’s Partnership Agreement” means the Amended and Restated Agreement of Limited Partnership of the Borrower dated February 14, 2007, as the same may be amended, restated, supplemented, or otherwise modified from time to time.

“Borrowing” means a Committed Borrowing or a Swing Line Borrowing, as the context may require.

“Business Day” means any day other than a Saturday, Sunday or other day on which commercial banks are authorized to close under the Laws of, or are in fact closed in, the state where the Administrative Agent’s Office is located and, if such day relates to any Eurodollar Rate Loan, means any such day on which dealings in Dollar deposits are conducted by and between banks in the London interbank eurodollar market.

“Capital Lease” means any lease that has been or should be, in accordance with GAAP recorded as a capital lease.

“Capital Lease Obligation” means, with respect to any Person and a Capital Lease, the amount of the obligation of such Person as the lessee under such Capital Lease which would, in accordance with GAAP, appear as a liability on a balance sheet of such Person as of the date of any determination thereof.

“Cash Collateralize” has the meaning specified in Section 2.03(g).

“**Cash Management Obligations**” means obligations owed by the Borrower or any Restricted Subsidiary to any Lender or any Affiliate of a Lender in respect of any overdraft and related liabilities arising from treasury, depository and cash management services or any automated clearing house transfers of funds.

“**Change in Law**” means the occurrence, after the date of this Agreement, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation or application thereof by any Governmental Authority or (c) the making or issuance of any request, guideline or directive (whether or not having the force of law) by any Governmental Authority.

“**Change of Control**” means the earlier to occur of:

- (a) Targa shall cease to Control General Partner, or any Person, other than Targa or a Person Controlled by Targa, shall Control General Partner; or
- (b) General Partner shall cease for any reason to be the sole General Partner of the Borrower; or
- (c) Any change of control or similar event occurs under the terms of any indenture, note agreement or other agreement governing any outstanding Unsecured Note Indebtedness that result in such Unsecured Note Indebtedness becoming due and payable before its maturity or being subject to a repurchase, retirement or redemption right or option; or
- (d) Less than 50% of Targa’s Consolidated assets, after deducting therefrom the value (net of any applicable reserves) of all goodwill, trade names, trademarks, patents and other like intangible assets, are in the Present Line of Business.

“**Chico Plant**” means the cryogenic natural gas processing plant located in Wise County, Texas, including the real property owned by Targa North Texas on which the Chico Plant and related equipment and operations are located.

“**Closing Date**” means the first date all the conditions precedent in [Section 4.01](#) are satisfied or waived in accordance with [Section 10.01](#).

“**Code**” means the Internal Revenue Code of 1986.

“**Collateral**” means all property of any kind which is subject to a Lien in favor of Secured Parties (or in favor of the Administrative Agent or the Collateral Agent for the benefit of Secured Parties) or which, under the terms of any Security Document, is purported to be subject to such a Lien, in each case granted or created to secure all or part of the Obligations, the Cash Management Obligations and the Secured Swap Obligations.

“**Collateral Agent**” means Bank of America, acting through one or more of its branches or Affiliates, in its capacity as collateral agent under any of the Loan Documents, or any successor collateral agent.

“**Commitment**” means, as to each Lender, its obligation to (a) make Committed Loans to the Borrower pursuant to [Section 2.01](#), (b) purchase participations in L/C Obligations, and (c) purchase participations in Swing Line Loans, in an aggregate principal amount at any one time outstanding not to exceed the amount set forth opposite such Lender’s name on [Schedule 2.01](#) or in the Assignment and Assumption pursuant to which such Lender becomes a party hereto, as applicable, as such amount may be adjusted from time to time in accordance with this Agreement.

“**Committed Borrowing**” means a borrowing consisting of simultaneous Committed Loans of the same Type and, in the case of Eurodollar Rate Loans, having the same Interest Period made by each of the Lenders pursuant to [Section 2.01](#).

“**Committed Loan**” has the meaning specified in [Section 2.01](#).

“**Committed Loan Notice**” means a notice of (a) a Committed Borrowing, (b) a conversion of Committed Loans from one Type to the other, or (c) a continuation of Eurodollar Rate Loans, pursuant to [Section 2.02\(a\)](#), which, if in writing, shall be substantially in the form of [Exhibit A](#).

“**Compliance Certificate**” means a certificate substantially in the form of [Exhibit D](#).

“**Consolidated**” refers to the consolidation of any Person, in accordance with GAAP, with its properly Consolidated Subsidiaries. References herein to a Person’s Consolidated financial statements, financial position, financial condition, liabilities, etc. refer to the Consolidated financial statements, financial position, financial condition, liabilities, etc. of such Person and its properly Consolidated Subsidiaries. For avoidance of doubt, neither an Unrestricted Subsidiary nor a Partially Owned Operating Company shall be considered a Consolidated Subsidiary of the Borrower.

“**Consolidated Adjusted EBITDA**” means, for any period, Consolidated EBITDA; provided that, (a) if, since the beginning of the four fiscal quarter period ending on the date for which Consolidated Adjusted EBITDA is determined, the Borrower or any Consolidated Restricted Subsidiary shall have made any Material Acquisition or Disposition or a Subsidiary shall be redesignated as either an Unrestricted Subsidiary or a Restricted Subsidiary, Consolidated Adjusted EBITDA shall be calculated giving *pro forma* effect thereto as if the Material Acquisition or Disposition or redesignation had occurred on the first day of such period. Such *pro forma* effect shall be determined (i) in good faith by a Responsible Officer of General Partner, and (ii) without giving effect to any anticipated or proposed change in operations, revenues, expenses or other items included in the computation of Consolidated Adjusted EBITDA, except with the consent of the Administrative Agent in its reasonable discretion and (b) Consolidated Adjusted EBITDA may include, at the Borrower’s option, any Material Project EBITDA Adjustments as provided below. As used herein, “**Material Project EBITDA Adjustments**” means, with respect to the construction or expansion of any capital project of the Borrower or any of its Consolidated Restricted Subsidiaries, the aggregate capital cost of which (inclusive of capital costs expended prior to the acquisition thereof) is reasonably expected by the Borrower to exceed, or exceeds, \$10,000,000 (a “**Material Project**”):

(A) prior to the date on which a Material Project has achieved commercial operation (the “Commercial Operation Date”) (but including the fiscal quarter in which such Commercial Operation Date occurs), a percentage (based on the then-current completion percentage of such Material Project as of the date of determination) of an amount to be approved by Administrative Agent as the projected Consolidated EBITDA attributable to such Material Project for the first 12-month period following the scheduled Commercial Operation Date of such Material Project (such amount to be determined based upon projected revenues from customer contracts, projected revenues that are determined by the Administrative Agent, in its discretion, to otherwise be highly probable, the creditworthiness and applicable projected production of the prospective customers, capital and other costs, operating and administrative expenses, scheduled Commercial Operation Date, commodity price assumptions and other factors deemed appropriate by Administrative Agent), which may, at the Borrower's option, be added to actual Consolidated EBITDA for the fiscal quarter in which construction or expansion of such Material Project commences and for each fiscal quarter thereafter until the Commercial Operation Date of such Material Project (including the fiscal quarter in which such Commercial Operation Date occurs, but net of any actual Consolidated EBITDA attributable to such Material Project following such Commercial Operation Date); provided that if the actual Commercial Operation Date does not occur by the scheduled Commercial Operation Date, then the foregoing amount shall be reduced, for quarters ending after the scheduled Commercial Operation Date to (but excluding) the first full quarter after its Commercial Operation Date, by the following percentage amounts depending on the period of delay (based on the period of actual delay or then-estimated delay, whichever is longer): (i) 90 days or less, 0%, (ii) longer than 90 days, but not more than 180 days, 25%, (iii) longer than 180 days but not more than 270 days, 50%, (iv) longer than 270 days but not more than 365 days, 75%, and (v) longer than 365 days, 100%; and

(B) beginning with the first full fiscal quarter following the Commercial Operation Date of a Material Project and for the two immediately succeeding fiscal quarters, an amount equal to the projected Consolidated EBITDA attributable to such Material Project for the balance of the four full fiscal quarter period following such Commercial Operation Date, which may, at the Borrower's option, be added to actual Consolidated EBITDA for such fiscal quarters.

Notwithstanding the foregoing:

(i) no such Material Project EBITDA Adjustment shall be allowed with respect to any Material Project unless:

(a) at least 30 days prior to the last day of the fiscal quarter for which the Borrower desires to commence inclusion of such Material Project EBITDA Adjustment in Consolidated EBITDA with respect to a Material Project (the “Initial Quarter”), the Borrower shall have delivered to Administrative Agent written *pro forma* projections of Consolidated EBITDA attributable to such Material Project, and

(b) prior to the last day of the Initial Quarter, Administrative Agent shall have approved (such approval not to be unreasonably withheld) such projections and shall have received such other information and documentation as Administrative Agent may reasonably request, all in form and substance satisfactory to Administrative Agent, and

(ii) the aggregate amount of all Material Project EBITDA Adjustments during any period shall be limited to 15% of the total actual Consolidated EBITDA for such period (which total actual Consolidated EBITDA shall be determined without including any Material Project EBITDA Adjustments).

“**Consolidated EBITDA**” means, for any period, the sum of the Consolidated Net Income of the Borrower and its Consolidated Restricted Subsidiaries during such period, plus (a) the following to the extent deducted in calculating such Consolidated Net Income: (i) all Interest Expense for such period, (ii) all Federal, state, local and foreign income taxes (including any franchise taxes to the extent based upon net income) for such period, (iii) all depreciation, amortization (including amortization of good will, debt issue costs and amortization under FAS Rule 123) and other non-cash charges (including any provision for the reduction in the carrying value of assets recorded in accordance with GAAP, any extraordinary gains (or losses), any non-cash gains (or losses) resulting from mark to market activity as a result of the implementation of Statement of Financial Accounting Standards 133, “Accounting for Derivative Instruments and Hedging Activities”, but excluding any non-cash charges that constitute an accrual of or reserve for future cash charges, and not treating write downs or write offs of receivables as non-cash charges) for such period and (iv) costs and expenses incurred in connection with the transactions contemplated hereby and minus (b) the following to the extent included in calculating such Consolidated Net Income, (i) all Federal, state, local and foreign income tax credits for such period and (ii) all non-cash items of income (other than account receivables and similar items arising from the normal course of business and reflected as income under accrual methods of accounting consistent with past practices) for such period. For avoidance of doubt, Consolidated Net Income attributable to Unrestricted Subsidiaries, Partially Owned Operating Companies and Persons that are not Subsidiaries shall not be considered in calculating Consolidated EBITDA except to the extent of actual cash distributions to the Borrower or any of its Consolidated Restricted Subsidiaries by such Unrestricted Subsidiaries, such Partially Owned Operating Companies or such other Persons. Notwithstanding the foregoing, the actual cash distributions to the Borrower or any of its Consolidated Restricted Subsidiaries by (i) Persons who are not Subsidiaries and any of whose Equity Interests that are owned by a Loan Party are not Collateral or (ii) Unrestricted Subsidiaries, during any period that will be included in Consolidated EBITDA shall be limited in the aggregate to 15% of the total actual Consolidated EBITDA for such period (which total actual Consolidated EBITDA shall be determined without including any such distributions).

“**Consolidated Funded Indebtedness**” means, as of any date, the sum of the following (without duplication): (i) Indebtedness of the Borrower or any of its Consolidated Restricted Subsidiaries for borrowed money or evidenced by bonds, debentures, notes, loan agreements or other similar instruments, (ii) Attributable Indebtedness of the Borrower or any of its Consolidated Restricted Subsidiaries in respect of Capital Lease Obligations and Synthetic Lease Obligations or (iii) Indebtedness of the Borrower or any of its Consolidated Restricted Subsidiaries in respect of Guarantees of Indebtedness of another Person (other than the Borrower or a Restricted Subsidiary).

“**Consolidated Leverage Ratio**” means, for any date of determination (i) Consolidated Funded Indebtedness on such date of determination to (ii) Consolidated Adjusted EBITDA for the period of four consecutive fiscal quarters most recently ended prior to the date of determination.

“**Consolidated Net Income**” means, for any period, the Borrower’s and its Consolidated Restricted Subsidiaries’ gross revenues for such period, including any cash dividends or distributions actually received from any other Person during such period, minus the Borrower’s and its Restricted Subsidiaries’ expenses and other proper charges against income (including taxes on income to the extent imposed), determined on a Consolidated basis in accordance with GAAP consistently applied (including, without duplication, the elimination of earnings or losses attributable to outstanding minority interests and the exclusion of the net earnings of any Person other than a Restricted Subsidiary in which the Borrower or any of its Restricted Subsidiaries has an ownership interest).

“**Consolidated Net Tangible Assets**” means, at any date of determination, the total amount of Consolidated assets of the Borrower and its Consolidated Restricted Subsidiaries after deducting therefrom: (a) all current liabilities (excluding (i) any current liabilities that by their terms are extendable or renewable at the option of the obligor thereon to a time more than 12 months after the time as of which the amount thereof is being computed, and (ii) current maturities of long-term debt); and (b) the value (net of any applicable reserves) of all goodwill, trade names, trademarks, patents and other like intangible assets, all as set forth, or on a *pro forma* basis would be set forth, on the Consolidated balance sheet of the Borrower and its Consolidated Restricted Subsidiaries for the most recently completed fiscal quarter, prepared in accordance with GAAP.

“**Consolidated Senior Leverage Ratio**” means, for any date of determination (i) Consolidated Funded Indebtedness on such date of determination (excluding the Unsecured Note Indebtedness) to (ii) Consolidated Adjusted EBITDA for the period of four consecutive fiscal quarters most recently ended prior to the date of determination.

“**Contractual Obligation**” means, as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound.

“**Control**” means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. “**Controlling**” and “**Controlled**” have meanings correlative thereto.

“**Credit Extension**” means each of the following: (a) a Borrowing and (b) an L/C Credit Extension.

“**Debtor Relief Laws**” means the Bankruptcy Code of the United States, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium,

rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws of the United States or other applicable jurisdictions from time to time in effect and affecting the rights of creditors generally.

“Default” means any event or condition that constitutes an Event of Default or that, with the giving of any notice, the passage of time, or both, would be an Event of Default.

“Default Rate” means (a) when used with respect to Obligations other than Letter of Credit Fees, an interest rate equal to (i) the Base Rate plus (ii) the Applicable Rate, if any, applicable to Base Rate Loans plus (iii) 2% per annum; provided, however, that with respect to a Eurodollar Rate Loan, the Default Rate shall be an interest rate equal to the interest rate (including any Applicable Rate) otherwise applicable to such Loan plus 2% per annum, and (b) when used with respect to Letter of Credit Fees, a rate equal to the Applicable Rate plus 2% per annum.

“Defaulting Lender” means any Lender that (a) has failed to fund any portion of the Committed Loans, participations in L/C Obligations or participations in Swing Line Loans required to be funded by it hereunder within one Business Day of the date required to be funded by it hereunder, unless such failure has been cured, (b) has otherwise failed to pay over to the Administrative Agent or any other Lender any other amount required to be paid by it hereunder within one Business Day of the date when due, unless the subject of a good faith dispute or unless such failure has been cured, or (c) has been deemed insolvent or become the subject of a bankruptcy or insolvency proceeding.

“Disposition” or “Dispose” means the sale, transfer, license, lease or other disposition (including any sale and leaseback transaction and any sale of Equity Interests) of any property by any Person (or the granting of any option or other right to do any of the foregoing), including any sale, assignment, transfer or other disposal, with or without recourse, of any notes or accounts receivable or any rights and claims associated therewith; provided, that “Disposition” or “Dispose” shall not be deemed to include any issuance by the Borrower of any of its Equity Interest to another Person.

“DOL” means the Department of Labor, or any Governmental Authority succeeding to any of its principal functions.

“Dollar” and “\$” mean lawful money of the United States.

“Domestic Subsidiary” means any Subsidiary that is organized under the laws of any political subdivision of the United States.

“Eligible Assignee” means any Person that meets the requirements to be an assignee under Section 10.06(b)(iii), (v) and (vi) (subject to such consents, if any, as may be required under Section 10.06(b)(iii)).

“Eligible Equity Interests” means, with respect to any First-Tier Foreign Subsidiary, all shares of capital stock or other Equity Interests of whatever class of such First-Tier Foreign Subsidiary, in each case together with any certificates evidencing the same, excluding, however, all shares of capital stock or other Equity Interests of such First-Tier Foreign Subsidiary which

represent in excess of 66% of the combined voting power of all classes of capital stock or other Equity Interests of such First-Tier Foreign Subsidiary; provided, however, that if following a change in the relevant sections of the Code or the regulations, rules, rulings, notices or other official pronouncements issued or promulgated thereunder which would change the maximum percentage of the total combined voting power of all classes of capital stock or other Equity Interests of any such First-Tier Foreign Subsidiary entitled to vote that may be pledged without causing (a) the undistributed earnings of such First-Tier Foreign Subsidiary as determined for United States federal income tax purposes to be treated as a deemed dividend to, or investment in United States property of, the owner of such capital stock or other Equity Interests or (b) other material adverse consequences to the Borrower, any Guarantor, or any of their Restricted Subsidiaries, then the 66% limitation set forth above shall be changed to 1% less than such maximum percentage.

“Environmental Laws” means any and all Federal, state, local, and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, authorizations, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any Hazardous Materials into the environment, including those related to hazardous substances or wastes, air emissions and discharges to waste or public systems.

“Environmental Liability” means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the Borrower, any other Loan Party or any of their respective Subsidiaries (whether imposed by Law or imposed or assumed by any contract, agreement or other consensual arrangement or otherwise), and directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, or (d) the release or threatened release of any Hazardous Materials into the environment.

“Equity Interests” means, with respect to any Person, all of the shares of capital stock of (or other ownership or profit interests in) such Person, all of the warrants, options or other rights for the purchase or acquisition from such Person of shares of capital stock of (or other ownership or profit interests in) such Person, all of the securities convertible into or exchangeable for shares of capital stock of (or other ownership or profit interests in) such Person or warrants, rights or options for the purchase or acquisition from such Person of such shares (or such other interests), and all of the other ownership or profit interests in such Person (including partnership, member or trust interests therein), whether voting or nonvoting, and whether or not such shares, warrants, options, rights or other interests are outstanding on any date of determination.

“Equity Investors” means the Sponsor and the Management Stockholders.

“ERISA” means the Employee Retirement Income Security Act of 1974.

“ERISA Affiliate” means any trade or business (whether or not incorporated) under common control with the Borrower within the meaning of Section 414(b) or (c) of the Code (and Sections 414(m) and (o) of the Code for purposes of provisions relating to Section 412 of the Code).

“**ERISA Event**” means (a) a Reportable Event with respect to a Pension Plan; (b) a withdrawal by the Borrower or any ERISA Affiliate from a Pension Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer (as defined in Section 4001(a)(2) of ERISA) or a cessation of operations that is treated as such a withdrawal under Section 4062(e) of ERISA; (c) a complete or partial withdrawal by the Borrower or any ERISA Affiliate from a Multiemployer Plan or notification that a Multiemployer Plan is in reorganization; (d) the filing of a notice of intent to terminate, the treatment of a Plan amendment as a termination under Section 4041 or 4041A of ERISA, or the commencement of proceedings by the PBGC to terminate a Pension Plan or Multiemployer Plan; (e) an event or condition which constitutes grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan or Multiemployer Plan; or (f) the imposition of any liability under Title IV of ERISA, other than for PBGC premiums due but not delinquent under Section 4007 of ERISA, upon the Borrower or any ERISA Affiliate.

“**Eurodollar Rate**” means, for any Interest Period with respect to a Eurodollar Rate Loan, the rate per annum equal to the British Bankers Association LIBOR Rate (“**BBA LIBOR**”), as published by Reuters (or other commercially available source providing quotations of BBA LIBOR as designated by the Administrative Agent from time to time) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, for Dollar deposits (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period. If such rate is not available at such time for any reason, then the “Eurodollar Rate” for such Interest Period shall be the rate per annum determined by the Administrative Agent to be the rate at which deposits in Dollars for delivery on the first day of such Interest Period in same day funds in the approximate amount of the Eurodollar Rate Loan being made, continued or converted by Bank of America and with a term equivalent to such Interest Period would be offered by Bank of America’s London Branch to major banks in the London interbank eurodollar market at their request at approximately 11:00 a.m. (London time) two Business Days prior to the commencement of such Interest Period.

“**Eurodollar Rate Loan**” means a Committed Loan that bears interest at a rate based on the Eurodollar Rate.

“**Event of Default**” has the meaning specified in [Section 8.01](#).

“**Excess Sale Proceeds**” means Net Proceeds of a Disposition by the Borrower or any of its Restricted Subsidiaries pursuant to [Section 7.06\(m\)](#) that have not been applied within two hundred seventy (270) days after the date of receipt of such Net Proceeds to the purchase of capital assets used in the Present Line of Business.

“**Exchange Act**” means the Securities Exchange Act of 1934.

“**Excluded Taxes**” means, with respect to the Administrative Agent, any Lender, the L/C Issuer or any other recipient of any payment to be made by or on account of any obligation of the Borrower hereunder, (a) taxes imposed on or measured by its overall net income (however denominated), and franchise taxes imposed on it (in lieu of net income taxes), by the jurisdiction (or any political subdivision thereof) under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable Lending

Office is located, (b) any branch profits taxes imposed by the United States or any similar tax imposed by any other jurisdiction in which the Borrower is located and (c) in the case of a Foreign Lender (other than an assignee pursuant to a request by the Borrower under [Section 10.13](#)), any withholding tax that is imposed on amounts payable to such Foreign Lender at the time such Foreign Lender becomes a party hereto (or designates a new Lending Office) or is attributable to such Foreign Lender's failure or inability (other than as a result of a Change in Law) to comply with [Section 3.01\(e\)](#), except to the extent that such Foreign Lender (or its assignor, if any) was entitled, at the time of designation of a new Lending Office (or assignment), to receive additional amounts from the Borrower with respect to such withholding tax pursuant to [Section 3.01\(a\)](#).

"[Extraordinary Receipts](#)" means gross proceeds received by any Loan Party relating to (a) insurance in respect of casualty to property that the Borrower has determined (which determination must be made with reasonable promptness following such casualty) will not be applied to the repair or replacement thereof within two hundred seventy (270) days following such casualty, (b) payments pursuant to any indemnity agreement that the Borrower has determined (which determination must be made with reasonable promptness following receipt of such payment) will not be applied to remedy the circumstances or improve, repair or replace the property of such Loan Party pursuant to which such indemnity payment arose within two hundred seventy (270) days following such payment, or (c) pension reversions; provided that in no event shall such Extraordinary Receipts include Net Proceeds.

"[Federal Funds Rate](#)" means, for any day, the rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate (rounded upward, if necessary, to a whole multiple of 1/100 of 1%) charged to Bank of America on such day on such transactions as determined by the Administrative Agent.

"[Fee Letter](#)" means the letter agreement, dated January 4, 2007, among the Borrower, the Administrative Agent, the Syndication Agent and the Arrangers.

"[First-Tier Foreign Subsidiary](#)" means a Foreign Subsidiary that is a direct Subsidiary of the Borrower, any Guarantor or a Domestic Subsidiary.

"[Foreign Lender](#)" means any Lender that is organized under the laws of a jurisdiction other than that in which the Borrower is resident for tax purposes. For purposes of this definition, the United States, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

"[Foreign Subsidiary](#)," means, with respect to any Person, any Subsidiary of such Person which is not a Domestic Subsidiary. Any unqualified reference to any Foreign Subsidiary shall

be deemed a reference to a Foreign Subsidiary of the Borrower, unless the context clearly indicates otherwise.

“**FREB**” means the Board of Governors of the Federal Reserve System of the United States.

“**Fund**” means any Person (other than a natural person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its activities.

“**GAAP**” means generally accepted accounting principles in the United States set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or such other principles as may be approved by a significant segment of the accounting profession in the United States, that are applicable to the circumstances as of the date of determination, consistently applied.

“**General Partner**” means Targa Resources GP LLC, a Delaware limited liability company which, as of the Closing Date, is a Wholly Owned Subsidiary of Targa, and which, as of the Closing Date, owns a two percent (2%) general partner interest in, and is the sole general partner of, the Borrower.

“**Governmental Authority**” means the government of the United States or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

“**Guarantee**” means, as to any Person, (a) any obligation, contingent or otherwise, of such Person guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation payable or performable by another Person (the “primary obligor”) in any manner, whether directly or indirectly, and including any obligation of such Person, direct or indirect, (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation, (ii) to purchase or lease property, securities or services for the purpose of assuring the obligee in respect of such Indebtedness or other obligation of the payment or performance of such Indebtedness or other obligation, (iii) to maintain working capital, equity capital or any other financial statement condition or liquidity or level of income or cash flow of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation, or (iv) entered into for the purpose of assuring in any other manner the obligee in respect of such Indebtedness or other obligation of the payment or performance thereof or to protect such obligee against loss in respect thereof (in whole or in part), or (b) any Lien on any assets of such Person securing any Indebtedness or other obligation of any other Person, whether or not such Indebtedness or other obligation is assumed by such Person (or any right, contingent or otherwise, of any holder of such Indebtedness to obtain any such Lien). The amount of any Guarantee shall be deemed to be an amount equal to the stated or determinable amount of the related primary obligation, or portion thereof, in respect of which such Guarantee is made or, if

not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by the guaranteeing Person in good faith. The term “Guarantee” as a verb has a corresponding meaning.

“Guarantors” means, collectively, each Restricted Subsidiary of the Borrower that is not an Immaterial Subsidiary and has become party to the Guaranty on the Closing Date or at any time thereafter, including pursuant to the requirements of [Section 6.12](#).

“Guaranty” means the Guaranty made by the Guarantors in favor of the Administrative Agent, L/C Issuer and the Lenders, substantially in the form of [Exhibit E](#).

“Hazardous Materials” means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos-containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

“Hedging Party” means, in each case in its capacity as a party to a Swap Contract, (i) any Person that is a Lender or an Affiliate of a Lender, (ii) any Person listed on Schedule 1.01 hereto and any of such Person’s Affiliates and (iii) any other Person with the consent of the Administrative Agent, such consent not be unreasonably withheld or delayed.

“Holding Company” means, at any time, any company that at such time (a) owns (directly or indirectly through one or more other Holding Companies satisfying the requirements of this definition) a majority of the Voting Stock of the Borrower, (b) does not own any other material assets (other than cash, cash equivalents and Investments in other Holding Companies) and (c) does not engage in any business or activity other than serving as a direct or indirect holding company controlling the Borrower and activities incidental thereto.

“Immaterial Subsidiary” means any one or more Domestic Restricted Subsidiary of the Borrower or any of its Restricted Subsidiaries that, together with all other Domestic Restricted Subsidiaries that have not executed and delivered a Guaranty, contribute less than 0.5% to Consolidated Net Tangible Assets and contribute less than 5% to Consolidated EBITDA.

“Indebtedness” means, as to any Person at a particular time, without duplication, all of the following, whether or not included as indebtedness or liabilities in accordance with GAAP:

- (a) all obligations of such Person for borrowed money and all obligations of such Person evidenced by bonds, debentures, notes, loan agreements or other similar instruments;
- (b) all direct or contingent obligations of such Person arising under letters of credit (including standby and commercial), bankers’ acceptances, bank guaranties, surety bonds and similar instruments;
- (c) net obligations of such Person under any Swap Contract;

(d) all obligations of such Person to pay the deferred purchase price of property or services (other than trade accounts payable in the ordinary course of business that are (i) not unpaid for more than 90 days after the date on which such trade account payable was created or (ii) being contested in good faith by appropriate proceedings diligently conducted and adequate reserves in accordance with GAAP are being maintained by the applicable Loan Party);

(e) indebtedness (excluding prepaid interest thereon) secured by a Lien on property owned or being purchased by such Person (including indebtedness arising under conditional sales or other title retention agreements and mortgage, industrial revenue bonds, industrial development bonds and similar financings), whether or not such indebtedness shall have been assumed by such Person or is limited in recourse;

(f) all Attributable Indebtedness in respect of Capital Lease Obligations and Synthetic Lease Obligations of such Person;

(g) all obligations of such Person to purchase, redeem, retire, defease or otherwise make any payment in respect of any Equity Interest in such Person (other than as permitted pursuant to [Section 7.06](#)) or any other Person, valued, in the case of a redeemable preferred interest, at the greater of its voluntary or involuntary liquidation preference plus accrued and unpaid dividends; and

(h) all Guarantees of such Person in respect of any of the foregoing.

For all purposes hereof, the Indebtedness of any Person shall include the Indebtedness of any partnership or joint venture (other than a joint venture that is itself a corporation or limited liability company) in which such Person is a general partner or a joint venturer, unless and to the extent that such Indebtedness is expressly made non-recourse to such Person. The amount of any net obligation under any Swap Contract on any date shall be deemed to be the Swap Termination Value thereof as of such date. The amount of Indebtedness of any Person for purposes of clause (e) shall be deemed to be equal to the lesser of (i) the aggregate unpaid amount of such Indebtedness and (ii) if and to the extent such Indebtedness is limited in recourse to the property encumbered, the fair market value of the property encumbered thereby, as determined by such Person in good faith.

“[Indemnified Taxes](#)” means Taxes other than Excluded Taxes.

“[Indemnitees](#)” has the meaning specified in [Section 10.04\(b\)](#).

“[Information](#)” has the meaning specified in [Section 10.07](#).

“[Initial Financial Statements](#)” means (a) the Audited Financial Statements and (b) the unaudited *pro forma* Consolidated financial statements of the Borrower and its Consolidated Subsidiaries as of September 30, 2006 after giving effect to the Acquisition.

“[Initial Public Offering](#)” means the initial offering or issuance by the Borrower of Equity Interests pursuant to the Registration Statement.

“Intercompany Indebtedness” means all indebtedness of Targa North Texas existing prior to the date hereof owing to Targa or any of its Subsidiaries which was incurred in connection with the transfer of assets to Targa North Texas.

“Intercreditor Agreement” means the Intercreditor Agreement, substantially in the form attached as Exhibit J, among the Borrower, the Collateral Agent and any Hedging Party that is party to any Secured Hedge Agreement.

“Interest Expense” means, with respect to any period, the sum (without duplication) of the following (in each case, eliminating all offsetting debits and credits between the Borrower and its Restricted Subsidiaries and all other items required to be eliminated in the course of the preparation of Consolidated financial statements of the Borrower and its Restricted Subsidiaries in accordance with GAAP): (a) all interest, premium payments, debt discount, fees, charges and related expenses in respect of Indebtedness of the Borrower or any of its Restricted Subsidiaries (including imputed interest on Capital Lease Obligations) which are accrued during such period and whether expensed in such period or capitalized and (b) all other amounts properly treated as interest expense in accordance with GAAP.

“Interest Payment Date” means, (a) as to any Loan other than a Base Rate Loan, the last day of each Interest Period applicable to such Loan and the Maturity Date; provided, however, that if any Interest Period for a Eurodollar Rate Loan exceeds three months, the respective dates that fall every three months after the beginning of such Interest Period shall also be Interest Payment Dates; and (b) as to any Base Rate Loan (including a Swing Line Loan), the last Business Day of each March, June, September and December and the Maturity Date.

“Interest Period” means, as to each Eurodollar Rate Loan, the period commencing on the date such Eurodollar Rate Loan is disbursed or converted to or continued as a Eurodollar Rate Loan and ending on the date one, two, three or six months thereafter, as selected by the Borrower in its Committed Loan Notice or such other period that is twelve months or less requested by the Borrower and consented to by all the Lenders; provided that:

- (i) any Interest Period that would otherwise end on a day that is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day;
- (ii) any Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month at the end of such Interest Period; and
- (iii) no Interest Period shall extend beyond the Maturity Date.

“Investment” means, as to any Person, any direct or indirect acquisition or investment by such Person, whether by means of (a) the purchase or other acquisition of Equity Interests of another Person, (b) a loan, advance or capital contribution to, Guarantee or assumption of debt of, or purchase or other acquisition of any other debt or equity participation or interest in, another Person, including any partnership or joint venture interest in such other Person and any

arrangement pursuant to which the investor Guarantees Indebtedness of such other Person, or (c) the purchase or other acquisition (in one transaction or a series of transactions) of all or substantially all of the property and assets or business of another Person or assets that constitute a business unit, line of business or division of another Person. For purposes of covenant compliance, the amount of any Investment shall be the amount actually invested, without adjustment for subsequent increases or decreases in the value of such Investment.

“**IP Rights**” has the meaning specified in [Section 5.17](#).

“**IRS**” means the United States Internal Revenue Service.

“**ISP**” means, with respect to any Letter of Credit, the “International Standby Practices 1998” published by the Institute of International Banking Law & Practice, Inc. (or such later version thereof as may be in effect at the time of issuance of such Letter of Credit).

“**Issuer Documents**” means with respect to any Letter of Credit, the Letter of Credit Application, and any other document, agreement and instrument entered into by the L/C Issuer and the Borrower (or any Restricted Subsidiary) or in favor of the L/C Issuer and relating to any such Letter of Credit.

“**Laws**” means, collectively, all international, foreign, Federal, state and local statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authority, in each case whether or not having the force of law.

“**L/C Advance**” means, with respect to each Lender, such Lender’s funding of its participation in any L/C Borrowing in accordance with its Applicable Percentage.

“**L/C Borrowing**” means an extension of credit resulting from a drawing under any Letter of Credit which has not been reimbursed on the date when made or refinanced as a Committed Borrowing.

“**L/C Credit Extension**” means, with respect to any Letter of Credit, the issuance thereof or extension of the expiry date thereof, or the increase of the amount thereof.

“**L/C Issuer**” means Bank of America in its capacity as issuer of Letters of Credit hereunder, or any successor issuer of Letters of Credit hereunder.

“**L/C Obligations**” means, as at any date of determination, the aggregate amount available to be drawn under all outstanding Letters of Credit plus the aggregate of all Unreimbursed Amounts, including all L/C Borrowings. For purposes of computing the amount available to be drawn under any Letter of Credit, the amount of such Letter of Credit shall be determined in accordance with [Section 1.06](#). For all purposes of this Agreement, if on any date of determination a Letter of Credit has expired by its terms but any amount may still be drawn

thereunder by reason of the operation of Rule 3.14 of the ISP, such Letter of Credit shall be deemed to be “outstanding” in the amount so remaining available to be drawn.

“Lender” has the meaning specified in the introductory paragraph hereto and, as the context requires, includes the Swing Line Lender.

“Lending Office” means, as to any Lender, the office or offices of such Lender described as such in such Lender’s Administrative Questionnaire, or such other office or offices as a Lender may from time to time notify the Borrower and the Administrative Agent.

“Letter of Credit” means any letter of credit issued hereunder.

“Letter of Credit Application” means an application and agreement for the issuance or amendment of a Letter of Credit in the form from time to time in use by the L/C Issuer.

“Letter of Credit Expiration Date” means the day that is nine days prior to the Maturity Date then in effect (or, if such day is not a Business Day, the next preceding Business Day).

“Letter of Credit Fee” has the meaning specified in [Section 2.03\(i\)](#).

“Lien” means any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge, or preference, priority or other security interest or preferential arrangement in the nature of a security interest of any kind or nature whatsoever (including any conditional sale or other title retention agreement, any easement, right of way or other encumbrance on title to real property, and any financing lease having substantially the same economic effect as any of the foregoing).

“Loan” means an extension of credit by a Lender to the Borrower under [Article II](#) in the form of a Committed Loan or a Swing Line Loan.

“Loan Documents” means this Agreement, each Note, each Issuer Document, the Fee Letter, the Guaranty, the Security Documents, the Intercreditor Agreement and all other agreements, certificates, documents, instruments and writings at any time delivered in connection herewith or therewith (exclusive of term sheets and commitment letters).

“Loan Parties” means, collectively, the Borrower and each Guarantor.

“Management Stockholders” means the members of management of Targa or its Subsidiaries who are investors in Targa or any Holding Company.

“Mark-to-Market” means the process of revaluing for trading purposes commodity contracts held by any Person, whether in respect of physical inventory, futures, forward exchanges, swaps or other derivatives, and which contracts may have a fixed price, a floating price and fixed differential, or other pricing basis, to the current market prices for such contracts, and determining the gain or loss on such contracts, on an aggregate net trading basis for all such contracts of such Person, by comparing the original prices of such contracts to the market prices on the date of determination.

“**Material Acquisition or Disposition**” means the Acquisition or any of the following having a fair market value in excess of \$30,000,000: (a) any acquisition of any Acquired Entity or Business, (b) the Disposition of any assets (including Equity Interests) by the Borrower or any of its Restricted Subsidiaries, and (c) all mergers and consolidations of the type referred to in [Sections 7.05\(d\)](#) and [\(e\)](#).

“**Material Adverse Effect**” means (a) a material adverse effect on the business, operations, assets, liabilities (actual or contingent) or financial condition of the Borrower and its Restricted Subsidiaries, taken as a whole, (b) a material adverse effect on the ability of the Borrower or the Loan Parties (taken as a whole) to perform their respective payment obligations under any Loan Document to which the Borrower or any of the other Loan Parties is a party or (c) a material adverse effect on the rights and remedies of the Lenders under any Loan Document.

“**Maturity Date**” means February 14, 2012; provided, however, that if such date is not a Business Day, the Maturity Date shall be the next preceding Business Day.

“**Moody’s**” means Moody’s Investors Service, Inc. and any successor thereto.

“**Mortgage**” has the meaning specified in [Section 4.01\(a\)\(iv\)](#).

“**Mortgage Policy**” has the meaning specified in [Section 4.01\(a\)\(iv\)\(B\)](#).

“**Multiemployer Plan**” means any employee benefit plan of the type described in Section 4001(a)(3) of ERISA, to which any Loan Party or any ERISA Affiliate makes or is obligated to make contributions, or during the preceding five plan years, has made or been obligated to make contributions.

“**Net Proceeds**” means the remainder of (a) as applicable (i) the gross proceeds received from a Disposition (excluding proceeds that constitute capital assets used in the Present Line of Business), or (ii) the gross proceeds received by any Loan Party from the issuance of Additional Debt, as applicable, less (b) underwriter discounts and commissions, investment banking fees, legal, accounting and other professional fees and expenses, amounts required to be applied to the repayment of Indebtedness secured by a Lien permitted hereunder on any asset which is the subject of such Disposition, and other usual and customary transaction costs, net of taxes paid or reasonably estimated to be payable as a result thereof within two years of the date of the relevant Disposition as a result of any gain recognized in connection therewith and related to such Disposition or Additional Debt issuance, as applicable. To the extent any such gross proceeds are received that are not cash or cash equivalents or are not promptly converted to cash or cash equivalents, the value of such proceeds shall be the fair market value thereof at the time of receipt.

“**Note**” means a promissory note made by the Borrower in favor of a Lender evidencing Loans made by such Lender, substantially in the form of [Exhibit C](#).

“**Obligations**” means all advances to, and debts, liabilities, obligations, covenants and duties of, any Loan Party arising under any Loan Document or otherwise with respect to any Loan or Letter of Credit, whether direct or indirect (including those acquired by assumption),

absolute or contingent, due or to become due, now existing or hereafter arising and including interest and fees that accrue after the commencement by or against any Loan Party of any proceeding under any Debtor Relief Laws naming such Person as the debtor in such proceeding, regardless of whether such interest and fees are allowed claims in such proceeding.

“**Omnibus Agreement**” means the Omnibus Agreement dated as of the Closing Date among Targa, General Partner and the Borrower.

“**Organization Documents**” means, (a) with respect to any corporation, the certificate or articles of incorporation and the bylaws (or equivalent or comparable constitutive documents with respect to any non-U.S. jurisdiction); (b) with respect to any limited liability company, the certificate or articles of formation or organization and operating agreement; and (c) with respect to any partnership, joint venture, trust or other form of business entity, the partnership, joint venture or other applicable agreement of formation or organization and any agreement, instrument, filing or notice with respect thereto filed in connection with its formation or organization with the applicable Governmental Authority in the jurisdiction of its formation or organization and, if applicable, any certificate or articles of formation or organization of such entity.

“**Other Taxes**” means all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or under any other Loan Document or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any other Loan Document.

“**Outstanding Amount**” means (i) with respect to Committed Loans and Swing Line Loans on any date, the aggregate outstanding principal amount thereof after giving effect to any borrowings and prepayments or repayments of Committed Loans and Swing Line Loans, as the case may be, occurring on such date; and (ii) with respect to any L/C Obligations on any date, the amount of such L/C Obligations on such date after giving effect to any L/C Credit Extension occurring on such date and any other changes in the aggregate amount of the L/C Obligations as of such date, including as a result of any reimbursements by the Borrower of Unreimbursed Amounts.

“**Partially Owned Operating Company**,” means any Person (i) that is not a Wholly Owned Subsidiary of the Borrower where the portion of the Equity Interest not owned by the Borrower and its Restricted Subsidiaries is owned by Targa or any of its Subsidiaries, and (ii) that holds operating assets.

“**Participant**” has the meaning specified in [Section 10.06\(d\)](#).

“**PBGC**” means the Pension Benefit Guaranty Corporation.

“**Pension Plan**” means any “employee pension benefit plan” (as such term is defined in Section 3(2) of ERISA), other than a Multiemployer Plan, that is subject to Title IV of ERISA and is sponsored or maintained by the Borrower or any ERISA Affiliate or to which the Borrower or any ERISA Affiliate contributes or has an obligation to contribute, or in the case of a multiple employer or other plan described in Section 4064(a) of ERISA, has made contributions at any time during the immediately preceding five plan years.

“Permitted Acquisition” has the meaning set forth in Section 7.02(i).

“Person” means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

“Plan” means any “employee benefit plan” (as such term is defined in Section 3(3) of ERISA) established by the Borrower or, with respect to any such plan that is subject to Section 412 of the Code or Title IV of ERISA, any ERISA Affiliate.

“Platform” has the meaning specified in Section 6.02.

“Pledge and Security Agreement” means the Pledge and Security Agreement, dated as of the date hereof, and to be executed and delivered by the Borrower and the other Pledgors in favor of the Collateral Agent, substantially in the form of Exhibit H, as amended, restated, supplemented or otherwise modified from time to time, including, without limitation, by any supplement thereto executed and delivered after the date of this Agreement pursuant to Section 6.12 in order to (a) effect the joinder of any additional Subsidiary or (b) subject thereto any additional Equity Interests.

“Pledgors” means the Borrower, each Guarantor, and each of the Restricted Subsidiaries from time to time parties to the Pledge and Security Agreement.

“Present Line of Business” means (i) the Loan Parties’ existing natural gas and natural gas liquids gathering, treating, processing, terminalling, storage, transporting and marketing operations, (ii) other oil, natural gas, natural gas liquids and related products gathering, treating, processing, terminalling, storage, transporting and marketing operations and (iii) any business that is reasonably related, incidental or ancillary thereto.

“Register” has the meaning specified in Section 10.06(c).

“Registration Statement” means the Form S-1 Registration Statement filed by the Borrower with the SEC as Registration No. 333-138747, as amended.

“Related Parties” means, with respect to any Person, such Person’s Affiliates and the partners, directors, officers, employees, agents and advisors of such Person and of such Person’s Affiliates.

“Reportable Event” means any of the events set forth in Section 4043(c) of ERISA, other than events for which the 30 day notice period has been waived.

“Request for Credit Extension” means (a) with respect to a Borrowing, conversion or continuation of Committed Loans, a Committed Loan Notice, (b) with respect to an L/C Credit Extension, a Letter of Credit Application and (c) with respect to a Swing Line Loan, a Swing Line Loan Notice.

“Required Lenders” means, as of any date of determination, (subject to the Intercreditor Agreement with respect to those matters as to which Hedging Parties are entitled to vote thereunder) Lenders having more than 50% of the Aggregate Commitments or, if the

commitment of each Lender to make Loans and the obligation of the L/C Issuer to make L/C Credit Extensions have been terminated pursuant to [Section 8.02](#). Lenders holding in the aggregate more than 50% of the Total Outstandings (with the aggregate amount of each Lender's risk participation and funded participation in L/C Obligations and Swing Line Loans being deemed "held" by such Lender for purposes of this definition); provided that the Commitment of, and the portion of the Total Outstandings held or deemed held by, any Defaulting Lender shall be excluded for purposes of making a determination of Required Lenders.

"**Responsible Officer**" means the chief executive officer, chief accounting officer, president, chief financial officer, treasurer, assistant treasurer or controller of a Loan Party and, solely for purposes of notices given pursuant to [Article II](#), any other officer or employee of the applicable Loan Party so designated by any of the foregoing officers in a notice to the Administrative Agent. Any document delivered hereunder that is signed by a Responsible Officer of a Loan Party shall be conclusively presumed to have been authorized by all necessary corporate, partnership and/or other action on the part of such Loan Party and such Responsible Officer shall be conclusively presumed to have acted on behalf of such Loan Party.

"**Restricted Payment**" means any dividend or other distribution (whether in cash, securities or other property) with respect to any capital stock or other Equity Interest of any Loan Party or any Subsidiary, or any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any such capital stock or other Equity Interest, or on account of any return of capital to any Person's stockholders, partners or members (or the equivalent of any thereof), or any option, warrant or other right to acquire any such dividend or other distribution or payment.

"**Restricted Subsidiary**" means any Subsidiary that is not an Unrestricted Subsidiary or a Partially Owned Operating Company, provided, that any such Partially Owned Operating Company will be a Restricted Subsidiary of the Borrower solely for purposes of [Sections 7.01, 7.02, 7.03, 7.05, 7.06, 7.07 and 7.08](#).

"**S&P**" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. and any successor thereto.

"**SEC**" means the Securities and Exchange Commission, or any Governmental Authority succeeding to any of its principal functions.

"**Secured Hedge Agreement**" means any Swap Contract that (i) is permitted under Article 7 and (ii) is by and between any Loan Party and any Hedging Party; provided that such Swap Contract shall not constitute a Secured Hedge Agreement unless the relevant Hedging Party is a Lender or an Affiliate of a Lender or subject to the Intercreditor Agreement (a) on the Closing Date (in the case of transactions under Swap Contracts in effect on the Closing Date) or (b) on the date of an applicable transaction (in the case of transactions under Swap Contracts entered into after the Closing Date).

"**Secured Parties**" means, collectively, the Administrative Agent, the Collateral Agent, the L/C Issuer, the Lenders, any Hedging Party that is a party to a Secured Hedge Agreement,

and each co-agent or sub-agent appointed by the Administrative Agent or Collateral Agent from time to time pursuant to [Section 9.05](#).

“[Secured Swap Obligations](#)” means all obligations arising from time to time under Secured Hedge Agreements; [provided](#) that if such counterparty ceases to be a Lender hereunder or an Affiliate of a Lender hereunder, or ceases to be a party to the Intercreditor Agreement, Secured Swap Obligations shall only include such obligations to the extent arising from transactions either (i) entered into on or prior to the Closing Date if the counterparty was a Lender hereunder or an Affiliate of a Lender hereunder or a party to the Intercreditor Agreement on the Closing Date or (ii) entered into after the Closing Date if such counterparty was a Lender hereunder or an Affiliate of a Lender hereunder or a party to the Intercreditor Agreement at the time the transaction was entered into.

“[Security Documents](#)” means the instruments listed in [Schedule 4.01](#) and all other security agreements, deeds of trust, mortgages, chattel mortgages, pledges, Guarantees, financing statements, continuation statements, extension agreements and other agreements or instruments now, heretofore, or hereafter delivered by any Loan Party to Administrative Agent in connection with this Agreement or any transaction contemplated hereby to secure or Guarantee the payment of any part of the Obligations, the Secured Swap Obligations or the Cash Management Obligations or the performance of any Loan Party’s other duties and obligations under the Loan Documents or the Secured Hedge Agreements.

“[Solvent](#)” and “[Solvency](#),” mean, with respect to any Person on a particular date, that on such date (a) the fair value of the property of such Person is greater than the total amount of liabilities, including contingent liabilities, of such Person, (b) the present fair salable value of the assets of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured, (c) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person’s ability to pay such debts and liabilities as they mature, (d) such Person is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which such Person’s property would constitute an unreasonably small capital, and (e) such Person is able to pay its debts and liabilities, contingent obligations and other commitments as they mature in the ordinary course of business. The amount of contingent liabilities at any time shall be computed as the amount that, in the light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

“[Specified Acquisition](#)” means an acquisition (or series of related acquisitions) of an Acquired Entity or Business for an aggregate purchase price of not less than \$30,000,000.

“[Sponsor](#)” means Warburg Pincus LLC and its Affiliates, but not including, however, any portfolio companies of any of the foregoing.

“[Subsidiary](#),” of a Person means a corporation, partnership, joint venture, limited liability company or other business entity of which a majority of the shares of securities or other interests having ordinary voting power for the election of directors or other governing body (other than securities or interests having such power only by reason of the happening of a contingency) are

at the time beneficially owned, or the management of which is otherwise controlled, directly, or indirectly through one or more intermediaries, or both, by such Person.

“[Swap Contract](#)” means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, commodity futures contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement relating to transactions of the type described in clause (a) above (any such master agreement, together with any related schedules, a “[Master Agreement](#)”), including any such obligations or liabilities under any Master Agreement.

“[Swap Termination Value](#)” means, in respect of any one or more Swap Contracts, after taking into account the effect of any legally enforceable netting agreement relating to such Swap Contracts, (a) for any date on or after the date such Swap Contracts have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (b) for any date prior to the date referenced in clause (a), the amount(s) determined as the Mark-to-Market value(s) for such Swap Contracts, as determined based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Swap Contracts (which may include a Lender or any Affiliate of a Lender).

“[Swing Line Borrowing](#)” means a borrowing of a Swing Line Loan pursuant to [Section 2.04](#).

“[Swing Line Lender](#)” means Bank of America in its capacity as provider of Swing Line Loans, or any successor swing line lender hereunder.

“[Swing Line Loan](#)” has the meaning specified in [Section 2.04\(a\)](#).

“[Swing Line Loan Notice](#)” means a notice of a Swing Line Borrowing pursuant to [Section 2.04\(b\)](#), which, if in writing, shall be substantially in the form of [Exhibit B](#).

“[Swing Line Sublimit](#)” means an amount equal to the lesser of (a) \$100,000,000 and (b) the Aggregate Commitments. The Swing Line Sublimit is part of, and not in addition to, the Aggregate Commitments.

“[Syndication Agent](#)” means Wachovia Bank, National Association in its capacity as syndication agent under any of the Loan Documents, or any successor syndication agent.

“[Synthetic Lease Obligation](#)” means the monetary obligation of a Person under (a) a so-called synthetic, off-balance sheet or tax retention lease, or (b) an agreement for the use or

possession of property creating obligations that do not appear on the balance sheet of such Person but which, upon the insolvency or bankruptcy of such Person, would be characterized as the indebtedness of such Person (without regard to accounting treatment).

“Targa” means Targa Resources, Inc., a Delaware corporation.

“Targa Credit Agreement” means that certain Credit Agreement dated as of October 31, 2005, among Targa, Credit Suisse, as administrative agent and the lenders from time to time party thereto.

“Targa North Texas” means Targa North Texas LP, a Delaware limited partnership.

“Taxes” means all present or future taxes, levies, imposts, duties, deductions, withholdings, assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

“Threshold Amount” means an amount equal to three percent (3%) of Consolidated Net Tangible Assets of the Borrower as of the financial statements most recently delivered pursuant to [Section 4.01\(a\)\(vii\)](#), [Section 6.01\(a\)](#) or [Section 6.01\(b\)](#), as applicable.

“Total Outstandings” means the aggregate Outstanding Amount of all Loans and all L/C Obligations.

“Type” means, with respect to a Committed Loan, its character as a Base Rate Loan or a Eurodollar Rate Loan.

“UCC” means the Uniform Commercial Code as the same may from time to time be in effect in the State of New York or the Uniform Commercial Code (or similar code or statute) of another jurisdiction, to the extent it may be required to apply to any item or items of Collateral.

“Unfunded Pension Liability” means the excess of a Pension Plan’s benefit liabilities under Section 4001(a)(16) of ERISA, over the current value of that Pension Plan’s assets, determined in accordance with the assumptions used for funding the Pension Plan pursuant to Section 412 of the Code for the applicable plan year.

“United States” and “U.S.” mean the United States of America.

“Unreimbursed Amount” has the meaning specified in [Section 2.03\(c\)\(i\)](#).

“Unrestricted Subsidiary” means any Subsidiary which the Borrower has designated in writing to the Administrative Agent to be an Unrestricted Subsidiary pursuant to [Section 6.18](#) and which the Borrower has not designated to be a Restricted Subsidiary pursuant to [Section 6.18](#).

“Unsecured Note Indebtedness” means Indebtedness permitted under [Sections 7.03\(f\)](#) or [\(g\)](#).

“Voting Stock” of any Person means Equity Interests of any class or classes having ordinary voting power for the election of directors or the equivalent governing body of such Person.

“Wholly Owned Subsidiary” means any Subsidiary of a Person, all of the issued and outstanding Equity Interests are directly or indirectly (through one or more Subsidiaries) owned by such Person, excluding directors’ qualifying shares if applicable.

1.02 Other Interpretive Provisions. With reference to this Agreement and each other Loan Document, unless otherwise specified herein or in such other Loan Document:

(a) The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include,” “includes” and “including” shall be deemed to be followed by the phrase “without limitation.” The word “will” shall be construed to have the same meaning and effect as the word “shall.” Unless the context requires otherwise, (i) any definition of or reference to any agreement, instrument or other document (including any Organization Document) shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein or in any other Loan Document), (ii) any reference herein to any Person shall be construed to include such Person’s successors and assigns, (iii) the words “herein,” “hereof” and “hereunder,” and words of similar import when used in any Loan Document, shall be construed to refer to such Loan Document in its entirety and not to any particular provision thereof, (iv) all references in a Loan Document to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, the Loan Document in which such references appear, (v) any reference to any law shall include all statutory and regulatory provisions consolidating, amending, replacing or interpreting such law and any reference to any law or regulation shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time, and (vi) the words “asset” and “property” shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

(b) In the computation of periods of time from a specified date to a later specified date, the word “from” means “from and including,” the words “to” and “until” each mean “to but excluding,” and the word “through” means “to and including.”

(c) Section headings herein and in the other Loan Documents are included for convenience of reference only and shall not affect the interpretation of this Agreement or any other Loan Document.

1.03 Accounting Terms.

(a) Generally. All accounting terms not specifically or completely defined herein shall be construed in conformity with, and all financial data (including financial ratios and

other financial calculations) required to be submitted pursuant to this Agreement shall be prepared in conformity with, GAAP applied on a consistent basis, as in effect from time to time, applied in a manner consistent with that used in preparing the Audited Financial Statements, except as otherwise specifically prescribed herein.

(b) Changes in GAAP. If at any time any change in GAAP would affect the computation of any financial ratio or requirement set forth in any Loan Document, and either the Borrower or the Required Lenders shall so request, the Administrative Agent, the Lenders and the Borrower shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in GAAP (subject to the approval of the Required Lenders); provided that, until so amended, (i) such ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein and (ii) the Borrower shall provide to the Administrative Agent and the Lenders financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in GAAP.

1.04 **Rounding**. Any financial ratios required to be maintained by the Borrower pursuant to this Agreement shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed herein and rounding the result up or down to the nearest number (with a rounding-up if there is no nearest number).

1.05 **Times of Day**. Unless otherwise specified, all references herein to times of day shall be references to Eastern time (daylight or standard, as applicable).

1.06 **Letter of Credit Amounts**. Unless otherwise specified herein, the amount of a Letter of Credit at any time shall be deemed to be the stated amount of such Letter of Credit in effect at such time; provided, however, that with respect to any Letter of Credit that, by its terms or the terms of any Issuer Document related thereto, provides for one or more automatic increases in the stated amount thereof, the amount of such Letter of Credit shall be deemed to be the maximum stated amount of such Letter of Credit after giving effect to all such increases, whether or not such maximum stated amount is in effect at such time.

ARTICLE II. THE COMMITMENTS AND CREDIT EXTENSIONS

2.01 **Committed Loans**. Subject to the terms and conditions set forth herein, each Lender severally agrees to make loans (each such loan, a “Committed Loan”) to the Borrower from time to time, on any Business Day during the Availability Period, in an aggregate amount not to exceed at any time outstanding the amount of such Lender’s Commitment; provided, however, that after giving effect to any Committed Borrowing, (i) the Total Outstandings shall not exceed the Aggregate Commitments, and (ii) the aggregate Outstanding Amount of the Committed Loans of any Lender, plus such Lender’s Applicable Percentage of the Outstanding Amount of all L/C Obligations, plus such Lender’s Applicable Percentage of the Outstanding Amount of all Swing Line Loans shall not exceed such Lender’s Commitment. Within the limits of each Lender’s Commitment, and subject to the other terms and conditions hereof, the Borrower may borrow under this Section 2.01, prepay under Section 2.05, and reborrow under

this [Section 2.01](#). Committed Loans may be Base Rate Loans or Eurodollar Rate Loans, as further provided herein.

2.02 Borrowings, Conversions and Continuations of Committed Loans.

(a) Each Committed Borrowing, each conversion of Committed Loans from one Type to the other, and each continuation of Eurodollar Rate Loans shall be made upon the Borrower's irrevocable notice to the Administrative Agent, which may be given by telephone. Each such notice must be received by the Administrative Agent not later than (i) noon three Business Days prior to the requested date of any Borrowing of, conversion to or continuation of Eurodollar Rate Loans or of any conversion of Eurodollar Rate Loans to Base Rate Committed Loans, and (ii) 11:00 a.m. on the requested date of any Borrowing of Base Rate Committed Loans; provided, however, that if the Borrower wishes to request Eurodollar Rate Loans having an Interest Period other than one, two, three or six months in duration as provided in the definition of "Interest Period", the applicable notice must be received by the Administrative Agent not later than noon four Business Days prior to the requested date of such Borrowing, conversion or continuation, whereupon the Administrative Agent shall give prompt notice to the Lenders of such request and determine whether the requested Interest Period is acceptable to all of them. Not later than noon, three Business Days before the requested date of such Borrowing, conversion or continuation, the Administrative Agent shall notify the Borrower (which notice may be by telephone) whether or not the requested Interest Period has been consented to by all the Lenders. Each telephonic notice by the Borrower pursuant to this [Section 2.02\(a\)](#) must be confirmed promptly by delivery to the Administrative Agent of a written Committed Loan Notice, appropriately completed and signed by a Responsible Officer of General Partner. Each Borrowing of, conversion to or continuation of Eurodollar Rate Loans shall be in a principal amount of \$5,000,000 or a whole multiple of \$1,000,000 in excess thereof or in the amount of the unused Commitments. Except as provided in [Sections 2.03\(c\)](#) and [2.04\(c\)](#), each Borrowing of or conversion to Base Rate Committed Loans shall be in a principal amount of \$500,000 or a whole multiple of \$100,000 in excess thereof or in the amount of the unused Commitments. Each Committed Loan Notice (whether telephonic or written) shall specify (i) whether the Borrower is requesting a Committed Borrowing, a conversion of Committed Loans from one Type to the other, or a continuation of Eurodollar Rate Loans, (ii) the requested date of the Borrowing, conversion or continuation, as the case may be (which shall be a Business Day), (iii) the principal amount of Committed Loans to be borrowed, converted or continued, (iv) the Type of Committed Loans to be borrowed or to which existing Committed Loans are to be converted, and (v) if applicable, the duration of the Interest Period with respect thereto. If the Borrower fails to specify a Type of Committed Loan in a Committed Loan Notice or if the Borrower fails to give a timely notice requesting a conversion or continuation, then the applicable Committed Loans shall be made as, or converted to, Base Rate Loans (unless the Committed Loan being continued is a Eurodollar Rate Loan, in which case it shall be continued as a Eurodollar Rate Loan with an Interest Period of one month). Any such automatic conversion to Base Rate Loans or continuations as Eurodollar Rate Loans shall be effective as of the last day of the Interest Period then in effect with respect to the applicable Eurodollar Rate Loans. If the Borrower requests a Borrowing of, conversion to, or continuation of Eurodollar Rate Loans in any such Committed Loan Notice, but fails to specify an Interest Period, it will be deemed to have specified an Interest Period of one month.

(b) Following receipt of a Committed Loan Notice, the Administrative Agent shall promptly notify each Lender of the amount of its Applicable Percentage of the applicable Committed Loans, and if no timely notice of a conversion or continuation is provided by the Borrower, the Administrative Agent shall notify each Lender of the details of any automatic conversion to Base Rate Loans or continuations as Eurodollar Rate Loans described in the preceding subsection. In the case of a Committed Borrowing, each Lender shall make the amount of its Committed Loan available to the Administrative Agent in immediately available funds at the Administrative Agent's Office not later than 1:00 p.m. on the Business Day specified in the applicable Committed Loan Notice. Upon satisfaction of the applicable conditions set forth in [Section 4.02](#) (and, if such Borrowing is the initial Credit Extension, [Section 4.01](#)), the Administrative Agent shall make all funds so received available to the Borrower in like funds as received by the Administrative Agent either by (i) crediting the account of the Borrower on the books of Bank of America with the amount of such funds or (ii) wire transfer of such funds, in each case in accordance with instructions provided to (and reasonably acceptable to) the Administrative Agent by the Borrower; provided, however, that if, on the date the Committed Loan Notice with respect to such Borrowing is given by the Borrower, there are L/C Borrowings outstanding, then the proceeds of such Borrowing, first, shall be applied to the payment in full of any such L/C Borrowings, and second, shall be made available to the Borrower as provided above.

(c) Except as otherwise provided herein, a Eurodollar Rate Loan may be continued or converted only on the last day of an Interest Period for such Eurodollar Rate Loan unless the Borrower pays the amount due, if any, under [Section 3.05](#) in connection therewith. During the existence of an Event of Default, the Administrative Agent or the Required Lenders may require that no Loans may be requested as, converted to or continued as Eurodollar Rate Loans.

(d) The Administrative Agent shall promptly notify the Borrower and the Lenders of the interest rate applicable to any Interest Period for Eurodollar Rate Loans upon determination of such interest rate. At any time that Base Rate Loans are outstanding, the Administrative Agent shall notify the Borrower and the Lenders of any change in Bank of America's prime rate used in determining the Base Rate promptly following the public announcement of such change.

(e) After giving effect to all Committed Borrowings, all conversions of Committed Loans from one Type to the other, and all continuations of Committed Loans as the same Type, there shall not be more than fifteen Interest Periods in effect with respect to Committed Loans.

2.03 Letters of Credit.

(a) The Letter of Credit Commitment.

(b) Subject to the terms and conditions set forth herein, (A) the L/C Issuer agrees, in reliance upon the agreements of the Lenders set forth in this [Section 2.03](#), (1) from time to time on any Business Day during the period from the Closing Date until the Letter of Credit Expiration Date, to issue Letters of Credit upon the request of the Borrower for the account of the Borrower or any Restricted Subsidiary, and to amend or extend Letters of Credit previously issued by it, in accordance with subsection (b) below, and (2) to honor drawings under the

Letters of Credit; and (B) the Lenders severally agree to participate in Letters of Credit issued for the account of the Borrower or any Loan Party and any drawings thereunder; provided that after taking such Letter of Credit into account, (x) the Total Outstandings shall not exceed the Aggregate Commitments, and (y) the aggregate Outstanding Amount of the Committed Loans of any Lender, plus such Lender's Applicable Percentage of the Outstanding Amount of all L/C Obligations, plus such Lender's Applicable Percentage of the Outstanding Amount of all Swing Line Loans shall not exceed such Lender's Commitment. Each request by the Borrower for the issuance or amendment of a Letter of Credit shall be deemed to be a representation by the Borrower that the L/C Credit Extension so requested complies with the conditions set forth in the proviso to the preceding sentence. Within the foregoing limits, and subject to the terms and conditions hereof, the Borrower's ability to obtain Letters of Credit shall be fully revolving, and accordingly the Borrower may, during the foregoing period, obtain Letters of Credit for the account of the Borrower or any Restricted Subsidiary to replace Letters of Credit that have expired or that have been drawn upon and reimbursed.

(c) The L/C Issuer shall not issue any Letter of Credit, if:

(A) subject to Section 2.03(b)(iii), the expiry date of such requested Letter of Credit would occur more than twelve months after the date of issuance or last extension, unless the Required Lenders have approved such expiry date; or

(B) the expiry date of such requested Letter of Credit would occur after the Letter of Credit Expiration Date, unless all the Lenders have approved such expiry date.

(d) The L/C Issuer shall not be under any obligation to issue any Letter of Credit if:

(A) any order, judgment or decree of any Governmental Authority or arbitrator shall by its terms purport to enjoin or restrain the L/C Issuer from issuing such Letter of Credit, or any Law applicable to the L/C Issuer or any request or directive (whether or not having the force of law) from any Governmental Authority with jurisdiction over the L/C Issuer shall prohibit, or request that the L/C Issuer refrain from, the issuance of letters of credit generally or such Letter of Credit in particular or shall impose upon the L/C Issuer with respect to such Letter of Credit any restriction, reserve or capital requirement (for which the L/C Issuer is not otherwise compensated hereunder) not in effect on the Closing Date, or shall impose upon the L/C Issuer any unreimbursed loss, cost or expense which was not applicable on the Closing Date and which the L/C Issuer in good faith deems material to it;

(B) the issuance of such Letter of Credit would violate any Laws or one or more policies of the L/C Issuer applicable to letters of credit generally;

(C) except as otherwise agreed by the Administrative Agent and the L/C Issuer, such Letter of Credit is in an initial stated amount less than \$100,000.

(D) such Letter of Credit is to be denominated in a currency other than Dollars;

(E) such Letter of Credit contains any provisions for automatic reinstatement of the stated amount after any drawing thereunder; or

(F) a default of any Lender's obligations to fund under [Section 2.03\(c\)](#) exists or any Lender is at such time a Defaulting Lender hereunder, unless the L/C Issuer has entered into satisfactory arrangements with the Borrower or such Lender to eliminate the L/C Issuer's risk with respect to such Lender.

(e) The L/C Issuer shall not amend any Letter of Credit if the L/C Issuer would not be permitted at such time to issue such Letter of Credit in its amended form under the terms hereof.

(f) The L/C Issuer shall be under no obligation to amend any Letter of Credit if (A) the L/C Issuer would have no obligation at such time to issue such Letter of Credit in its amended form under the terms hereof, or (B) the beneficiary of such Letter of Credit does not accept the proposed amendment to such Letter of Credit.

(g) The L/C Issuer shall act on behalf of the Lenders with respect to any Letters of Credit issued by it and the documents associated therewith, and the L/C Issuer shall have all of the benefits and immunities (A) provided to the Administrative Agent in [Article IX](#) with respect to any acts taken or omissions suffered by the L/C Issuer in connection with Letters of Credit issued by it or proposed to be issued by it and Issuer Documents pertaining to such Letters of Credit as fully as if the term "Administrative Agent" as used in [Article IX](#) included the L/C Issuer with respect to such acts or omissions, and (B) as additionally provided herein with respect to the L/C Issuer.

(h) [Procedures for Issuance and Amendment of Letters of Credit: Auto-Extension Letters of Credit.](#)

(i) Each Letter of Credit shall be issued or amended, as the case may be, upon the request of the Borrower for the account of the Borrower or any Restricted Subsidiary, as the case may be, delivered to the L/C Issuer (with a copy to the Administrative Agent) in the form of a Letter of Credit Application, appropriately completed and signed by a Responsible Officer of General Partner. Such Letter of Credit Application must be received by the L/C Issuer and the Administrative Agent not later than noon at least one Business Day (or such later date and time as the Administrative Agent and the L/C Issuer may agree in a particular instance in their sole discretion) prior to the proposed issuance date or date of amendment, as the case may be. In the case of a request for an initial issuance of a Letter of Credit, such Letter of Credit Application shall specify in form and detail reasonably satisfactory to the L/C Issuer: (A) the proposed issuance date of the requested Letter of Credit (which shall be a Business Day); (B) the amount thereof; (C) the expiry date thereof; (D) the name and address of the beneficiary thereof; (E) the documents to be presented by such beneficiary in case of any drawing thereunder; (F) the full text of any certificate to be presented by such beneficiary in case of any drawing thereunder; and (G) such other matters as the L/C Issuer may require. In the case of a request for an amendment of any outstanding Letter of Credit, such Letter of Credit Application shall specify in form and detail satisfactory to the L/C Issuer (A) the Letter of Credit to be amended; (B) the proposed date of amendment thereof (which shall be a

Business Day); (C) the nature of the proposed amendment; and (D) such other matters as the L/C Issuer may require. Additionally, the Borrower shall furnish to the L/C Issuer and the Administrative Agent such other documents and information pertaining to such requested Letter of Credit issuance or amendment, including any Issuer Documents, as the L/C Issuer or the Administrative Agent may require.

(j) Promptly after receipt of any Letter of Credit Application, the L/C Issuer will confirm with the Administrative Agent (by telephone or in writing) that the Administrative Agent has received a copy of such Letter of Credit Application from the Borrower and, if not, the L/C Issuer will provide the Administrative Agent with a copy thereof. Unless the L/C Issuer has received written notice from any Lender, the Administrative Agent or any Loan Party, at least one Business Day prior to the requested date of issuance or amendment of the applicable Letter of Credit, that one or more applicable conditions contained in [Article IV](#) shall not then be satisfied, then, subject to the terms and conditions hereof, the L/C Issuer shall, on the requested date, issue a Letter of Credit for the account of the Borrower or the applicable Restricted Subsidiary, as the case may be, or enter into the applicable amendment, as the case may be, in each case in accordance with the L/C Issuer's usual and customary business practices. Immediately upon the issuance of each Letter of Credit, each Lender shall be deemed to, and hereby irrevocably and unconditionally agrees to, purchase from the L/C Issuer a risk participation in such Letter of Credit in an amount equal to the product of such Lender's Applicable Percentage times the amount of such Letter of Credit.

(k) If the Borrower so requests in any applicable Letter of Credit Application, the L/C Issuer may, in its sole and absolute discretion, agree to issue a Letter of Credit that has automatic extension provisions (each, an "[Auto-Extension Letter of Credit](#)"); provided that any such Auto-Extension Letter of Credit must permit the L/C Issuer to prevent any such extension at least once in each twelve-month period (commencing with the date of issuance of such Letter of Credit) by giving prior notice to the beneficiary thereof not later than a day (the "[Non-Extension Notice Date](#)") in each such twelve-month period to be agreed upon at the time such Letter of Credit is issued. Unless otherwise directed by the L/C Issuer, the Borrower shall not be required to make a specific request to the L/C Issuer for any such extension. Once an Auto-Extension Letter of Credit has been issued, the Lenders shall be deemed to have authorized (but may not require) the L/C Issuer to permit the extension of such Letter of Credit at any time to an expiry date not later than the Letter of Credit Expiration Date; provided, however, that the L/C Issuer shall not permit any such extension if (A) the L/C Issuer has determined that it would not be permitted, or would have no obligation, at such time to issue such Letter of Credit in its revised form (as extended) under the terms hereof (by reason of the provisions of clause (ii) or (iii) of [Section 2.03\(a\)](#) or otherwise), or (B) it has received notice (which may be by telephone or in writing) on or before the day that is five Business Days before the Non-Extension Notice Date (1) from the Administrative Agent that the Required Lenders have elected not to permit such extension or (2) from the Administrative Agent, any Lender or the Borrower that one or more of the applicable conditions specified in [Section 4.02](#) is not then satisfied, and in each such case directing the L/C Issuer not to permit such extension.

(l) Promptly after its delivery of any Letter of Credit or any amendment to a Letter of Credit to an advising bank with respect thereto or to the beneficiary thereof, the L/C Issuer will also deliver to the Borrower and the Administrative Agent a true and complete copy of such Letter of Credit or amendment.

(m) Drawings and Reimbursements; Funding of Participations.

(n) Upon receipt from the beneficiary of any Letter of Credit of any notice of a drawing under such Letter of Credit, the L/C Issuer shall notify the Borrower and the Administrative Agent thereof. Not later than noon on the date of any payment by the L/C Issuer under a Letter of Credit (each such date, an “Honor Date”), the Borrower shall reimburse the L/C Issuer through the Administrative Agent in an amount equal to the amount of such drawing. If the Borrower fails to so reimburse the L/C Issuer by such time, the Administrative Agent shall promptly notify each Lender of the Honor Date, the amount of the unreimbursed drawing (the “Unreimbursed Amount”), and the amount of such Lender’s Applicable Percentage thereof. In such event, the Borrower shall be deemed to have requested a Committed Borrowing of Base Rate Loans to be disbursed on the Honor Date in an amount equal to the Unreimbursed Amount, without regard to the minimum and multiples specified in Section 2.02 for the principal amount of Base Rate Loans, but subject to the amount of the unutilized portion of the Aggregate Commitments and the conditions set forth in Section 4.02 (other than the delivery of a Committed Loan Notice). Any notice given by the L/C Issuer or the Administrative Agent pursuant to this Section 2.03(c)(i) may be given by telephone if immediately confirmed in writing; provided that the lack of such an immediate confirmation shall not affect the conclusiveness or binding effect of such notice.

(o) Each Lender shall upon any notice pursuant to Section 2.03(c)(i) make funds available to the Administrative Agent for the account of the L/C Issuer at the Administrative Agent’s Office in an amount equal to its Applicable Percentage of the Unreimbursed Amount not later than 1:00 p.m. on the Business Day specified in such notice by the Administrative Agent, whereupon, subject to the provisions of Section 2.03(c)(iii), each Lender that so makes funds available shall be deemed to have made a Base Rate Committed Loan to the Borrower in such amount. The Administrative Agent shall remit the funds so received to the L/C Issuer.

(p) With respect to any Unreimbursed Amount that is not fully refinanced by a Committed Borrowing of Base Rate Loans because the conditions set forth in Section 4.02 cannot be satisfied or for any other reason, the Borrower shall be deemed to have incurred from the L/C Issuer an L/C Borrowing in the amount of the Unreimbursed Amount that is not so refinanced, which L/C Borrowing shall be due and payable on demand (together with interest) and shall bear interest at the Default Rate. In such event, each Lender’s payment to the Administrative Agent for the account of the L/C Issuer pursuant to Section 2.03(c)(ii) shall be deemed payment in respect of its participation in such L/C Borrowing and shall constitute an L/C Advance from such Lender in satisfaction of its participation obligation under this Section 2.03.

(q) Until each Lender funds its Committed Loan or L/C Advance pursuant to this Section 2.03(c) to reimburse the L/C Issuer for any amount drawn under any Letter of Credit, interest in respect of such Lender’s Applicable Percentage of such amount shall be solely for the account of the L/C Issuer.

(r) Each Lender's obligation to make Committed Loans or L/C Advances to reimburse the L/C Issuer for amounts drawn under Letters of Credit, as contemplated by this [Section 2.03\(c\)](#), shall be absolute and unconditional and shall not be affected by any circumstance, including (A) any setoff, counterclaim, recoupment, defense or other right which such Lender may have against the L/C Issuer, the Borrower or any other Person for any reason whatsoever; (B) the occurrence or continuance of a Default, or (C) any other occurrence, event or condition, whether or not similar to any of the foregoing; ~~provided, however,~~ that each Lender's obligation to make Committed Loans pursuant to this [Section 2.03\(c\)](#) is subject to the conditions set forth in [Section 4.02](#) (other than delivery by the Borrower of a Committed Loan Notice). No such making of an L/C Advance shall relieve or otherwise impair the obligation of the Borrower to reimburse the L/C Issuer for the amount of any payment made by the L/C Issuer under any Letter of Credit, together with interest as provided herein.

(s) If any Lender fails to make available to the Administrative Agent for the account of the L/C Issuer any amount required to be paid by such Lender pursuant to the foregoing provisions of this [Section 2.03\(c\)](#) by the time specified in [Section 2.03\(c\)\(ii\)](#), the L/C Issuer shall be entitled to recover from such Lender (acting through the Administrative Agent), on demand, such amount with interest thereon for the period from the date such payment is required to the date on which such payment is immediately available to the L/C Issuer at a rate per annum equal to the greater of the Federal Funds Rate and a rate determined by the L/C Issuer in accordance with banking industry rules on interbank compensation, plus any administrative, processing or similar fees customarily charged by the L/C Issuer in connection with the foregoing. If such Lender pays such amount (with interest and fees as aforesaid), the amount so paid shall constitute such Lender's Committed Loan included in the relevant Committed Borrowing or L/C Advance in respect of the relevant L/C Borrowing, as the case may be. A certificate of the L/C Issuer submitted to any Lender (through the Administrative Agent) with respect to any amounts owing under this clause (vi) shall be conclusive absent manifest error.

(t) [Repayment of Participations.](#)

(u) At any time after the L/C Issuer has made a payment under any Letter of Credit and has received from any Lender such Lender's L/C Advance in respect of such payment in accordance with [Section 2.03\(c\)](#), if the Administrative Agent receives for the account of the L/C Issuer any payment in respect of the related Unreimbursed Amount or interest thereon (whether directly from the Borrower or otherwise, including proceeds of Cash Collateral applied thereto by the Administrative Agent), the Administrative Agent will distribute to such Lender its Applicable Percentage thereof (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Lender's L/C Advance was outstanding) in the same funds as those received by the Administrative Agent.

(v) If any payment received by the Administrative Agent for the account of the L/C Issuer pursuant to [Section 2.03\(c\)\(i\)](#) is required to be returned under any of the circumstances described in [Section 10.05](#) (including pursuant to any settlement entered into by the L/C Issuer in its discretion), each Lender shall pay to the Administrative Agent for the account of the L/C Issuer its Applicable Percentage thereof on demand of the Administrative Agent, plus interest thereon from the date of such demand to the date such amount is returned by such Lender, at a

rate per annum equal to the Federal Funds Rate from time to time in effect. The obligations of the Lenders under this clause shall survive the payment in full of the Obligations and the termination of this Agreement.

(w) Obligations Absolute. The obligation of the Borrower to reimburse the L/C Issuer for each drawing under each Letter of Credit and to repay each L/C Borrowing shall be absolute, unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement regardless of any circumstances, including any of the following:

(x) any lack of validity or enforceability of such Letter of Credit, this Agreement, or any other Loan Document;

(y) the existence of any claim, counterclaim, setoff, defense or other right that the Borrower or any Subsidiary may have at any time against any beneficiary or any transferee of such Letter of Credit (or any Person for whom any such beneficiary or any such transferee may be acting), the L/C Issuer or any other Person, whether in connection with this Agreement, the transactions contemplated hereby or by such Letter of Credit or any agreement or instrument relating thereto, or any unrelated transaction;

(z) any draft, demand, certificate or other document presented under such Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect; or any loss or delay in the transmission or otherwise of any document required in order to make a drawing under such Letter of Credit;

(aa) any payment by the L/C Issuer under such Letter of Credit against presentation of a draft or certificate that does not strictly comply with the terms of such Letter of Credit; or any payment made by the L/C Issuer under such Letter of Credit to any Person purporting to be a trustee in bankruptcy, debtor-in-possession, assignee for the benefit of creditors, liquidator, receiver or other representative of or successor to any beneficiary or any transferee of such Letter of Credit, including any arising in connection with any proceeding under any Debtor Relief Law; or

(bb) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing, including any other circumstance that might otherwise constitute a defense available to, or a discharge of, the Borrower or any Subsidiary.

The Borrower or the applicable Restricted Subsidiary that is the account party thereon, as the case may be, shall promptly examine a copy of each Letter of Credit and each amendment thereto that is delivered to it and, in the event of any claim of noncompliance with the Borrower's or such Restricted Subsidiary's instructions or other irregularity, the Borrower or such Restricted Subsidiary will immediately notify the L/C Issuer. The Borrower and any such Restricted Subsidiary shall be conclusively deemed to have waived any such claim against the L/C Issuer and its correspondents unless such notice is given as aforesaid.

(cc) Role of L/C Issuer. Each Lender and the Borrower agree that, in paying any drawing under a Letter of Credit, the L/C Issuer shall not have any responsibility to obtain any document (other than any sight draft, certificates and documents expressly required by the Letter of Credit) or to ascertain or inquire as to the validity or accuracy of any such document

or the authority of the Person executing or delivering any such document. None of the L/C Issuer, the Administrative Agent, any of their respective Related Parties nor any correspondent, participant or assignee of the L/C Issuer shall be liable to any Lender for (i) any action taken or omitted in connection herewith at the request or with the approval of the Lenders or the Required Lenders, as applicable; (ii) any action taken or omitted in the absence of gross negligence or willful misconduct; or (iii) the due execution, effectiveness, validity or enforceability of any document or instrument related to any Letter of Credit or Issuer Document. The Borrower and each Loan Party hereby assume all risks of the acts or omissions of any beneficiary or transferee with respect to its use of any Letter of Credit; provided, however, that this assumption is not intended to, and shall not, preclude the Borrower or a Loan Party, as the case may be, pursuing such rights and remedies as it may have against the beneficiary or transferee at law or under any other agreement. None of the L/C Issuer, the Administrative Agent, any of their respective Related Parties nor any correspondent, participant or assignee of the L/C Issuer shall be liable or responsible for any of the matters described in clauses (i) through (v) of Section 2.03(e); provided, however, that anything in such clauses to the contrary notwithstanding, the Borrower or a Loan Party, as the case may be, may have a claim against the L/C Issuer, and the L/C Issuer may be liable to the Borrower or a Loan Party, as the case may be, to the extent, but only to the extent, of any direct, as opposed to consequential or exemplary, damages suffered by the Borrower or such Loan Party, as the case may be, which the Borrower or such Loan Party proves were caused by the L/C Issuer's willful misconduct or gross negligence or the L/C Issuer's willful failure to pay under any Letter of Credit after the presentation to it by the beneficiary of a sight draft and certificate(s) strictly complying with the terms and conditions of a Letter of Credit. In furtherance and not in limitation of the foregoing, the L/C Issuer may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary, and the L/C Issuer shall not be responsible for the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign a Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason. The L/C Issuer shall deliver to the Borrower or a Restricted Subsidiary, as the case may be, copies of any documents purporting to assign or transfer a Letter of Credit issued for the account of the Borrower or such Restricted Subsidiary. The failure of L/C Issuer to deliver such documents will not relieve the Borrower or any Restricted Subsidiary of its obligations hereunder or under the other Loan Documents.

(dd) Cash Collateral. Upon the request of the Administrative Agent, (i) if the L/C Issuer has honored any full or partial drawing request under any Letter of Credit and such drawing has resulted in an L/C Borrowing and the conditions set forth in Section 4.01 to a Committed Borrowing cannot then be met, or (ii) if, as of the Letter of Credit Expiration Date, any L/C Obligation for any reason remains outstanding, the Borrower shall, in each case, immediately Cash Collateralize the then Outstanding Amount of all L/C Obligations. Sections 2.05 and 8.02(c) set forth certain additional requirements to deliver Cash Collateral hereunder. For purposes of this Section 2.03, Section 2.05 and Section 8.02(c), "Cash Collateralize" means to pledge and deposit with or deliver to the Administrative Agent, for the benefit of the L/C Issuer and the Lenders, as collateral for the L/C Obligations, cash or deposit account balances pursuant to documentation in form and substance satisfactory to the Administrative Agent and the L/C Issuer (which documents are hereby consented to by the Lenders). Derivatives of such term have corresponding meanings. The Borrower hereby grants to the

Administrative Agent, for the benefit of the L/C Issuer and the Lenders, a security interest in all such cash, deposit accounts and all balances therein and all proceeds of the foregoing. Cash Collateral shall be maintained in blocked, non-interest bearing deposit accounts at Bank of America and may be invested in cash equivalents. If at any time during which Cash Collateral is required to be maintained in respect of L/C Obligations, the Administrative Agent determines that any funds held as Cash Collateral are subject to any right or claim of any Person other than the Administrative Agent or that the total amount of such funds is less than the aggregate Outstanding Amount of all L/C Obligations, the Borrower will, forthwith upon demand by the Administrative Agent, pay to the Administrative Agent, as additional funds to be deposited as Cash Collateral, an amount equal to the excess of (x) such aggregate Outstanding Amount over (y) the total amount of funds, if any, then held as Cash Collateral that the Administrative Agent determines to be free and clear of any such right and claim. Upon the drawing of any Letter of Credit for which funds are on deposit as Cash Collateral, such funds shall be applied, to the extent permitted under applicable Laws, to reimburse the L/C Issuer. To the extent that the amount of any Cash Collateral exceeds the then Outstanding Amount of L/C Obligations and so long as no Event of Default has occurred and is continuing, the excess shall be refunded to the Borrower.

(ee) Applicability of ISP and UCP. Unless otherwise expressly agreed by the L/C Issuer and the Borrower, when a Letter of Credit is issued, (i) the Borrower may specify that either the rules of the ISP or the rules of the Uniform Customs and Practice for Documentary Credits (“UCP”), as most recently published by the International Chamber of Commerce at the time of issuance, apply to each standby Letter of Credit, and (ii) the rules of the UCP shall apply to each commercial Letter of Credit.

(ff) Letter of Credit Fees. The Borrower shall pay to the Administrative Agent for the account of each Lender in accordance with its Applicable Percentage a Letter of Credit fee (the “Letter of Credit Fee”) for each Letter of Credit issued for the account of the Borrower or a Restricted Subsidiary, as the case may be, equal to the Applicable Rate with respect to Eurodollar Rate Loans times the daily amount available to be drawn under such Letter of Credit on a quarterly basis in arrears. For purposes of computing the daily amount available to be drawn under any Letter of Credit, the amount of such Letter of Credit shall be determined in accordance with Section 1.06. Letter of Credit Fees shall be (i) computed on a quarterly basis in arrears and (ii) due and payable on the tenth Business Day after the end of each March, June, September and December, commencing with the first such date to occur after the issuance of such Letter of Credit, on the Letter of Credit Expiration Date and thereafter on demand. If there is any change in the Applicable Rate during any quarter, the daily maximum amount of each Letter of Credit shall be computed and multiplied by the Applicable Rate separately for each period during such quarter that such Applicable Rate was in effect. Notwithstanding anything to the contrary contained herein, upon the request of Administrative Agent or the Required Lenders, while any Obligation bears interest at the Default Rate pursuant to Section 2.08(b), all Letter of Credit Fees shall accrue at the Default Rate.

(gg) Fronting Fee and Documentary and Processing Charges Payable to L/C Issuer. The Borrower shall pay directly to the L/C Issuer for its own account a fronting fee with respect to each Letter of Credit issued for the account of the Borrower or a Restricted Subsidiary, as the case may be, equal to the greater of (i) \$125 or (ii) one-eighth percent

(0.125%) per annum, computed on the daily maximum amount available to be drawn under such Letter of Credit (whether or not such maximum amount is then in effect under such Letter of Credit) and on a quarterly basis in arrears, and due and payable on the tenth Business Day after the end of each March, June, September and December, commencing with the first such date to occur after the issuance of such Letter of Credit, on the Letter of Credit Expiration Date and thereafter on demand. For purposes of computing the daily amount available to be drawn under any Letter of Credit, the amount of such Letter of Credit shall be determined in accordance with [Section 1.06](#). In addition, the Borrower shall pay directly to the L/C Issuer for its own account the customary issuance, presentation, amendment and other processing fees, and other standard costs and charges, of the L/C Issuer relating to letters of credit as from time to time in effect. Such customary fees and standard costs and charges are due and payable on demand and are nonrefundable.

(hh) [Conflict with Issuer Documents](#). In the event of any conflict between the terms hereof and the terms of any Issuer Document, the terms hereof shall control.

(ii) [Letters of Credit Issued for Subsidiaries](#). Notwithstanding that a Letter of Credit issued or outstanding hereunder is in support of any obligations of, or is for the account of, a Subsidiary, the Borrower shall be obligated to reimburse the L/C Issuer hereunder for any and all drawings under such Letter of Credit. The Borrower hereby acknowledges that the issuance of Letters of Credit for the account of Restricted Subsidiaries inures to the benefit of the Borrower, and that the Borrower's business derives substantial benefits from the businesses of such Restricted Subsidiaries.

2.04 **Swing Line Loans.**

(a) [The Swing Line](#). Subject to the terms and conditions set forth herein, the Swing Line Lender agrees, in reliance upon the agreements of the other Lenders set forth in this [Section 2.04](#), to make loans (each such loan, a "[Swing Line Loan](#)") to the Borrower from time to time on any Business Day during the Availability Period in an aggregate amount not to exceed at any time outstanding the amount of the Swing Line Sublimit, notwithstanding the fact that such Swing Line Loans, when aggregated with the Applicable Percentage of the Outstanding Amount of Committed Loans and L/C Obligations of the Lender acting as Swing Line Lender, may exceed the amount of such Lender's Commitment; [provided, however](#), that after giving effect to any Swing Line Loan, (i) the Total Outstandings shall not exceed the Aggregate Commitments, and (ii) the aggregate Outstanding Amount of the Committed Loans of any Lender, [plus](#) such Lender's Applicable Percentage of the Outstanding Amount of all L/C Obligations, [plus](#) such Lender's Applicable Percentage of the Outstanding Amount of all Swing Line Loans shall not exceed such Lender's Commitment, and [provided, further](#), that the Borrower shall not use the proceeds of any Swing Line Loan to refinance any outstanding Swing Line Loan. Within the foregoing limits, and subject to the other terms and conditions hereof, the Borrower may borrow under this [Section 2.04](#), prepay under [Section 2.05](#), and reborrow under this [Section 2.04](#). Each Swing Line Loan shall be a Base Rate Loan. Immediately upon the making of a Swing Line Loan, each Lender shall be deemed to, and hereby irrevocably and unconditionally agrees to, purchase from the Swing Line Lender a risk participation in such Swing Line Loan in an amount equal to the product of such Lender's Applicable Percentage [times](#) the amount of such Swing Line Loan.

(b) **Borrowing Procedures.** Each Swing Line Borrowing shall be made upon the Borrower's irrevocable notice to the Swing Line Lender and the Administrative Agent, which may be given by telephone. Each such notice must be received by the Swing Line Lender and the Administrative Agent not later than 1:00 p.m. on the requested borrowing date, and shall specify (i) the amount to be borrowed, which shall be a minimum of \$100,000, and (ii) the requested borrowing date, which shall be a Business Day. Each such telephonic notice must be confirmed promptly by delivery to the Swing Line Lender and the Administrative Agent of a written Swing Line Loan Notice, appropriately completed and signed by a Responsible Officer of General Partner. Promptly after receipt by the Swing Line Lender of any telephonic Swing Line Loan Notice, the Swing Line Lender will confirm with the Administrative Agent (by telephone or in writing) that the Administrative Agent has also received such Swing Line Loan Notice and, if not, the Swing Line Lender will notify the Administrative Agent (by telephone or in writing) of the contents thereof. Unless the Swing Line Lender has received notice (by telephone or in writing) from the Administrative Agent (including at the request of any Lender) prior to 2:00 p.m. on the date of the proposed Swing Line Borrowing (A) directing the Swing Line Lender not to make such Swing Line Loan as a result of the limitations set forth in the proviso to the first sentence of **Section 2.04(a)**, or (B) that one or more of the applicable conditions specified in **Article IV** is not then satisfied, then, subject to the terms and conditions hereof, the Swing Line Lender will, not later than 3:00 p.m. on the borrowing date specified in such Swing Line Loan Notice, make the amount of its Swing Line Loan available to the Borrower at its office by crediting the account of the Borrower on the books of the Swing Line Lender in immediately available funds.

(c) **Refinancing of Swing Line Loans.**

(d) The Swing Line Lender at any time in its sole and absolute discretion may request, on behalf of the Borrower (which hereby irrevocably authorizes the Swing Line Lender to so request on its behalf), that each Lender make a Base Rate Committed Loan in an amount equal to such Lender's Applicable Percentage of the amount of Swing Line Loans then outstanding. Such request shall be made in writing (which written request shall be deemed to be a Committed Loan Notice for purposes hereof) and in accordance with the requirements of **Section 2.02**, without regard to the minimum and multiples specified therein for the principal amount of Base Rate Loans, but subject to the unutilized portion of the Aggregate Commitments and the conditions set forth in **Section 4.02**. The Swing Line Lender shall furnish the Borrower with a copy of the applicable Committed Loan Notice promptly after delivering such notice to the Administrative Agent. Each Lender shall make an amount equal to its Applicable Percentage of the amount specified in such Committed Loan Notice available to the Administrative Agent in immediately available funds for the account of the Swing Line Lender at the Administrative Agent's Office not later than 1:00 p.m. on the day specified in such Committed Loan Notice, whereupon, subject to **Section 2.04(c)(ii)**, each Lender that so makes funds available shall be deemed to have made a Base Rate Committed Loan to the Borrower in such amount. The Administrative Agent shall remit the funds so received to the Swing Line Lender.

(e) If for any reason any Swing Line Loan cannot be refinanced by such a Committed Borrowing in accordance with **Section 2.04(c)(i)**, the request for Base Rate Committed Loans submitted by the Swing Line Lender as set forth herein shall be deemed to

be a request by the Swing Line Lender that each of the Lenders fund its risk participation in the relevant Swing Line Loan and each Lender's payment to the Administrative Agent for the account of the Swing Line Lender pursuant to [Section 2.04\(c\)\(i\)](#) shall be deemed payment in respect of such participation.

(f) If any Lender fails to make available to the Administrative Agent for the account of the Swing Line Lender any amount required to be paid by such Lender pursuant to the foregoing provisions of this [Section 2.04\(c\)](#) by the time specified in [Section 2.04\(c\)\(i\)](#), the Swing Line Lender shall be entitled to recover from such Lender (acting through the Administrative Agent), on demand, such amount with interest thereon for the period from the date such payment is required to the date on which such payment is immediately available to the Swing Line Lender at a rate per annum equal to the greater of the Federal Funds Rate and a rate determined by the Swing Line Lender in accordance with banking industry rules on interbank compensation, plus any administrative, processing or similar fees customarily charged by the Swing Line Lender in connection with the foregoing. If such Lender pays such amount (with interest and fees as aforesaid), the amount so paid shall constitute such Lender's Committed Loan included in the relevant Committed Borrowing or funded participation in the relevant Swing Line Loan, as the case may be. A certificate of the Swing Line Lender submitted to any Lender (through the Administrative Agent) with respect to any amounts owing under this clause (iii) shall be conclusive absent manifest error.

(g) Each Lender's obligation to make Committed Loans or to purchase and fund risk participations in Swing Line Loans pursuant to this [Section 2.04\(c\)](#) shall be absolute and unconditional and shall not be affected by any circumstance, including (A) any setoff, counterclaim, recoupment, defense or other right which such Lender may have against the Swing Line Lender, the Borrower or any other Person for any reason whatsoever, (B) the occurrence or continuance of a Default, or (C) any other occurrence, event or condition, whether or not similar to any of the foregoing; provided, however, that each Lender's obligation to make Committed Loans pursuant to this [Section 2.04\(c\)](#) is subject to the conditions set forth in [Section 4.02](#). No such funding of risk participations shall relieve or otherwise impair the obligation of the Borrower to repay Swing Line Loans, together with interest as provided herein.

(h) Repayment of Participations.

(i) At any time after any Lender has purchased and funded a risk participation in a Swing Line Loan, if the Swing Line Lender receives any payment on account of such Swing Line Loan, the Swing Line Lender will distribute to such Lender its Applicable Percentage thereof in the same funds as those received by the Swing Line Lender.

(j) If any payment received by the Swing Line Lender in respect of principal or interest on any Swing Line Loan is required to be returned by the Swing Line Lender under any of the circumstances described in [Section 10.05](#) (including pursuant to any settlement entered into by the Swing Line Lender in its discretion), each Lender shall pay to the Swing Line Lender its Applicable Percentage thereof on demand of the Administrative Agent, plus interest thereon from the date of such demand to the date such amount is returned, at a rate per annum equal to the Federal Funds Rate. The Administrative Agent will make such demand

upon the request of the Swing Line Lender. The obligations of the Lenders under this clause shall survive the payment in full of the Obligations and the termination of this Agreement.

(k) Interest for Account of Swing Line Lender. The Swing Line Lender shall be responsible for invoicing the Borrower for interest on the Swing Line Loans. Until each Lender funds its Base Rate Committed Loan or risk participation pursuant to this Section 2.04 to refinance such Lender's Applicable Percentage of any Swing Line Loan, interest in respect of such Applicable Percentage shall be solely for the account of the Swing Line Lender.

(l) Payments Directly to Swing Line Lender. The Borrower shall make all payments of principal and interest in respect of the Swing Line Loans directly to the Swing Line Lender.

2.05 **Prepayments.**

(a) The Borrower may, upon notice to the Administrative Agent, at any time or from time to time voluntarily prepay Committed Loans in whole or in part without premium or penalty; provided that (i) such notice must be received by the Administrative Agent not later than (A) noon three Business Days prior to any date of prepayment of Eurodollar Rate Loans and (B) 11:00 a.m. on the date of prepayment of Base Rate Committed Loans; (ii) any prepayment of Eurodollar Rate Loans shall be in a principal amount of \$5,000,000 or a whole multiple of \$1,000,000 in excess thereof or, if less, the outstanding amount of such Loans; and (iii) any prepayment of Base Rate Committed Loans shall be in a principal amount of \$500,000 or a whole multiple of \$100,000 in excess thereof or, in each case, if less, the entire principal amount thereof then outstanding. Each such notice shall specify the date and amount of such prepayment and the Type(s) of Committed Loans to be prepaid and, if Eurodollar Rate Loans are to be prepaid, the Interest Period(s) of such Loans. The Administrative Agent will promptly notify each Lender of its receipt of each such notice and the amount of such Lender's Applicable Percentage of such prepayment. If such notice is given by the Borrower, the Borrower shall make such prepayment and the payment amount specified in such notice shall be due and payable on the date specified therein. Any prepayment of a Eurodollar Rate Loan shall be accompanied by all accrued interest on the amount prepaid, together with any additional amounts required pursuant to Section 3.05. Each such prepayment shall be applied to the Committed Loans of the Lenders in accordance with their respective Applicable Percentages. Notwithstanding anything herein to the contrary, the Borrower may rescind any notice of prepayment under this Section 2.05(a) not later than 1:00 p.m. on the Business Day before such prepayment was scheduled to take place if such prepayment would have resulted from a refinancing of the Committed Loans, which refinancing shall not be consummated or shall otherwise be delayed.

(b) The Borrower may, upon notice to the Swing Line Lender (with a copy to the Administrative Agent), at any time or from time to time, voluntarily prepay Swing Line Loans in whole or in part without premium or penalty; provided that (i) such notice must be received by the Swing Line Lender and the Administrative Agent not later than 1:00 p.m. on the date of the prepayment, and (ii) any such prepayment shall be in a minimum principal amount of \$100,000 or, if less, the entire principal amount of Swing Line Loans then outstanding. Each such notice shall specify the date and amount of such prepayment. If such notice is given by the Borrower,

the Borrower shall make such prepayment and the payment amount specified in such notice shall be due and payable on the date specified therein.

(c) If for any reason the Outstanding Amount of all Loans at any time exceeds the Aggregate Commitments then in effect, the Borrower shall within one Business Day following demand by the Administrative Agent prepay the Loans in an aggregate amount equal to such excess.

(d) On the date (or the next succeeding Business Day if such date is not a Business Day) that any Net Proceeds become Excess Sale Proceeds, (i) the Borrower shall make a mandatory prepayment of the principal of the Loans in the amount of the Excess Sale Proceeds, and (ii) the Aggregate Commitments shall be reduced, dollar for dollar, by the amount of such Excess Sale Proceeds provided, however, that prepayments and the corresponding reduction in Aggregate Commitments under this Section 2.05(d) shall not be required until the aggregate amount of unapplied Net Proceeds and unapplied Extraordinary Receipts exceeds \$5,000,000.

(e) Any Extraordinary Receipts shall be immediately applied as a mandatory prepayment on the Loans; provided, however, that prepayments under this Section 2.05(e) shall not be required until the aggregate amount of unapplied Extraordinary Receipts and unapplied Net Proceeds exceeds \$5,000,000.

(f) Immediately upon the consummation by any Loan Party of any issuance of Additional Debt (but without waiving the requirements of Administrative Agent and/or any Lender's consent to any such issuance in violation of any Loan Document), the Borrower shall make a mandatory prepayment on the Loans in an amount equal to the Net Proceeds from such issuance.

(g) Each prepayment under Section 2.05(c), (d), (e) or (f) shall be applied ratably as follows: (i) first to prepay the Outstanding Amount of the Committed Loans, and (ii) second, to repay the Outstanding Amount of the Swing Line Loans.

(h) Each prepayment of the Loans under Section 2.05(c), (d), (e) or (f) shall be accompanied by all interest then accrued and unpaid on the principal so prepaid, together with any additional amounts required pursuant to Section 3.05. Any principal or interest prepaid pursuant to this Section shall be in addition to, and not in lieu of, all payments otherwise required to be paid under the Loan Documents at the time of such prepayment. Each such prepayment shall be applied to the Committed Loans or Swing Line Loans, as applicable, of the Lenders in accordance with their respective Applicable Percentage of such Committed Loans or Swing Line Loans.

2.06 Termination or Reduction of Commitments.

The Borrower may, upon notice to the Administrative Agent, terminate the Aggregate Commitments, or from time to time permanently reduce the Aggregate Commitments; provided that (i) any such notice shall be received by the Administrative Agent not later than noon five Business Days prior to the date of termination or reduction, (ii) any such partial reduction shall be in an aggregate amount of \$5,000,000 or any whole multiple of \$1,000,000 in excess thereof, (iii) the Borrower shall not terminate or reduce the Aggregate Commitments if, after giving effect thereto and to any

concurrent prepayments hereunder, the Total Outstandings would exceed the Aggregate Commitments, and (iv) if, after giving effect to any reduction of the Aggregate Commitments, the Swing Line Sublimit exceeds the amount of the Aggregate Commitments, such Sublimit shall be automatically reduced by the amount of such excess. The Administrative Agent will promptly notify the Lenders of any such notice of termination or reduction of the Aggregate Commitments. Any reduction of the Aggregate Commitments shall be applied to the Commitment of each Lender according to its Applicable Percentage. All fees accrued until the effective date of any termination of the Aggregate Commitments shall be paid on the effective date of such termination. Notwithstanding anything herein to the contrary, the Borrower may rescind any notice of termination of Aggregate Commitments under this [Section 2.06](#) not later than 1:00 p.m. on the Business Day before such termination was scheduled to take place if such termination would have resulted from a refinancing of the Aggregate Commitments, which refinancing shall not be consummated or shall otherwise be delayed

2.07 Repayment of Loans.

- (a) The Borrower shall repay to the Lenders on the Maturity Date the aggregate principal amount of Committed Loans outstanding on such date.
- (b) The Borrower shall repay each Swing Line Loan on the earlier to occur of (i) the date ten Business Days after such Loan is made and (ii) the Maturity Date.

2.08 Interest.

(a) Subject to the provisions of subsection (b) below, (i) each Eurodollar Rate Loan shall bear interest on the outstanding principal amount thereof for each Interest Period at a rate per annum equal to the Eurodollar Rate for such Interest Period plus the Applicable Rate with respect to Eurodollar Rate Loans; (ii) each Base Rate Committed Loan shall bear interest on the outstanding principal amount thereof from the applicable borrowing date at a rate per annum equal to the Base Rate plus the Applicable Rate with respect to Base Rate Loans; and (iii) each Swing Line Loan shall bear interest on the outstanding principal amount thereof from the applicable borrowing date at a rate per annum equal to the Base Rate plus the Applicable Rate with respect to Base Rate Loans.

(b) (i) If any amount of principal of any Loan is not paid when due (after giving effect to any applicable grace periods), whether at stated maturity, by acceleration or otherwise, such amount shall thereafter bear interest at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by applicable Laws.

(ii) If any amount (other than principal of any Loan) payable by the Borrower under any Loan Document is not paid when due (after giving effect to any applicable grace periods), whether at stated maturity, by acceleration or otherwise, then upon the request of the Required Lenders, such amount shall thereafter bear interest at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by applicable Laws.

(iii) Upon the request of the Administrative Agent or Required Lenders, after an Event of Default under [Section 8.01\(a\)](#) shall have occurred and be continuing, the

Borrower shall pay interest on the principal amount of all outstanding Obligations hereunder at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by applicable Laws and shall continue to pay interest at such rate until but excluding the date on which such Event of Default is cured or waived (and thereafter the Pricing Level otherwise applicable shall apply).

(iv) Accrued and unpaid interest on past due amounts (including interest on past due interest) shall be due and payable upon demand.

(c) Interest on each Loan shall be due and payable in arrears on each Interest Payment Date applicable thereto and at such other times as may be specified herein. Interest hereunder shall be due and payable in accordance with the terms hereof before and after judgment, and before and after the commencement of any proceeding under any Debtor Relief Law.

2.09 **Fees.** In addition to certain fees described in subsections (i), and (j), of [Section 2.03](#):

(a) Commitment Fee. The Borrower shall pay to the Administrative Agent for the account of each Lender in accordance with its Applicable Percentage, a commitment fee equal to the Applicable Rate with respect to Commitment Fees times the actual daily amount by which the Aggregate Commitments exceed the Outstanding Amount of Committed Loans and L/C Obligations (but excluding, for the avoidance of doubt, the Swing Line Loans); provided, however that any commitment fee accrued with respect to the Commitment of a Lender that has failed to fund any portion of the Committed Loans required to be funded by it hereunder within one Business Day of the date required to be funded by it hereunder shall not be payable by the Borrower until such time as such failure has been cured. The commitment fees shall accrue at all times during the Availability Period, including at any time during which one or more of the conditions in [Article IV](#) are not met, and shall be due and payable quarterly in arrears on the tenth Business Day after each March, June, September and December, commencing with the first such date to occur after the Closing Date, and on the last day of the Availability Period. The commitment fees shall be calculated quarterly in arrears, and if there is any change in the Applicable Rate during any quarter, the actual daily amount shall be computed and multiplied by the Applicable Rate separately for each period during such quarter that such Applicable Rate was in effect.

(b) Other Fees.

(c) The Borrower shall pay to the Arrangers, the Administrative Agent and the Syndication Agent for their own respective accounts fees in the amounts and at the times specified in the Fee Letter. Such fees shall be fully earned when paid and shall not be refundable for any reason whatsoever.

(d) The Borrower shall pay to the Lenders such fees as shall have been separately agreed upon in writing in the amounts and at the times so specified. Such fees shall be fully earned when paid and shall not be refundable for any reason whatsoever.

2.10 Computation of Interest and Fees. All computations of interest for Base Rate Loans when the Base Rate is determined by Bank of America's "prime rate" shall be made on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed. All other computations of fees and interest shall be made on the basis of a 360-day year and actual days elapsed (which results in more fees or interest, as applicable, being paid than if computed on the basis of a 365-day year). Interest shall accrue on each Loan for the day on which the Loan is made, and shall not accrue on a Loan, or any portion thereof, for the day on which the Loan or such portion is paid, provided that any Loan that is repaid on the same day on which it is made shall, subject to Section 2.12(a), bear interest for one day. Each determination by the Administrative Agent of an interest rate or fee hereunder shall be conclusive and binding for all purposes, absent manifest error.

2.11 Evidence of Debt.

(a) The Credit Extensions made by each Lender shall be evidenced by one or more accounts or records maintained by such Lender and by the Administrative Agent in the ordinary course of business in accordance with its usual practice. The accounts or records maintained by the Administrative Agent and each Lender shall be conclusive absent manifest error of the amount of the Credit Extensions made by the Lenders to the Borrower and the interest and payments thereon. Any failure to so record or any error in doing so shall not, however, limit or otherwise affect the obligation of the Borrower hereunder to pay any amount owing with respect to the Obligations. In the event of any conflict between the accounts and records maintained by any Lender and the accounts and records of the Administrative Agent in respect of such matters, the accounts and records of the Administrative Agent shall control in the absence of manifest error. Upon the request of any Lender made through the Administrative Agent, the Borrower shall execute and deliver to such Lender (through the Administrative Agent) a Note, which shall evidence such Lender's Loans in addition to such accounts or records. Each Lender may attach schedules to its Note and endorse thereon the date, Type (if applicable), amount and maturity of its Loans and payments with respect thereto.

(b) In addition to the accounts and records referred to in Section 2.11(a), each Lender and the Administrative Agent shall maintain in accordance with its usual practice accounts or records evidencing the purchases and sales by such Lender of participations in Letters of Credit and Swing Line Loans. In the event of any conflict between the accounts and records maintained by the Administrative Agent and the accounts and records of any Lender in respect of such matters, the accounts and records of the Administrative Agent shall control in the absence of manifest error.

2.12 Payments Generally; Administrative Agent's Clawback.

(a) General. All payments to be made by the Borrower shall be made without condition or deduction for any counterclaim, defense, recoupment or setoff. Except as otherwise expressly provided herein, all payments by the Borrower hereunder shall be made to the Administrative Agent, for the account of the respective Lenders to which such payment is owed, at the Administrative Agent's Office in Dollars and in immediately available funds not later than 2:00 p.m. on the date specified herein. The Administrative Agent will promptly distribute to each Lender its Applicable Percentage (or other applicable share as provided

herein) of such payment in like funds as received by wire transfer to such Lender's Lending Office. All payments received by the Administrative Agent after 2:00 p.m. shall be deemed received on the next succeeding Business Day and any applicable interest or fee shall continue to accrue. If any payment to be made by the Borrower shall come due on a day other than a Business Day, payment shall be made on the next following Business Day, and such extension of time shall be reflected in computing interest or fees, as the case may be; except that this sentence shall not apply to the Maturity Date.

(b) (i) Funding by Lenders; Presumption by Administrative Agent. Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Committed Borrowing of Eurodollar Rate Loans (or, in the case of any Committed Borrowing of Base Rate Loans, prior to noon on the date of such Committed Borrowing) that such Lender will not make available to the Administrative Agent such Lender's share of such Committed Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with Section 2.02 (or, in the case of a Committed Borrowing of Base Rate Loans, that such Lender has made such share available in accordance with and at the time required by Section 2.02) and may, in reliance upon such assumption, make available to the Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Committed Borrowing available to the Administrative Agent, then the applicable Lender and the Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount in immediately available funds with interest thereon, for each day from and including the date such amount is made available to the Borrower to but excluding the date of payment to the Administrative Agent, at (A) in the case of a payment to be made by such Lender, the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation, plus any administrative, processing or similar fees customarily charged by the Administrative Agent in connection with the foregoing, and (B) in the case of a payment to be made by the Borrower, the interest rate applicable to Base Rate Loans. If the Borrower and such Lender shall pay such interest to the Administrative Agent for the same or an overlapping period, the Administrative Agent shall promptly remit to the Borrower the amount of such interest paid by the Borrower for such period. If such Lender pays its share of the applicable Committed Borrowing to the Administrative Agent, then the amount so paid shall constitute such Lender's Committed Loan included in such Committed Borrowing. Any payment by the Borrower shall be without prejudice to any claim the Borrower may have against a Lender that shall have failed to make such payment to the Administrative Agent.

(ii) Payments by the Borrower; Presumptions by Administrative Agent. Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders or the L/C Issuer hereunder that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders or the L/C Issuer, as the case may be, the amount due. In such event, if the Borrower has not in fact made such payment, then each of the Lenders or the L/C Issuer, as the case may be, severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender or the L/C Issuer, in immediately available funds with interest thereon, for each day from and including the date such

amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation.

A notice of the Administrative Agent to any Lender or the Borrower with respect to any amount owing under this subsection (b) shall be conclusive, absent manifest error.

(c) Failure to Satisfy Conditions Precedent. If any Lender makes available to the Administrative Agent funds for any Loan to be made by such Lender as provided in the foregoing provisions of this [Article II](#), and such funds are not made available to the Borrower by the Administrative Agent because the conditions to the applicable Credit Extension set forth in [Article IV](#) are not satisfied or waived in accordance with the terms hereof, the Administrative Agent shall return such funds (in like funds as received from such Lender) to such Lender, without interest.

(d) Obligations of Lenders Several. The obligations of the Lenders hereunder to make Committed Loans, to fund participations in Letters of Credit and Swing Line Loans and to make payments pursuant to [Section 10.04\(c\)](#) are several and not joint. The failure of any Lender to make any Committed Loan, to fund any such participation or to make any payment under [Section 10.04\(c\)](#) on any date required hereunder shall not relieve any other Lender of its corresponding obligation to do so on such date, and no Lender shall be responsible for the failure of any other Lender to so make its Committed Loan, to purchase its participation or to make its payment under [Section 10.04\(c\)](#).

(e) Funding Source. Nothing herein shall be deemed to obligate any Lender to obtain the funds for any Loan in any particular place or manner or to constitute a representation by any Lender that it has obtained or will obtain the funds for any Loan in any particular place or manner.

(f) Insufficient Funds. If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, L/C Borrowings, interest and fees then due hereunder, such funds shall be applied (i) first, toward payment of interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) second, toward payment of principal and L/C Borrowings then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal and L/C Borrowings then due to such parties

2.13 Sharing of Payments by Lenders. If any Lender shall, by exercising any right of setoff or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of the Committed Loans made by it, or the participations in L/C Obligations or in Swing Line Loans held by it resulting in such Lender's receiving payment of a proportion of the aggregate amount of such Committed Loans or participations and accrued interest thereon greater than its pro rata share thereof as provided herein, then the Lender receiving such greater proportion shall (a) notify the Administrative Agent of such fact, and (b) purchase (for cash at face value) participations in the Committed Loans and subparticipations in L/C Obligations and Swing Line Loans of the other Lenders, or make such other adjustments as shall be equitable, so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with

the aggregate amount of principal of and accrued interest on their respective Committed Loans and other amounts owing them, provided that:

(a) if any such participations or subparticipations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations or subparticipations shall be rescinded and the purchase price restored to the extent of such recovery, without interest; and

(b) the provisions of this Section shall not be construed to apply to (x) any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement or (y) any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Committed Loans or subparticipations in L/C Obligations or Swing Line Loans to any assignee or participant, other than to the Borrower or any Subsidiary thereof (as to which the provisions of this Section shall apply).

Each Loan Party consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against such Loan Party rights of setoff and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of such Loan Party in the amount of such participation.

2.14 Increase in Commitments.

(a) Request for Increase. Provided there exists no Default, without the consent of the Lenders and upon notice to the Administrative Agent (which shall promptly notify the Lenders), the Borrower may from time to time, request an increase in the Aggregate Commitments (as determined by the Borrower but subject to the approval of the Administrative Agent (such approval not to be unreasonably withheld or delayed)) by an amount that will not cause the Aggregate Commitments to be greater than the sum of (i) the Aggregate Commitments on the Closing Date, plus (ii) \$250,000,000; provided that any such request for an increase shall be in a minimum amount of \$5,000,000. At the time of sending such notice, the Borrower may request all or part of such increase from the existing Lenders and if it does so, shall specify (in consultation with the Administrative Agent) the time period within which each Lender is requested to respond (which shall in no event be less than ten Business Days from the date of delivery of such notice to the Lenders).

(b) Lender Elections to Increase. Each Lender shall notify the Administrative Agent within such time period whether or not it agrees to increase its Commitment and, if so, whether by an amount equal to, greater than, or less than its Applicable Percentage of such requested increase. Any Lender not responding within such time period shall be deemed to have declined to increase its Commitment.

(c) Notification by Administrative Agent; Additional Lenders. The Administrative Agent shall notify the Borrower and each Lender of the Lenders' responses to each request made hereunder. To achieve the full amount of a requested increase and subject to the approval of the Administrative Agent, the L/C Issuer and the Swing Line Lender (which approvals shall not be unreasonably withheld or delayed), the Borrower may also invite

additional Eligible Assignees to become Lenders pursuant to a joinder agreement in form and substance reasonably satisfactory to the Administrative Agent and its counsel. It shall not be a condition to obtaining an increase in the Aggregate Commitments that the full amount of such increase requested by the Borrower be approved by the Lenders or any additional Eligible Assignees. If less than the full amount of the increase requested by the Borrower is approved by the Lenders and any additional Eligible Assignee, the Borrower may, at its option, accept the amount of the increase so approved, or the Borrower may withdraw its request for such increase.

(d) Effective Date and Allocations. If the Aggregate Commitments are increased in accordance with this Section, the Administrative Agent and the Borrower shall determine the effective date (the “Increase Effective Date”) and the final allocation of such increase. The Administrative Agent shall promptly notify the Borrower and the Lenders of the final amount and allocation of such increase and the Increase Effective Date.

(e) Conditions to Effectiveness of Increase. As a condition precedent to such increase, the Borrower shall deliver to the Administrative Agent a certificate of each Loan Party dated as of the Increase Effective Date (in sufficient copies for each Lender) signed by a Responsible Officer of such Loan Party (i) certifying and attaching the resolutions adopted by such Loan Party approving or consenting to such increase, and (ii) in the case of the Borrower, certifying that, before and after giving effect to such increase, (A) the representations and warranties contained in Article V and the other Loan Documents are true and correct in all material respects on and as of the Increase Effective Date, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they are true and correct as of such earlier date, and except that for purposes of this Section 2.14, the representations and warranties contained in subsection (a) of Section 5.05 shall be deemed to refer to the most recent statements furnished pursuant to clauses (a) and (b) of Section 6.01, and (B) no Default exists. The Borrower shall prepay any Committed Loans outstanding on the Increase Effective Date (and pay any additional amounts required pursuant to Section 3.05) to the extent necessary to keep the outstanding Committed Loans ratable with any revised Applicable Percentages arising from any nonratable increase in the Commitments under this Section.

(f) Conflicting Provisions. This Section shall supersede any provisions in Section 2.13 or 10.01 to the contrary.

ARTICLE III. TAXES, YIELD PROTECTION AND ILLEGALITY

3.01 Taxes.

(a) Payments Free of Taxes. Any and all payments by or on account of any obligation of the Borrower hereunder or under any other Loan Document shall be made free and clear of and without reduction or withholding for any Indemnified Taxes or Other Taxes, provided that if the Borrower shall be required by applicable law to deduct any Indemnified Taxes (including any Other Taxes) from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions

applicable to additional sums payable under this Section) the Administrative Agent, Lender or L/C Issuer, as the case may be, receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall timely pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) Payment of Other Taxes by the Borrower. Without limiting the provisions of subsection (a) above, the Borrower shall timely pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) Indemnification by the Borrower. The Borrower shall indemnify the Administrative Agent, each Lender and the L/C Issuer, within 10 days after demand therefor, for the full amount of any Indemnified Taxes or Other Taxes (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) paid by the Administrative Agent, such Lender or the L/C Issuer, as the case may be, and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender or the L/C Issuer (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender or the L/C Issuer, shall be conclusive absent manifest error.

(d) Evidence of Payments. As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the Borrower to a Governmental Authority, the Borrower shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(e) Status of Lenders. Any Foreign Lender that is entitled to an exemption from or reduction of withholding tax under the law of the jurisdiction in which the Borrower is resident for tax purposes, or any treaty to which such jurisdiction is a party, with respect to payments hereunder or under any other Loan Document shall deliver to the Borrower (with a copy to the Administrative Agent), at the time or times prescribed by applicable law or reasonably requested by the Borrower or the Administrative Agent, such properly completed and executed documentation prescribed by applicable law as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if requested by the Borrower or the Administrative Agent, shall deliver such other documentation prescribed by applicable law or reasonably requested by the Borrower or the Administrative Agent as will enable the Borrower or the Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements.

Without limiting the generality of the foregoing, in the event that the Borrower is resident for tax purposes in the United States, any Foreign Lender shall deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and

from time to time thereafter upon the request of the Borrower or the Administrative Agent, but only if such Foreign Lender is legally entitled to do so), whichever of the following is applicable:

- (f) duly completed copies of Internal Revenue Service Form W-8BEN claiming eligibility for benefits of an income tax treaty to which the United States is a party,
- (g) duly completed copies of Internal Revenue Service Form W-8ECI,
- (h) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under section 881(c) of the Code, (x) a certificate to the effect that such Foreign Lender is not (A) a “bank” within the meaning of Section 881(c)(3)(A) of the Code, (B) a “10 percent shareholder” of the Borrower within the meaning of Section 881(c)(3)(B) of the Code, or (C) a “controlled foreign corporation” described in Section 881(c)(3)(C) of the Code and (y) duly completed copies of Internal Revenue Service Form W-8BEN, or
- (i) any other form prescribed by applicable law as a basis for claiming exemption from or a reduction in United States Federal withholding tax duly completed together with such supplementary documentation as may be prescribed by applicable law to permit the Borrower to determine the withholding or deduction required to be made.
- (j) **Treatment of Certain Refunds.** If the Administrative Agent, any Lender or the L/C Issuer determines, in its sole discretion, that it has received a refund of any Taxes or Other Taxes as to which it has been indemnified by the Borrower or with respect to which the Borrower has paid additional amounts pursuant to this Section, it shall pay to the Borrower an amount equal to such refund (but only to the extent of indemnity payments made, or additional amounts paid, by the Borrower under this Section with respect to the Taxes or Other Taxes giving rise to such refund), net of all out-of-pocket expenses of the Administrative Agent, such Lender or the L/C Issuer, as the case may be, and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund), provided that the Borrower, upon the request of the Administrative Agent, such Lender or the L/C Issuer, agrees to repay the amount paid over to the Borrower (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Administrative Agent, such Lender or the L/C Issuer in the event the Administrative Agent, such Lender or the L/C Issuer is required to repay such refund to such Governmental Authority. This subsection shall not be construed to require the Administrative Agent, any Lender or the L/C Issuer to make available its tax returns (or any other information relating to its taxes that it deems confidential) to the Borrower or any other Person.

3.02 **Illegality.**

If any Lender determines that any Law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for any Lender or its applicable Lending Office to make, maintain or fund Eurodollar Rate Loans, or to determine or charge interest rates based upon the Eurodollar Rate, or any Governmental Authority has imposed material restrictions on the authority of such Lender to purchase or sell, or to take deposits of, Dollars in the London interbank market, then, on notice thereof by such Lender to the Borrower through the Administrative Agent, any obligation of such Lender to make or continue Eurodollar Rate Loans or to convert Base Rate Committed Loans to Eurodollar Rate Loans shall be suspended until such Lender notifies the Administrative Agent and the Borrower that the

circumstances giving rise to such determination no longer exist. Upon receipt of such notice, the Borrower shall, upon demand from such Lender (with a copy to the Administrative Agent), prepay or, if applicable, convert all Eurodollar Rate Loans of such Lender to Base Rate Loans, either on the last day of the Interest Period therefor, if such Lender may lawfully continue to maintain such Eurodollar Rate Loans to such day, or immediately, if such Lender may not lawfully continue to maintain such Eurodollar Rate Loans. Upon any such prepayment or conversion, the Borrower shall also pay accrued interest on the amount so prepaid or converted.

3.03 Inability to Determine Rates. If the Required Lenders determine that for any reason in connection with any request for a Eurodollar Rate Loan or a conversion to or continuation thereof that (a) Dollar deposits are not being offered to banks in the London interbank eurodollar market for the applicable amount and Interest Period of such Eurodollar Rate Loan, (b) adequate and reasonable means do not exist for determining the Eurodollar Rate for any requested Interest Period with respect to a proposed Eurodollar Rate Loan, or (c) the Eurodollar Rate for any requested Interest Period with respect to a proposed Eurodollar Rate Loan does not adequately and fairly reflect the cost to such Lenders of funding such Loan, the Administrative Agent will promptly so notify the Borrower and each Lender. Thereafter, the obligation of the Lenders to make or maintain Eurodollar Rate Loans shall be suspended until the Administrative Agent (upon the instruction of the Required Lenders) revokes such notice. Upon receipt of such notice, the Borrower may revoke any pending request for a Borrowing of, conversion to or continuation of Eurodollar Rate Loans or, failing that, will be deemed to have converted such request into a request for a Committed Borrowing of Base Rate Loans in the amount specified therein.

3.04 Increased Costs; Reserves on Eurodollar Rate Loans.

- (a) Increased Costs Generally. If any Change in Law shall:
 - (b) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, any Lender (except any reserve requirement contemplated by [Section 3.04\(h\)](#)) or the L/C Issuer;
 - (c) subject any Lender or the L/C Issuer to any tax of any kind whatsoever with respect to this Agreement, any Letter of Credit, any participation in a Letter of Credit or any Eurodollar Rate Loan made by it, or change the basis of taxation of payments to such Lender or the L/C Issuer in respect thereof (except for Indemnified Taxes or Other Taxes covered by [Section 3.01](#) and the imposition of, or any change in the rate of, any Excluded Tax payable by such Lender or the L/C Issuer); or
 - (d) impose on any Lender or the L/C Issuer or the London interbank market any other condition, cost or expense affecting this Agreement or Eurodollar Rate Loans made by such Lender or any Letter of Credit or participation therein;

and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Eurodollar Rate Loan (or of maintaining its obligation to make any such Loan), or to increase the cost to such Lender or the L/C Issuer of participating in, issuing or maintaining

any Letter of Credit (or of maintaining its obligation to participate in or to issue any Letter of Credit), or to reduce the amount of any sum received or receivable by such Lender or the L/C Issuer hereunder (whether of principal, interest or any other amount) then, upon request of such Lender or the L/C Issuer, the Borrower will pay to such Lender or the L/C Issuer, as the case may be, such additional amount or amounts as will compensate such Lender or the L/C Issuer, as the case may be, for such additional costs incurred or reduction suffered.

(e) Capital Requirements. If any Lender or the L/C Issuer determines that any Change in Law affecting such Lender or the L/C Issuer or any Lending Office of such Lender or such Lender's or the L/C Issuer's holding company, if any, regarding capital requirements has or would have the effect of reducing the rate of return on such Lender's or the L/C Issuer's capital or on the capital of such Lender's or the L/C Issuer's holding company, if any, as a consequence of this Agreement, the Commitments of such Lender or the Loans made by, or participations in Letters of Credit held by, such Lender, or the Letters of Credit issued by the L/C Issuer, to a level below that which such Lender or the L/C Issuer or such Lender's or the L/C Issuer's holding company could have achieved but for such Change in Law (taking into consideration such Lender's or the L/C Issuer's policies and the policies of such Lender's or the L/C Issuer's holding company with respect to capital adequacy), then from time to time the Borrower will pay to such Lender or the L/C Issuer, as the case may be, such additional amount or amounts as will compensate such Lender or the L/C Issuer or such Lender's or the L/C Issuer's holding company for any such reduction suffered.

(f) Certificates for Reimbursement. A certificate of a Lender or the L/C Issuer setting forth the amount or amounts necessary to compensate such Lender or the L/C Issuer or its holding company, as the case may be, as specified in subsection (a) or (b) of this Section and delivered to the Borrower shall be conclusive absent manifest error. The Borrower shall pay such Lender or the L/C Issuer, as the case may be, the amount shown as due on any such certificate within ten (10) days after receipt thereof.

(g) Delay in Requests. Failure or delay on the part of any Lender or the L/C Issuer to demand compensation pursuant to the foregoing provisions of this Section shall not constitute a waiver of such Lender's or the L/C Issuer's right to demand such compensation, provided that the Borrower shall not be required to compensate a Lender or the L/C Issuer pursuant to the foregoing provisions of this Section for any increased costs incurred or reductions suffered more than nine months prior to the date that such Lender or the L/C Issuer, as the case may be, notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of such Lender's or the L/C Issuer's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the nine-month period referred to above shall be extended to include the period of retroactive effect thereof).

(h) Reserves on Eurodollar Rate Loans. The Borrower shall pay to each Lender, as long as such Lender shall be required to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency funds or deposits (currently known as "Eurocurrency liabilities"), additional interest on the unpaid principal amount of each Eurodollar Rate Loan equal to the actual costs of such reserves allocated to such Loan by such Lender (as determined by such Lender in good faith, which determination shall be conclusive), which shall be due and

payable on each date on which interest is payable on such Loan, provided the Borrower shall have received at least ten (10) days' prior notice (with a copy to the Administrative Agent) of such additional interest from such Lender. If a Lender fails to give notice ten (10) days prior to the relevant Interest Payment Date, such additional interest shall be due and payable ten (10) days from receipt of such notice.

3.05 Compensation for Losses. Upon demand of any Lender (with a copy to the Administrative Agent) from time to time, the Borrower shall promptly compensate such Lender for and hold such Lender harmless from any loss, cost or expense incurred by it as a result of:

- (a) any continuation, conversion, payment or prepayment of any Loan other than a Base Rate Loan on a day other than the last day of the Interest Period for such Loan (whether voluntary, mandatory, automatic, by reason of acceleration, or otherwise);
- (b) any failure by the Borrower (for a reason other than the failure of such Lender to make a Loan) to prepay, borrow, continue or convert any Loan other than a Base Rate Loan on the date or in the amount notified by the Borrower; or
- (c) any assignment of a Eurodollar Rate Loan on a day other than the last day of the Interest Period therefor as a result of a request by the Borrower pursuant to [Section 10.13](#);

including any loss of anticipated profits and any loss or expense arising from the liquidation or reemployment of funds obtained by it to maintain such Loan or from fees payable to terminate the deposits from which such funds were obtained.

For purposes of calculating amounts payable by the Borrower to the Lenders under this [Section 3.05](#), each Lender shall be deemed to have funded each Eurodollar Rate Loan made by it at the Eurodollar Rate for such Loan by a matching deposit or other borrowing in the London interbank eurodollar market for a comparable amount and for a comparable period, whether or not such Eurodollar Rate Loan was in fact so funded.

3.06 Mitigation Obligations; Replacement of Lenders.

(a) Designation of a Different Lending Office. If any Lender requests compensation under [Section 3.04](#), or the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to [Section 3.01](#), or if any Lender gives a notice pursuant to [Section 3.02](#), then such Lender shall use reasonable efforts to designate a different Lending Office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to [Section 3.01](#) or [3.04](#), as the case may be, in the future, or eliminate the need for the notice pursuant to [Section 3.02](#), as applicable, and (ii) in each case, would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) Replacement of Lenders. If any Lender requests compensation under Section 3.04, or if any Lender delivers to the Borrower a notice pursuant to Section 3.02, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.01, the Borrower may replace such Lender in accordance with Section 10.13.

3.07 **Survival.** All of the Borrower's obligations under this Article III shall survive termination of the Aggregate Commitments and repayment of all other Obligations hereunder.

ARTICLE IV. CONDITIONS PRECEDENT TO CREDIT EXTENSIONS

- 4.01 **Conditions of Initial Credit Extension.** The obligation of the L/C Issuer and each Lender to make its initial Credit Extension hereunder is subject to satisfaction of the following conditions precedent:
- (a) The Administrative Agent's receipt of the following, each of which shall be originals or telecopies (followed promptly by originals) unless otherwise specified, each properly executed by a Responsible Officer of the signing Loan Party, each dated the Closing Date (or, in the case of certificates of governmental officials, a recent date before the Closing Date) and each in form and substance satisfactory to the Administrative Agent and each of the Lenders:
- (b) executed counterparts of this Agreement and the Guaranty, sufficient in number for distribution to the Administrative Agent, each Lender and the Borrower;
- (c) a Note executed by the Borrower in favor of each Lender requesting a Note;
- (d) the Pledge and Security Agreement duly executed by each Loan Party; together with:
- (A) certificates, if any, representing the Pledged Shares referred to in the Pledge and Security Agreement accompanied by undated stock powers executed in blank,
- (B) proper Financing Statements in form appropriate for filing under the UCC of all jurisdictions that the Administrative Agent and Collateral Agent may deem necessary in order to perfect the Liens created under the Pledge and Security Agreement, covering the Collateral described in the Pledge and Security Agreement,
- (C) completed requests for information, dated on or before the date of the initial Credit Extension, listing all effective financing statements filed in the jurisdictions referred to in clause (B) above that name any Loan Party as debtor, together with copies of such other financing statements,
- (D) evidence of the completion of all other actions, recordings and filings of or with respect to the Pledge and Security Agreement that the

Administrative Agent or Collateral Agent may deem necessary in order to perfect the Liens created thereby, and

(E) evidence that all other action that the Administrative Agent and Collateral Agent may deem necessary or desirable in order to perfect the Liens created under the Pledge and Security Agreement has been taken (including receipt of duly executed payoff letters, UCC-3 termination statements and landlords' and bailees' waiver and consent agreements);

(e) deeds of trust, mortgages, leasehold deeds of trust and leasehold mortgages, in substantially the form of Exhibit I (with such changes as may be reasonably satisfactory to the Administrative Agent and Collateral Agent and their counsel to account for local law matters) and covering substantially all of the operating assets of the Borrower and its Subsidiaries owned on the Closing Date (together with the Assignments of Leases and Rents referred to therein and each other mortgage delivered pursuant to Section 6.13, in each case as amended, the "Mortgages"), duly executed by the appropriate Loan Party, together with:

(A) evidence that counterparts of the Mortgages have been duly executed, acknowledged and delivered and are in form suitable for filing or recording in all filing or recording offices that the Administrative Agent and Collateral Agent may deem necessary or desirable in order to create a valid first and subsisting Lien on the property described therein in favor of the Collateral Agent for the benefit of the Secured Parties and that all filing, documentary, stamp, intangible and recording taxes and fees have been or will be paid upon recording,

(B) in respect of the Chico Plant a fully paid title insurance policy (the "Mortgage Policies") in form and substance, with endorsements and in amounts reasonably acceptable to the Administrative Agent and Collateral Agent, issued, coinsured and reinsured by title insurers reasonably acceptable to the Administrative Agent and Collateral Agent, insuring the Mortgage in respect of such property to be valid first and subsisting Liens on the property described therein, free and clear of all defects (including, but not limited to, mechanics' and materialmen's Liens) and encumbrances, excepting only Liens permitted under the Loan Documents, and providing for such other affirmative insurance (including endorsements for future advances under the Loan Documents and for mechanics' and materialmen's Liens) and such coinsurance and direct access reinsurance as the Administrative Agent may deem necessary or desirable, and

(C) evidence that all other action that the Administrative Agent and Collateral Agent may deem necessary or desirable in order to create valid first and subsisting Liens on the property described in the Mortgages has been taken;

(f) such certificates of resolutions or other action, incumbency certificates and/or other certificates of Responsible Officers of each Loan Party as the Administrative Agent may reasonably require evidencing the identity, authority and capacity of each Responsible Officer

thereof authorized to act as a Responsible Officer in connection with this Agreement and the other Loan Documents to which such Loan Party is a party;

(g) such documents and certifications as the Administrative Agent may reasonably require to evidence that each Loan Party is duly organized or formed, and that each Loan Party is validly existing, in good standing and qualified to engage in business in each jurisdiction where its ownership, lease or operation of properties or the conduct of its business requires such qualification;

(h) a favorable opinion of Bracewell & Giuliani LLP, counsel to the Loan Parties, addressed to the Administrative Agent and each Lender, as to the matters set forth in Exhibit G and such other matters concerning the Loan Parties and the Loan Documents as the Administrative Agent may reasonably request;

(i) the Initial Financial Statements;

(j) certificates or binders evidencing Loan Parties' insurance in effect on the date hereof naming the Collateral Agent as loss payee and additional insured;

(k) a certificate signed by a Responsible Officer of General Partner certifying (A) that the conditions specified in Sections 4.02(a) and (b), have been satisfied; (B) that there has been no event or circumstance since September 30, 2006 that has had or could be reasonably expected to have, either individually or in the aggregate, a Material Adverse Effect; and (C) a calculation of the Consolidated Leverage Ratio as of the Closing Date demonstrating that such ratio does not exceed 5.0 to 1.0;

(l) a certificate attesting to the Solvency of the Loan Parties (taken as a whole) after giving effect to the Acquisition and the Initial Public Offering, from the chief financial officer, chief accounting officer, treasurer or controller of General Partner; and

(m) such other assurances, certificates, documents, consents or opinions as the Administrative Agent, the L/C Issuer, the Swing Line Lender or the Required Lenders reasonably may require.

(n) (i) All fees required to be paid to the Administrative Agent, the Syndication Agent and the Arrangers on or before the Closing Date shall have been paid and (ii) all fees required to be paid to the Lenders on or before the Closing Date shall have been paid.

(o) Unless waived by the Administrative Agent, the Borrower shall have paid all fees, charges and disbursements of counsel to the Administrative Agent (directly to such counsel if requested by the Administrative Agent) to the extent invoiced prior to or on the Closing Date, plus such additional amounts of such fees, charges and disbursements as shall constitute its reasonable estimate of such fees, charges and disbursements incurred or to be incurred by it through the closing proceedings (provided that such estimate shall not thereafter preclude a final settling of accounts between the Borrower and the Administrative Agent).

(p) The Intercreditor Agreement shall have been duly executed and delivered by each party thereto, and shall be in full force and effect.

- (q) The corporate and capital structure of the Borrower shall be as disclosed in the Registration Statement.
- (r) The consummation of the Initial Public Offering shall have occurred on substantially the terms as contained in the Registration Statement.
- (s) The Borrower shall have received sufficient proceeds from the Initial Public Offering to finance that portion of the Acquisition not funded by the use of proceeds from this Agreement.
- (t) (i) The Borrower has received all governmental, shareholder and third party consents and approvals necessary to consummate the Initial Public Offering, which consents and approvals are in full force and effect, (ii) no order, decree, judgment, ruling or injunction exists which restrains the consummation of the Initial Public Offering or the transactions contemplated by this Agreement, and (iii) there is no pending, or to the knowledge of the Borrower, threatened, action, suit, investigation or proceeding which seeks to restrain or affect the Initial Public Offering, or which, if adversely determined, could materially and adversely affect the ability of the Borrower to consummate the Initial Public Offering.
- (u) Concurrently with the consummation of the Initial Public Offering, (i) all outstanding Intercompany Indebtedness shall have been repaid or forgiven and (ii) that portion of the loans made under the Targa Credit Agreement with respect to the assets owned by Targa North Texas and acquired in the Acquisition shall have been repaid and arrangements satisfactory to the Administrative Agent shall have been made for the release of the Liens securing same.
- (v) The Closing Date shall have occurred on or before March 15, 2007.

Without limiting the generality of the provisions of [Section 9.04](#), for purposes of determining compliance with the conditions specified in this [Section 4.01](#), each Lender that has signed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to a Lender unless the Administrative Agent shall have received notice from such Lender prior to the proposed Closing Date specifying its objection thereto.

4.02 Conditions to all Credit Extensions. The obligation of each Lender to honor any Request for Credit Extension (other than a Committed Loan Notice requesting only a conversion of Committed Loans to the other Type, or a continuation of Eurodollar Rate Loans) is subject to the following conditions precedent:

- (a) The representations and warranties of the Borrower and each other Loan Party contained in [Article V](#) or any other Loan Document, or which are contained in any document furnished at any time under or in connection herewith or therewith, shall be true and correct in all material respects on and as of the date of such Credit Extension, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct as of such earlier date, and except that for purposes of this [Section 4.02](#), the representations and warranties contained in subsection (a) of [Section 5.05](#) shall be deemed to refer to the most recent statements furnished pursuant to clauses (a) and (b) of [Section 6.01](#).

(b) No Default shall exist, or would result from such proposed Credit Extension or from the application of the proceeds thereof.

(c) The Administrative Agent and, if applicable, the L/C Issuer or the Swing Line Lender shall have received a Request for Credit Extension in accordance with the requirements hereof.

Each Request for Credit Extension (other than a Committed Loan Notice requesting only a conversion of Committed Loans to the other Type or a continuation of Eurodollar Rate Loans) submitted by the Borrower shall be deemed to be a representation and warranty that the conditions specified in Sections 4.02(a) and (b), have been satisfied on and as of the date of the applicable Credit Extension.

ARTICLE V. REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to the Administrative Agent and the Lenders that:

5.01 Existence, Qualification and Power; Compliance with Laws. Each Loan Party and each Subsidiary thereof (a) is duly organized or formed, validly existing and, as applicable, in good standing under the Laws of the jurisdiction of its incorporation or organization, (b) has all requisite power and authority and all requisite governmental licenses, authorizations, consents and approvals to (i) own or lease its assets and carry on its business and (ii) execute, deliver and perform its obligations under the Loan Documents to which it is a party, (c) is duly qualified and is licensed and, as applicable, in good standing under the Laws of each jurisdiction where its ownership, lease or operation of properties or the conduct of its business requires such qualification or license, and (d) is in compliance with all Laws (excluding Environmental Laws that are the subject of Section 5.09, federal, state and local income tax Laws that are the subject of Section 5.11 and ERISA that is the subject of Section 5.12); except in each case referred to in clause (b)(i), (c) or (d), to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect.

5.02 Authorization; No Contravention. The execution, delivery and performance by each Loan Party of each Loan Document to which such Person is party, have been duly authorized by all necessary corporate or other organizational action, and do not and will not (a) contravene the terms of any of such Person's Organization Documents; (b) conflict with or result in any breach or contravention of, or the creation of any Lien under (other than Liens permitted by the Loan Documents), or require any payment to be made under (i) any Contractual Obligation (other than the Loan Documents) to which such Person is a party or affecting such Person or the properties of such Person or any of its Subsidiaries or (ii) any material order, injunction, writ or decree of any Governmental Authority or any arbitral award to which such Person or its property is subject; or (c) violate any material Law. Each Loan Party is in compliance with all Contractual Obligations referred to in clause (b)(i), except to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect.

5.03 Governmental Authorization; Other Consents. No approval, consent, exemption, authorization, or other action by, or notice to, or filing with, any Governmental Authority or any other Person is necessary or required in connection with (a) the execution,

delivery or performance by, or enforcement against, any Loan Party of this Agreement or any other Loan Document, (b) the grant by any Loan Party of the Liens granted by it pursuant to the Security Documents, (c) the perfection or maintenance of the Liens created under the Security Documents (including the first priority nature thereof) or (d) the exercise by the Administrative Agent or any Lender of its rights under the Loan Documents or the remedies in respect of the Collateral pursuant to the Security Documents, except for (i) filings necessary to perfect and maintain the perfection of the Liens on the Collateral granted by the Loan Parties in favor of the Lenders, (ii) the authorizations, approvals, actions, notices and filings which have been duly obtained, taken, given or made and are in full force and effect and (iii) those approvals, consents, exemptions, authorizations or other action, notices or filings, the failure of which to obtain or make could not reasonably be expected to have a Material Adverse Effect.

5.04 Binding Effect. This Agreement has been, and each other Loan Document, when delivered hereunder, will have been, duly executed and delivered by each Loan Party that is party thereto. This Agreement constitutes, and each other Loan Document when so delivered will constitute, a legal, valid and binding obligation of such Loan Party, enforceable against each Loan Party that is party thereto in accordance with its terms, except as such enforceability may be limited by Debtor Relief Laws and by general principles of equity.

5.05 Financial Statements; No Material Adverse Effect.

(a) The Audited Financial Statements (i) were prepared in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein; (ii) fairly present in all material respects the financial condition of the predecessor business of the Borrower and its Subsidiaries as of the date thereof and their results of operations for the period covered thereby in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein; and (iii) show all material indebtedness and other liabilities, direct or contingent, of the predecessor business of the Borrower and its Subsidiaries as of the date thereof, including liabilities for taxes, material commitments and Indebtedness that would be required to be disclosed in Consolidated financial statements of the Borrower or the footnotes thereto prepared in accordance with GAAP.

(b) The unaudited *pro forma* Consolidated financial statements of the Borrower and its Consolidated Subsidiaries as of September 30, 2006 (i) were prepared in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein, and (ii) fairly present in all material respects the Consolidated *pro forma* financial condition of the Borrower and its Consolidated Subsidiaries (after giving effect to the Acquisition) as of the date thereof and their Consolidated *pro forma* results of operations for the period covered thereby, subject, in the case of clauses (i) and (ii), to the absence of footnotes and to normal year-end audit adjustments. As of the Closing Date, all material indebtedness and other liabilities, direct or contingent, of the Borrower and its Consolidated Subsidiaries as of the date of such financial statements, including liabilities for taxes, material commitments and Indebtedness, are disclosed in the Initial Financial Statements.

(c) Since September 30, 2006, there has been no event or circumstance, either individually or in the aggregate, that has had or could reasonably be expected to have a Material Adverse Effect.

5.06 **Litigation.** There are no actions, suits, proceedings, claims or disputes pending or, to the knowledge of the Borrower, threatened in writing, at law, in equity, in arbitration or before any Governmental Authority, against any Loan Party or any Subsidiary thereof or against any of their properties or revenues, or that is contemplated by any Loan Party against any other Person that (a) purport to affect or pertain to this Agreement or any other Loan Document, or any of the transactions contemplated hereby, or (b) either individually or in the aggregate, if determined adversely, could reasonably be expected to have a Material Adverse Effect.

5.07 **No Default.** Neither any Loan Party nor any Restricted Subsidiary thereof is in default under or with respect to any Contractual Obligation that could, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. No Default has occurred and is continuing or would result from the consummation of the transactions contemplated by this Agreement or any other Loan Document.

5.08 **Ownership of Property; Liens.** Each Loan Party and each Restricted Subsidiary thereof has (or on the Closing Date, will have) (i) good and defensible fee simple title to or valid leasehold interests, or valid easements or other property interests in, all of its real property and good and valid title to all of its personal property necessary in the ordinary conduct of its business, except for such defects in title as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The property of the Loan Parties and any of their Restricted Subsidiaries is subject to no Liens other than Liens permitted under [Section 7.01](#). No material default exists under (i) any lease on any property on which a Mortgage is granted, or (ii) any other lease, to the extent such default would reasonably be expected to have a Material Adverse Effect. All of the plants, offices, or facilities and other tangible assets owned, leased or used by any Loan Party or any Restricted Subsidiary thereof in the conduct of their respective businesses are (a) insured to the extent and in a manner required by [Section 6.07](#), (b) structurally sound with no known defects which have or could reasonably be expected to have a Material Adverse Effect, (c) in good operating condition and repair, subject to ordinary wear and tear and except to the extent failure could not reasonably be expected to have a Material Adverse Effect, (d) not in need of maintenance or repair except for ordinary, routine maintenance and repair the cost of which is immaterial and except to the extent failure to so maintain and repair could not reasonably be expected to have a Material Adverse Effect, (e) sufficient for the operation of the businesses of such Loan Party and its Restricted Subsidiaries as currently conducted, except to the extent failure to be so sufficient could not reasonably be expected to have a Material Adverse Effect and (f) in conformity with all applicable laws, ordinances, orders, regulations and other requirements (including applicable zoning, environmental, motor vehicle safety, occupational safety and health laws and regulations) relating thereto, except where the failure to conform could not reasonably be expected to have a Material Adverse Effect.

5.09 **Environmental Compliance.** The Borrower and its Restricted Subsidiaries periodically conduct in the ordinary course of business a review of the effect of existing Environmental Laws and claims alleging potential liability or responsibility for violation of any Environmental Law on their respective businesses, operations and properties, and as a result

thereof the Borrower has reasonably concluded that such Environmental Laws and claims could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

5.10 **Insurance.** The properties of each Loan Party and each Subsidiary thereof are insured with financially sound and reputable insurance companies not Affiliates of any Loan Party, in such amounts, with such deductibles and covering such risks as are customarily carried by companies engaged in similar businesses and owning similar properties in localities where the applicable Loan Party or Subsidiary operates.

5.11 **Taxes.** Except as could not, either individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect, each Loan Party and each Restricted Subsidiary thereof has filed all federal, state and other tax returns and reports required to be filed, and have paid all federal, state and other taxes, assessments, fees and other governmental charges levied or imposed upon them or their properties, income or assets otherwise due and payable, except those which are being contested in good faith by appropriate proceedings diligently conducted and for which adequate reserves have been provided in accordance with GAAP. There is no proposed tax assessment against any Loan Party or any Restricted Subsidiary thereof that would, if made, have a Material Adverse Effect. No Loan Party nor any Restricted Subsidiary thereof is party to any tax sharing agreement, except as provided in the Borrower's Partnership Agreement or in the Omnibus Agreement.

5.12 **ERISA Compliance.**

(a) On the Closing Date, the Borrower has no Plans. Each Plan from time to time in effect shall be in compliance in all material respects with the applicable provisions of ERISA, the Code and other Federal or state Laws. Each such Plan that is intended to qualify under Section 401(a) of the Code has received a favorable determination letter from the IRS or an application for such a letter is currently being processed by the IRS with respect thereto and, to the best knowledge of the Borrower, nothing has occurred which would prevent, or cause the loss of, such qualification. Each Loan Party and each ERISA Affiliate have made all required contributions to each Plan subject to Section 412 of the Code, and no application for a funding waiver or an extension of any amortization period pursuant to Section 412 of the Code has been made with respect to any Plan.

(b) There are no pending or, to the best knowledge of the Borrower, threatened claims, actions or lawsuits, or action by any Governmental Authority, with respect to any Plan that could reasonably be expected to have a Material Adverse Effect. There has been no prohibited transaction or violation of the fiduciary responsibility rules with respect to any Plan that has resulted or could reasonably be expected to result in a Material Adverse Effect.

(c) (i) No ERISA Event has occurred or is reasonably expected to occur; (ii) no Pension Plan has any Unfunded Pension Liability; (iii) no Loan Party nor any ERISA Affiliate has incurred, or reasonably expects to incur, any liability under Title IV of ERISA with respect to any Pension Plan (other than premiums due and not delinquent under Section 4007 of ERISA); (iv) no Loan Party nor any ERISA Affiliate has incurred, or reasonably expects to incur, any liability (and no event has occurred which, with the giving of notice under Section 4219 of ERISA, would result in such liability) under Section 4201 or 4243 of ERISA with

respect to a Multiemployer Plan; and (v) no Loan Party nor any ERISA Affiliate has engaged in a transaction that could be subject to Section 4069 or 4212(c) of ERISA.

5.13 Subsidiaries; Equity Interests; Taxpayer Identification Number. Other than those specifically disclosed in Part (a) of [Schedule 5.13](#) or as disclosed from time to time pursuant to [Sections 6.12](#), the Borrower has no Subsidiaries and all of the outstanding Equity Interests in the Borrower's Subsidiaries have been validly issued, are fully paid and nonassessable and are owned in the amounts so disclosed free and clear of all Liens other than the Liens created pursuant to the Loan Documents. Set forth on Part (b) of [Schedule 5.13](#), as of the Closing Date, as supplemented by each report required to be delivered pursuant to [Section 6.02\(k\)](#), as of the date of such report is: (i) a complete and accurate list of all Loan Parties showing as of such date the jurisdiction of its formation, the address of its principal place of business, its U.S. taxpayer identification number or, in the case of any non-U.S. Loan Party that does not have a U.S. taxpayer identification number, its unique identification number issued to it by the jurisdiction of its incorporation, and, for the preceding 5 years, any other jurisdiction of organization and any other name (including any trade or fictitious name) used by such Loan Party, and (ii) a complete and accurate list of the Investments of the type permitted by [Sections 7.02\(d\)](#), (i) or (j) and Investments in Partially Owned Operating Companies. All of the outstanding Equity Interests in the Borrower have been validly issued, are fully paid and nonassessable, except with respect to additional contributions required to be made by General Partner pursuant to the Borrower's Partnership Agreement or applicable Law.

5.14 Margin Regulations; Investment Company Act.

(a) No Loan Party is engaged or will engage, principally or as one of its important activities, in the business of purchasing or carrying margin stock (within the meaning of Regulation U issued by the FRB), or extending credit for the purpose of purchasing or carrying margin stock.

(b) No Loan Party nor any Person Controlling any Loan Party nor any Subsidiary thereof is or is required to be registered as an "investment company" under the Investment Company Act of 1940.

5.15 Disclosure. Each Loan Party has disclosed to the Administrative Agent and the Lenders all matters required to be disclosed pursuant to Section 6.03. No report, financial statement, certificate or other written information furnished by or on behalf of any Loan Party to the Administrative Agent or any Lender in connection with the transactions contemplated hereby and the negotiation of this Agreement or delivered hereunder or under any other Loan Document (in each case, as modified or supplemented by other information so furnished) when taken as a whole contains any material misstatement of fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that, with respect to projected financial information, the Borrower represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time of preparation; provided, further, that, with respect to *pro forma* financial information, the Borrower represents only that such information was prepared in good faith and reflects, in all material respects, such *pro forma* financial information is in accordance with assumptions and requirements of GAAP for *pro forma* presentation and based

upon such other assumptions that are believed to be reasonable at the time of preparation and, to the extent material, are disclosed as part of such *pro forma* financial information.

5.16 **Compliance with Laws.** Each Loan Party and each Restricted Subsidiary thereof is in compliance in all material respects with the requirements of all Laws (except for Environmental Laws that are the subject of [Section 5.09](#), federal and state income tax Laws that are the subject of [Section 5.11](#) and ERISA that is the subject of [Section 5.12](#)) and all orders, writs, injunctions and decrees applicable to it or to its properties, except in such instances in which (a) such requirement of Law or order, writ, injunction or decree is being contested in good faith by appropriate proceedings diligently conducted or (b) the failure to comply therewith, either individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

5.17 **Intellectual Property; Licenses, Etc.** Each Loan Party and each Restricted Subsidiary thereof own, or possess the right to use, all of the trademarks, service marks, trade names, copyrights, patents, patent rights, franchises, licenses and other intellectual property rights (collectively, “IP Rights”) that are reasonably necessary for the operation of their respective businesses as currently conducted, and, without conflict with the rights of any other Person, except to the extent such conflict, either individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect. To the best knowledge of the Borrower, no slogan or other advertising device, product, process, method, substance, part or other material now employed, or now contemplated to be employed, by any Loan Party or any Restricted Subsidiary thereof infringes upon any rights held by any other Person, except to the extent such conflicts, either individually or in the aggregate, which could not reasonably be expected to have a Material Adverse Effect. No claim or litigation regarding any of the foregoing is pending or, to the best knowledge of the Borrower, threatened, which, either individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

5.18 **Labor Disputes and Acts of God.** Neither the business nor the properties of any Loan Party or any Restricted Subsidiary thereof has been affected by any fire, explosion, accident, strike, lockout or other labor dispute, drought, storm, hail, earthquake, embargo, act of God or of the public enemy or other casualty (whether or not covered by insurance), that either individually or in the aggregate could reasonably be expected to have a Material Adverse Effect.

5.19 **Solvency.** Upon giving effect to the execution of this Agreement and the other Loan Documents by each Loan Party and the consummation of the transactions contemplated hereby and thereby, each Loan Party will be Solvent.

5.20 **Credit Arrangements.** No Affiliate of any Loan Party is party to or subject to any credit agreement, loan agreement, indenture, purchase agreement, guaranty or other arrangement providing for or otherwise relating to any Indebtedness or any extension of credit (or commitment for any extension of credit) that creates by a covenant of such Affiliate or otherwise, any limitation or restriction of any action of any Loan Party or any obligation that any Loan Party be caused to take any action.

5.21 **Real Property.** As of the Closing Date, [Schedule 5.21](#) sets forth a description of each material fee owned property owned by any Loan Party and each material parcel of real

property leased by any Loan Party (in both cases, other than the realty associated with the pipelines and gathering systems and other than immaterial real property including, but not limited to, compressor sites, pump stations and meter sites). All material pipelines, gathering systems and the realty associated therewith owned by the Loan Parties as of the Closing Date are described in the Registration Statement. The Borrower shall provide updates to [Schedule 5.21](#) upon the reasonable request of the Administrative Agent.

5.22 **Labor Matters.** There are no collective bargaining agreements or Multiemployer Plans covering the employees of any Loan Party or any Subsidiary thereof as of the Closing Date and except as could not reasonably be expected to have a Material Adverse Effect, no Loan Party nor any Subsidiary thereof has suffered any strikes, walkouts, work stoppages or other material labor difficulty within the last five years.

5.23 **Security Documents.** The provisions of the Security Documents are effective to create in favor of the Collateral Agent for the benefit of the Secured Parties a legal, valid and enforceable first priority Lien (subject to Liens permitted by [Section 7.01](#)) on all right, title and interest of the respective Loan Parties in the Collateral described therein. Except for filings completed prior to the Closing Date and as contemplated hereby and by the Collateral Documents from time to time, no filing or other action will be necessary to perfect or protect such Liens.

ARTICLE VI. AFFIRMATIVE COVENANTS

So long as any Lender shall have any Commitment hereunder, any Loan or other Obligation hereunder shall remain unpaid or unsatisfied, or any Letter of Credit shall remain outstanding, the Borrower shall, and shall (except in the case of the covenants set forth in [Sections 6.01](#), [6.02](#), and [6.03](#)) cause each Restricted Subsidiary to:

6.01 **Financial Statements.** Deliver to the Administrative Agent for further distribution to each Lender:

(a) as soon as available, but in any event within 30 days after the date on which the Borrower is required under Securities Laws to file a Form 10-K annual report for each fiscal year of the Borrower (commencing with the fiscal year ended December 31, 2007), a Consolidated and consolidating balance sheet of the Borrower and its Subsidiaries as at the end of such fiscal year, and the related Consolidated and consolidating statements of income or operations, partners' equity and cash flows for such fiscal year, setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail and prepared in accordance with GAAP, such consolidating statements to be for the Guarantors on a combined basis and the Borrower's Subsidiaries that are not Guarantors on a combined basis and such Consolidated statements to be audited and accompanied by a report and opinion of an independent certified public accountant of nationally recognized standing reasonably acceptable to the Administrative Agent, which report and opinion shall be prepared in accordance with generally accepted auditing standards and applicable Securities Laws and shall not be subject to any "going concern" or like qualification or exception or any qualification or exception as to the scope of such audit; and

(b) as soon as available, but in any event within 30 days after the date on which the Borrower is required under Securities Laws to file a Form 10-Q quarterly reports for each of the first three fiscal quarters of each fiscal year of the Borrower (commencing with the fiscal quarter ended March 31, 2007), a Consolidated and consolidating balance sheet of the Borrower and its Subsidiaries as at the end of such fiscal quarter, and the related Consolidated and consolidating statements of income or operations, partners' equity and cash flows for such fiscal quarter and for the portion of the Borrower's fiscal year then ended, setting forth in each case in comparative form the figures for the corresponding fiscal quarter of the previous fiscal year and the corresponding portion of the previous fiscal year, all in reasonable detail and prepared in accordance with GAAP, such consolidating statements to be for the Guarantors on a combined basis and the Borrower's Subsidiaries that are not Guarantors on a combined basis and such Consolidated statements to be certified by the chief financial officer, chief accounting officer, treasurer or controller of the Borrower as fairly presenting the financial condition, results of operations, partners' equity and cash flows of the Borrower and its Subsidiaries in accordance with GAAP, subject only to normal year-end audit adjustments and the absence of footnotes.

6.02 Certificates; Other Information. Deliver to the Administrative Agent for further distribution to each Lender:

(a) no later than three (3) days after the delivery of the financial statements referred to in Sections 6.01(a) and (b), a duly completed Compliance Certificate signed by a Responsible Officer of General Partner and stating that such officer has caused this Agreement to be reviewed and has no knowledge of any Default by the Borrower in the performance or observance of any of the provisions of this Agreement, during, or at the end of, as applicable, such fiscal year or fiscal quarter, or, if such officer has such knowledge, specifying each Default and the nature thereof, showing compliance by the Borrower as of the date of such statement with the financial covenants set forth in [Article VII](#), and calculations for such financial covenants shall be included, and the other applicable covenants set forth in [Exhibit D](#);

(b) promptly after any request by the Administrative Agent or any Lender, copies of any detailed audit reports, management letters or recommendations submitted to the board of directors (or the audit committee of the board of directors) of the Borrower by independent accountants in connection with the accounts or books of the Borrower or any Subsidiary, or any audit of any of them;

(c) promptly after the same are available, copies of each annual report, proxy or financial statement or other report or communication sent to the partners of the Borrower, and copies of all annual, regular, periodic and special reports and registration statements which the Borrower may file or be required to file with the SEC under Section 13 or 15(d) of the Securities Exchange Act of 1934, or with any national securities exchange, and in any case not otherwise required to be delivered to the Administrative Agent pursuant hereto;

(d) promptly, and in any event within five Business Days after receipt thereof by any Loan Party or any Subsidiary thereof, copies of each notice or other correspondence received from the SEC (or comparable agency in any applicable non-U.S. jurisdiction) concerning any investigation or possible investigation or other inquiry by such agency regarding financial or other operational results of any Loan Party or any Subsidiary thereof;

(e) promptly after the furnishing thereof, copies of any statement or report furnished to any holder of debt securities of any Loan Party or any Subsidiary thereof pursuant to the terms of any indenture, loan or credit or similar agreement and not otherwise required to be furnished to the Lenders pursuant to [Section 6.01](#) or any other clause of this [Section 6.02](#);

(f) within five Business Days after (i) a Responsible Officer's receipt of any written notice of any violation by any Loan Party of any Environmental Law, (ii) a Responsible Officer's obtaining knowledge that any Governmental Authority has asserted that any Loan Party is not in compliance with any Environmental Law or that any Governmental Authority is investigating any Loan Party's compliance therewith, (iii) a Responsible Officer's receipt of any written notice from any Governmental Authority or other Person or otherwise obtaining knowledge that any Loan Party is or may be liable to any Person as a result of the Release or threatened Release of any Contaminant or that any Loan Party is subject to investigation by any Governmental Authority evaluating whether any remedial action is needed to respond to the Release or threatened Release of any Contaminant, or (iv) a Responsible Officer's receipt of any written notice of the imposition of any Environmental Lien against any property of any Loan Party which in any event under clause (i), (ii), (iii) or (iv) preceding could reasonably be expected to result in, or has resulted in, liability, either individually or in the aggregate, in excess of \$10,000,000 or otherwise could reasonably be expected to have, or has resulted in, a Material Adverse Effect, copies of such notice or a written notice setting forth the matters in (ii) above;

(g) not less than 3 Business Days prior to any change in any Loan Party's (i) name as it appears in the jurisdiction of its formation, incorporation, or organization, (ii) type of entity, or (iii) organizational identification number, written notice thereof;

(h) upon the Administrative Agent's request, or, in the event that such filing reflects a significant material adverse change with respect to the matters covered thereby, within three Business Days after the filing thereof with the PBGC, the DOL, or the IRS, as applicable, copies of the following: (i) each annual report (form 5500 series), including Schedule B thereto, filed with the PBGC, the DOL, or the IRS with respect to each Plan; (ii) a copy of each funding waiver request filed with the PBGC, the DOL, or the IRS with respect to any Plan and all communications received by any Loan Party or any ERISA Affiliate from the PBGC, the DOL, or the IRS with respect to such request; and (iii) a copy of each other filing or notice filed with the PBGC, the DOL, or the IRS, with respect to each Plan by any Loan Party or any ERISA Affiliate;

(i) as soon as available, but in any event within 90 days after the end of each fiscal year, a business and financial plan for the Borrower (in form reasonably satisfactory to Administrative Agent and based on assumptions believed to be reasonable in light of the circumstances at the time when made), prepared or caused to be prepared by a Responsible Officer of General Partner, setting forth for the then calendar year, financial projections, budgets and hedging schedules for the Borrower and its Consolidated Subsidiaries;

(j) not less than one Business Day prior to, and as a condition to, (i) the making of a Material Acquisition or Disposition, (ii) the commencement of any Material Project, (iii) the designation of any Subsidiary as a Restricted Subsidiary (other than an Immaterial Subsidiary) or an Unrestricted Subsidiary (including at the time of formation or acquisition of such Subsidiary),

or (iv) to the extent exceeding (in the aggregate with any related transactions) \$25,000,000, the making of any Investment permitted under [Section 7.02\(d\)](#), (i) or (j), or the incurrence of any Indebtedness permitted under [Section 7.03\(f\)](#) or (q), a certificate from a Responsible Officer of General Partner demonstrating compliance or *pro forma* compliance, as the case may be, with the provisions of [Section 7.14](#) and/or [Section 7.15](#) and containing calculations in such detail as may be reasonably required by the Administrative Agent;

(k) at the time of the delivery of each Compliance Certificate under [Section 6.02\(a\)](#), a report containing a description of all changes in the information included in Part (b) of [Schedule 5.13](#) as may be necessary for Part (b) of [Schedule 5.13](#) to be accurate and complete as of the date of such report; and

(l) promptly, such additional information regarding the business, financial or corporate affairs of the Borrower or any Subsidiary, or compliance with the terms of the Loan Documents, as the Administrative Agent or any Lender may from time to time reasonably request.

Documents required to be delivered pursuant to [Section 6.01\(a\)](#) or (b) or [Section 6.02\(a\)](#) (to the extent any such documents are included in materials otherwise filed with the SEC) may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date (i) on which the Borrower posts such documents, or provides a link thereto on the Borrower's website on the Internet at the website address listed on [Schedule 10.02](#); or (ii) on which such documents are posted on the Borrower's behalf on an Internet or intranet website, if any, to which each Lender and the Administrative Agent have access (whether a commercial, third-party website or whether sponsored by the Administrative Agent); provided that: (I) the Borrower shall deliver paper copies of such documents to the Administrative Agent or any Lender that requests the Borrower to deliver such paper copies until a written request to cease delivering paper copies is given by the Administrative Agent or such Lender and (II) the

Borrower shall notify the Administrative Agent (by telecopier or electronic mail) of the posting of any such documents and provide to the Administrative Agent by electronic mail electronic versions (i.e., soft copies) of such documents. The Administrative Agent shall have no obligation to request the delivery or to maintain copies of the documents referred to above, and in any event shall have no responsibility to monitor compliance by the Borrower with any such request for delivery, and each Lender shall be solely responsible for requesting delivery to it or maintaining its copies of such documents.

The Borrower hereby acknowledges that (a) the Administrative Agent, the Syndication Agent and/or the Arrangers will make available to the Lenders and the L/C Issuer materials and/or information provided by or on behalf of the Borrower hereunder (collectively, "[the Borrower Materials](#)") by posting the Borrower Materials on IntraLinks or another similar electronic system (the "[Platform](#)") and (b) certain of the Lenders may be "public-side" Lenders (*i.e.*, Lenders that do not wish to receive material non-public information with respect to the Borrower or its securities) (each, a "[Public Lender](#)"). The Borrower hereby agrees that so long as the Borrower is the issuer of any outstanding debt or equity securities that are registered or issued pursuant to a private offering or is actively contemplating issuing any such securities (w) all the Borrower Materials that are to be made available to Public Lenders shall be clearly and conspicuously marked "PUBLIC" which, at a minimum, shall mean that the word

“PUBLIC” shall appear prominently on the first page thereof; (x) by marking the Borrower Materials “PUBLIC,” the Borrower shall be deemed to have authorized the Administrative Agent, the Syndication Agent, the Arrangers, the L/C Issuer and the Lenders to treat such Borrower Materials as not containing any material non-public information (although it may be sensitive and proprietary) with respect to the Borrower or its securities for purposes of United States Federal and state securities laws; (y) all the Borrower Materials marked “PUBLIC” are permitted to be made available through a portion of the Platform designated “Public Investor;” and (z) the Administrative Agent, the Syndication Agent and the Arrangers shall be entitled to treat any the Borrower Materials that are not marked “PUBLIC” as being suitable only for posting on a portion of the Platform not designated “Public Investor.”

6.03 **Notices.** Promptly notify the Administrative Agent:

(a) of the occurrence of any Default;

(b) to the extent not otherwise disclosed pursuant to [Section 6.02\(c\)](#), of any matter that has resulted or could reasonably be expected to result in a Material Adverse Effect, including (i) breach or non-performance of, or any default under, a Contractual Obligation of the Borrower or any Subsidiary; (ii) any dispute, litigation, investigation, proceeding or suspension, or any material development therein, between the Borrower or any Subsidiary and any Governmental Authority; or (iii) the commencement of, or any material development in, any litigation or proceeding by any Person not a Governmental Authority affecting the Borrower or any Subsidiary;

(c) of the occurrence of any ERISA Event;

(d) of any material change in accounting policies or financial reporting practices by the Borrower or any Subsidiary; and

(e) of the occurrence of any Disposition of property or assets, any sale of Equity Interests, any incurrence or issuance of any Indebtedness or receipt of any Extraordinary Receipt, in each case with respect to which the Borrower is required to make a mandatory prepayment pursuant to [Section 2.05](#).

Each notice pursuant to this [Section 6.03](#) shall be accompanied by a statement of a Responsible Officer of General Partner setting forth details of the occurrence referred to therein and stating what action the Borrower has taken and proposes to take with respect thereto. Each notice pursuant to [Section 6.03\(a\)](#) shall describe with particularity any and all provisions of this Agreement and any other Loan Document that have been breached, if any.

6.04 **Payment of Obligations.** Pay and discharge as the same shall become due and payable, all its obligations and liabilities (including all tax liabilities, assessments and governmental charges or levies upon it or its properties or assets and all lawful claims which, if unpaid, would by law become a Lien upon its property) except in each case, to the extent the failure to pay or discharge the same could not reasonably be expected to have a Material Adverse Effect.

6.05 **Preservation of Existence, Etc.** (a) Preserve, renew and maintain in full force and effect its legal existence and good standing under the Laws of the jurisdiction of its organization except in a transaction permitted by [Section 7.05](#) or [7.06](#); (b) take all reasonable action to maintain all rights, privileges, permits, licenses and franchises necessary or desirable in the normal conduct of its business, except to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect; and (c) preserve or renew all of its registered patents, trademarks, trade names and service marks, the non-preservation of which could reasonably be expected to have a Material Adverse Effect.

6.06 **Maintenance of Properties.** Except where the failure to do so could not reasonably be expected to have a Material Adverse Effect, (a) maintain, preserve and protect all of its material properties and equipment necessary in the operation of its business in good working order and condition, ordinary wear and tear excepted; (b) make all necessary repairs thereto and renewals and replacements thereof; and (c) use the standard of care typical in the industry in the operation and maintenance of its facilities.

6.07 **Maintenance of Insurance.** Maintain with financially sound and reputable insurance companies not Affiliates of any Loan Party, insurance with respect to its properties and business against loss or damage of the kinds customarily insured against by Persons engaged in the same or similar business, of such types and in such amounts as are customarily carried under similar circumstances by such other Persons and providing (a) for payment of losses to the Collateral Agent as its interests may appear, (b) that such policies may not be canceled or reduced or affected in any material manner for any reason without 30 days prior notice to the Collateral Agent (or 10 days prior notice in the case of a failure to pay premiums), and (c) to provide for any other matters specified in any applicable Security Document or which the Administrative Agent may reasonably require. Each Loan Party will maintain any additional insurance coverage as described in the respective Security Documents. The Borrower shall maintain, or cause to be maintained, with an insurer reasonably acceptable to the Administrative Agent, flood insurance sufficient for Lenders to comply with Regulation H of the Board of Governors of the Federal Reserve System. Each Loan Party shall at all times maintain insurance against business interruption and its liability for injury to persons or property in accordance with [Schedule 6.07](#), which insurance shall be by financially sound and reputable insurers.

6.08 **Compliance with Laws.** Comply in all material respects with the requirements of all Laws and all orders, writs, injunctions and decrees applicable to it or to its business or property, except in such instances in which (a) such requirement of Law or order, writ, injunction or decree is being contested in good faith by appropriate proceedings diligently conducted; or (b) the failure to comply therewith could not reasonably be expected to have a Material Adverse Effect.

6.09 **Books and Records.** Maintain proper books of record and account, in which entries in conformity with GAAP consistently applied shall be made of all financial transactions and matters involving the assets and business of the Borrower and such Subsidiary, as the case may be.

6.10 **Inspection Rights.** Permit representatives and independent contractors of the Administrative Agent and each Lender to visit and inspect any of its properties, to examine its

corporate, financial and operating records, and make copies thereof or abstracts therefrom, and to discuss its affairs, finances and accounts with its directors, officers, and independent public accountants, and at such reasonable times during normal business hours and as often as may be reasonably desired, upon reasonable advance notice to the Borrower; provided, however, that, excluding any such visits and inspections during the continuation of an Event of Default, only the Administrative Agent on behalf of the Lenders may exercise rights of the Administrative Agent and the Lenders under this Section 6.10 and the Administrative Agent shall not exercise such rights more often than one (1) time during any calendar year absent the existence of an Event of Default and only one (1) such time shall be at the Borrower's expense; provided, further that when an Event of Default exists the Administrative Agent or any Lender (or any of their respective representatives or independent contractors) may do any of the foregoing at the expense of the Borrower at any time during normal business hours and without advance notice.

6.11 Use of Proceeds. On the Closing Date, use the proceeds of this Agreement to (i) fund a portion of the Acquisition and related expenses, (ii) repay Intercompany Indebtedness, and (iii) pay fees and expenses incurred pursuant to this Agreement and the Initial Public Offering. Thereafter, the proceeds of this Agreement shall be used for working capital including the issuance of Letters of Credit, capital expenditures, and for general corporate purposes not in contravention of any Law or of any Loan Document.

6.12 Additional Subsidiaries, Guarantors and Pledgors. Notify the Administrative Agent and the Collateral Agent not later than three (3) Business days after any Person becomes a Subsidiary, which notice shall provide the information included in Schedule 5.13 as may be necessary for Schedule 5.13 to be accurate and complete as of the date of such notice and shall specify whether such Person is a Domestic Restricted Subsidiary (and if it is or is to be treated as an Immaterial Subsidiary information demonstrating to the reasonable satisfaction of the Administrative Agent that such treatment is permitted), a Partially Owned Operating Company, a Foreign Subsidiary or an Unrestricted Subsidiary (and shall include compliance with the requirements of Section 6.18 for designation as an Unrestricted Subsidiary) and (a) in the case of

any Person that becomes a Domestic Restricted Subsidiary (other than an Immaterial Subsidiary) of the Borrower, and promptly thereafter (and in any event within 30 days (or such longer period as the Administrative Agent may agree in its discretion)), cause such Person, to (i) become a Guarantor by executing and delivering to the Administrative Agent a counterpart of the Guaranty or such other document as the Administrative Agent shall deem appropriate for such purpose, and (ii) deliver to the Administrative Agent documents of the types referred to in clauses (v) and (vi) of [Section 4.01\(a\)](#) and, if requested by the Administrative Agent, favorable opinions of counsel to such Person (which shall cover, among other things, the legality, validity, binding effect and enforceability of the documentation referred to in clause (i)), all in form, content and scope reasonably satisfactory to the Administrative Agent and (b) at the time that any Person becomes a Restricted Subsidiary of the Borrower or a Partially Owned Operating Company, and promptly thereafter (and in any event within 30 days (or such longer period as the Administrative Agent may agree in its discretion)), (w) cause all of the Equity Interests, or Eligible Equity Interests in the case of a First-Tier Foreign Subsidiary, of such Person owned by a Loan Party to be pledged to the Collateral Agent to secure the Obligations, the Cash Management Obligations and the Secured Swap Obligations by executing and delivering the Pledge and Security Agreement or a joinder thereto, (x) pursuant to the Pledge and Security Agreement, deliver or cause to be delivered to the Collateral Agent all certificates, stock powers and other documents required by the Pledge and Security Agreement with respect to all such Equity Interests or Eligible Equity Interests, as applicable, in any such Person, (y) take or cause to be taken such other actions, all as may be necessary to provide the Collateral Agent with a first priority perfected pledge on and security interest in such Equity Interests or Eligible Equity Interests, as applicable, in such Subsidiary, and (z) deliver to the Collateral Agent documents of the types referred to in clauses (v) and (vi) of [Section 4.01\(a\)](#) and, if requested by the Collateral Agent, favorable opinions of counsel to such Person (which shall cover, among other things, the legality, validity, binding effect and enforceability of the documentation referred to in clause (w)), all in form, content and scope reasonably satisfactory to the Administrative Agent.

6.13 Agreement to Deliver Security Documents. Deliver and to cause each Guarantor and any other Person required by the Administrative Agent or the Collateral Agent to deliver, to further secure the Obligations, the Secured Swap Obligations, and the Cash Management Obligations, whenever requested by the Administrative Agent or Collateral Agent in their sole and absolute discretion, deeds of trust, mortgages, chattel mortgages, security agreements, flood hazard certification, evidence of title, financing statements and other Security Documents in form and substance satisfactory to the Administrative Agent and Collateral Agent for the purpose of granting, confirming, and perfecting first and prior liens or security interests, subject only to Liens permitted under the Loan Documents, on any real or personal property now owned or hereafter acquired by such Persons, excluding real property that, taken together with all property reasonably related thereto or used in connection therewith that does not then constitute Collateral, has a fair market value of less than \$10,000,000. Notwithstanding the foregoing, (a) Equity Interests of a Person that is not a Subsidiary or a Partially Owned Operating Company shall not be required to be Collateral to the extent prohibited by a provision that is permitted by clause (II) of the proviso in [Section 7.10](#) and (b) Equity Interests of an Unrestricted Subsidiary shall not be required to be Collateral.

6.14 Perfection and Protection of Security Interests and Liens. Deliver and to cause each Guarantor and any other Person required by the Administrative Agent or Collateral Agent to deliver Security Documents pursuant to [Section 6.13](#), to deliver from time to time to the Collateral Agent any financing statements, continuation statements, extension agreements and other documents, properly completed and executed (and acknowledged when required) by such Persons in form and substance reasonably satisfactory to the Collateral Agent, which the Collateral Agent requests for the purpose of perfecting, confirming, or protecting any Liens or other rights in any property securing any Obligations, Secured Swap Obligations and Cash Management Obligations. The Borrower further agrees to promptly, upon request by the Administrative Agent or Collateral Agent, or any Lender through the Administrative Agent, correct any material defect or error that may be discovered in any Security Document or in the execution, acknowledgment, filing or recordation thereof.

6.15 Performance on the Borrower's Behalf. If any Loan Party fails to pay any taxes, insurance premiums, expenses, attorneys' fees or other amounts it is required to pay under any Loan Document, the Administrative Agent may pay the same after notice of such payment by the Administrative Agent is given to the Borrower. The Borrower shall promptly reimburse the Administrative Agent for any such payments and each amount paid by the Administrative Agent shall constitute an Obligation owed hereunder which is due and payable on the date such amount is paid by the Administrative Agent.

6.16 Environmental Matters; Environmental Reviews. Except, in each case, to the extent that the failure to do so could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, (a) comply in all material respects with all Environmental Laws now or hereafter applicable to such Loan Party as well as all contractual obligations and agreements with respect to environmental remediation or other environmental matters, (b) obtain, at or prior to the time required by applicable Environmental Laws, all environmental, health and safety permits, licenses and other authorizations necessary for its operations and will maintain such authorizations in full force and effect, (c) conduct any investigation, study, sampling and testing, and undertake any cleanup, removal, remedial or other action necessary to remove and clean up all Hazardous Materials from any of its properties, in accordance with the requirements of all Environmental Laws, and (d) promptly pay and discharge when due all Environmental Liabilities and debts, claims, liabilities and obligations with respect to any clean-up or remediation measures necessary to comply with Environmental Laws unless, in each case, the same are being contested in good faith by appropriate proceedings diligently conducted and adequate reserves in accordance with GAAP are being maintained by the applicable Loan Party.

6.17 Compliance with Agreements. Observe, perform or comply with any agreement with any Person or any term or condition of any instrument, if such agreement or instrument is materially significant to such Loan Party or to Loan Parties on a Consolidated basis or materially significant to any Guarantor, unless any such failure to so observe, perform or comply is remedied within the applicable period of grace (if any) provided in such agreement or instrument or unless such failure to so observe, perform or comply would not reasonably be expected to have a Material Adverse Effect.

6.18 Designation and Conversion of Restricted and Unrestricted Subsidiaries.

(a) Unless designated after the Closing Date in writing to the Administrative Agent pursuant to this Section, any Person that becomes a Subsidiary of the Borrower or any of its Restricted Subsidiaries shall be classified as a Restricted Subsidiary.

(b) The Borrower may designate any Subsidiary (including a newly formed or newly acquired Subsidiary) as an Unrestricted Subsidiary if (i) the representations and warranties of the Loan Parties contained in each of the Loan Documents are true and correct on and as of such date as if made on and as of the date of such designation (or, if stated to have been made expressly as of an earlier date, were true and correct as of such date), (ii) after giving effect to such designation, no Default or Event of Default would exist, (iii) immediately after giving effect to such designation, the Borrower and its Restricted Subsidiaries shall be in *pro forma* compliance with all of the covenants set forth in Sections 7.14 and 7.15, such compliance to be determined on the basis of the financial information most recently delivered to the Administrative Agent and the Lenders pursuant to Section 6.01(a) or (b) as though such Investment had been consummated as of the first day of the fiscal period covered thereby, (iv) no Subsidiary may be designated as an Unrestricted Subsidiary if it will be treated as a “restricted subsidiary” for purposes of any indenture or agreement governing Unsecured Note Indebtedness and (v) in the case of a Subsidiary which is already classified as a Restricted Subsidiary (other than an Immaterial Subsidiary), the Borrower has obtained the prior written consent of the Administrative Agent and the Required Lenders. Except as provided in this Section, no Restricted Subsidiary may be redesignated as an Unrestricted Subsidiary.

(c) The Borrower may designate any Unrestricted Subsidiary to be a Restricted Subsidiary if after giving effect to such designation, (i) the representations and warranties of the Loan Parties contained in each of the Loan Documents are true and correct in all material respects on and as of such date as if made on and as of the date of such redesignation (or, if stated to have been made expressly as of an earlier date, were true and correct as of such date), (ii) after giving effect to such designation, no Default or Event of Default would exist and (iii) immediately after giving effect to such designation, the Borrower and its Restricted Subsidiaries shall be in *pro forma* compliance with all of the covenants set forth in Sections 7.14 and 7.15, such compliance to be determined on the basis of the financial information most recently delivered to the Administrative Agent and the Lenders pursuant to Section 6.01(a) or (b) as though such Investment had been consummated as of the first day of the fiscal period covered thereby.

(d) The Borrower will not, and will not permit any of the Restricted Subsidiaries to Guarantee any Indebtedness or other obligations of any Unrestricted Subsidiary.

(e) The Borrower will not permit any Unrestricted Subsidiary to hold any Equity Interests in, or any Indebtedness of, the Borrower or any Restricted Subsidiary.

6.19 Maintenance of Corporate Separateness. Satisfy customary corporate or limited liability company formalities and other requirements necessary to preserve the separate existence of each Unrestricted Subsidiary from the Borrower and each Restricted Subsidiary.

ARTICLE VII. NEGATIVE COVENANTS

So long as any Lender shall have any Commitment hereunder, any Loan or other Obligation hereunder shall remain unpaid or unsatisfied, or any Letter of Credit shall remain outstanding, the Borrower shall not, nor shall it permit any Restricted Subsidiary to, directly or indirectly:

7.01 Liens. Create, incur, assume or suffer to exist any Lien upon any of its property, assets or revenues, whether now owned or hereafter acquired, other than the following:

(a) Liens pursuant to any Loan Document;

(b) Liens existing on the date hereof and listed on Schedule 7.01 and any renewals or extensions thereof, provided that (i) the Lien does not extend to any additional property other than after-acquired property that is affixed or incorporated into the property covered by such Lien or financed by Indebtedness permitted under Section 7.03 and proceeds and products thereof, (ii) the amount secured or benefited thereby is not increased except as contemplated by Section 7.03(b), (iii) the direct or any contingent obligor with respect thereto is not changed, and (iv) any renewal or extension of the obligations secured or benefited thereby is permitted by Section 7.03(b);

(c) Liens for taxes not yet due or which are being contested in good faith and by appropriate proceedings diligently conducted, if adequate reserves with respect thereto are maintained on the books of the applicable Person in accordance with GAAP;

(d) carriers', warehousemen's, mechanics', materialmen's, repairmen's or other like Liens arising in the ordinary course of business which are not overdue for a period of more than 60 days or if more than sixty (60) days overdue, are unfiled and no other action has been take to enforce such Lien or which are being contested in good faith and by appropriate proceedings diligently conducted, if adequate reserves with respect thereto are maintained on the books of the applicable Person in accordance with GAAP;

(e) (i) pledges or deposits in the ordinary course of business in connection with workers' compensation, unemployment insurance and other social security legislation, other than any Lien imposed by ERISA and (ii) pledges and deposits in the ordinary course of business securing liability for reimbursement or indemnification obligations of (including obligations in respect of letters of credit or bank guarantees for the benefit of) insurance carriers providing property, casualty or liability insurance to the Borrower or any of its Restricted Subsidiaries and (iii) Liens on proceeds of insurance policies securing Indebtedness permitted under [Section 7.03\(m\)\(i\)](#);

(f) deposits to secure the performance of bids, trade contracts and leases (other than Indebtedness), statutory obligations, surety bonds (other than bonds related to judgments or litigation), performance bonds and other obligations of a like nature incurred in the ordinary course of business;

(g) easements, rights-of-way, servitudes, permits, reservations, exceptions, covenants and other restrictions as to the use of real property, and other similar encumbrances incurred in the ordinary course of business which, with respect to all of the foregoing, do not secure the payment of Indebtedness of a Loan Party (other than pursuant to the Loan Documents) and which do not in any case materially detract from the value of the property subject thereto or materially interfere with the ordinary conduct of the business of the applicable Person;

(h) Liens securing judgments for the payment of money not constituting an Event of Default under [Section 8.01\(h\)](#) or securing appeal or other surety bonds related to such judgments;

(i) Liens securing Capital Leases and purchase money Indebtedness permitted under [Section 7.03\(e\)](#); provided that (i) such Liens securing purchase money Indebtedness do not at any time encumber any property other than the property financed by such Indebtedness and the proceeds and products thereof and (ii) the Indebtedness secured thereby does not exceed as of the date such Indebtedness is incurred the cost or fair market value, whichever is lower, of the property being acquired on the date of acquisition;

(j) Subject to the consent of Administrative Agent, Liens existing upon property acquired in an acquisition or of any Person that becomes a Restricted Subsidiary, existing at the time of such acquisition and not incurred in contemplation thereof, and not upon any other property, securing only Indebtedness permitted by [Section 7.03\(i\)](#);

(k) Liens reserved in leases of business premises entered into in the ordinary course of business for rent and for compliance with the terms of the lease limited to equipment and fixtures on the leased premises;

(l) Liens (i) of a collection bank arising under Section 4.210 of the UCC on items in the course of collection, (ii) attaching to commodity trading accounts or other commodities brokerage accounts incurred in the ordinary course of business (iii) in favor of a banking institution arising as a matter of law encumbering deposits (including the right of set-off) and which are within the general parameters customary in the banking industry; or (iv) in connection with Cash Management Obligations and other obligations in respect of netting services, overdraft protections and similar arrangements, in each case in connection with deposit accounts in the ordinary course of business and that are limited to Liens customary in such arrangements;

(m) Liens (i) on cash advances in favor of the seller of any property to be acquired in an Investment permitted pursuant to [Sections 7.02\(i\)](#) and (j), to be applied against the purchase price for such Investment, and (ii) consisting of an agreement to Dispose of any property in a Disposition permitted under [Section 7.05](#), in each case, solely to the extent such Investment or Disposition, as the case may be, would have been permitted on the date of the creation of such Lien;

(n) Liens encumbering reasonable customary initial deposits and margin deposits and similar Liens (in each case limited to the cash, commodity contracts or other Investments in such account) attaching to commodity trading accounts or other brokerage accounts incurred in the ordinary course of business and not for speculative purposes;

(o) Liens that constitute Guarantees of Indebtedness to the extent such Guarantees are permitted by [Section 7.03](#);

(p) Liens on Property not constituting Collateral for the Obligations, the Cash Management Obligations or the Secured Swap Obligations and not otherwise permitted by the foregoing clauses of this [Section 7.01](#); provided that the aggregate principal or face amount of all Indebtedness secured by Liens under this [Section 7.01\(q\)](#) shall not exceed \$50,000,000 at any time.

provided, nothing in this [Section 7.01](#) shall in and of itself constitute or be deemed to constitute an agreement or acknowledgment by the Administrative Agent or any Lender that any Indebtedness subject to or secured by any Lien, right or other interest permitted under subsections (a) through (o) above ranks in priority to any Obligation.

7.02 **Investments.** Make any Investments, except:

(a) Investments held by the Borrower or such Subsidiary in the form of cash equivalents;

(b) Investments of the Borrower in any Restricted Subsidiary and Investments of any Restricted Subsidiary in the Borrower or in another Restricted Subsidiary;

(c) Investments representing non-cash consideration of Dispositions permitted under [Section 7.05](#);

(d) The acquisition of or other Investments (other than Investments consisting of Guarantees) in any Unrestricted Subsidiary so long as (i) immediately before and immediately after giving *pro forma* effect to any such acquisition or Investment, no Default shall have occurred and be continuing and (ii) immediately after giving effect to such acquisition or Investment, the Borrower and its Restricted Subsidiaries shall be in *pro forma* compliance with all of the covenants set forth in [Sections 7.14](#) and [7.15](#), such compliance to be determined on the basis of the financial information most recently delivered to the Administrative Agent and the Lenders pursuant to [Section 6.01\(a\)](#) or [\(b\)](#) as though such Investment had been consummated as of the first day of the fiscal period covered thereby;

(e) Investments consisting of extensions of credit in the nature of accounts receivable or notes receivable arising from the grant of trade credit in the ordinary course of business, and Investments received in satisfaction or partial satisfaction thereof from financially troubled account debtors to the extent reasonably necessary in order to prevent or limit loss;

(f) Guarantees permitted by [Section 7.03](#);

(g) Investments in Swap Contracts permitted by [Section 7.03\(d\)](#);

(h) Loans or advances to any officer, director or employee of any Loan Party for travel and related expenses consistent with the policies and procedures of such Loan Party and not to exceed \$2,500,000 at any one time outstanding;

(i) the purchase or other acquisition of property and assets or businesses of any Person or of assets constituting a business unit, a line of business or division of such Person, or Equity Interests in a Person that, upon the consummation thereof, will be a wholly owned Restricted Subsidiary of the Borrower (including as a result of a merger or consolidation); provided that, with respect to each purchase or other acquisition made pursuant to this [Section 7.02\(i\)](#) (each, a “[Permitted Acquisition](#)”):

(A) to the extent required by [Section 6.12](#), each applicable Loan Party and any such newly created or acquired Restricted Subsidiary (and, to the extent required by this Agreement, the Restricted Subsidiaries of such created or acquired Restricted Subsidiary) shall be a Guarantor and shall have complied with the requirements of [Sections 6.12](#) and [6.13](#), within the times specified therein;

(B) the acquired property, assets, business or Person is in the Present Line of Business; and

(C) (1) immediately before and immediately after giving *pro forma* effect to any such purchase or other acquisition, no Default shall have occurred and be continuing and (2) immediately after giving effect to such purchase or other acquisition, the Borrower and its Restricted Subsidiaries shall be in *pro forma* compliance with all of the covenants set forth in [Sections 7.14](#) and [7.15](#), such compliance to be determined on the basis of the financial information most recently delivered to the Administrative Agent and the Lenders pursuant to [Section 6.01\(a\)](#) or [\(b\)](#) as though such purchase or other acquisition had been consummated as of the first day of the fiscal period covered thereby; and

(j) Investments (other than Investments consisting of Guarantees) in Persons (other than a Person that is or becomes a Subsidiary of the Borrower) in the Present Line of Business to the extent not otherwise permitted by the foregoing clauses of this Section, so long as, immediately after giving effect to any such Investment, no Default has occurred and is continuing and the Borrower and its Restricted Subsidiaries shall be in *pro forma* compliance with all of the covenants set forth in [Sections 7.14](#) and [7.15](#).

such compliance to be determined on the basis of the financial information most recently delivered to the Administrative Agent and the Lenders pursuant to Section 6.01(a) or (b) as though such Investment had been consummated as of the first day of the fiscal period covered thereby.

7.03 **Indebtedness.** Create, incur, assume or suffer to exist any Indebtedness, except:

(a) Indebtedness under the Loan Documents;

(b) [intentionally omitted];

(c) Guarantees of the Borrower or any Guarantor in respect of Indebtedness otherwise permitted hereunder of the Borrower or any Restricted Subsidiary;

(d) obligations (contingent or otherwise) of the Borrower or any Restricted Subsidiary existing or arising under any Swap Contract with a Hedging Party designed to hedge against interest rates, foreign exchange rates or commodities pricing risks incurred in the ordinary course of business and not for speculative purposes;

(e) Indebtedness in respect of Capital Lease Obligations, Synthetic Lease Obligations and purchase money obligations for fixed or capital assets within the requirements set forth in Section 7.01(i); provided, however, that the aggregate amount of all such Indebtedness at any one time outstanding shall not exceed an amount equal to five percent (5%) of Consolidated Net Tangible Assets;

(f) unsecured Indebtedness in respect of a private placement or a public sale of unsecured senior or subordinated notes by the Borrower and unsecured guarantees of such notes by one or more of the Guarantors, provided, that (i) no principal of such Indebtedness is scheduled to mature earlier than the Maturity Date and (ii) after giving effect to such Indebtedness and the application of any of the proceeds thereof on the issuance date no Default or Event of Default shall exist and, on a *pro forma* basis, the Borrower shall comply with the covenants contained in Sections 7.14 and 7.15;

(g) Indebtedness of any Restricted Subsidiary owing to the Borrower or another Restricted Subsidiary subordinated to the Obligations, the Cash Management Obligations and the Secured Swap Obligations on terms satisfactory to the Administrative Agent;

(h) Indebtedness owed to Targa or any of its Subsidiaries that is subordinated to the Obligations, the Cash Management Obligations and the Secured Swap Obligations on terms reasonably satisfactory to the Administrative Agent;

(i) Subject to the consent of Administrative Agent, Indebtedness acquired in an acquisition, existing at the time of such acquisition and not incurred in contemplation thereof; provided that such Indebtedness shall not be secured except to the extent such Indebtedness is secured by Liens permitted by Section 7.01(j); provided further, that no Person, other than the obligor or obligors thereon at the time of such acquisition shall become liable for such Indebtedness;

(j) Cash Management Obligations and other Indebtedness in respect of netting services, overdraft protections and similar arrangements, in each case in connection with deposit accounts in the ordinary course of business and discharged within two Business Days of its incurrence;

(k) Indebtedness representing deferred compensation to employees of the Borrower and its Restricted Subsidiaries incurred in the ordinary course of business;

(l) Customary indemnification obligations or customary obligations in respect of purchase price or other similar adjustments, in each case incurred by the Borrower or any Restricted Subsidiary in connection with the Disposition of any assets permitted hereby, or any Investment permitted hereby or any Permitted Acquisition, but excluding Guarantees of Indebtedness; provided that (i) such obligations are not required to be reflected on the balance sheet of the Borrower or any Restricted Subsidiary (contingent obligations referred to in a footnote to financial statements and not otherwise reflected on the balance sheet will not be deemed to be reflected on such balance sheet for purposes of this clause (l)(i)) and (ii) the maximum liability in respect of all such obligations incurred in connection with any Disposition shall at no time exceed the gross proceeds, including noncash proceeds (the fair market value of such noncash proceeds being measured at the time received and without giving effect to any subsequent changes in value), actually received by the Borrower and its Restricted Subsidiaries in connection with such Disposition;

(m) Indebtedness consisting of (i) the financing of insurance premiums or (ii) customary take-or-pay obligations contained in supply agreements, in each case, in the ordinary course of business;

(n) Obligations in respect of performance, bid, appeal and surety bonds and similar obligations provided by the Borrower or any of its Restricted Subsidiaries, in each case in the ordinary course of business;

(o) Indebtedness for borrowed money of the Borrower and Guaranties thereof by one or more of the Guarantors; provided that (i) such Indebtedness and guaranties are unsecured and are subordinated to the Obligations, the Cash Management Obligations and the Secured Swap Obligations on terms reasonably satisfactory to the Administrative Agent, (ii) no principal of such Indebtedness is scheduled to mature earlier than the Maturity Date, (iii) after giving effect to such Indebtedness and the application of any of the proceeds thereof on the

issuance date no Default or Event of Default shall exist and, on a *pro forma* basis, the Borrower shall comply with the covenants contained in [Sections 7.14](#) and [7.15](#), and such principal amount of such subordinated Indebtedness cannot be prepaid except in accordance with [Section 7.04](#).

(p) Indebtedness not otherwise permitted by the foregoing clauses of this [Section 7.03](#); provided that the aggregate principal or face amount of all Indebtedness shall not exceed 10% of Consolidated Net Tangible Assets.

7.04 Subordinated Indebtedness. Pay the principal of any Indebtedness that is subordinated to the Obligations, other than with the proceeds of unsecured Indebtedness permitted under [Section 7.03](#) that is subordinated on terms at least as favorable to the Administrative Agent and the Lenders as the Indebtedness being so repaid.

7.05 Fundamental Changes. Merge, dissolve, liquidate, consolidate with or into another Person, or Dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to or in favor of any Person, except that, so long as no Default exists or would result therefrom:

(a) any Restricted Subsidiary may merge with (i) the Borrower, provided that the Borrower shall be the continuing or surviving Person, or (ii) any one or more other Restricted Subsidiaries, provided that when any Wholly Owned Subsidiary is merging with another Restricted Subsidiary, the Wholly Owned Subsidiary shall be the continuing or surviving Person; and

(b) any Restricted Subsidiary may liquidate or dissolve or change its legal form if the Borrower determines in good faith that such action is in the best interests of the Borrower and its Restricted Subsidiaries and is not materially disadvantageous to the Lenders;

(c) any Restricted Subsidiary may Dispose of all or substantially all of its assets (upon voluntary liquidation or otherwise) to the Borrower or to another Restricted Subsidiary; provided that if the transferor in such a transaction is a Wholly Owned Subsidiary, then the transferee must either be the Borrower or a Wholly Owned Subsidiary; provided, further that if the transferor in any such a transaction is a Guarantor, then the transferee must either be the Borrower or Guarantor.

(d) so long as no Default exists or would result therefrom, any Restricted Subsidiary may merge with any other Person in order to effect an Investment permitted pursuant to [Section 7.02](#); provided that the continuing or surviving Person shall be a Subsidiary, which together with each of its Subsidiaries, shall have complied with the requirements of [Section 6.12](#).

(e) so long as no Default has occurred and is continuing or would result therefrom, each of the Borrower and any of its Restricted Subsidiaries may merge into or consolidate with any other Person or permit any other Person to merge into or consolidate with it; provided, however, that in each case, immediately after giving effect thereto (i) in the case of any such merger to which the Borrower is a party, the Borrower is the surviving entity and (ii) in the

case of any such merger to which any Loan Party (other than the Borrower) is a party, such Loan Party is the surviving entity.

(f) so long as no Default exists or would result therefrom, a merger, dissolution, liquidation, consolidation or Disposition, the purpose and effect of which is to consummate a Disposition permitted pursuant to [Section 7.06](#).

7.06 **Dispositions.** Make any Disposition or enter into any agreement to make any Disposition, except:

(a) Dispositions of obsolete or worn out property, whether now owned or hereafter acquired, and Dispositions in the ordinary course of business of property no longer used or useful in the conduct of the business of the Borrower and its Restricted Subsidiaries;

(b) Dispositions of inventory or cash equivalents or immaterial assets in the ordinary course of business;

(c) Dispositions of fixtures or equipment to the extent that (i) such property is exchanged for credit against the purchase price of similar replacement fixtures or equipment or (ii) the proceeds of such Disposition are promptly applied to the purchase price of such replacement fixtures or equipment;

(d) Restricted Payments permitted by [Section 7.07](#) and Liens permitted by [Section 7.01](#);

(e) Dispositions of property acquired by the Borrower or any Subsidiary after the Closing Date pursuant to sale-leaseback transactions; provided that the applicable sale-leaseback transaction (i) occurs within ninety (90) days after the acquisition or construction (as applicable) of such property and (ii) is made for cash consideration not less than the cost of acquisition or construction of such property;

(f) Dispositions of accounts receivables in connection with the collection or compromise thereof in the ordinary course of business;

(g) Leases, subleases, licenses or sublicenses (including the provision of software under an open source license), easements, rights of way or similar rights or encumbrances in each case in the ordinary course of business and which do not materially interfere with the business of the Borrower and its Restricted Subsidiaries;

(h) transfers of property that has suffered a casualty (constituting a total loss or constructive total loss of such property) upon receipt of the Extraordinary Receipts of such casualty;

(i) Dispositions of Investments in joint ventures to the extent required by, or made pursuant to customary buy/sell arrangements between, the joint venture parties set forth in joint venture arrangements and similar binding arrangements;

(j) Dispositions of property, subject to the Security Documents, by the Borrower or any Subsidiary to the Borrower or to a Wholly Owned Subsidiary of the Borrower; provided that if the transferor of such property is the Borrower or a Guarantor, the transferee thereof must either be the Borrower or a Guarantor;

(k) Dispositions permitted under Section 7.05;

(l) Dispositions by the Borrower and its Restricted Subsidiaries not otherwise permitted under clauses (a) through (k) or (m) of this Section 7.06; provided that (i) at the time of such Disposition, no Default shall exist or would result from such Disposition, (ii) the aggregate book value of all property Disposed of in reliance on this clause (l) since the Closing Date shall not exceed ten percent (10%) of Consolidated Net Tangible Assets on the first day of the fiscal year most recently ended at the time of such determination and (iii) no Disposition of less than all of the Equity Interests of any Subsidiary shall be permitted under this clause (l); and

(m) Dispositions by the Borrower and its Restricted Subsidiaries not otherwise permitted under clauses (a) through (l) of this Section 7.06; provided that (i) at the time of such Disposition, no Default shall exist or would result from such Disposition, (ii) the Disposition is for 75% cash or cash equivalents, (iii) the Borrower shall make the prepayment or reinvestment of proceeds of such Disposition as required by Section 2.05(d), and (iv) no Disposition of less than all of the Equity Interests of any Subsidiary shall be permitted under this clause (m).

provided, however, that any Disposition pursuant to clauses (a), (b), (c), (e), (f), (i), (j), (k), (l) or (m) shall be for fair market value.

No Loan Party will discount, sell, pledge or assign any notes payable to it, accounts receivable or future income except for Dispositions permitted by clause (f). So long as no Event of Default then exists, the Administrative Agent will, at the Borrower's request and expense, execute a release, satisfactory to the Borrower and the Administrative Agent, of any Collateral so sold, transferred, leased, exchanged, alienated or disposed of pursuant to this Section.

7.07 Restricted Payments. Declare or make, directly or indirectly, any Restricted Payment, or incur any obligation (contingent or otherwise) to do so, except that, so long as no Default shall have occurred and be continuing at the time of any action described below or would result therefrom:

(a) each Subsidiary may make Restricted Payments to the Borrower, the Guarantors and any other Person that owns an Equity Interest in such Subsidiary, ratably according to their respective holdings of the type of Equity Interest in respect of which such Restricted Payment is being made;

(b) the Borrower and each Subsidiary may declare and make dividend payments or other distributions payable solely in the common stock or other common Equity Interests of such Person;

(c) the Borrower and each Subsidiary may purchase, redeem or otherwise acquire Equity Interests issued by it with the proceeds received from the substantially concurrent issue of new shares of its common stock or other common Equity Interests;

(d) the Borrower may make cash distributions in an amount not to exceed “Available Cash” (as such term is defined in the Borrower’s Partnership Agreement) to the holders of its Equity Interest.

7.08 Change in Nature of Business. Engage in any material line of business other than the Present Line of Business.

7.09 Transactions with Affiliates. Enter into any transaction of any kind with any Affiliate of the Borrower, whether or not in the ordinary course of business, other than on fair and reasonable terms substantially as favorable to the Borrower or such Subsidiary as would be obtainable by the Borrower or such Subsidiary at the time in a comparable arm’s length transaction with a Person other than an Affiliate, provided that the foregoing restriction shall not apply to transactions (a) between or among the Borrower and any of its Wholly Owned Subsidiaries or between and among any Wholly Owned Subsidiaries, (b) the transaction contemplated hereby and the payment of fees and expenses related thereto, (c) Restricted Payments permitted under [Section 7.07](#), and (d) transactions pursuant to agreements, instruments or arrangements in existence on the Closing Date and set forth on [Schedule 7.09](#) or any amendment thereto to the extent such an amendment is not adverse to the Lenders in any material respect.

7.10 Burdensome Agreements. Enter into any Contractual Obligation (other than this Agreement or any other Loan Document) that (a) limits the ability (i) of any Subsidiary to (A) make Restricted Payments to the Borrower or any Guarantor, (B) redeem Equity Interests held in it by the Borrower or any Guarantor, (C) otherwise transfer property to the Borrower or any Guarantor, (D) to repay loans and other indebtedness owing by it to the Borrower or any Guarantor, (ii) of any Restricted Subsidiary to Guarantee the Indebtedness of the Borrower or (iii) of the Borrower or any Restricted Subsidiary to create, incur, assume or suffer to exist Liens on property of such Person, provided, however, that the foregoing clauses shall not prohibit (I) any negative pledge incurred or provided in favor of any holder of Indebtedness permitted under [Section 7.03](#) solely to the extent any such negative pledge relates to the property financed by or the subject of such Indebtedness, (II) provisions in Organizational Documents and other similar agreements applicable to joint ventures or to other Persons that are not Restricted Subsidiaries or Partially Owned Operating Companies (to the extent Investment in such joint venture or other Person is permitted under [Section 7.02](#)) that limit Liens on or transfers of the Equity Interests in such joint venture or other Person entered into in the ordinary course of business, (III) are customary restrictions in leases, subleases, licenses, or asset sale agreements otherwise permitted hereby (or in easements, rights of way or similar rights or encumbrances, in each case granted to the Borrower or a Restricted Subsidiary by a third party in respect of real property owned by such third party) so long as such restrictions relate only to the assets (or the Borrower’s or such Restricted Subsidiary’s rights under such easement, right of way or similar right or encumbrance, as applicable) subject thereto or (b) requires the grant of a Lien to secure an obligation of such Person if a Lien is granted to secure another obligation of such Person.

7.11 Prohibited Contracts.

(a) Enter into any “take-or-pay” contract or other contract or arrangement for the purchase of goods or services which obligates it to pay for such goods or service regardless of whether they are delivered or furnished to it, other than contracts for pipeline capacity or for services in either case reasonably anticipated to be utilized in the ordinary course of business or as otherwise permitted by Section 7.03(m)(ii); or

(b) Incur any obligation to contribute to any Multiemployer Plan.

7.12 Limitation on Credit Extensions. Except for Investments permitted under Section 7.02, extend credit, make advances or make loans other than normal and prudent extensions of credit to customers buying goods and services in the ordinary course of business or to another Loan Party in the ordinary course of business, which extensions shall not be for longer periods than those extended by similar businesses operated in a normal and prudent manner.

7.13 Use of Proceeds. Use the proceeds of any Credit Extension, whether directly or indirectly, and whether immediately, incidentally or ultimately, to purchase or carry margin stock (within the meaning of Regulation U of the FRB) or to extend credit to others for the purpose of purchasing or carrying margin stock or to refund indebtedness originally incurred for such purpose.

7.14 Interest Coverage Ratio. On the Closing Date and at the end of each fiscal quarter, beginning March 31, 2007, permit the ratio of (a) Consolidated Adjusted EBITDA to (b) Interest Expense for the four consecutive fiscal quarter period then ended to be less than 2.25 to 1.0.

7.15 Leverage Ratios.

(a) If no Unsecured Note Indebtedness is outstanding on the applicable date of determination, permit the Consolidated Leverage Ratio to be greater than: (i) 5.75 to 1.0 on the Closing Date nor on the last day of the fiscal quarters ending March 31, 2007 and June 30, 2007; and (ii) 5.00 to 1.0 on the last day of any fiscal quarter ending on or after September 30, 2007.

(b) If any Unsecured Note Indebtedness is incurred or outstanding on the applicable date of determination, permit the Consolidated Leverage Ratio to be greater than: (i) during the period prior to September 30, 2007, 6.25 to 1.0 on the date any Unsecured Note Indebtedness is incurred nor on the last day of any fiscal quarter ending during such period; and (ii) during the period on or after September 30, 2007, 5.50 to 1.0 on the date any Unsecured Note Indebtedness is incurred nor on the last day of any fiscal quarter ending during such period.

(c) If any Unsecured Note Indebtedness is incurred or outstanding on the applicable date of determination, permit the Consolidated Senior Leverage Ratio to be greater than: (i) during the period prior to September 30, 2007, 5.25 to 1.0 on the date any Unsecured Note Indebtedness is incurred nor on the last day of any fiscal quarter ending during such period; nor (ii) during the period on or after September 30, 2007, 4.50 to 1.0 on the date any Unsecured

Note Indebtedness is incurred nor on the last day of any fiscal quarter ending during such period.

(d) During an Acquisition Period, the maximum permitted Consolidated Leverage Ratio and the maximum permitted Consolidated Senior Leverage Ratio shall each be increased by 0.50 to 1.00 from the otherwise applicable ratio set forth above (for example, the Consolidated Leverage Ratio requirement that would otherwise be 5.50 to 1.00 will become 6.00 to 1.00). As used in this [Section 7.15\(d\)](#), “Acquisition Period” means a period elected by the Borrower, such election to be exercised by the Borrower by delivering notice thereof to the Administrative Agent, beginning with the funding date of the purchase price for any Specified Acquisition and ending on the earlier of (a) the first anniversary date of such funding date or (b) the Borrower's election (provided, that the Borrower is in compliance with all applicable provisions of this [Section 7.15](#) after giving effect to such election), to terminate such Acquisition Period, such election to be exercised by the Borrower delivering notice thereof to the Administrative Agent; provided that once any Acquisition Period is in effect, the next succeeding Acquisition Period may not commence until (i) the termination of such Acquisition Period in effect and (ii) after giving effect to the termination of such Acquisition Period in effect the Borrower shall be in compliance with all applicable provisions of this [Section 7.15](#) and no Default shall have occurred and be continuing.

(e) Notwithstanding anything to the contrary, and for the avoidance of doubt, any failure by the Borrower to be in compliance with any requirement of this [Section 7.15](#) shall not be remedied by a change in the Consolidated Leverage Ratio upon the incurrence of any Unsecured Note Indebtedness or the election of an Acquisition Period.

7.16 **Negative Pledge.** Allow any Person, other than the Administrative Agent, L/C Issuer or any Lender or any other Secured Party, to create or otherwise cause or suffer to exist or become effective, or permit any of the Subsidiaries to create or otherwise cause or suffer to exist or become effective, directly or indirectly, any Lien (other than Liens permitted by [Section 7.01](#)) upon the assets of the Borrower or any of its Subsidiaries without the prior express written consent of the Administrative Agent.

ARTICLE VIII. EVENTS OF DEFAULT AND REMEDIES

8.01 **Events of Default.** Any of the following shall constitute an Event of Default:

(a) Non-Payment. The Borrower or any other Loan Party fails to pay (i) when and as required to be paid herein, any amount of principal of any Loan or any L/C Obligation, or (ii) within five days after the same becomes due, any interest on any Loan or on any L/C Obligation, or any fee due hereunder, or (iii) within five days after the same becomes due, any other amount payable hereunder or under any other Loan Document; or

(b) Specific Covenants. The Borrower fails to perform or observe any term, covenant or agreement contained in any of [Section 6.01](#), [6.02](#), [6.03](#), [6.05](#), [6.11](#) or [6.12](#) or [Article VII](#); provided, however that if the Borrower fails to deliver any financial statements, certificates or other information required by [Section 6.01](#), [6.02](#), [6.03](#) or [6.12](#) and subsequently

delivers such financial statements, certificates or other information as required by such Sections, then such Event of Default shall be deemed to have been cured and/or waived; or

(c) Other Defaults. Any Loan Party fails to perform or observe any other covenant or agreement (not specified in subsection (a) or (b) above) contained in any Loan Document on its part to be performed or observed and such failure continues for 30 days after notice thereof by the Administrative Agent; or

(d) Representations and Warranties. Any representation, warranty, certification or statement of fact made or deemed made by or on behalf of the Borrower or any other Loan Party herein, in any other Loan Document, or in any document delivered in connection herewith or therewith shall be incorrect or misleading in any material respect when made or deemed made; or

(e) Cross-Default. (i) The Borrower or any Subsidiary (A) fails to make any payment when due (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise) in respect of any Indebtedness or Guarantee (other than Indebtedness hereunder and Indebtedness under Swap Contracts) having an aggregate principal amount (including the undrawn face amount of any outstanding Letter of Credit, surety bonds and other similar contingent obligations outstanding under any agreement relating to such Indebtedness or Guarantee and including amounts owing to all creditors under any combined or syndicated credit arrangement) of more than the Threshold Amount, or (B) fails to observe or perform any other agreement or condition relating to any such Indebtedness or Guarantee or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event occurs, the effect of which default or other event is to cause, or to permit the holder or holders of such Indebtedness or the beneficiary or beneficiaries of such Guarantee (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause, with the giving of notice if required, such Indebtedness to be demanded or to become due or to be repurchased, prepaid, defeased or redeemed (automatically or otherwise), or an offer to repurchase, prepay, defease or redeem such Indebtedness to be made, prior to its stated maturity, or such Guarantee to become payable or cash collateral in respect thereof to be demanded; provided that this clause (e)(B) shall not apply to secured Indebtedness that becomes due as a result of the voluntary sale or transfer of the property or assets securing such Indebtedness, if such sale or transfer is permitted hereunder; or (ii) there occurs under any Swap Contract an Early Termination Date (as defined in such Swap Contract) resulting from (A) any event of default under such Swap Contract as to which the Borrower or any Subsidiary is the Defaulting Party (as defined in such Swap Contract) or (B) any Termination Event (as so defined) under such Swap Contract as to which the Borrower or any Subsidiary is an Affected Party (as so defined) and, in either event, the Swap Termination Value owed by the Borrower or such Subsidiary as a result thereof is greater than the Threshold Amount; or

(f) Insolvency Proceedings, Etc. The Borrower or any of its Restricted Subsidiaries institutes or consents to the institution of any proceeding under any Debtor Relief Law, or makes an assignment for the benefit of creditors; or applies for or consents to the appointment of any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer for it or for all or any material part of its property; or any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer is appointed without the application or consent of

such Person and the appointment continues undischarged or unstayed for 60 calendar days; or any proceeding under any Debtor Relief Law relating to any such Person or to all or any material part of its property is instituted without the consent of such Person and continues undismissed or unstayed for 60 calendar days, or an order for relief is entered in any such proceeding; or

(g) Inability to Pay Debts; Attachment. (i) The Borrower or any of its Restricted Subsidiaries becomes unable or admits in writing its inability or fails generally to pay its debts as they become due, or (ii) any writ or warrant of attachment or execution or similar process is issued or levied against all or any material part of the property of any such Person and is not released, vacated or fully bonded within 60 days after its issue or levy; or

(h) Judgments. There is entered against the Borrower or any of its Restricted Subsidiaries (i) a final judgment or order for the payment of money in an aggregate amount exceeding the Threshold Amount (to the extent not covered by independent third-party insurance as to which the insurer does not dispute coverage), or (ii) any one or more non-monetary final judgments that have, or could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect and, in either case, the same shall remain undischarged and either (A) enforcement proceedings are commenced by any creditor upon such judgment or order which have not been stayed by reason of a pending appeal or otherwise, or (B) there is a period of thirty (30) consecutive days during which a stay of enforcement of such judgment, by reason of a pending appeal or otherwise, is not in effect; or

(i) ERISA. (i) An ERISA Event occurs with respect to a Pension Plan or Multiemployer Plan which has resulted or could reasonably be expected to result in liability of any Loan Party under Title IV of ERISA to the Pension Plan, Multiemployer Plan or the PBGC in an aggregate amount in excess of the Threshold Amount, or (ii) any Loan Party or any ERISA Affiliate fails to pay when due, after the expiration of any applicable grace period, any installment payment with respect to its withdrawal liability under Section 4201 of ERISA under a Multiemployer Plan in an aggregate amount in excess of the Threshold Amount; or

(j) Invalidity of Loan Documents. Any material provision of any Loan Document, at any time after its execution and delivery and for any reason other than as expressly permitted hereunder or thereunder or satisfaction in full of all the Obligations, ceases to be in full force and effect; or any Loan Party or any other Person contests in any manner the validity or enforceability of any material provision of any Loan Document; or any Loan Party denies that it has any or further liability or obligation under any Loan Document, or purports to revoke, terminate or rescind any provision of any Loan Document; or

(k) Change of Control. There occurs any Change of Control; or

(l) Security Documents. Any Security Document shall for any reason (other than pursuant to the terms hereof and thereof) cease to create a valid and perfected first priority Lien in any asset having a value in excess of the Threshold Amount, except to the extent that any such loss of perfection or priority results from the failure of the Administrative Agent or the Collateral Agent to maintain possession of certificates actually delivered to it representing securities pledged under the Security Documents or to file Uniform Commercial Code

continuation statements and except as to Collateral consisting of real property to the extent that such losses are covered by a lender's title insurance policy and such insurer has not denied coverage.

8.02 Remedies Upon Event of Default. If any Event of Default occurs and is continuing, the Administrative Agent shall, at the request of, or may, with the consent of, the Required Lenders, take any or all of the following actions:

- (a) declare the commitment of each Lender to make Loans and any obligation of the L/C Issuer to make L/C Credit Extensions to be terminated, whereupon such commitments and obligation shall be terminated;
- (b) declare the unpaid principal amount of all outstanding Loans, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder or under any other Loan Document to be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Borrower;
- (c) require that the Borrower Cash Collateralize the L/C Obligations (in an amount equal to the then Outstanding Amount thereof); and
- (d) exercise on behalf of itself and the Lenders all rights and remedies available to it and the Lenders under the Loan Documents;

provided, however, that upon the occurrence of an actual or deemed entry of an order for relief with respect to the Borrower under the Bankruptcy Code of the United States, the obligation of each Lender to make Loans and any obligation of the L/C Issuer to make L/C Credit Extensions shall automatically terminate, the unpaid principal amount of all outstanding Loans and all interest and other amounts as aforesaid shall automatically become due and payable, and the obligation of the Borrower to Cash Collateralize the L/C Obligations as aforesaid shall automatically become effective, in each case without further act of the Administrative Agent or any Lender.

8.03 Application of Funds. After the exercise of remedies provided for in Section 8.02 (or after the Loans have automatically become immediately due and payable and the L/C Obligations have automatically been required to be Cash Collateralized as set forth in the proviso to Section 8.02), any amounts received on account of the Obligations, the Cash Management Obligations and the Secured Swap Obligations shall be applied by the Administrative Agent and the Collateral Agent in the following order:

First, to payment of that portion of the Obligations constituting fees, indemnities, expenses and other amounts (including fees, charges and disbursements of external counsel to the Administrative Agent and amounts payable under Article III) payable to the Administrative Agent in its capacity as such and payable to the Collateral Agent in its capacity as such;

Second, to payment of that portion of the Obligations constituting fees, indemnities and other amounts (other than principal, interest and Letter of Credit Fees) payable to the Lenders and the L/C Issuer (including fees, charges and disbursements of external counsel to the

respective Lenders and the L/C Issuer and amounts payable under [Article III](#)), ratably among them in proportion to the respective amounts described in this clause [Second](#) payable to them;

[Third](#), to payment of that portion of the Obligations constituting accrued and unpaid Letter of Credit Fees and interest on the Loans, L/C Borrowings and other Obligations, ratably among the Lenders and the L/C Issuer in proportion to the respective amounts described in this clause [Third](#) payable to them;

[Fourth](#), to payment of that portion of the Obligations constituting unpaid principal of the Loans and L/C Borrowings, the Secured Swap Obligations and the Cash Management Obligations, ratably among the Lenders, the Hedging Parties and the L/C Issuer in proportion to the respective amounts described in this clause [Fourth](#) held by them;

[Fifth](#), to the Administrative Agent for the account of the L/C Issuer, to Cash Collateralize that portion of L/C Obligations comprised of the aggregate undrawn amount of Letters of Credit; and

[Last](#), the balance, if any, after all of the Obligations, the Cash Management Obligations and the Secured Swap Obligations have been indefeasibly paid in full, to the Borrower or as otherwise required by Law.

Subject to [Section 2.03\(m\)](#), amounts used to Cash Collateralize the aggregate undrawn amount of Letters of Credit pursuant to clause [Fifth](#) above shall be applied to satisfy drawings under such Letters of Credit as they occur. If any amount remains on deposit as Cash Collateral after all Letters of Credit have either been fully drawn or expired, such remaining amount shall be applied to the other Obligations, Cash Management Obligations and Secured Swap Obligations, if any, in the order set forth above.

ARTICLE IX. ADMINISTRATIVE AGENT

9.01 Appointment and Authority.

(a) Each of the Lenders and the L/C Issuer hereby irrevocably appoints Bank of America to act on its behalf as the Administrative Agent hereunder and under the other Loan Documents and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto. The provisions of this Article are solely for the benefit of the Agents, the Lenders and the L/C Issuer, and neither the Borrower nor any other Loan Party shall have rights as a third party beneficiary of any of such provisions.

(b) Each of the Lenders (in its capacities as a Lender, Swing Line Lender (if applicable), L/C Issuer (if applicable) and a potential Hedging Party) hereby irrevocably appoints and authorizes the Collateral Agent to act as the agent of (and to hold any security interest created by the Security Documents for and on behalf of or on trust for) such Lender for purposes of acquiring, holding and enforcing any and all Liens on Collateral granted by any of the Loan Parties to secure any of the Obligations, the Secured Swap Obligations or the Cash

Management Obligations together with such powers and discretion as are reasonably incidental thereto. In this connection, the Collateral Agent (and any co-agents, sub-agents and attorneys-in-fact appointed by the Administrative Agent or the Collateral Agent pursuant to [Section 9.05](#) for purposes of holding or enforcing any Lien on the Collateral (or any portion thereof) granted under the Collateral Documents, or for exercising any rights and remedies thereunder at the direction of the Administrative Agent), shall be entitled to the benefits of all provisions of this [Article IX](#) (including, [Section 9.11](#), as though such co-agents, sub-agents and attorneys-in-fact were the Collateral Agent) as if set forth in full herein with respect thereto. Without limiting the generality of the foregoing, the Lenders hereby expressly authorize the Collateral Agent to execute any and all documents (including releases) with respect to the Collateral and the rights of the Secured Parties with respect thereto (including the Intercreditor Agreement), as contemplated by and in accordance with the provisions of this Agreement and the Security Documents and acknowledge and agree that any such action by any Agent shall bind the Lenders.

9.02 Rights as a Lender. Any Person serving an Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not such Agent and the term “Lender” or “Lenders” shall, unless otherwise expressly indicated or unless the context otherwise requires, include such Person serving as an Agent hereunder in its individual capacity. Such Person and its Affiliates may accept deposits from, lend money to, act as the financial advisor or in any other advisory capacity for and generally engage in any kind of business with any Loan Party or any Subsidiary or other Affiliate thereof as if such Person were not an Agent hereunder and without any duty to account therefor to the Lenders.

9.03 Exculpatory Provisions. No Agent shall have any duties or obligations except those expressly set forth herein and in the other Loan Documents. Without limiting the generality of the foregoing, Agents:

(a) shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing;

(b) shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by the other Loan Documents that such Agent is required to exercise as directed in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be expressly provided for herein or in the other Loan Documents), provided that no Agent shall be required to take any action that, in its opinion or the opinion of its counsel, may expose such Agent to liability or that is contrary to any Loan Document or applicable law; and

(c) shall not, except as expressly set forth herein and in the other Loan Documents, have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any of its Affiliates that is communicated to or obtained by the Person serving as Agent or any of its Affiliates in any capacity.

No Agent shall be liable for any action taken or not taken by it (i) with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall

be necessary, or as such Agent shall believe in good faith shall be necessary, under the circumstances as provided in [Sections 10.01](#) and [8.02](#)) or (ii) in the absence of its own gross negligence or willful misconduct. No Agent shall be deemed to have knowledge of any Default unless and until notice describing such Default is given to such Agent by the Borrower, a Lender or the L/C Issuer.

No Agent shall be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement or any other Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any Default, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Loan Document or any other agreement, instrument or document or (v) the satisfaction of any condition set forth in [Article IV](#) or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

9.04 Reliance by Agent. Each Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message, Internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper Person. Each Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person, and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the making of a Loan, or the issuance of a Letter of Credit, that by its terms must be fulfilled to the satisfaction of a Lender or the L/C Issuer, such Agent may presume that such condition is satisfactory to such Lender or the L/C Issuer unless such Agent shall have received notice to the contrary from such Lender or the L/C Issuer prior to the making of such Loan or the issuance of such Letter of Credit. Each Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

9.05 Delegation of Duties. Each of the Administrative Agent and the Collateral Agent may perform any and all of its duties and exercise its rights and powers hereunder or under any other Loan Document by or through any one or more sub-agents appointed by the Administrative Agent or the Collateral Agent, respectively. Each of the Administrative Agent and the Collateral Agent and any such sub-agent may perform any and all of its duties and exercise its rights and powers by or through their respective Related Parties. The exculpatory provisions of this Article shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and the Collateral Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities of the Administrative Agent and the Collateral Agent.

9.06 Resignation of Agent. The Administrative Agent or the Collateral Agent may at any time give notice of its resignation to the Lenders, the L/C Issuer and the Borrower. Upon receipt of any such notice of resignation, the Required Lenders shall have the right, in consultation with the Borrower, to appoint a successor, which shall be a bank with an office in the United States, or an Affiliate of any such bank with an office in

the United States. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent or Collateral Agent gives notice of its resignation, then such retiring Administrative Agent or Collateral Agent may on behalf of the Lenders and the L/C Issuer, appoint a successor Administrative Agent or Collateral Agent meeting the qualifications set forth above; provided that if the Administrative Agent or Collateral Agent shall notify the Borrower and the Lenders that no qualifying Person has accepted such appointment, then such resignation shall nonetheless become effective in accordance with such notice and (1) the retiring Administrative Agent or Collateral Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents (except that in the case of any Collateral held by the Administrative Agent or Collateral Agent on behalf of the Lenders or the L/C Issuer under any of the Loan Documents, the retiring Administrative Agent or Collateral Agent shall continue to hold such Collateral until such time as a successor Administrative Agent or Collateral Agent is appointed) and (2) all payments, communications and determinations provided to be made by, to or through the Administrative Agent or Collateral Agent shall instead be made by or to each Lender and the L/C Issuer directly, until such time as the Required Lenders appoint a successor Administrative Agent or Collateral Agent as provided for above in this Section. Upon the acceptance of a successor's appointment as Administrative Agent or Collateral Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring (or retired) Administrative Agent or Collateral Agent, and the retiring Administrative Agent or Collateral Agent shall be discharged from all of its duties and obligations hereunder or under the other Loan Documents (if not already discharged therefrom as provided above in this Section). The fees payable by the Borrower to a successor Administrative Agent or Collateral Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the retiring Administrative Agent's or Collateral Agent's resignation hereunder and under the other Loan Documents, the provisions of this Article and [Section 10.04](#) shall continue in effect for the benefit of such retiring Administrative Agent or Collateral Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while the retiring Administrative Agent or Collateral Agent was acting as the Administrative Agent.

Any resignation by Bank of America as the Administrative Agent pursuant to this Section shall also constitute its resignation as L/C Issuer and Swing Line Lender. Upon the acceptance of a successor's appointment as the Administrative Agent hereunder, (a) such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring L/C Issuer and Swing Line Lender, (b) the retiring L/C Issuer and Swing Line Lender shall be discharged from all of their respective duties and obligations hereunder or under the other Loan Documents, and (c) the successor L/C Issuer shall issue letters of credit in substitution for the Letters of Credit, if any, outstanding at the time of such succession or make other arrangements satisfactory to the retiring L/C Issuer to effectively assume the obligations of the retiring L/C Issuer with respect to such Letters of Credit.

9.07 Non-Reliance on Agent and Other Lenders. Each Lender and the L/C Issuer acknowledges that it has, independently and without reliance upon any Agent, any Agent-Related Person or any other Lender or any of their Related Parties and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter

into this Agreement. Each Lender and the L/C Issuer also acknowledges that it will, independently and without reliance upon any Agent, any Agent-Related Person or any other Lender or any of their Related Parties and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or any related agreement or any document furnished hereunder or thereunder.

9.08 **No Other Duties, Etc.** Anything herein to the contrary notwithstanding, none of the agents listed on the cover page hereof shall have any powers, duties, liabilities or responsibilities under this Agreement or any of the other Loan Documents, except in its capacity, as applicable, as the Administrative Agent, a Lender or the L/C Issuer hereunder.

9.09 **Administrative Agent May File Proofs of Claim.** In case of the pendency of any proceeding under any Debtor Relief Law or any other judicial proceeding relative to any Loan Party, the Administrative Agent (irrespective of whether the principal of any Loan or L/C Obligation shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Borrower) shall be entitled and empowered, by intervention in such proceeding or otherwise

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans, L/C Obligations and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders, the L/C Issuer and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders, the L/C Issuer and the Administrative Agent and their respective agents and external counsel and all other amounts due the Lenders, the L/C Issuer and the Administrative Agent under [Sections 2.03\(i\)](#) and (j), [2.09](#) and [10.04](#)) allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender and the L/C Issuer to make such payments to the Administrative Agent and, in the event that the Administrative Agent shall consent to the making of such payments directly to the Lenders and the L/C Issuer, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and external counsel, and any other amounts due the Administrative Agent under [Sections 2.09](#) and [10.04](#).

Nothing contained herein shall be deemed to authorize the Administrative Agent to authorize or consent to or accept or adopt on behalf of any Lender or the L/C Issuer any plan of reorganization, arrangement, adjustment or composition affecting the Obligations or the rights of any Lender or the L/C Issuer to authorize the Administrative Agent to vote in respect of the claim of any Lender or the L/C Issuer in any such proceeding.

9.10 **Collateral and Guaranty Matters.** The Lenders, the L/C Issuer and the Hedging Parties irrevocably authorize the Collateral Agent, at its option and in its discretion,

(a) to release any Lien on any property granted to or held by the Collateral Agent under any Loan Document (i) upon termination of the Aggregate Commitments and payment in full of all Obligations, the Cash Management Obligations and the Secured Swap Obligations (other than contingent indemnification obligations) and the expiration or termination of all Letters of Credit, (ii) that is sold or to be sold as part of or in connection with any sale permitted hereunder or under any other Loan Document, (iii) subject to [Section 10.01](#), if approved, authorized or ratified in writing by the Required Lenders or, except to the extent that any such loss of perfection or priority results from the failure of the Administrative Agent or the Collateral Agent to maintain possession of certificates actually delivered to it representing securities pledged under the Security Documents or to file Uniform Commercial Code continuation statements and except as to Collateral consisting of real property to the extent that such losses are covered by a lender's title insurance policy and such insurer has not denied coverage or (iv) if the property subject to such Lien is owned by a Guarantor, upon release of such Guarantor from its obligations under its Guaranty pursuant to clause (c) below; and

(b) to subordinate any Lien on any Property granted to or held by the Collateral Agent under any Loan Document to the holder of any Lien on such property that is permitted by [Section 7.01\(i\)](#); and

(c) to release any Guarantor from its obligations under the Guaranty if such Person ceases to be a Restricted Subsidiary as a result of a transaction permitted hereunder.

Upon request by the Collateral Agent at any time, the Required Lenders will confirm in writing the Administrative Agent's authority to release or subordinate its interest in particular types or items of property, or to release any Guarantor from its obligations under the Guaranty pursuant to this [Section 9.10](#). In each case as specified in this [Section 9.10](#), the Administrative Agent or the Collateral Agent will (and each Lender irrevocably authorizes such Agent to), at the Borrower's expense, execute and deliver to the applicable Loan Party such documents as such Loan Party may reasonably request to evidence the release or subordination of such item of Collateral from the assignment and security interest granted under the Security Documents, or to evidence the release of such Guarantor from its obligations under the Guaranty, in each case in accordance with the terms of the Loan Documents and this [Section 9.10](#).

9.11 Indemnification of Agents. Whether or not the transactions contemplated hereby are consummated, the Lenders shall indemnify upon demand each Agent and Agent-Related Person (to the extent not reimbursed by or on behalf of any Loan Party and without limiting the obligation of any Loan Party to do so), pro rata, and hold harmless each Agent and Agent-Related Person from and against any and all losses, claims, damages, liabilities and related expenses (including the fees, charges and disbursements of any external counsel for any Agent) incurred by it; provided that no Lender shall be liable for the payment to any Agent or Agent-Related Person of any portion of such losses, claims, damages, liabilities and related expenses resulting from such Agent's or Agent-Related Person's own gross negligence or willful misconduct, as determined by the final judgment of a court of competent jurisdiction; provided that no action taken in accordance with the directions of the Required Lenders (or such other number or percentage of the Lenders as shall be required by the Loan Documents) shall be deemed to constitute gross negligence or willful misconduct for purposes of this [Section 9.11](#). In the case of any investigation, litigation or proceeding giving rise to any loss, claim, damage,

liability and related expense this [Section 9.11](#) applies whether any such investigation, litigation or proceeding is brought by any Lender or any other Person. Without limitation of the foregoing, each Lender shall reimburse the Administrative Agent or Collateral Agent upon demand for its ratable share of any costs or out-of-pocket expenses (including attorney costs) incurred by such Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, any other Loan Document, or any document contemplated by or referred to herein, to the extent that such Agent is not reimbursed for such expenses by or on behalf of the Borrower. The undertaking in this [Section 9.11](#) shall survive termination of the Aggregate Commitments, the payment of all other Obligations, Secured Swap Obligations and Cash Management Obligations, and the resignation of such Agent.

9.12 **Intercreditor Agreement.** The Collateral Agent is authorized to enter into the Intercreditor Agreement, and the parties hereto acknowledge, on behalf of themselves and their Affiliates, that the Intercreditor Agreement is binding upon them and their Affiliates without execution thereof.

ARTICLE X. MISCELLANEOUS

10.01 **Amendments, Etc.** Subject to the Intercreditor Agreement with respect to those matters as to which Hedging Parties are entitled to vote thereunder, no amendment or waiver of any provision of this Agreement or any other Loan Document (other than the Intercreditor Agreement), and no consent to any departure by the Borrower or any other Loan Party therefrom, shall be effective unless in writing signed by the Required Lenders and the Borrower or the applicable Loan Party, as the case may be, and acknowledged by the Administrative Agent, and each such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no such amendment, waiver or consent shall:

- (a) waive any condition set forth in [Section 4.01\(a\)](#) without the written consent of each Lender;
- (b) extend or increase the Commitment of any Lender (or reinstate any Commitment terminated pursuant to [Section 8.02](#)) without the written consent of such Lender;
- (c) postpone any date fixed by this Agreement or any other Loan Document for any payment or mandatory prepayment of principal, interest, fees or other amounts due to the Lenders (or any of them) or any scheduled or mandatory reduction of the Aggregate Commitments hereunder or under any other Loan Document without the written consent of each Lender directly affected thereby, it being understood that the waiver of (or amendment to the terms of) any mandatory prepayment of Loans shall not constitute a postponement of any date scheduled for the payment of principal or interest;
- (d) reduce the principal of, or the rate of interest specified herein on, any Loan or L/C Borrowing, or (subject to clause (iv) of the second proviso to this [Section 10.01](#)) any fees or other amounts payable hereunder or under any other Loan Document, without the written

consent of each Lender directly affected thereby; provided, however, that only the consent of the Required Lenders shall be necessary (i) to amend the definition of “Default Rate” or to waive any obligation of the Borrower to pay interest or Letter of Credit Fees at the Default Rate and (ii) to change the manner of computation of any financial ratio (including any change in any applicable defined term) used in determining the Applicable Rate that would result in a reduction of any interest rate on any Loan or any fee payable hereunder;

- (e) change Section 2.13 or Section 8.03 in a manner that would alter the pro rata sharing of payments required thereby without the written consent of each Lender;
- (f) change any provision of this Section or the definition of “Required Lenders” or any other provision hereof specifying the number or percentage of Lenders required to amend, waive or otherwise modify any rights hereunder or make any determination or grant any consent hereunder without the written consent of each Lender;
- (g) except as otherwise permitted herein, release any Guarantor from the Guaranty without the written consent of each Lender; or
- (h) release of all or substantially all of the Collateral hereunder without the written consent of each Lender;

and, provided further, that (i) no amendment, waiver or consent shall, unless in writing and signed by the L/C Issuer in addition to the Lenders required above, affect the rights or duties of the L/C Issuer under this Agreement or any Issuer Document relating to any Letter of Credit issued or to be issued by it; (ii) no amendment, waiver or consent shall, unless in writing and signed by the Swing Line Lender in addition to the Lenders required above, affect the rights or duties of the Swing Line Lender under this Agreement; (iii) no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent or the Collateral Agent in addition to the Lenders required above, affect the rights or duties of the Administrative Agent or the Collateral Agent under this Agreement or any other Loan Document; and (iv) the Fee Letter may be amended, or rights or privileges thereunder waived, in a writing executed only by the parties thereto. Notwithstanding anything to the contrary herein, no Defaulting Lender shall have any right to approve or disapprove any amendment, waiver or consent hereunder, except that the Commitment of such Lender may not be increased or extended without the consent of such Lender.

No amendment or waiver of any provision of the Intercreditor Agreement shall be effective unless consented to in writing by the Required Lenders (and as otherwise required in the Intercreditor Agreement), and each such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

10.02 Notices; Effectiveness; Electronic Communication.

- (a) Notices Generally. Except in the case of notices and other communications expressly permitted to be given by telephone (and except as provided in subsection (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopier, or email as follows, and all notices and other communications expressly permitted

hereunder to be given by telephone shall be made to the applicable telephone number, as follows:

(b) if to the Borrower, the Administrative Agent, the Collateral Agent, the L/C Issuer or the Swing Line Lender, to the address, telecopier number, electronic mail address or telephone number specified for such Person on [Schedule 10.02](#); and

(c) if to any other Lender, to the address, telecopier number, electronic mail address or telephone number specified in its Administrative Questionnaire.

Notices sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices sent by telecopier shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next Business Day for the recipient). Notices delivered through electronic communications to the extent provided in subsection (b) below, shall be effective as provided in such subsection (b).

(d) [Electronic Communications](#). Notices and other communications to the Lenders and the L/C Issuer hereunder may be delivered or furnished by electronic communication (including e-mail and Internet or intranet websites) pursuant to procedures approved by the Administrative Agent, [provided](#) that the foregoing shall not apply to notices to any Lender or the L/C Issuer pursuant to [Article II](#) if such Lender or the L/C Issuer, as applicable, has notified the Administrative Agent that it is incapable of receiving notices under such Article by electronic communication. The Administrative Agent or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it, [provided](#) that approval of such procedures may be limited to particular notices or communications.

Unless the Administrative Agent otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), [provided](#) that if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next Business Day for the recipient, and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor.

(e) [The Platform](#). THE PLATFORM IS PROVIDED "AS IS" AND "AS AVAILABLE." THE AGENT PARTIES (AS DEFINED BELOW) DO NOT WARRANT THE ACCURACY OR COMPLETENESS OF THE BORROWER MATERIALS OR THE ADEQUACY OF THE PLATFORM, AND EXPRESSLY DISCLAIM LIABILITY FOR ERRORS IN OR OMISSIONS FROM THE BORROWER MATERIALS. NO WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR STATUTORY, INCLUDING ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT OF THIRD PARTY RIGHTS OR FREEDOM FROM VIRUSES OR

OTHER CODE DEFECTS, IS MADE BY ANY AGENT PARTY IN CONNECTION WITH THE BORROWER MATERIALS OR THE PLATFORM. In no event shall the Administrative Agent or any of its Related Parties (collectively, the “Agent Parties”) have any liability to the Borrower, any Lender, the L/C Issuer or any other Person for losses, claims, damages, liabilities or expenses of any kind (whether in tort, contract or otherwise) arising out of the Borrower’s or the Administrative Agent’s transmission of the Borrower Materials through the Internet, except to the extent that such losses, claims, damages, liabilities or expenses are determined by a court of competent jurisdiction by a final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Agent Party; provided, however, that in no event shall any Agent Party have any liability to the Borrower, any Lender, the L/C Issuer or any other Person for indirect, special, incidental, consequential or punitive damages (as opposed to direct or actual damages).

(f) Effectiveness of Facsimile Documents and Signatures. Loan Documents may be transmitted and/or signed by facsimile. The effectiveness of any such documents and signatures shall, subject to applicable Law, have the same force and effect as manually-signed originals and shall be binding on all Loan Parties, the Administrative Agent, the Collateral Agent, the L/C Issuer and the Lenders. The Administrative Agent may also require that any such documents and signatures be confirmed by a manually-signed original thereof; provided, however, that the failure to request or deliver the same shall not limit the effectiveness of any facsimile document or signature.

(g) Change of Address, Etc. Each of the Borrower, the Administrative Agent, the L/C Issuer and the Swing Line Lender may change its address, telecopier or telephone number for notices and other communications hereunder by notice to the other parties hereto. Each other Lender may change its address, telecopier or telephone number for notices and other communications hereunder by notice to the Borrower, the Administrative Agent, the L/C Issuer and the Swing Line Lender. In addition, each Lender agrees to notify the Administrative Agent from time to time to ensure that the Administrative Agent has on record (i) an effective address, contact name, telephone number, telecopier number and electronic mail address to which notices and other communications may be sent and (ii) accurate wire instructions for such Lender.

(h) Reliance by Administrative Agent, L/C Issuer and Lenders. The Administrative Agent, the L/C Issuer and the Lenders shall be entitled to rely and act upon any notices (including telephonic Committed Loan Notices and Swing Line Loan Notices) purportedly given by or on behalf of the Borrower even if (i) such notices were not made in a manner specified herein, were incomplete or were not preceded or followed by any other form of notice specified herein, or (ii) the terms thereof, as understood by the recipient, varied from any confirmation thereof. The Borrower shall indemnify the Administrative Agent, the L/C Issuer, each Lender and the Related Parties of each of them from all losses, costs, expenses and liabilities resulting from the reliance by such Person on each notice purportedly given by or on behalf of the Borrower except to the extent that such losses, claims, damages, liabilities or expenses are determined by a court of competent jurisdiction by a final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Person. All telephonic notices to and other telephonic communications with the Administrative Agent may

be recorded by the Administrative Agent, and each of the parties hereto hereby consents to such recording.

10.03 **No Waiver; Cumulative Remedies.** No failure by any Lender, the L/C Issuer or the Administrative Agent to exercise, and no delay by any such Person in exercising, any right, remedy, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

10.04 **Expenses; Indemnity; Damage Waiver.**

(a) **Costs and Expenses.** The Borrower shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates (including the reasonable fees, charges and disbursements of external counsel for the Administrative Agent), in connection with the syndication of the credit facilities provided for herein, the preparation, negotiation, execution, delivery and administration of this Agreement and the other Loan Documents or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) all reasonable out-of-pocket expenses incurred by the L/C Issuer in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder and (iii) all reasonable out-of-pocket expenses incurred by the Administrative Agent, any Lender or the L/C Issuer (including the fees, charges and disbursements of any external counsel for the Administrative Agent, any Lender or the L/C Issuer), in connection with the enforcement or protection of its rights (A) in connection with this Agreement and the other Loan Documents, including its rights under this Section, or (B) in connection with the Loans made or Letters of Credit issued hereunder, including all such reasonably out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans or Letters of Credit.

(b) **Indemnification by the Borrower.** The Borrower shall indemnify the Administrative Agent (and any sub-agent thereof), each other Agent, each Lender and the L/C Issuer, and each Related Party of any of the foregoing Persons (each such Person being called an “**Indemnitee**”) against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses (including the fees, charges and disbursements of any external counsel for any Indemnitee), incurred by any Indemnitee or asserted against any Indemnitee by any third party or by any Loan Party or any Subsidiary thereof arising out of, in connection with, as a result of or in any other way associated with (i) the execution or delivery of this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, and the performance by the parties hereto of their respective obligations hereunder or thereunder, (ii) the Collateral, the Loan Documents and consummation of the transactions or events (including the enforcement or defense thereof and any occupation, operation, use or maintenance of Collateral or other property of a Loan Party) at any time associated therewith or contemplated therein, (iii) any Loan or Letter of Credit or the use or proposed use of the proceeds therefrom (including any refusal by the L/C Issuer to honor a demand for payment under a Letter of Credit if the documents presented in connection with

such demand do not strictly comply with the terms of such Letter of Credit), (iv) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by any Loan Party or any Subsidiary thereof, or any Environmental Liability related in any way to any Loan Party or any Subsidiary thereof, or (v) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by any Loan Party or any Subsidiary thereof, and regardless of whether any Indemnitee is a party thereto, in all cases, whether or not caused by or arising, in whole or in part, out of the comparative, contributory or sole negligence of the Indemnitee; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses (x) are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee or (y) result from a claim brought by the Borrower or any other Loan Party against an Indemnitee for breach in bad faith of such Indemnitee's obligations hereunder or under any other Loan Document, if the Borrower or such Loan Party has obtained a final and nonappealable judgment in its favor on such claim as determined by a court of competent jurisdiction.

(c) Reimbursement by Lenders. To the extent that the Borrower for any reason fails to indefeasibly pay any amount required under subsection (a) or (b) of this Section to be paid by it to the Administrative Agent (or any sub-agent thereof), each other Agent, the L/C Issuer or any Related Party of any of the foregoing, each Lender severally agrees to pay to the Administrative Agent (or any such sub-agent), the L/C Issuer or such Related Party, as the case may be, such Lender's Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount, provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent (or any such sub-agent) or the L/C Issuer in its capacity as such, or against any Related Party of any of the foregoing acting for the Administrative Agent (or any such sub-agent) or L/C Issuer in connection with such capacity. The obligations of the Lenders under this subsection (c) are subject to the provisions of Section 2.12(d).

(d) Waiver of Consequential Damages, Etc. To the fullest extent permitted by applicable law, the Borrower shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Loan or Letter of Credit or the use of the proceeds thereof. No Indemnitee referred to in subsection (b) above shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed to such unintended recipients by such Indemnitee through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby other than for direct or actual damages resulting from the gross negligence or willful misconduct of such Indemnitee as determined by a final and nonappealable judgment of a court of competent jurisdiction.

(e) Payments. All amounts due under this Section shall be payable not later than ten Business Days after demand therefor.

(f) Survival. The agreements in this Section shall survive the resignation of the Administrative Agent, the L/C Issuer and the Swing Line Lender, the replacement of any Lender, the termination of the Aggregate Commitments and the repayment, satisfaction or discharge of all the other Obligations.

10.05 **Payments Set Aside**. To the extent that any payment by or on behalf of the Borrower is made to the Administrative Agent, the L/C Issuer or any Lender, or the Administrative Agent, the L/C Issuer or any Lender exercises its right of setoff, and such payment or the proceeds of such setoff or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by the Administrative Agent, the L/C Issuer or such Lender in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any Debtor Relief Law or otherwise, then (a) to the extent of such recovery, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such setoff had not occurred, and (b) each Lender and the L/C Issuer severally agrees to pay to the Administrative Agent upon demand its applicable share (without duplication) of any amount so recovered from or repaid by the Administrative Agent, plus interest thereon from the date of such demand to the date such payment is made at a rate per annum equal to the Federal Funds Rate from time to time in effect. The obligations of the Lenders and the L/C Issuer under clause (b) of the preceding sentence shall survive the payment in full of the Obligations and the termination of this Agreement.

10.06 Successors and Assigns.

(a) Successors and Assigns Generally. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Administrative Agent and each Lender and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an assignee in accordance with the provisions of subsection (b) of this Section, (ii) by way of participation in accordance with the provisions of subsection (d) of this Section, or (iii) by way of pledge or assignment of a security interest subject to the restrictions of subsection (f) of this Section (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in subsection (d) of this Section and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent, the L/C Issuer and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Assignments by Lenders. Any Lender may at any time assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans (including for purposes of this subsection (b), participations in L/C Obligations and in Swing Line Loans) at the time owing to it); provided that any such assignment shall be subject to the following conditions:

(c) Minimum Amounts.

(A) in the case of an assignment of the entire remaining amount of the assigning Lender's Commitment and the Loans at the time owing to it or in the case of an assignment to a Lender, an Affiliate of a Lender or an Approved Fund, no minimum amount need be assigned; and

(B) in any case not described in subsection (b)(i)(A) of this Section, the aggregate amount of the Commitment (which for this purpose includes Loans outstanding thereunder) or, if the Commitment is not then in effect, the principal outstanding balance of the Loans of the assigning Lender subject to each such assignment, determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent or, if "Trade Date" is specified in the Assignment and Assumption, as of the Trade Date, shall not be less than \$5,000,000 unless each of the Administrative Agent and, so long as no Event of Default has occurred and is continuing, the Borrower otherwise consents (each such consent not to be unreasonably withheld or delayed); provided, however, that concurrent assignments to members of an Assignee Group and concurrent assignments from members of an Assignee Group to a single assignee (or to an assignee and members of its Assignee Group) will be treated as a single assignment for purposes of determining whether such minimum amount has been met.

(d) Proportionate Amounts. Each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Loans or the Commitment assigned, except that this clause (ii) shall not apply to the Swing Line Lender's rights and obligations in respect of Swing Line Loans;

(e) Required Consents. No consent shall be required for any assignment except to the extent required by subsection (b)(i)(B) of this Section and, in addition:

(A) the consent of the Borrower (such consent not to be unreasonably withheld or delayed) shall be required unless (1) an Event of Default has occurred and is continuing at the time of such assignment or (2) such assignment is to a Lender, an Affiliate of a Lender or an Approved Fund;

(B) the consent of the Administrative Agent (such consent not to be unreasonably withheld or delayed) shall be required if such assignment is to a Person that is not a Lender, an Affiliate of such Lender or an Approved Fund with respect to such Lender;

(C) the consent of the L/C Issuer (such consent not to be unreasonably withheld or delayed) shall be required for any assignment that increases the

obligation of the assignee to participate in exposure under one or more Letters of Credit (whether or not then outstanding); and

(D) the consent of the Swing Line Lender (such consent not to be unreasonably withheld or delayed) shall be required for any assignment unless such assignment is to a Lender, an Affiliate of a Lender or an Approved Fund.

(f) Assignment and Assumption. The parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee in the amount, if any, required as set forth in Schedule 10.06; provided, however, that the Administrative Agent may, in its sole discretion, elect to waive such processing and recordation fee in the case of any assignment. The assignee, if it is not a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire.

(g) No Assignment to the Borrower. No such assignment shall be made to the Borrower or any of the Borrower's Affiliates or Subsidiaries.

(h) No Assignment to Natural Persons. No such assignment shall be made to a natural person.

Subject to acceptance and recording thereof by the Administrative Agent pursuant to subsection (c) of this Section, from and after the effective date specified in each Assignment and Assumption, the assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of Sections 3.01, 3.04, 3.05, and 10.04 with respect to facts and circumstances occurring prior to the effective date of such assignment. Upon request, the Borrower (at its expense) shall execute and deliver a Note to the assignee Lender. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this subsection shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with subsection (d) of this Section.

(i) Register. The Administrative Agent, acting solely for this purpose as an agent of the Borrower, shall maintain at the Administrative Agent's Office a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amounts of the Loans and L/C Obligations owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Borrower, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(j) **Participations.** Any Lender may at any time, without the consent of, or notice to, the Borrower or the Administrative Agent, sell participations to any Person (other than a natural person or the Borrower or any of the Borrower's Affiliates or Subsidiaries) (each, a "**Participant**") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the Loans (including such Lender's participations in L/C Obligations and/or Swing Line Loans) owing to it); **provided** that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower, the Administrative Agent, the Lenders and the L/C Issuer shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement.

Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; **provided** that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, waiver or other modification described in the first proviso to **Section 10.01** that affects such Participant. Subject to subsection (e) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of **Sections 3.01, 3.04** and **3.05** to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to subsection (b) of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of **Section 10.08** as though it were a Lender, **provided** such Participant agrees to be subject to **Section 2.13** as though it were a Lender.

(k) **Limitations upon Participant Rights.** A Participant shall not be entitled to receive any greater payment under **Section 3.01** or **3.04** than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of **Section 3.01** unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with **Section 3.01(e)** as though it were a Lender.

(l) **Certain Pledges.** Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement (including under its Note, if any) to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank; **provided** that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(m) **Electronic Execution of Assignments.** The words "execution," "signed," "signature," and words of like import in any Assignment and Assumption shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National

Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

(n) **Resignation as L/C Issuer or Swing Line Lender after Assignment.** Notwithstanding anything to the contrary contained herein, if at any time Bank of America assigns all of its Commitment and Loans pursuant to subsection (b) above, Bank of America may, (i) upon 30 days' notice to the Borrower and the Lenders, resign as L/C Issuer and/or (ii) upon 30 days' notice to the Borrower, resign as Swing Line Lender. In the event of any such resignation as L/C Issuer or Swing Line Lender, the Borrower shall be entitled to appoint from among the Lenders a successor L/C Issuer or Swing Line Lender hereunder; provided, however, that no failure by the Borrower to appoint any such successor shall affect the resignation of Bank of America as L/C Issuer or Swing Line Lender, as the case may be. If Bank of America resigns as L/C Issuer, it shall retain all the rights, powers, privileges and duties of the L/C Issuer hereunder with respect to all Letters of Credit outstanding as of the effective date of its resignation as L/C Issuer and all L/C Obligations with respect thereto (including the right to require the Lenders to make Base Rate Committed Loans or fund risk participations in Unreimbursed Amounts pursuant to Section 2.03(c)). If Bank of America resigns as Swing Line Lender, it shall retain all the rights of the Swing Line Lender provided for hereunder with respect to Swing Line Loans made by it and outstanding as of the effective date of such resignation, including the right to require the Lenders to make Base Rate Committed Loans or fund risk participations in outstanding Swing Line Loans pursuant to Section 2.04(c). Upon the appointment of a successor L/C Issuer and/or Swing Line Lender, (a) such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring L/C Issuer or Swing Line Lender, as the case may be, and (b) the successor L/C Issuer shall issue letters of credit in substitution for the Letters of Credit, if any, outstanding at the time of such succession or make other arrangements satisfactory to Bank of America to effectively assume the obligations of Bank of America with respect to such Letters of Credit.

10.07 Treatment of Certain Information; Confidentiality. Each of the Administrative Agent, the Lenders and the L/C Issuer agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its Affiliates and to its and its Affiliates' respective partners, directors, officers, employees, agents, advisors and representatives (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority purporting to have jurisdiction over it (including any self-regulatory authority, such as the National Association of Insurance Commissioners), (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party hereto, (e) in connection with the exercise of any remedies hereunder or under any other Loan Document or any action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement or (ii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to the Borrower and its obligations, (g) with the consent of the Borrower or (h) to the extent such Information (x) becomes publicly available other than as a result of a breach of this

Section or (y) becomes available to the Administrative Agent, any Lender, the L/C Issuer or any of their respective Affiliates on a nonconfidential basis from a source other than the Borrower.

For purposes of this Section, “**Information**” means all information received from the Borrower or any Subsidiary relating to the Borrower or any Subsidiary or any of their respective businesses, other than any such information that is available to the Administrative Agent, any Lender or the L/C Issuer on a nonconfidential basis prior to disclosure by the Borrower or any Subsidiary, provided that, in the case of information received from the Borrower or any Subsidiary after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

Each of the Administrative Agent, the Lenders and the L/C Issuer acknowledges that (a) the Information may include material non-public information concerning the Borrower or a Subsidiary, as the case may be, (b) it has developed compliance procedures regarding the use of material non-public information and (c) it will handle such material non-public information in accordance with applicable Law, including Federal and state securities Laws.

10.08 **Deposit Accounts; Right of Setoff.** Each Loan Party hereby grants to L/C Issuer and each Lender a security interest, a Lien, and a right of offset, each of which shall be in addition to all other interests, Liens, and rights of L/C Issuer or any Lender at common Law, under the Loan Documents, or otherwise, to secure the repayment of the Obligations, the Cash Management Obligations and the Secured Swap Obligations upon and against (a) any and all moneys, securities or other property (and the proceeds therefrom) of such Loan Party now or hereafter held or received by or in transit to L/C Issuer or any Lender from or for the account of such Loan Party, whether for safekeeping, custody, pledge, transmission, collection or otherwise, (b) any and all deposits (general or special, time or demand, provisional or final, in whatever currency) of such Loan Party with L/C Issuer or any Lender, and (c) any other credits and claims of such Loan Party at any time existing against L/C Issuer or any Lender, including claims under certificates of deposit. If an Event of Default shall have occurred and be continuing, each Lender, the L/C Issuer and each of their respective Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by applicable law, to foreclose upon such Lien and/or to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held and other obligations (in whatever currency) at any time owing by such Lender, the L/C Issuer or any such Affiliate to or for the credit or the account of the Borrower or any other Loan Party against any and all of the Obligations, the Cash Management Obligations and the Secured Swap Obligations to such Lender or the L/C Issuer, irrespective of whether or not such Lender or the L/C Issuer shall have made any demand under this Agreement or any other Loan Document and although such obligations of the Borrower or such Loan Party may be contingent or unmatured or are owed to a branch or office of such Lender or the L/C Issuer different from the branch or office holding such deposit or obligated on such indebtedness. The rights of each Lender, the L/C Issuer and their respective Affiliates under this Section are in addition to other rights and remedies (including other rights of setoff) that such Lender, the L/C Issuer or their respective Affiliates may have. Each Lender and the L/C Issuer agrees to notify the Borrower and the Administrative

Agent promptly after any such foreclosure or such setoff and application, provided that the failure to give such notice shall not affect the validity of such foreclosure or such setoff and application. The remedies of foreclosure and offset are separate and cumulative, and either may be exercised independently of the other without regard to procedures or restrictions applicable to the other.

10.09 Interest Rate Limitation. Notwithstanding anything to the contrary contained in any Loan Document, the interest paid or agreed to be paid under the Loan Documents shall not exceed the maximum rate of non-usurious interest permitted by applicable Law (the “**Maximum Rate**”). If the Administrative Agent or any Lender shall receive interest in an amount that exceeds the Maximum Rate, the excess interest shall be applied to the principal of the Loans or, if it exceeds such unpaid principal, refunded to the Borrower. In determining whether the interest contracted for, charged, or received by the Administrative Agent or a Lender exceeds the Maximum Rate, such Person may, to the extent permitted by applicable Law, (a) characterize any payment that is not principal as an expense, fee, or premium rather than interest, (b) exclude voluntary prepayments and the effects thereof, and (c) amortize, prorate, allocate, and spread in equal or unequal parts the total amount of interest throughout the contemplated term of the Obligations hereunder.

10.10 Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and the other Loan Documents constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in **Section 4.01**, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof that, when taken together, bear the signatures of each of the other parties hereto. Delivery of an executed counterpart of a signature page of this Agreement by telecopy shall be effective as delivery of a manually executed counterpart of this Agreement.

10.11 Survival of Representations and Warranties. All representations and warranties made hereunder and in any other Loan Document or other document delivered pursuant hereto or thereto or in connection herewith or therewith shall survive the execution and delivery hereof and thereof. Such representations and warranties have been or will be relied upon by the Administrative Agent and each Lender, regardless of any investigation made by the Administrative Agent or any Lender or on their behalf and notwithstanding that the Administrative Agent or any Lender may have had notice or knowledge of any Default at the time of any Credit Extension, and shall continue in full force and effect as long as any Loan or any other Obligation hereunder shall remain unpaid or unsatisfied or any Letter of Credit shall remain outstanding.

10.12 Severability. If any provision of this Agreement or the other Loan Documents is held to be illegal, invalid or unenforceable, (a) the legality, validity and enforceability of the remaining provisions of this Agreement and the other Loan Documents shall not be affected or impaired thereby and (b) the parties shall endeavor in good faith negotiations to replace the illegal, invalid or unenforceable provisions with valid provisions the economic effect of which

comes as close as possible to that of the illegal, invalid or unenforceable provisions. The invalidity of a provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

10.13 **Replacement of Lenders.** If any Lender requests compensation under [Section 3.04](#), or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to [Section 3.01](#), or if any Lender is a Defaulting Lender or in connection with any proposed amendment, modification, termination, waiver or consent with respect to any of the provisions hereof as contemplated by [Section 10.01](#), the consent of Required Lenders shall have been obtained but the consent of one or more of such other Lenders whose consent is required shall not have been obtained, if any other circumstance exists hereunder that gives the Borrower the right to replace a Lender as a party hereto, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in, and consents required by, [Section 10.06](#)), all of its interests, rights and obligations under this Agreement and the related Loan Documents to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment), provided that:

- (a) the Borrower shall have paid to the Administrative Agent the assignment fee specified in [Section 10.06\(b\)](#);
- (b) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans and L/C Advances, accrued interest thereon, accrued fees and all other amounts payable to it hereunder and under the other Loan Documents (including any amounts under [Section 3.05](#)) from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts);
- (c) in the case of any such assignment resulting from a claim for compensation under [Section 3.04](#) or payments required to be made pursuant to [Section 3.01](#), such assignment will result in a reduction in such compensation or payments thereafter; and
- (d) such assignment does not conflict with applicable Laws.

A Lender shall not be required to make any such assignment or delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

10.14 **Governing Law; Jurisdiction; Etc.**

- (a) GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.
- (b) SUBMISSION TO JURISDICTION. THE BORROWER AND EACH OTHER LOAN PARTY IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE NONEXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK SITTING IN NEW YORK COUNTY AND OF

THE UNITED STATES DISTRICT COURT OF THE SOUTHERN DISTRICT OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE COURT OR, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AGREEMENT OR IN ANY OTHER LOAN DOCUMENT SHALL AFFECT ANY RIGHT THAT THE ADMINISTRATIVE AGENT, ANY LENDER OR THE L/C ISSUER MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AGAINST THE BORROWER OR ANY OTHER LOAN PARTY OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION.

(c) WAIVER OF VENUE. THE BORROWER AND EACH OTHER LOAN PARTY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT IN ANY COURT REFERRED TO IN PARAGRAPH (B) OF THIS SECTION. EACH OF THE PARTIES HERETO HEREBY AGREES THAT SECTIONS 5-1401 AND 4-1402 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK SHALL APPLY TO THE LOAN DOCUMENTS AND IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

(d) SERVICE OF PROCESS. IN FURTHERANCE OF THE FOREGOING, BORROWER AND EACH GUARANTOR HEREBY IRREVOCABLY DESIGNATES AND APPOINTS CT CORPORATION SYSTEM, 111 EIGHTH AVENUE , NEW YORK, NEW YORK 10011, AS AGENT OF BORROWER AND EACH GUARANTOR TO RECEIVE SERVICE OF ALL PROCESS BROUGHT AGAINST BORROWER OR SUCH GUARANTOR WITH RESPECT TO ANY SUCH PROCEEDING IN ANY SUCH COURT IN NEW YORK, SUCH SERVICE BEING HEREBY ACKNOWLEDGED BY BORROWER AND EACH GUARANTOR TO BE EFFECTIVE AND BINDING SERVICE IN EVERY RESPECT. COPIES OF ANY SUCH PROCESS SO SERVED SHALL ALSO BE SENT BY REGISTERED MAIL TO BORROWER OR SUCH GUARANTOR AT ITS ADDRESS SET FORTH BELOW, BUT THE FAILURE OF BORROWER OR SUCH GUARANTOR TO RECEIVE SUCH COPIES SHALL NOT AFFECT IN ANY WAY THE SERVICE OF SUCH PROCESS AS AFORESAID. BORROWER AND EACH GUARANTOR SHALL FURNISH TO ADMINISTRATIVE AGENT, L/C ISSUER AND LENDERS A CONSENT OF CT CORPORATION SYSTEM AGREEING TO ACT HEREUNDER PRIOR TO THE

EFFECTIVE DATE OF THIS AGREEMENT. NOTHING HEREIN SHALL AFFECT THE RIGHT OF ADMINISTRATIVE AGENT, L/C ISSUER AND LENDERS TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR SHALL LIMIT THE RIGHT OF ADMINISTRATIVE AGENT, L/C ISSUER AND LENDERS TO BRING PROCEEDINGS AGAINST BORROWER OR EACH GUARANTOR IN THE COURTS OF ANY OTHER JURISDICTION. IF FOR ANY REASON CT CORPORATION SYSTEM SHALL RESIGN OR OTHERWISE CEASE TO ACT AS BORROWER'S OR EACH GUARANTOR'S AGENT, BORROWER AND SUCH GUARANTOR HEREBY IRREVOCABLY AGREES TO (A) IMMEDIATELY DESIGNATE AND APPOINT A NEW AGENT REASONABLY ACCEPTABLE TO ADMINISTRATIVE AGENT TO SERVE IN SUCH CAPACITY AND, IN SUCH EVENT, SUCH NEW AGENT SHALL BE DEEMED TO BE SUBSTITUTED FOR CT CORPORATION SYSTEM FOR ALL PURPOSES HEREOF AND (B) PROMPTLY DELIVER TO ADMINISTRATIVE AGENT THE WRITTEN CONSENT (IN FORM AND SUBSTANCE REASONABLY SATISFACTORY TO ADMINISTRATIVE AGENT) OF SUCH NEW AGENT AGREEING TO SERVE IN SUCH CAPACITY.

10.15 **Waiver of Jury Trial and Special Damages.** EACH PARTY HERETO AND EACH OTHER LOAN PARTY HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO AND EACH OTHER LOAN PARTY (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION. EACH LOAN PARTY AND EACH LENDER HEREBY FURTHER (A) IRREVOCABLY WAIVE, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER IN ANY SUCH LITIGATION ANY "SPECIAL DAMAGES," AS DEFINED BELOW, (B) CERTIFY THAT NO PARTY HERETO NOR ANY REPRESENTATIVE OR AGENT OR COUNSEL FOR ANY PARTY HERETO HAS REPRESENTED, EXPRESSLY OR OTHERWISE, OR IMPLIED THAT SUCH PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVERS, AND (C) ACKNOWLEDGE THAT IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT, THE OTHER LOAN DOCUMENTS AND THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS CONTAINED IN THIS SECTION. AS USED IN THIS SECTION, "SPECIAL DAMAGES" INCLUDES ALL SPECIAL, CONSEQUENTIAL, EXEMPLARY, OR PUNITIVE DAMAGES (REGARDLESS OF HOW NAMED), BUT DOES NOT INCLUDE ANY PAYMENTS OR FUNDS WHICH ANY PARTY HERETO HAS EXPRESSLY PROMISED TO PAY OR DELIVER TO ANY OTHER PARTY HERETO.

10.16 **No Advisory or Fiduciary Responsibility.** In connection with all aspects of each transaction contemplated hereby, the Borrower and each other Loan Party acknowledges and agrees, and acknowledges its Affiliates' understanding, that: (i) the credit facility provided for hereunder and any related arranging or other services in connection therewith (including in connection with any amendment, waiver or other modification hereof or of any other Loan Document) are an arm's-length commercial transaction between the Borrower, each other Loan Party and their respective Affiliates, on the one hand, and the Administrative Agent, the Syndication Agent and the Arrangers, on the other hand, and the Borrower and each other Loan Party is capable of evaluating and understanding and understands and accepts the terms, risks and conditions of the transactions contemplated hereby and by the other Loan Documents (including any amendment, waiver or other modification hereof or thereof); (ii) in connection with the process leading to such transaction, the Administrative Agent, the Syndication Agent and any Arranger each is and has been acting solely as a principal and is not the financial advisor, agent or fiduciary, for the Borrower, any other Loan Party or any of their respective Affiliates, stockholders, creditors or employees or any other Person; (iii) neither the Administrative Agent, the Syndication Agent nor any Arranger has assumed or will assume an advisory, agency or fiduciary responsibility in favor of the Borrower or any other Loan Party with respect to any of the transactions contemplated hereby or the process leading thereto, including with respect to any amendment, waiver or other modification hereof or of any other Loan Document (irrespective of whether the Administrative Agent, the Syndication Agent or any Arranger advised or is currently advising the Borrower, any other Loan Party or any of their respective Affiliates on other matters) and neither the Administrative Agent, the Syndication Agent nor any Arranger has any obligation to the Borrower, any other Loan Party or any of their respective Affiliates with respect to the transactions contemplated hereby except those obligations expressly set forth herein and in the other Loan Documents; (iv) the Administrative Agent, the Syndication Agent and each Arranger and their respective Affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Borrower, the other Loan Parties and their respective Affiliates, and neither the Administrative Agent nor the Arranger has any obligation to disclose any of such interests by virtue of any advisory, agency or fiduciary relationship; and (v) the Administrative Agent, the Syndication Agent and each Arranger have not provided and will not provide any legal, accounting, regulatory or tax advice with respect to any of the transactions contemplated hereby (including any amendment, waiver or other modification hereof or of any other Loan Document) and each of the Borrower and the other Loan Parties has consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate. Each of the Borrower and the other Loan Parties hereby waives and releases, to the fullest extent permitted by law, any claims that it may have against the Administrative Agent, the Syndication Agent and any Arranger with respect to any breach or alleged breach of agency or fiduciary duty.

10.17 **USA PATRIOT Act Notice.** Each Lender that is subject to the Act (as hereinafter defined) and the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies the Borrower that pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act"), it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Lender or the Administrative Agent, as applicable, to identify the Borrower in accordance with the Act.

10.18 **No General Partner's Liability.** The Administrative Agent and the Lenders agree for themselves and their respective successors and assigns, including any subsequent holder of any Note, that no claim under this Agreement or under any other Loan Document shall be made against General Partner, and that no judgment, order or execution entered in any suit, action or proceeding, whether legal or equitable, hereunder or on any other Loan Document shall be obtained or enforced, against General Partner or its assets for the purpose of obtaining satisfaction and payment of amounts owed under this Agreement or any other Loan Document.

10.19 **Time of the Essence.** Time is of the essence of the Loan Documents.

10.20 **ENTIRE AGREEMENT.** THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT AMONG THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS AMONG THE PARTIES.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

TARGA RESOURCES PARTNERS LP

By: Targa Resources GP LLC, its sole general partner

By: /s/ Howard M. Tate

Howard M. Tate

Vice President – Finance and Assistant Treasurer

BANK OF AMERICA, N.A., as Administrative Agent

By: /s/ Todd Mac Neill
Name: Todd Mac Neill
Title: Vice President

BANK OF AMERICA, N.A., as a Lender,
L/C Issuer and Swing Line Lender

By: /s/ Adam H. Fey
Name: Adam H. Fey
Title: Vice President

WACHOVIA BANK, NATIONAL ASSOCIATION, as Syndication Agent and as a Lender

By: /s/ Paul Pritchett

Name: Paul Pritchett

Title: Vice President

MERRILL LYNCH CAPITAL, A DIVISION OF MERRILL LYNCH BUSINESS FINANCIAL SERVICES INC., as

Co-Documentation Agent and as a Lender

By: /s/ Gregory Hanson

Name: Gregory Hanson

Title: Vice President

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ROYAL BANK OF CANADA, as
Co-Documentation Agent and as a Lender

By: /s/ Scott Gildea
Name: Scott Gildea
Authorized Signatory

THE ROYAL BANK OF SCOTLAND PLC, as

Co-Documentation Agent and as a Lender

By: /s/ Brian Smith

Name: Brian Smith

Title: Vice President

BNP PARIBAS, as a Lender

By: /s/ Mark A. Cox

Name: Mark A. Cox

Title: Director

By: /s/ Greg Smothers

Name: Greg Smothers

Title: Vice President

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SOCIÉTÉ GÉNÉRALE, as a Lender

By: /s/ Elena Robciuc
Name: Elena Robciuc
Title: Vice President

BMO CAPITAL MARKETS FINANCING, INC., as a Lender

By: /s/ Cahal Carmody

Name: Cahal Carmody

Title: Vice President

ABN AMRO BANK N.V., as a Lender

By: /s/ Jim Moyes

Name: Jim Moyes

Title: Managing Director

By: /s/ John Reed

Name: John Reed

Title: Director

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THE BANK OF NOVA SCOTIA, as a Lender

By: /s/ Gregory E. George

Name: Gregory E. George

Title: Managing Director

CITIBANK, N.A., as a Lender

By: /s/ Ashish Sethi

Name: Ashish Sethi

Title: Attorney-in-Fact

AMEGY BANK NATIONAL ASSOCIATION, as a Lender

By: /s/ W. Bryan Chapman
Name: W. Bryan Chapman
Title: Senior Vice President

COMPASS BANK, as a Lender

By: /s/ Murray E. Brasseux
Name: Murray E. Brasseux
Title: Executive Vice President

U.S. BANK NATIONAL ASSOCIATION, as a Lender

By: /s/ Tracy L. Harnisch
Name: Tracy L. Harnisch
Title: Assistant Vice President

FORTIS CAPITAL CORP., as a Lender

By: /s/ Darrell Holley

Name: Darrell Holley

Title: Managing Director

By: /s/ David Montgomery

Name: David Montgomery

Title: Senior Vice President

[Credit Agreement Signature Page]

JPMORGAN CHASE BANK, N.A., as a Lender

By: /s/ Kevin J. Utsey

Name: Kevin J. Utsey

Title: Vice President

COMERICA BANK, as a Lender

By: /s/ Josh Strong

Name: Josh Strong

Title: Corporate Banking Officer

GUARANTY BANK, as a Lender

By: /s/ Jim R. Hamilton

Name: Jim R. Hamilton

Title: Senior Vice President

NATIXIS, as a Lender

By: /s/ Louis P. Laville, III
Name: Louis P. Laville, III
Title: Managing Director
By: /s/ Daniel Payer
Name: Daniel Payer
Title: Director

UBS LOAN FINANCE LLC, as a Lender

By: /s/ Richard L. Tavrow
Name: Richard L. Tavrow
Title: Director

By: /s/ Irja R. Otsa
Name: Irja R. Otsa
Title: Associate Director

LEHMAN BROTHERS COMMERCIAL BANK, as a Lender

By: /s/ George Janes
Name: George Janes
Title: Chief Credit Officer

CREDIT SUISSE, as a Lender

By: /s/ James Moran

Name: James Moran

Title: Managing Director

By: /s/ Nupur Kumar

Name: Nupur Kumar

Title: Associate

GOLDMAN SACHS CREDIT PARTNERS L.P., as a Lender

By: /s/ Mark Walton

Name: Mark Walton

Title: Authorized Signatory

[Credit Agreement Signature Page]

CERTAIN PERMITTED HEDGING PARTIES

- Bank of America, N.A.
- Bank of Montreal
- BP Corporation North America Inc.
- BP Products North America Inc.
- ConocoPhillips Gas Power Marketing, a division of ConocoPhillips, Inc.
- Coral Energy Resources LP
- Deutsche Bank AG, New York Branch
- ExxonMobil Corporation
- J. Aron & Company
- JPMorgan Chase Bank, N.A.
- Merrill Lynch Commodities, Inc.
- Morgan Stanley Capital Group, Inc.
- Sempra Energy Trading Group.
- Shell Trading (US) Company
- Société Générale
- Wachovia Bank, National Association

* In each case, the Hedging Party shall be the Affiliate which is trading entity of the counterparties specified above.

COMMITMENTS

AND APPLICABLE PERCENTAGES

Lender	Commitment	Applicable Percentage
Bank of America, N.A.	\$29,750,000	5.950000000%
Wachovia Bank, National Association	\$29,750,000	5.950000000%
Merrill Lynch Capital	\$29,500,000	5.900000000%
The Royal Bank of Scotland plc	\$29,500,000	5.900000000%
Royal Bank of Canada	\$29,500,000	5.900000000%
BNP Paribas	\$25,000,000	5.000000000%
Société Générale	\$25,000,000	5.000000000%
BMO Capital Markets Financing, Inc.	\$25,000,000	5.000000000%
ANB AMRO Bank N.V.	\$25,000,000	5.000000000%
The Bank of Nova Scotia	\$25,000,000	5.000000000%
Citibank, NA	\$19,000,000	3.800000000%
Amegy Bank National Association	\$19,000,000	3.800000000%
Compass Bank	\$19,000,000	3.800000000%
U.S. Bank National Association	\$19,000,000	3.800000000%
Fortis Capital Corp.	\$19,000,000	3.800000000%
JPMorgan Chase Bank, N.A.	\$19,000,000	3.800000000%
Comerica Bank	\$19,000,000	3.800000000%
Guaranty Bank	\$19,000,000	3.800000000%
Natixis	\$19,000,000	3.800000000%
UBS Loan Finance LLC	\$14,000,000	2.800000000%
Lehman Brothers Commercial Bank	\$14,000,000	2.800000000%
Credit Suisse	\$14,000,000	2.800000000%
Goldman Sachs Credit Partners L.P.	\$14,000,000	2.800000000%
Total	\$500,000,000	100.000000000%

SECURITY DOCUMENTS

- 1. Guaranty Agreement.
 - 2. Pledge and Security Agreement.
 - 3. Deed of Trust, Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement from Targa North Texas LP, to PRLAP, Inc., as Trustee and Bank of America, N.A., as Collateral Agent.
 - 4. Deed of Trust, Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement from Targa Intrastate Pipeline LP to PRLAP, Inc., as Trustee and Bank of America, N.A., as Collateral Agent.
 - 5. UCC-1 Financing Statements related to all of the foregoing.
-

SUBSIDIARIES;

OTHER EQUITY INVESTMENTS

- Part (a).

Subsidiaries.

Targa Resources Operating GP LLC, a Delaware limited liability company

Targa Resources Operating LP, a Delaware limited partnership

Targa North Texas GP LLC, a Delaware limited liability company

Targa North Texas LP, a Delaware limited partnership

Targa Intrastate Pipeline LLC, a Delaware limited liability company

- Part (b).

Other Equity Investments.
- Part (b)(ii).

Loan Party Information.

NAME	JURISDICTION OF FORMATION	ADDRESS OF PRINCIPAL PLACE OF BUSINESS	FEIN	ORGANIZATIONAL ID NUMBER	PRIOR NAMES	PRIOR JURISDICTION OF FORMATION
Targa Resources Partners LP	Delaware	1000 Louisiana, Ste. 4300 Houston, TX 77002	65-1295427	4239562	None	None
Targa Resources Operating GP LLC	Delaware	1000 Louisiana, Ste. 4300 Houston, TX 77002	64-0949235	4292540	None	None
Targa Resources Operating LP	Delaware	1000 Louisiana, Ste. 4300 Houston, TX 77002	64-0949238	4292546	None	None
Targa North Texas GP LLC	Delaware	1000 Louisiana, Ste. 4300 Houston, TX 77002	None	4066474	None	None
Targa North Texas LP	Delaware	1000 Louisiana, Ste. 4300 Houston, TX 77002	20-4036176	4067407	None	None
Targa Intrastate Pipeline LLC	Delaware	1000 Louisiana, Ste. 4300 Houston, TX 77002	76-0634836	3173058	Dynegy Intrastate Pipeline, LLC	None

Part (b)(ii). Other Equity Investments.

None.

MATERIAL REAL PROPERTY

Material Fee Owned Property:

The cryogenic natural gas processing plant located in Wise County, Texas, including the real property owned by Targa North Texas on which the Chico Plant and related equipment and operations are located.

Material Leased Property:

The cryogenic natural gas processing plant located in Shackelford County, Texas, including the real property leased by Targa North Texas on which the Shackelford Plant and related equipment and operations are located.

INSURANCE SUMMARY

Insurance requirements with respect to business interruption and liability for injury to persons and property as required by [Section 6.07](#) shall be for coverages (and deductibles in the case of liability coverage) as are customarily carried under similar circumstances and subject to the following minimum amounts and periods:

- 1) Comprehensive General/Excess Liability Insurance covering liability for third party property damage and/or bodily injury, with a minimum coverage of \$100,000,000 per occurrence (subject to customary annual aggregate limits).
- 2) Business Interruption Insurance providing coverage for operations for not less than a 12 month period of indemnity with no more than a 60 day waiting period.

As of the Closing Date, the Loan Parties maintain the actual insurance policies as set forth on the following two pages, but such policies are not part of the minimum insurance requirements.

INSURANCE SUMMARY

	<u>LINE OF COVERAGE</u>	<u>LIMIT OF LIABILITY</u>	<u>RETENTION/ DEDUCTIBLE</u>	<u>POLICY TERM</u>
	Workers' Compensation/ Employer's Liability	Statutory/\$1MM per occurrence	\$250,000 per occurrence	10/31/06- 10/31/07
2)	Business Auto Liability	\$1MM any one occurrence CSL Self-Insure Auto Physical Damage	\$250,000 per occurrence	10/31/06- 10/31/07
3)	Excess Liability (Includes Sudden & Accidental Pollution) 1st Layer Excess Liability	\$35MM and in the aggregate as applicable excess of underlying limits (Includes Employment Practices Liability, limited Errors & Omissions, Incidental Medical Malpractice, etc.)	As per Schedule of Underlyings, including \$1MM GL SIR.	10/31/06- 10/31/07
4)	2 nd Layer Excess Liability	\$100MM xs \$35MM	Underlying	10/31/06- 10/31/07
5)	3rd Layer Excess Liability	\$25MM xs \$135MM	Underlying	10/31/06- 10/31/07
6)	4 th Layer Excess Liability	\$140MM xs \$160MM	Underlying	10/31/06- 10/31/07
7)	5 th Layer Excess Liability	\$100MM xs \$300MM (total \$400MM)	Underlying	10/31/06- 10/31/07
	"All Risk" Onshore Property Insurance Coverage	\$400MM per occurrence CSL Replacement Cost Value property damage (except for ACV on old shut-down TMS gas plants/compressor stations), boiler & machinery, EDP, transit, earthquake, flood, windstorm, expediting expenses, extra expenses, product stored below ground, construction projects, pollution cleanup.	\$500K (Interest) Plants < \$50MM \$1MM (100%) Plants > \$50MM	
	Flood, Windstorm, Earthquake are Annual Aggregate Limits	Program placed in following layers: \$50MM Primary (Incl. Flood/Windstorm) \$50MM xs \$50MM Excess (Incl. F/W) \$300MM xs \$100MM Excess (Excl. F/W)	Windstorm/Flood: 2.0% of Insured Values, subject to \$2.5MM (100%) MIN and \$10MM (100%) MAX	10/31/05- 4/16/07
8)	MLP will have separate Aggregate/Sublimits under main Targa policy			
	Business Interruption/ Contingent Business Interruption	Gross earnings – actual loss sustained wording 24 Mos. Period of Indemnity \$10MM CBI Named Customers/Suppliers \$5MM CBI Un-named Customers/Suppliers	30 day waiting period \$1MM PD	10/31/05- 4/16/07
10)	Stand-Alone Terrorism Property/BI Coverage	\$200MM per occurrence/policy aggregate	30 day wait BI	4/16/07

EXISTING LIENS

None.

AFFILIATE TRANSACTIONS

1. Borrower Partnership Agreement
 2. Contribution Agreement dated as of December 1, 2005 among Targa Midstream Services Limited Partnership, Targa GP Inc., Targa LP Inc., Targa Downstream GP LLC, Targa North Texas GP LLC, Targa Straddle GP LLC, Targa Permian GP LLC, Targa Versado GP LLC, Targa Downstream LP, Targa North Texas, Targa Straddle LP, Targa Permian LP and Targa Versado LP (the "2005 Contribution Agreement").
 3. Amendment to 2005 Contribution Agreement dated as of January 1, 2007.
 4. Contribution, Conveyance and Assumption Agreement dated as of February 14, 2007 among the Borrower, Targa Operating LP, General Partner, Targa Operating GP LLC, Targa GP, Inc., Targa LP, Inc., Targa Regulated Holdings LLC, Targa North Texas LP, and Targa North Texas GP LLC.
 5. Omnibus Agreement among Targa, the General Partner and the Borrower.
 6. Natural Gas Purchase Agreement dated as of January 1, 2007 between Targa Gas Marketing LLC and Targa North Texas.
 7. Products Purchase Agreement dated as of January 1, 2007 between Targa Liquids Marketing and Trade and Targa North Texas.
-

ADMINISTRATIVE AGENT’S OFFICE;
CERTAIN ADDRESSES FOR NOTICES

BORROWER:

Targa Resources Partners LP
1000 Louisiana, Suite 4300
Houston, Texas 77002
Attention: Vice President - Finance
Telephone: 713.584.1024
Telecopier: 713.584.1523
Electronic Mail: howardtate@targaresources.com
Website Address: www.targaresources.com
U.S. Taxpayer Identification Number: 65-1295427

ADMINISTRATIVE AGENT:

Administrative Agent’s Office

(for payments and Requests for Credit Extensions):

Bank of America, N.A.

901 Main St

Mail Code: TX1-492-14-11

Dallas, TX 75202

Attention: Ramon Gomez

Telephone: 214.209.2627

Telecopier: 214.290.8367

Electronic Mail: ramon.gomez_jr@bankofamerica.com

Account No.: 1292000883

Ref: Targa Resources

ABA# 026009593

Other Notices as Administrative Agent:

Bank of America, N.A.

Agency Management

100 Federal St

Mail Code: MA5-100-11-02

Boston, MA 02110

Attention: Todd Mac Neill

Telephone: 617.434.6842

Telecopier: 617.790.1361

Electronic Mail: Todd.G.MacNeill@bankofamerica.com

L/C ISSUER:

Bank of America, N.A.

Trade Operations

1 Fleet Way

Mail Code: PA6-580-02-30

Scranton, PA 18507

Attention: Michael Grizzanti

Telephone: 570.330.4214

Telecopier: 800.755.8743

Electronic Mail: michael.a.grizzanti@bankofamerica.com

SWING LINE LENDER:

Bank of America, N.A.

901 Main St

Mail Code: TX1-492-14-11

Dallas, TX 75202

Attention: Ramon Gomez

Telephone: 214.209.2627

Telecopier: 214.290.8367

Electronic Mail: ramon.gomez_jr@bankofamerica.com

Account No.: 1292000883

Ref: Targa Resources

ABA# 026009593

PROCESSING AND RECORDATION FEES

The Administrative Agent will charge a processing and recordation fee (an “Assignment Fee”) in the amount of \$2,500 for each assignment; provided, however, that in the event of two or more concurrent assignments to members of the same Assignee Group (which may be effected by a suballocation of an assigned amount among members of such Assignee Group) or two or more concurrent assignments by members of the same Assignee Group to a single Eligible Assignee (or to an Eligible Assignee and members of its Assignee Group), the Assignment Fee will be \$2,500 plus the amount set forth below:

Transaction	Assignment Fee
First four concurrent assignments or suballocations to members of an Assignee Group (or from members of an Assignee Group, as applicable)	-0-
Each additional concurrent assignment or suballocation to a member of such Assignee Group (or from a member of such Assignee Group, as applicable)	\$500

FORM OF COMMITTED LOAN NOTICE

Date: _____, _____

To: Bank of America, N.A., as Administrative Agent

Ladies and Gentlemen:

Reference is made to that certain Credit Agreement, dated as of February 14, 2007 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the “Agreement,” the terms defined therein being used herein as therein defined), among Targa Resources Partners LP, a Delaware limited partnership (the “Borrower”), the Lenders from time to time party thereto, and Bank of America, N.A., as Administrative Agent, Collateral Agent, L/C Issuer and Swing Line Lender.

The undersigned hereby requests (select one):

☐ A Borrowing of Committed Loans ☐ A conversion or continuation of Loans

1. On_____ (a Business Day).
2. In the amount of \$_____ .
3. Comprised of _____ .

[Type of Committed Loan requested]

4. For Eurodollar Rate Loans: with an Interest Period of _____ months.

The Committed Borrowing, if any, requested herein complies with the provisos to the first sentence of Section 2.01 of the Agreement.

TARGA RESOURCES PARTNERS LP

By: Targa Resources GP LLC,

its sole general partner

By:

Name:

Title:

FORM OF SWING LINE LOAN NOTICE

Date: _____, _____

To: Bank of America, N.A., as Swing Line Lender

Bank of America, N.A., as Administrative Agent

Ladies and Gentlemen:

Reference is made to that certain Credit Agreement, dated as of February 14, 2007 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the “Agreement,” the terms defined therein being used herein as therein defined), among Targa Resources Partners LP, a Delaware limited partnership (the “Borrower”), the Lenders from time to time party thereto, and Bank of America, N.A., as Administrative Agent, Collateral Agent, L/C Issuer and Swing Line Lender.

The undersigned hereby requests a Swing Line Loan:

- 1. On _____ (a Business Day).
- 2. In the amount of \$_____ .

The Swing Line Borrowing requested herein complies with the requirements of the provisos to the first sentence of Section 2.04(a) of the Agreement.

TARGA RESOURCES PARTNERS LP

By: Targa Resources GP LLC,

its sole general partner

By:

Name:

Title:

FORM OF NOTE

FOR VALUE RECEIVED, the undersigned (the “Borrower”) hereby promises to pay to _____ or registered assigns (the “Lender”), in accordance with the provisions of the Agreement (as hereinafter defined), the principal amount of each Loan from time to time made by the Lender to the Borrower under that certain Credit Agreement, dated as of February 14, 2007 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the “Agreement”; the terms defined therein being used herein as therein defined), among the Borrower, the Lenders from time to time party thereto, and Bank of America, N.A., as Administrative Agent, Collateral Agent, L/C Issuer and Swing Line Lender.

The Borrower promises to pay interest on the unpaid principal amount of each Loan from the date of such Loan until such principal amount is paid in full, at such interest rates and at such times as provided in the Agreement. Except as otherwise provided in Section 2.04(f) of the Agreement with respect to Swing Line Loans, all payments of principal and interest shall be made to the Administrative Agent for the account of the Lender in Dollars in immediately available funds at the Administrative Agent’s Office. If any amount is not paid in full when due hereunder, such unpaid amount shall bear interest, to be paid upon demand, from the due date thereof until the date of actual payment (and before as well as after judgment) computed at the per annum rate set forth in the Agreement.

This Note is one of the Notes referred to in the Agreement, is entitled to the benefits thereof and may be prepaid in whole or in part subject to the terms and conditions provided therein. This Note is also entitled to the benefits of the Guaranty and is secured by the Collateral. Upon the occurrence and continuation of one or more of the Events of Default specified in the Agreement, all amounts then remaining unpaid on this Note shall become, or may be declared to be, immediately due and payable all as provided in the Agreement. Loans made by the Lender shall be evidenced by one or more loan accounts or records maintained by the Lender in the ordinary course of business. The Lender may also attach schedules to this Note and endorse thereon the date, amount and maturity of its Loans and payments with respect thereto.

The Borrower, for itself, its successors and assigns, hereby waives diligence, presentment, protest and demand and notice of protest, demand, dishonor and non-payment of this Note.

THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

TARGA RESOURCES PARTNERS LP

By: Targa Resources GP LLC,

its sole general partner

By: _____

Name:

Title:

LOANS AND PAYMENTS WITH RESPECT THERETO

[illegible]

C -3
Form of Note

FORM OF COMPLIANCE CERTIFICATE

Financial Statement Date: _____, _____

To: Bank of America, N.A., as Administrative Agent

Ladies and Gentlemen:

Reference is made to that certain Credit Agreement, dated as of February 14, 2007 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the “Agreement,” the terms defined therein being used herein as therein defined), among Targa Resources Partners LP, a Delaware limited partnership (the “Borrower”), the Lenders from time to time party thereto, and Bank of America, N.A., as Administrative Agent, Collateral Agent, L/C Issuer and Swing Line Lender.

The undersigned Responsible Officer hereby certifies as of the date hereof that he/she is the _____ of the Borrower, and that, as such, he/she is authorized to execute and deliver this Certificate to the Administrative Agent on the behalf of the Borrower, and that:

*[Use following paragraph 1 for fiscal **year-end** financial statements]*

1. The Borrower has delivered the year-end audited financial statements required by Section 6.01(a) of the Agreement for the fiscal year of the Borrower ended as of the above date, together with the report and opinion of an independent certified public accountant required by such section.

*[Use following paragraph 1 for fiscal **quarter-end** financial statements]*

1. The Borrower has delivered the unaudited financial statements required by Section 6.01(b) of the Agreement for the fiscal quarter of the Borrower ended as of the above date. Such financial statements fairly present the financial condition, results of operations and cash flows of the Borrower and its Subsidiaries in accordance with GAAP as at such date and for such period, subject only to normal year-end audit adjustments and the absence of footnotes.

2. The undersigned has reviewed and is familiar with the terms of the Agreement and has made, or has caused to be made under his/her supervision, a detailed review of the transactions and condition (financial or otherwise) of the Borrower during the accounting period covered by such financial statements.

3. A review of the activities of the Borrower during such fiscal period has been made under the supervision of the undersigned with a view to determining whether during such fiscal period the Borrower performed and observed all its Obligations under the Loan Documents, and

D -

Form of Compliance Certificate

[select one:]

[to the best knowledge of the undersigned, during such fiscal period, the Borrower performed and observed each covenant and condition of the Loan Documents applicable to it, and no Default has occurred and is continuing.]

--or--

[to the best knowledge of the undersigned, during such fiscal period the following covenants or conditions have not been performed or observed and the following is a list of each such Default and its nature and status:]

4. The representations and warranties of the Borrower contained in [Article V](#) of the Agreement, and any representations and warranties of any Loan Party that are contained in any document furnished at any time under or in connection with the Loan Documents, are true and correct in all material respects on and as of the date hereof, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they are true and correct as of such earlier date, and except that for purposes of this Compliance Certificate, the representations and warranties contained in subsections (a) and (b) of [Section 5.05](#) of the Agreement shall be deemed to refer to the most recent statements furnished pursuant to clauses (a) and (b), respectively, of [Section 6.01](#) of the Agreement, including the statements in connection with which this Compliance Certificate is delivered.

5. The financial covenant analyses and information set forth on [Schedules 2](#) and [3](#) attached hereto are true and accurate on and as of the date of this Certificate.

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of _____, _____.

TARGA RESOURCES PARTNERS LP

By: Targa Resources GP LLC,
its sole general partner

By: _____

Name:

Title:

SCHEDULE 2

to the Compliance Certificate

(\$ in 000's)

I. Interest Coverage Ratio.

- A.

Consolidated Adjusted EBITDA (Schedule 3) for such period:

\$ _____
- B.

Interest Expense for the four consecutive fiscal quarter
period ending on the date hereof:

\$ _____
- C.

Consolidated Interest Coverage Ratio (I.A , Line I.B):

_____ to 1.0
- Minimum required:

	Minimum Interest Coverage Ratio
For any period of four consecutive fiscal quarters ended on or after March 31, 2007	2.25 to 1.00

II. Leverage Ratio(s).

On the last day of any fiscal quarter if no Unsecured Note Indebtedness is then outstanding

Consolidated Leverage Ratio

- A.

Consolidated Funded Indebtedness on such determination date:

\$ _____
- B.

Consolidated Adjusted EBITDA for such period (Schedule 3):

\$ _____
- C.

Consolidated Leverage Ratio (Line II.A , Line II.B):

_____ to 1.0
- Maximum permitted:

	Maximum Consolidated Leverage Ratio
Closing Date through September 29, 2007	5.75 to 1.0
September 30, 2007 and thereafter	5.00 to 1.0

On the last day of any fiscal quarter if Unsecured Note Indebtedness is then outstanding or on the date any Unsecured Note Indebtedness is incurred

Consolidated Senior Leverage Ratio

- A.

Consolidated Funded Indebtedness (excluding Unsecured Note

Indebtedness) on such determination date: \$ _____

B. Consolidated Adjusted EBITDA for the period of four consecutive fiscal quarters most recently ended (Schedule 3): \$ _____

C. Consolidated Leverage Ratio (Line II.A , Line II.B): _____ to 1

Maximum permitted:

Maximum Consolidated Senior Leverage Ratio	
Closing Date through September 29, 2007	5.25 to 1.0
September 30, 2007 and thereafter	4.50 to 1.0

Consolidated Leverage Ratio

A. Consolidated Funded Indebtedness on such determination date: \$ _____

B. Consolidated Adjusted EBITDA for the period of four consecutive fiscal quarters most recently ended (Schedule 3): \$ _____

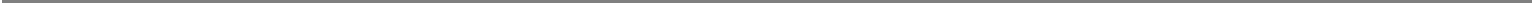
C. Consolidated Leverage Ratio (Line II.A , Line II.B): _____ to 1

Maximum permitted:

Maximum Consolidated Leverage Ratio	
Closing Date through September 29, 2007	6.25 to 1.0
September 30, 2007 and thereafter	5.50 to 1.0

During an Acquisition Period

The maximum permitted Consolidated Leverage Ratio and Consolidated Senior Leverage Ratio shall be increased by **0.50 to 1.0**.



SCHEDULE 3

to the Compliance Certificate

(\$ in 000's)

Consolidated	Adjusted EBITDA	Quarter Ended	Quarter Ended	Quarter Ended	Quarter Ended	12 Months Ended
Consolidated Net Income of the Borrower and its Restricted Subsidiaries with respect to such fiscal quarter						
+ Interest Expense						
+Federal, state, local and foreign income taxes						
+ depreciation, amortization and any other non-cash charges, any non-cash gains (losses) resulting from SFAS 133						
+ expenses in connection with the transactions contemplated by the Loan Documents						
- cash payments made in such period in respect of non-cash charges, expenses or losses from prior period						
-Federal, state, local and foreign income tax credits						
-all non-cash items of income						
-actual cash distributions from Unrestricted Subsidiaries in excess of 15% of Consolidated EBITDA						
+ <i>pro forma</i> gain (loss) resulting from any Material Acquisition or Disposition or Subsidiary redesignation						
+ Material Project EBITDA Adjustments						
=Consolidated Adjusted EBITDA						

ASSIGNMENT AND ASSUMPTION

This Assignment and Assumption (this “Assignment and Assumption”) is dated as of the Effective Date set forth below and is entered into by and between the Assignor identified in item 1 below (the “Assignor”) and the Assignee identified in item 2 below (the “Assignee”). Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement identified below (the “Credit Agreement”), receipt of a copy of which is hereby acknowledged by the Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Administrative Agent as contemplated below (i) all of the Assignor’s rights and obligations in its capacity as a Lender under the Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of the Assignor under the respective facilities identified below (including, without limitation, the Letters of Credit and the Swing Line Loans included in such facilities) and (ii) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of the Assignor (in its capacity as a Lender) against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including, but not limited to, contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned by the Assignor to the Assignee pursuant to clauses (i) and (ii) above being referred to herein collectively as the “Assigned Interest”). Each such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by the Assignor.

- 1. Assignor: _____
- 2. Assignee: _____

[indicate [Affiliate][Approved Fund] of [*identify Lender*]]

- 3. Borrower(s): _____
- 4. Administrative Agent: Bank of America, N.A., as the administrative agent under the Credit Agreement

5. Credit Agreement: Credit Agreement, dated as of February 14, 2007, among Targa Resources Partners LP, a Delaware limited partnership, the Lenders from time to time party thereto, and Bank of America, N.A., as Administrative Agent, Collateral Agent, L/C Issuer and Swing Line Lender.

6. Assigned Interest(s):

<u>Assignor</u>	<u>Assignee</u>	Facility <u>Assigned</u>	Aggregate Amount of Commitment/Loans <u>for all Lenders</u>	Amount of Commitment/Loans <u>Assigned</u>	Percentage Assigned of Commitment/ <u>Loans</u>
_____	_____	_____	\$ _____	\$ _____	_____ %
_____	_____	_____	\$ _____	\$ _____	_____ %
_____	_____	_____	\$ _____	\$ _____	_____ %

[7. Trade Date: _____]

Effective Date: _____, 20__ [TO BE INSERTED BY ADMINISTRATIVE AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]

The terms set forth in this Assignment and Assumption are hereby agreed to:

ASSIGNOR
[NAME OF ASSIGNOR]

By: _____
Title:

ASSIGNEE
[NAME OF ASSIGNEE]

By: _____
Title:

[Consented to and] Accepted:

BANK OF AMERICA, N.A., as
Administrative Agent

By: _____
Title:

[Consented to:]

By: _____
Title:

STANDARD TERMS AND CONDITIONS FOR
ASSIGNMENT AND ASSUMPTION

1. Representations and Warranties.

1.1. Assignor. The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Loan Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents or any Collateral thereunder, (iii) the financial condition of either Borrower, any of its Subsidiaries or Affiliates or any other Person obligated in respect of any Loan Document or (iv) the performance or observance by either Borrower, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Loan Document.

1.2. Assignee. The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it meets all requirements of an Eligible Assignee under the Credit Agreement (subject to receipt of such consents as may be required under the Credit Agreement), (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it has received a copy of the Credit Agreement, together with copies of the most recent financial statements delivered pursuant to Section 6.01 thereof, as applicable, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase the Assigned Interest on the basis of which it has made such analysis and decision independently and without reliance on the Administrative Agent or any other Lender, and (v) if it is a Foreign Lender, attached hereto is any documentation required to be delivered by it pursuant to the terms of the Credit Agreement, duly completed and executed by the Assignee; and (b) agrees that (i) it will, independently and without reliance on the Administrative Agent, the Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender.

2. Payments. From and after the Effective Date, the Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignor for amounts which have accrued to but excluding the Effective Date and to the Assignee for amounts which have accrued from and after the Effective Date.

3. General Provisions. This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Assumption may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Assumption by telecopy shall be effective as delivery of a manually executed counterpart of this Assignment and Assumption. This Assignment and Assumption shall be governed by, and construed in accordance with, the law of the State of New York.

FORM OF CONTINUING GUARANTY

CONTINUING GUARANTY

THIS GUARANTY (this “Guaranty”) is made as of February 14, 2007, by each of the undersigned guarantors and the Additional Guarantors (as hereinafter defined) (whether one or more “Guarantor”, and if more than one jointly and severally), in favor of BANK OF AMERICA, N.A., collateral agent (in such capacity, the “Collateral Agent”) for the Administrative Agent, the L/C Issuer, the Swing Line Lender and the Lenders from time to time party to the Credit Agreement of even date herewith among Targa Resources Partners, LP, a Delaware limited partnership (the “Borrower”), the Administrative Agent the Collateral Agent, the L/C Issuer, the Swing Line Lender and the Lenders from time to time party thereto (as amended, supplemented, restated, increased, renewed, extended, refinanced or otherwise modified from time to time, the “Credit Agreement”; other terms used and not defined herein having the meanings given to such terms in the Credit Agreement), certain of the Lenders and their Affiliates owed Cash Management Obligations, and the Hedging Parties under the Secured Hedge Agreements (the Administrative Agent, the Collateral Agent, the L/C Issuer, the Swing Line Lender, the Lenders, the Lenders and affiliates of Lenders owed Cash Management Obligations and the Hedging Parties are herein collectively called the “Lender Parties”).

FOR VALUE RECEIVED, the sufficiency of which is hereby acknowledged, and in consideration of any credit and/or financial accommodation heretofore or hereafter from time to time made or granted to Targa Resources Partners LP, a Delaware limited partnership (the “Borrower”), by the Administrative Agent, the Collateral Agent, the L/C Issuer, the Swing Line Lender or the Lenders, pursuant to the Credit Agreement, agreements or arrangements with Lenders or Affiliates of Lenders giving rise to Cash Management Obligations or by the Hedging Parties pursuant to the Secured Hedge Agreements, the undersigned hereby furnishes its guaranty of the Guaranteed Obligations (as hereinafter defined) as follows:

1. Guaranty. The Guarantor hereby absolutely and unconditionally guarantees, as a guaranty of payment and performance and not merely as a guaranty of collection, prompt payment when due, whether at stated maturity, by required prepayment, upon acceleration, demand or otherwise, and at all times thereafter, of the Obligations, the Secured Swap Obligations and the Cash Management Obligations, each as defined in that certain Credit Agreement of even date herewith by and among the Borrower, the Administrative Agent, Collateral Agent, the L/C Issuer, the Swing Line Lender and the Lenders from time to time party thereto (as amended, supplemented, restated, increased, renewed, extended, refinanced or otherwise modified from time to time, the “Credit Agreement”), in each case, whether recovery upon such indebtedness and liabilities may be or hereafter become unenforceable or shall be an allowed or disallowed claim under any proceeding or case commenced by or against the Guarantor or the Borrower under any Debtor Relief Laws and including interest that accrues and expenses that are incurred or arise after the commencement by or against the Borrower of any proceeding under any Debtor Relief Laws (collectively, the “Guaranteed Obligations”). The Lender Parties’ respective books and records showing the amount of the Guaranteed Obligations shall be admissible in evidence in any action or proceeding, and shall be binding upon the Guarantor and conclusive absent manifest error for the purpose of establishing the amount of the Guaranteed Obligations. This Guaranty shall not be affected by the genuineness, validity, regularity or enforceability of the Guaranteed Obligations or any instrument or agreement evidencing any Guaranteed Obligations, or by the existence, validity, enforceability, perfection,

non-perfection or extent of any collateral therefor, or by any fact or circumstance relating to the Guaranteed Obligations which might otherwise constitute a defense to the obligations of the Guarantor under this Guaranty, and the Guarantor hereby irrevocably waives any defenses it may now have or hereafter acquire in any way relating to any or all of the foregoing. Anything contained herein to the contrary notwithstanding, the obligations of each Guarantor hereunder at any time shall be limited to an aggregate amount equal to the largest amount that would not render its obligations hereunder or under any Loan Document by which such Collateral is granted subject to avoidance as a fraudulent transfer or conveyance under Section 548 of the Bankruptcy Code (Title 11, United States Code) or any comparable provisions of any similar federal or state law.

2. No Setoff or Deductions; Taxes; Payments. The Guarantor represents and warrants that it is organized and resident in the United States of America. The Guarantor shall make all payments hereunder without setoff or counterclaim and free and clear of and without deduction for any taxes, levies, imposts, duties, charges, fees, deductions, withholdings, compulsory loans, restrictions or conditions of any nature now or hereafter imposed or levied by any jurisdiction or any political subdivision thereof or taxing or other authority therein unless the Guarantor is compelled by law to make such deduction or withholding. If any such obligation (other than one arising with respect to taxes based on or measured by the income or profits of a Lender Party) is imposed upon the Guarantor with respect to any amount payable by it hereunder, the Guarantor will pay to the applicable Lender Party, on the date on which such amount is due and payable hereunder, such additional amount in U.S. dollars as shall be necessary to enable such Lender Party to receive the same net amount which such Lender Party would have received on such due date had no such obligation been imposed upon the Guarantor. The Guarantor will deliver promptly to such Lender Party certificates or other valid vouchers for all taxes or other charges deducted from or paid with respect to payments made by the Guarantor hereunder. The obligations of the Guarantor under this paragraph shall survive the payment in full of the Guaranteed Obligations and termination of this Guaranty.

3. Rights of Lender Parties. The Guarantor consents and agrees that the Lender Parties may, at any time and from time to time, without notice or demand, and without affecting the enforceability or continuing effectiveness hereof: (a) amend, extend, renew, compromise, discharge, accelerate or otherwise change the time for payment or the terms of the Guaranteed Obligations or any part thereof; (b) take, hold, exchange, enforce, waive, release, fail to perfect, sell, or otherwise dispose of any security for the payment of this Guaranty or any Guaranteed Obligations; (c) apply such security and direct the order or manner of sale thereof as the Lender Parties in their sole discretion may determine; and (d) release or substitute one or more of any endorser or other guarantors of any of the Guaranteed Obligations. Without limiting the generality of the foregoing, the Guarantor consents to the taking of, or failure to take, any action which might in any manner or to any extent vary the risks of the Guarantor under this Guaranty or which, but for this provision, might operate as a discharge of the Guarantor.

4. Certain Waivers. The Guarantor waives (a) any defense arising by reason of any disability or other defense of the Borrower or any other guarantor, or the cessation from any cause whatsoever (including any act or omission of the Lender Parties) of the liability of the Borrower; (b) any defense based on any claim that the Guarantor's obligations exceed or are more burdensome than those of the Borrower; (c) the benefit of any statute of limitations

affecting the Guarantor’s liability hereunder; (d) any right to require the Lender Parties to proceed against the Borrower, proceed against or exhaust any security for the Guaranteed Obligations, or pursue any other remedy in the Lender Parties’ power whatsoever; (e) any benefit of and any right to participate in any security now or hereafter held by the Lender Parties; and (f) to the fullest extent permitted by law, any and all other defenses or benefits that may be derived from or afforded by applicable law limiting the liability of or exonerating guarantors or sureties. The Guarantor expressly waives all setoffs and counterclaims and all presentments, demands for payment or performance, notices of nonpayment or nonperformance, protests, notices of protest, notices of dishonor and all other notices or demands of any kind or nature whatsoever with respect to the Guaranteed Obligations, and all notices of acceptance of this Guaranty or of the existence, creation or incurrence of new or additional Guaranteed Obligations.

5. **Obligations Independent.** The obligations of the Guarantor hereunder are those of primary obligor, and not merely as surety, and are independent of the Guaranteed Obligations and the obligations of any other guarantor, and a separate action may be brought against the Guarantor to enforce this Guaranty whether or not the Borrower or any other person or entity is joined as a party.

6. **Subrogation.** The Guarantor shall not exercise any right of subrogation, contribution, indemnity, reimbursement or similar rights with respect to any payments it makes under this Guaranty until all of the Guaranteed Obligations and any amounts payable under this Guaranty have been indefeasibly paid and performed in full and any commitments of the Lender Parties or facilities provided by the Lender Parties with respect to the Guaranteed Obligations are terminated. If any amounts are paid to the Guarantor in violation of the foregoing limitation, then such amounts shall be held in trust for the benefit of the Lender Parties and shall forthwith be paid to the Collateral Agent to be applied as set forth in the Credit Agreement to reduce the amount of the Guaranteed Obligations, whether matured or unmatured.

7. **Termination; Reinstatement.** This Guaranty is a continuing and irrevocable guaranty of all Guaranteed Obligations now or hereafter existing and shall remain in full force and effect until all Guaranteed Obligations and any other amounts payable under this Guaranty are indefeasibly paid in full in cash and any commitments of the Lender Parties or facilities provided by the Lender Parties with respect to the Guaranteed Obligations are terminated. Notwithstanding the foregoing, this Guaranty shall continue in full force and effect or be revived, as the case may be, if any payment by or on behalf of the Borrower or the Guarantor is made, or any Lender Party exercises its right of setoff, in respect of the Guaranteed Obligations and such payment or the proceeds of such setoff or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by any Lender Party in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any Debtor Relief Laws or otherwise, all as if such payment had not been made or such setoff had not occurred and whether or not such Lender Party is in possession of or has released this Guaranty and regardless of any prior revocation, rescission, termination or reduction. The obligations of the Guarantor under this paragraph shall survive termination of this Guaranty.

8. **Subordination.** The Guarantor hereby subordinates the payment of all obligations and indebtedness of the Borrower owing to the Guarantor, whether now existing or

hereafter arising, including but not limited to any obligation of the Borrower to the Guarantor as subrogee of the Lender Parties or resulting from the Guarantor’s performance under this Guaranty, to the indefeasible payment in full in cash of all Guaranteed Obligations. If the Collateral Agent so requests, any such obligation or indebtedness of the Borrower to the Guarantor shall be enforced and performance received by the Guarantor as trustee for the Lender Parties and the proceeds thereof shall be paid over to the Collateral Agent, for the benefit of the Lender Parties, to be applied to the Guaranteed Obligations as provided in the Credit Agreement, but without reducing or affecting in any manner the liability of the Guarantor under this Guaranty.

9. Stay of Acceleration. In the event that acceleration of the time for payment of any of the Guaranteed Obligations is stayed, in connection with any case commenced by or against the Guarantor or the Borrower under any Debtor Relief Laws, or otherwise, all such amounts shall nonetheless be payable by the Guarantor immediately upon demand by the Collateral Agent.

10. Expenses. The Guarantor shall pay on demand all reasonable out-of-pocket expenses (including the reasonable fees, charges and disbursements of any external counsel) in any way relating to the enforcement or protection of the Lender Parties’ rights under this Guaranty or in respect of the Guaranteed Obligations, including any incurred during any “workout” or restructuring in respect of the Guaranteed Obligations and any incurred in the preservation, protection or enforcement of any rights of the Lender Parties in any proceeding under any Debtor Relief Laws. The obligations of the Guarantor under this paragraph shall survive the payment in full of the Guaranteed Obligations and termination of this Guaranty.

11. Miscellaneous. No provision of this Guaranty may be waived, amended, supplemented or modified, except by a written instrument executed by the Collateral Agent (with the consent of the Required Lenders or Lenders as may be required under the Credit Agreement) and the Guarantor. No failure by any Lender Party to exercise, and no delay in exercising, any right, remedy or power hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy or power hereunder preclude any other or further exercise thereof or the exercise of any other right, power or remedy. The remedies herein provided are cumulative and not exclusive of any remedies provided by law or in equity. The unenforceability or invalidity of any provision of this Guaranty shall not affect the enforceability or validity of any other provision herein. Unless otherwise agreed by the Collateral Agent and the Guarantor in writing, this Guaranty is not intended to supersede or otherwise affect any other guaranty now or hereafter given by the Guarantor for the benefit of the Lender Parties or any term or provision thereof.

12. Condition of Borrower. The Guarantor acknowledges and agrees that it has the sole responsibility for, and has adequate means of, obtaining from the Borrower and any other guarantor such information concerning the financial condition, business and operations of the Borrower and any such other guarantor as the Guarantor requires, and that no Lender Party has any duty, and the Guarantor is not relying on any Lender Party at any time, to disclose to the Guarantor any information relating to the business, operations or financial condition of the Borrower or any other guarantor (the guarantor waiving any duty on the part of the Lender Parties to disclose such information and any defense relating to the failure to provide the same).

13. **Setoff.** If and to the extent any payment is not made when due hereunder, the Lender Parties may setoff and charge from time to time any amount so due against any or all of the Guarantor’s accounts or deposits with the Lender Parties.
14. **Covenants.** The Guarantor hereby agrees to observe and comply with each of the covenants and agreements made in the Credit Agreement, insofar as they refer to the Guarantor, or the assets, obligations, conditions, agreements, business, or actions of the Guarantor or to the Loan Documents to which the Guarantor is a party.
15. **Representations and Warranties.** The Guarantor represents and warrants that each of the representations and warranties contained in Article V of the Credit Agreement are true, as of the date hereof insofar as they refer to the Guarantor, to the assets, operations, conditions, agreements, business or actions of the Guarantor, or to the Loan Documents to which the Guarantor is a party, except to the extent that any such representation and warranty specifically refers to an earlier date, in which case such representation and warranty is true and correct as of such earlier date.
16. **Indemnification and Survival.** Without limitation on any other obligations of the Guarantor or remedies of any Lender Party under this Guaranty, the Guarantor shall, to the fullest extent permitted by law, indemnify, defend and save and hold harmless each Lender Party from and against, and shall pay on demand, any and all damages, losses, liabilities and expenses (including the reasonable fees, charges and disbursements of any external counsel) that may be suffered or incurred by such Lender Party in connection with or as a result of any failure of any Guaranteed Obligations to be the legal, valid and binding obligations of the Borrower enforceable against the Borrower in accordance with their terms. The obligations of the Guarantor under this paragraph shall survive the payment in full of the Guaranteed Obligations and termination of this Guaranty.
17. **Additional Guarantors.** Upon the execution and delivery by any Person of a guaranty supplement in substantially the form of Exhibit A hereto (each, a “Guaranty Supplement”), (i) such Person shall be referred to as an “Additional Guarantor” and shall become and be a Guarantor hereunder, and each reference in this Guaranty to a “Guarantor” shall also mean and be a reference to such Additional Guarantor, and each reference in any other Loan Document to a “Guarantor” shall also mean and be a reference to such Additional Guarantor, and (ii) each reference herein to “this Guaranty,” “hereunder,” “hereof” or words of like import referring to this Guaranty, and each reference in any other Loan Document to the “Guaranty,” “thereunder,” “thereof” or words of like import referring to this Guaranty, shall mean and be a reference to this Guaranty as supplemented by such Guaranty Supplement.
18. **Loan Document.** This Guaranty is a Loan Document, as defined in the Credit Agreement, and is subject to the provisions of the Credit Agreement governing Loan Documents. The Guarantor hereby ratifies, confirms and approves the Credit Agreement and the other Loan Documents and, in particular, any provisions thereof which relate to such Guarantor.
19. **Assignment; Notices.** This Guaranty shall (a) bind the Guarantor and its successors and assigns, provided that the Guarantor may not assign its rights or obligations under this Guaranty without the prior written consent of the Collateral Agent (and any attempted
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21. Submission to Jurisdiction. EACH GUARANTOR IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE NONEXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK SITTING IN NEW YORK COUNTY AND OF THE UNITED STATES DISTRICT COURT OF THE SOUTHERN DISTRICT OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE COURT OR, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AGREEMENT OR IN ANY OTHER LOAN DOCUMENT SHALL AFFECT ANY RIGHT THAT THE ADMINISTRATIVE AGENT, ANY LENDER OR THE L/C ISSUER MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AGAINST ANY GUARANTOR OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION.

22. **Waiver of Venue.** EACH GUARANTOR IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT IN ANY COURT REFERRED TO IN PARAGRAPH (B) OF THIS SECTION. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT

PERMITTED BY APPLICABLE LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

23. **Service of Process.** EACH PARTY HERETO IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 19. NOTHING IN THIS AGREEMENT WILL AFFECT THE RIGHT OF ANY PARTY HERETO TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY APPLICABLE LAW.

24. **Waiver of Jury Trial.** EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

26. **FINAL AGREEMENT.** THIS GUARANTY REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS BETWEEN THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

[Remainder of page intentionally left blank.]

Executed as of the date first written above.

TARGA RESOURCES OPERATING LP

By: Targa Resources Operating GP LLC,

its sole general partner

By: _____

Howard M. Tate

Vice President – Finance and Assistant

Treasurer

TARGA RESOURCES OPERATING GP LLC

By: _____

Howard M. Tate

Vice President – Finance and Assistant

Treasurer

TARGA NORTH TEXAS LP

By: Targa North Texas GP LLC,

its sole general partner

By: _____

Howard M. Tate

Vice President – Finance and Assistant

Treasurer

TARGA NORTH TEXAS GP LLC

By: _____

Howard M. Tate

Vice President – Finance and Assistant

Treasurer

TARGA INTRASTATE PIPELINE LLC

By: _____

Howard M. Tate

Vice President – Finance and Assistant

Treasurer

Address of each Guarantor:

1000 Louisiana, Suite 4300

Houston, Texas 77002

Attention: Vice President – Finance

Telephone: 713.584.1024

Telecopier: 713.584.1523

FORM OF GUARANTY SUPPLEMENT

_____, 20____

THIS GUARANTY SUPPLEMENT is made as of [mm/dd/yy] (this “Supplement”) and is delivered pursuant to that certain Continuing Guaranty, dated as of February 14, 2007 (as it may be amended, supplemented or otherwise modified, the “Guaranty”; the terms defined therein and not otherwise defined herein being used herein as therein defined), by the initial Guarantors party thereto in favor of BANK OF AMERICA, N.A., as collateral agent (“Collateral Agent”).

1. Guaranty. Pursuant to Section 17 of the Guaranty, the undersigned hereby:
- (a) agrees that this Supplement may be attached to the Guaranty and that by the execution and delivery hereof, the undersigned becomes a Guarantor under the Guaranty and the Loan Documents and agrees to be bound by all of the terms thereof;

(b) represents and warrants that each of the representations and warranties set forth in the Guaranty, the Credit Agreement and each other Loan Document and applicable to the undersigned is true and correct both before and after giving effect to this Supplement, except to the extent that any such representation and warranty relates solely to any earlier date, in which case such representation and warranty is true and correct as of such earlier date;

(c) no event has occurred or is continuing as of the date hereof, or will result from the transactions contemplated hereby on the date hereof, that would constitute an Event of Default or a Default; and

(d) agrees to absolutely and unconditionally guarantee, as a guaranty of payment and performance and not merely as a guaranty of collection, prompt payment when due, whether at stated maturity, by required prepayment, upon acceleration, demand or otherwise, and at all times thereafter, of any and all Guaranteed Obligations as provided by Section 1 of the Guaranty.
2. Further Assurances. The undersigned agrees from time to time, upon request of the Collateral Agent, to take such additional actions and to execute and deliver such additional documents and instruments as the Collateral Agent may request to effect the transactions contemplated by, and to carry out the intent of, this Supplement. Any notice or other communication herein required or permitted to be given shall be given in pursuant to Section 19 of the Guaranty, and for all purposes thereof, the notice address of the undersigned shall be the address as set forth on the signature page hereof.

This Guaranty shall be governed by, and construed in accordance with, the internal laws of the State of New York.

Executed as of the date first written above.

[NAME OF SUBSIDIARY]

By: _____ 0;

Name:

Title:

Address for Notices:

Attention: _____

Telephone: _____

Telecopier: _____

ACKNOWLEDGED AND ACCEPTED,

as of the date above first written:

BANK OF AMERICA, N.A.,

as Collateral Agent

By: _____

Name:

Title:

FORM OF OPINION

G - 1
Opinion Matters

February 14, 2007

Bank of America, N.A.,
as Administrative Agent and Collateral Agent
100 Federal St.
Boston, MA 02110

And to each of the Lenders Referred to Herein

Re: \$500,000,000 Credit Agreement dated as of February 14, 2007 among Targa Resources Partners LP, the lenders party thereto, and Bank of America, N.A., as Administrative Agent

Ladies and Gentlemen:

We have acted as special New York and Texas counsel for Targa Resources Partners LP, a Delaware limited partnership (the "Borrower"), Targa Resources GP LLC, a Delaware limited liability company (the "General Partner"), and each of the entities listed on Annex I hereto (each a "Guarantor" and collectively, the "Guarantors"), in connection with the Credit Agreement dated as of February 14, 2007 (the "Credit Agreement") among the Borrower, the financial institutions listed on the signature pages thereof (the "Lenders"), and Bank of America, N.A., as agent for the Lenders (in such capacity, the "Administrative Agent"). The Borrower, the General Partner and the Guarantors are sometimes referred to herein individually as a "Transaction Party," and collectively as the "Transaction Parties." This opinion letter is delivered to you pursuant to Section 4.01(a)(vii) of the Credit Agreement.

Capitalized terms used herein and not otherwise defined herein have the meanings assigned to such terms in the Credit Agreement. As used herein, (i) "NY UCC" means the Uniform Commercial Code, as amended and in effect in the State of New York on the date hereof; (ii) "Texas UCC" means the Uniform Commercial Code, as amended and in effect in the State of Texas on the date hereof; (iii) "Delaware UCC" means the Uniform Commercial Code, as amended and in effect in the State of Delaware on the date hereof; (iv) "UCC" means any of the NY UCC, the Texas UCC or the Delaware UCC, as applicable; and (v) "Applicable Law" means, with respect to each Transaction Party, those laws, rules, and regulations of the State of New York, the State of Texas and of the United States of America as in effect on the date hereof

which in our experience are normally applicable to such Transaction Party and to transactions of the type provided for in the Opinion Documents to which such Transaction Party is a party; provided, however, that Applicable Law does not include (i) except for our opinion in paragraph 8 below as to the 1940 Act, any federal or state securities, commodities, insurance, or investment company laws and regulations; (ii) any federal or state labor, pension, or other employee benefit laws and regulations; (iii) any federal or state antitrust, trade or unfair competition laws and regulations; (iv) any federal or state laws and regulations relating to the environment, safety, health, or other similar matters; (v) any laws, rules, and regulations of any county, municipality, subdivision or similar local authority of any jurisdiction or any agency or instrumentality thereof; (vi) any federal or state tax laws or regulations; or (vii) any federal or state laws or regulations relating to copyrights, patents, trademarks, or other intellectual property.

In connection with the opinions expressed herein, we have examined such documents, records and matters of law as we have deemed necessary for the purposes of such opinions. We have examined an executed copy of each of the following agreements, instruments and documents (hereinafter collectively called the "Opinion Documents"):

- (a) the Credit Agreement;
- (b) each of the Notes listed on Annex II attached hereto (the "Notes");
- (c) the Continuing Guaranty dated as of February 14, 2007 (the "Guaranty") among the Guarantors and the Administrative Agent;
- (d) the Pledge and Security Agreement dated as of February 14, 2007 (the "Pledge Agreement") among the Borrower, the Guarantors and the Collateral Agent; and
- (e) each of the Deeds of Trust listed on Annex III attached hereto (individually, a "Texas Deed of Trust" and collectively, the "Texas Deeds of Trust").

We have also examined unfilled copies of the financing statements attached as Exhibits A-1 through A-8 (in the case of each Transmitting Utility Financing Statement, however, only the cover page of the Transmitting Utility Financing Statement contemplated is attached and the referenced Annex A thereto will be a copy of each Texas Deed of Trust executed by the named debtor) and described on Annex IV hereto (collectively, the "Financing Statements").

In addition to reviewing the Opinion Documents and Financing Statements described above, the documents listed on Annex V hereto (hereinafter called, the "Reliance Materials")

have also been reviewed by our firm in connection with this opinion, which have been certified to us by an officer of the Borrower as being complete and correct and continuing in full force and effect as of the date hereof.

We have assumed the legal capacity of all natural persons executing documents, the genuineness of all signatures, the authenticity of original and certified documents, and the conformity to original or certified copies of all copies submitted to us as conformed or reproduction copies. As to various questions of fact relevant to the opinions expressed herein, we have relied upon, and assume the accuracy of, representations and warranties contained in the Opinion Documents and certificates and oral or written statements and other information of or from representatives of the Transaction Parties and others and assume compliance on the part of the Transaction Parties with their covenants and agreements contained therein. In connection with the opinions expressed in the first sentence of paragraph 1 below, we have relied solely upon certificates of public officials as to the factual matters and legal conclusions set forth therein.

Based upon the foregoing, and subject to the limitations, qualifications and assumptions set forth herein, we are of the opinion that:

- Existence Opinions. Each of the Borrower, Targa Operating and Targa North Texas is a limited partnership validly existing and in good standing under the laws of the State of Delaware. Each of the General Partner, Targa Operating GP, Targa North Texas GP and Targa Intrastate is a limited liability company validly existing and in good standing under the laws of the State of Delaware. Each Transaction Party has the limited partnership or limited liability company, as applicable, power and authority to execute and deliver the Opinion Documents to which it is a party (and in the case of the General Partner, Targa Operating GP and Targa North Texas GP, to execute and deliver the Opinion Documents to which the Borrower, Targa Operating and Targa North Texas, respectively, is a party on behalf of such Transaction Party, acting as general partner for such Transaction Party) and to perform its obligations thereunder.
 - Authorization Opinion. The execution and delivery by each Transaction Party of the Opinion Documents to which it is a party and the performance by such Transaction Party of its obligations thereunder, and the granting by each Transaction Party of the security interests provided for in the Opinion Documents, have been authorized by all necessary limited liability company or partnership, as applicable, action in respect of, such Transaction Party. Exhibit C attached hereto sets forth the officers of each Transaction Party who are duly authorized to execute and deliver the Loan Documents to be executed by such Transaction Party and each such officer is duly authorized to execute and deliver, on behalf of such Transaction Party, the applicable Loan Documents to be executed by such Transaction Party.
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3. Approvals; Other Required Actions. The execution and delivery by each Transaction Party of the Opinion Documents to which it is a party and the performance by such Transaction Party of its obligations thereunder, and the granting by each Transaction Party of the security interests provided for in the Opinion Documents, do not require under Applicable Law any filing or registration by such Transaction Party with, or approval or consent of, any Governmental Authority that has not been made or obtained, except (a) those required in the ordinary course of business to comply with applicable law or regulation and not specifically related to the financing or collateral arrangements contemplated by the Opinion Documents, (b) to perfect security interests, if any, granted by such Transaction Party thereunder, and (c) those that may be applicable to the disposition of any collateral pursuant to securities and other laws.

4. Enforceability Opinion. Each of the Opinion Documents constitutes, with respect to each Transaction Party that is a party thereto, a valid and binding obligation of such Transaction Party, enforceable against such Transaction Party in accordance with its terms.

5. "No Violation" Opinions. The execution and delivery by each Transaction Party of the Opinion Documents to which it is a party and the performance by such Transaction Party of its obligations thereunder, and the granting by the Borrower of the security interests provided for in the Opinion Documents, do not violate (a) any provision of the Organizational Documents of such Transaction Party, (b) any Applicable Law, (c) any agreement binding upon such Transaction Party or its property that is listed on the attached Exhibit B, or (d) to our knowledge after due inquiry, any court decree or order binding upon such Transaction Party or its property; provided that we express no opinion with respect to any violation not readily ascertainable from the face of any such agreement or arising under or based upon any cross default provision insofar as it relates to a default under an agreement not so identified to us.

6. No Creation of Liens Opinion. The execution and delivery by each Transaction Party of the Opinion Documents to which it is a party and the performance by such Transaction Party of its obligations thereunder, and the granting by each Transaction Party of the security interests provided for in the Opinion Documents, will not result in or require the creation or imposition of any security interest or lien upon any of its properties pursuant to the provisions of any agreement binding upon such Transaction Party or its properties that is listed on the attached Exhibit B, other than security interests or liens in favor of the Collateral Agent created under any of the Opinion Documents.

7. Margin Regulations Opinion. The borrowings by the Borrower under the Credit Agreement and the application of the proceeds thereof as provided in the Credit Agreement will not violate Regulation T, U or X of the Board of Governors of the Federal Reserve System (the "Margin Regulations").

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8. Investment Company Act Opinion. No Transaction Party is required to register as an "investment company" (under, and as defined in, the Investment Company Act of 1940, as amended (the "1940 Act")) and no Transaction Party is a company controlled by a company required to register as such under the 1940 Act. For purposes of the opinion given in this paragraph 8, we have reached our legal conclusion based solely on factual matters certified to us in an officer's certificate and we have not performed any additional diligence in connection with such opinion.

9. Creation of Security Interests Opinion. The Pledge Agreement creates in favor of the Collateral Agent for the benefit of the Secured Parties, as security for the Secured Obligations (as defined in the Pledge Agreement), a security interest in each Transaction Party's rights in the Collateral (as defined in the Pledge Agreement) to the extent a security interest in such Collateral may be created under Article 9 of the NY UCC (the "Article 9 Collateral").

10. Central Filing Perfection Opinions. Upon the effective filing of the Delaware Financing Statements (as defined on Annex IV hereto) with the Delaware Filing Office, the Collateral Agent will have, for the benefit of the Secured Parties, a perfected security interest in that portion of the Article 9 Collateral described therein in which a security interest may be perfected by filing a financing statement with the Delaware Filing Office under the Delaware UCC.

11. Form of Texas Deeds of Trust. Each Texas Deed of Trust is in appropriate form to be accepted for filing in the real property records of each county in Texas in which the Deed of Trust Property described therein is located and creates a valid and effective (a) lien in favor of the trustee named therein for the benefit of the Administrative Agent, as beneficiary, upon that portion of the Mortgaged Property constituting real property, and (b) security interest in, the applicable Transaction Party's rights in that portion of the Mortgaged Property described therein consisting of fixtures ("Fixtures") attached thereto located in Texas (collectively, the "Deed of Trust Property"), to the extent that such a security interest may be perfected under the Texas UCC solely by filing the Deed of Trust in the real property records of each county in Texas in which the Deed of Trust Property is located. The descriptions of those portions of the Deed of Trust Property located within the State of Texas which are shown on Exhibit "A" attached to each Texas Deed of Trust are legally sufficient descriptions for the purpose of creating and maintaining the Liens purported to be created by the Texas Deed of Trust and for the purposes of all applicable recording, filing and registration laws in the State of Texas.

12. Required Filings for Perfection. In order to provide constructive notice of the lien covering that portion of the Deed of Trust Property constituting real property and the fixture filing covering that portion of the Deed of Trust Property consisting of Fixtures created by the Texas Deeds of Trust, it is necessary to record each Texas Deed of Trust in the real property

records of each county in Texas in which the Deed of Trust Property covered thereby is located pursuant to the recording, indexing and filing systems established pursuant to applicable Texas law. Except for the filing of each Texas Deed of Trust in the real property records of each county in Texas in which the Deed of Trust Property covered thereby is located, and, with respect to Fixtures, subject to the terms of opinion paragraph 13, no documents or instruments need be recorded, registered or filed in any public office in the State of Texas to perfect the security interests in the real property and Fixtures of the Borrower located in Texas which constitute part of the Deed of Trust Property described in the Texas Deeds of Trust.

13. Transmitting Utility Financing Statements. Each of the Transmitting Utility Financing Statements (as defined on Annex IV hereto) is in appropriate form for filing in the Delaware Filing Office. If any of the applicable Transaction Parties is deemed not to be a transmitting utility, as such term is defined in the Delaware UCC, upon the recordation of each Texas Deed of Trust in the real property records of each county in Texas in which the Deed of Trust Property covered thereby is located, the Collateral Agent will have a perfected security interest in the Fixtures of such Transaction Party located in Texas which constitute part of the Deed of Trust Property described in such Texas Deed of Trust. If, however, such Transaction Party is deemed to be a transmitting utility, as such term is defined in the Delaware UCC, upon the filing of the Transmitting Utility Financing Statement naming such Transaction Party as debtor in the Delaware Filing Office, the Collateral Agent will have a perfected security interest in the Fixtures of such Transaction Party located in Texas which constitute part of the Deed of Trust Property described in such Texas Deed of Trust. If a Transaction Party is a transmitting utility, as such term is defined in the Delaware UCC, and the filed Transmitting Utility Financing Statement naming such Transaction Party as debtor so indicates, such Transmitting Utility Financing Statement is effective until a termination statement is filed pursuant to Section 9-515(f) of the Delaware UCC.

14. Choice of Law Provision New York—Enforceability under Texas Law. If the issue is properly presented before a Texas or a federal court applying Texas choice of law rules, such court should hold that the provisions contained in the Opinion Documents (other than in the Texas Deeds of Trust) relating to the choice of New York law to govern such Opinion Documents are valid under the laws of the State of Texas.

15. Litigation Opinion. To Our Actual Knowledge there are no legal proceedings (i) pending before any court or arbitration tribunal or (ii) overtly threatened in writing, in each case, against any Transaction Party that seek to enjoin or otherwise interfere directly with the transactions contemplated by the Opinion Documents. For purposes of this opinion, (i) "To Our Actual Knowledge" means the Actual Knowledge (as hereinafter defined) of any lawyer included in the Covered Lawyer Group; (ii) "Actual Knowledge" means, with respect to any

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person, the conscious awareness of facts by such person; and (iii) the "Covered Lawyer Group" means lawyers currently at Bracewell & Giuliani LLP ("BG") who have been actively involved in negotiating the Opinion Documents and the transactions contemplated thereby or preparing this opinion letter. In making the statements set forth in this opinion, we have inquired as to the Actual Knowledge of the lawyers included in the Covered Lawyer Group with respect to the existence of the legal proceedings described above and we have relied on certificates of officers or other representatives of the Transaction Parties. We have not, however, made any review, search or investigation of any public or private records or files, including, without limitation, litigation dockets or other records or files of the Transaction Parties or of BG.

The opinions set forth above are subject to the following assumptions and qualifications, and with your permission, all of the following assumptions and statements of reliance have been made without any independent investigation or verification on our part except to the extent, if any, otherwise expressly stated, and we express no opinion with respect to the subject matter or accuracy of the assumptions or items upon which we have relied. Further, whenever our opinion is based on circumstances, matters or facts "to our knowledge after due inquiry" we have relied exclusively on certificates of certain officers of the Transaction Parties as to the existence or non-existence of the circumstances, matters or facts upon which such opinion is based. While we have not made any independent or other investigation or inquiry as to any such circumstances, matters or facts, we have no reason to believe that any such certificate is untrue or inaccurate in any material respect.

(A) Our opinion in paragraph 4 above is subject to (i) applicable bankruptcy, insolvency, reorganization, fraudulent transfer and conveyance, voidable preference, moratorium, receivership, conservatorship, arrangement or similar laws, and related regulations and judicial doctrines, affecting creditors' rights and remedies generally, or affecting the rights and remedies of creditors generally, (ii) general principles of equity (including, without limitation, standards of materiality, good faith, fair dealing and reasonableness, equitable defenses, the exercise of judicial discretion and limits on the availability of equitable remedies), whether such principles are considered in a proceeding at law or in equity, and (iii) the qualification that certain provisions of the Opinion Documents may be unenforceable in whole or in part under the laws (including judicial decisions) of the States of New York, Texas or Delaware or the United States of America, but the inclusion of such provisions does not affect the validity as against the Transaction Parties party thereto of the Opinion Documents as a whole, and the Opinion Documents contain adequate provisions for the practical realization of the principal benefits provided by the Opinion Documents, in each case subject to the other qualifications contained in this letter.

(B) We express no opinion as to the validity or enforceability of any provision in the Opinion Documents:

(i) establishing standards for the performance of the obligations of good faith, diligence, reasonableness and care prescribed by the applicable UCC or of any of the rights or duties referred to in Section 9-603 of the NY UCC or the Delaware UCC or Section 9.603 of the Texas UCC;

(ii) relating to indemnification, contribution, exculpation or release of liability in connection with violations of any securities laws or statutory duties or public policy, or in connection with willful, reckless or unlawful acts or gross negligence or strict liability of the indemnified, released or exculpated party or the party receiving contribution;

(iii) providing that any person or entity may exercise set-off rights other than in accordance with and pursuant to applicable law;

(iv) purporting to confer, or constituting an agreement with respect to, subject matter jurisdiction of United States federal courts to adjudicate any matter;

(v) specifying that provisions may be waived only in writing, to the extent that an oral agreement or an implied agreement by trade practice or course of conduct has been created that modifies any provision of such Opinion Documents;

(vi) providing that decisions by a party are conclusive or may be made in its sole discretion;

(vii) providing that a guarantee will not be affected by a modification of the obligation guaranteed in cases where the modification increases or materially changes such obligation;

(viii) purporting to create a power of attorney; and

(ix) providing for restraints on alienation of property and purporting to render transfers of such property void and of no effect or prohibiting or restricting the assignment or transfer of property or rights to the extent that any such prohibition or restriction is ineffective pursuant to Sections 9-406 through 9-409 of the NY UCC or the Delaware UCC or Sections 9.406 through 9.409 of the Texas UCC.

(C) We express no opinion as to the enforceability of any purported waiver, release, variation, disclaimer, consent or other agreement to similar effect (all of the foregoing).

collectively, a "Waiver") by any Transaction Party under the Opinion Documents to the extent limited by Sections 9-602 or 9-624 of the NY UCC or Delaware UCC or Sections 9.602 or 9.624 of the Texas UCC.

- (E) Our opinions in paragraphs 9, 10 and 13 are subject to the following assumptions, qualifications and limitations:
 - (i) Any security interest in the proceeds of collateral is subject in all respects to the limitations set forth in Section 9-315 of the NY UCC or Delaware UCC or Section 9.315 of the Texas UCC.
 - (ii) We express no opinion as to the nature or extent of the rights, or the power to transfer rights, of any Transaction Party in, or title of any Transaction Party to, any collateral under any of the Opinion Documents, or property purporting to constitute such collateral, or the value, validity, enforceability or effectiveness for any purpose of any such collateral or purported collateral, and we have assumed that each Transaction Party has sufficient rights in, or power to transfer rights in, all such collateral or purported collateral for the security interests provided for under the Opinion Documents to attach.
 - (iii) Other than as expressly noted in paragraphs 9 through 13 above, we express no opinion as to (x) the creation, validity or enforceability of, any pledge, security interest, assignment for security, lien or other encumbrance, as the case may be, that may be created or purported to be created under the Opinion Documents. We also express no opinion as to the priority of any pledge, security interest, assignment for security, lien or other encumbrance, as the case may be, that may be created or purported to be created under the Opinion Documents.
 - (iv) We express no opinion as to security interests in any commercial tort claims.
 - (v) In the case of property that becomes collateral under the Opinion Documents after the date hereof, Section 552 of the United States Bankruptcy Code limits the extent to which property acquired by a debtor after the commencement of a case under the United States Bankruptcy Code may be subject to a lien arising from a security agreement entered into by the debtor before the commencement of such case.
 - (vi) We express no opinion as to the enforceability of the security interests under the Opinion Documents in any item of collateral subject to any restriction on or prohibition against transfer contained in or otherwise applicable to such item of collateral or any contract, agreement, license, permit, security, instrument or document constituting,
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evidencing or relating to such item, except to the extent that any such restriction is rendered ineffective pursuant to any of Sections 9-406 through 9-409, inclusive, of the UCC.

(vii) We call to your attention that Article 9 of the Texas UCC and the Delaware UCC requires the filing of continuation statements within the period of six months prior to the expiration of five years from the date of original filing of financing statements under such UCC in order to maintain the effectiveness of such financing statements and that additional financing statements may be required to be filed to maintain the perfection of security interests if the debtor granting such security interests makes certain changes to its name, or changes its location (including through a change in its jurisdiction of organization) or the location of certain types of collateral, all as provided in such UCC.

(viii) With respect to our opinion in paragraph 10 above, we express no opinion with respect to the perfection of any such security interest in any Article 9 Collateral constituting timber to be cut, as extracted collateral, or property described in Section 9-311(a) of the NY UCC or Delaware UCC or Section 9.311(a) of the Texas UCC (including, without limitation, property subject to a certificate-of-title statute).

(F) We express no opinion as to the compliance or noncompliance, or the effect of the compliance or noncompliance, of each of the addressees or any other person or entity with any state or federal laws or regulations (including, without limitation, the policies, procedures, guidelines, and practices of any regulatory authority with respect thereto) applicable to each of them by reason of their status as or affiliation with a federally insured depository institution, a financial holding company, a bank holding company, a state-chartered non-federally insured depository institution, a securities dealer, an investment company or an insurance company, except as expressly set forth in paragraph 7 above.

(G) Our opinions in paragraphs 9, 10 and 13 are limited to Articles 8 and 9 of the NY UCC, the Texas UCC and the Delaware UCC and therefore such opinions do not address laws of jurisdictions other than New York, Texas and Delaware, and of New York, Texas and Delaware except for Articles 8 and 9 of the NY UCC, the Texas UCC and the Delaware UCC. Further, we express no opinion under the choice of law rules of the NY UCC with respect to the law governing perfection and priority of any security interests.

(H) Insofar as our opinions in paragraph 4 and in paragraph 14 above relate to the enforceability under Texas law of the choice of law provisions contained in the Opinion Documents selecting New York law as the governing law thereof, it is rendered in reliance upon Section 35.51 of the Texas Business and Commerce Code and in particular on the provision in

such Section that state that a transaction bears a reasonable relation to the law of a chosen state if a party to the transaction is a resident of that jurisdiction. We have assumed that at least one of the Lenders is a resident of the State of New York.

- (L) Our opinions in Paragraphs 11 through 13 above are subject to the following assumptions and qualifications:
- (1) The description of the Deed of Trust Property contained in the Targa North Texas Chico Plant Deed of Trust was prepared by Borrower and we have made no investigation as to the ownership, title or description of any property, and we have not reviewed the full Exhibit “A” except in respect of adequacy of the form of the description of the properties therein. We have assumed that the legal descriptions of the Deed of Trust Property in the Targa North Texas Chico Plant Deed of Trust are accurate and correct.
- (2) The description of the Deed of Trust Property contained in the Targa North Texas Other Properties Deed of Trust was prepared by Borrower and we have made no investigation as to the ownership, title or description of any property, and we have not reviewed the full Exhibit “A” except in respect of adequacy of the form of the description of the properties therein. We have also assumed that the legal descriptions of the Deed of Trust Property in the Targa North Texas Other Properties Deed of Trust are accurate and correct.
- (3) The description of the Deed of Trust Property contained in the Targa Intrastate Deed of Trust was prepared by Borrower and we have made no investigation as to the ownership, title or description of any property, and we have not reviewed the full Exhibit “A” except in respect of adequacy of the form of the description of the properties therein. We have also assumed that the legal descriptions of the Deed of Trust Property in the Targa Intrastate Deed of Trust are accurate and correct.
- (4) We express no opinion with respect to the following provisions to the extent that the same are contained in the Texas Deeds of Trust: (i) provisions limiting or affecting the enforceability of any provision that purports to prevent any party from becoming a mortgagee in possession, notwithstanding any enforcement actions taken under the Deed of Trust; (ii) any purported right of any secured party or any lessor to remove Persons from property described in the Texas Deeds of Trust if such Persons have rights under any real estate document known or properly recorded at the time of recording of such Texas Deed of Trust; (iii) provisions securing future advances to any Person other than those contemplated by the parties as of the date of the Texas Deeds of
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Trust; and (iv) provisions granting any Person the right to sell real property pursuant to the Texas UCC.

- (5) We express no opinion as to the validity, binding effect or enforceability of any provision contained in each Texas Deed of Trust limiting the ability of a Transaction Party therein to transfer or encumber, voluntarily or involuntarily, any right, title or interest in or to the Facilities, Servitudes and the Pipeline System or other portions of the Deed of Trust Property; however, in our view, such limitations do not render unenforceable any provision of the Texas Deeds of Trust which provides that a transfer in violation thereof constitutes an Event of Default thereunder.
- (6) We express no opinion as to the following:
- (i) The accuracy or adequacy of any asset description, except as to form;
 - (ii) The priority of a lien on real property or a security interest in personal property, or enforcement of a security interest in personal property separately from enforcement of the lien on real property as contemplated by Section 9.604 of the Texas UCC;
 - (iii) The creation, attachment, perfection or priority of a lien on after-acquired real property not specifically described in the Texas Deeds of Trust or any fixtures not located on any such real property; or
 - (iv) Except as specifically provided in our opinions above, the recordation or filing of any of the Opinion Documents.
- (10) We express no opinion regarding the status of any Transaction Party as a transmitting utility, as such term is defined in the Delaware UCC.
- (M) We have been engaged by the Borrower and the other Transaction Parties to represent them for purposes of rendering the opinions expressed in this letter, but we caution you that we are not the sole outside counsel to the Borrower and the Transaction Parties or their respective affiliates. Our representation of the Transaction Parties is limited to certain specified discrete matters selected by them. The Transaction Parties and their affiliates have in the past used, and to our knowledge continue to use, other law firms to represent them in connection with other matters, including without limitation, litigation, corporate, securities and regulatory matters. Accordingly, the scope of this opinion is limited to the matters addressed herein. No
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inference with regard to other matters should be drawn from our representation of the Transaction Parties or their affiliates for purposes of rendering the opinions expressed in this letter.

We are qualified to practice law in the States of Texas and New York and we do not purport to express an opinion on any laws other than Applicable Law. The opinions expressed herein are solely for the benefit of the addressees hereof and of any other person or entity becoming a Lender or Administrative Agent under and in accordance with the provisions of the Credit Agreement, in each case above, in connection with the transaction referred to herein and may not be relied on by such addressees or such other persons or entities for any other purpose or in any manner or for any purpose by any other person or entity. This opinion letter is rendered as of the date set forth above. We expressly disclaim any obligation to update this letter after such date.

Very truly yours,

Bracewell & Giuliani LLP

Annex I

GUARANTORS

- 1. Targa Resources Operating GP LLC, a Delaware limited liability company ("Targa Operating GP").
 - 2. Targa Resources Operating LP, a Delaware limited partnership ("Targa Operating").
 - 3. Targa North Texas GP LLC, a Delaware limited liability company ("Targa North Texas GP").
 - 4. Targa North Texas LP, a Delaware limited partnership ("Targa North Texas").
 - 5. Targa Intrastate Pipeline LLC, a Delaware limited liability company ("Targa Intrastate").
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Annex II

NOTES

- 1. Note dated as of February 14, 2007 executed by the Borrower and made payable to Bank of America, N.A. in the amount of \$29,750,000.
 - 2. Note dated as of February 14, 2007 executed by the Borrower and made payable to Merrill Lynch Capital, a Division of Merrill Lynch Business Financial Services Inc. in the amount of \$29,500,000.
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Annex III

DEEDS OF TRUST

1. Deed of Trust, Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement dated as of February 14, 2007 ("Targa North Texas Chico Plant Deed of Trust") from Targa North Texas, as mortgagor, to PRLAP, Inc., as Trustee, for the benefit of the Collateral Agent, with respect to the Chico Plant, to be filed in Wise County, Texas.
 2. Deed of Trust, Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement dated as of February 14, 2007 ("Targa North Texas Other Properties Deed of Trust") from Targa North Texas, as mortgagor, to PRLAP, Inc., as Trustee, for the benefit of the Collateral Agent, with respect to Properties of Targa North Texas other than the Chico Plant, to be filed in the following counties in Texas: Eastland, Clay, Palo Pinto, Shackelford, Throckmorton, Archer, Denton, Jack, Montague, Parker, Stephens, Wise, and Young Counties, Texas.
 3. Deed of Trust, Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement dated as of February 14, 2007 ("Targa Intrastate Deed of Trust") from Targa Intrastate, as mortgagor, to PRLAP, Inc., as Trustee, for the benefit of the Collateral Agent to be filed in the following counties in Texas: Haskell, Shackelford, Throckmorton, Young and Wise Counties, Texas.
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Annex IV

FINANCING STATEMENTS

1. Financing Statement naming Borrower, as debtor, and the Collateral Agent, as secured party, with respect to the Pledge Agreement which will be filed in the office of the Secretary of State of the State of Delaware (such office, the "Delaware Filing Office").
2. Financing Statement naming Targa Operating GP, as debtor, and the Collateral Agent, as secured party, with respect to the Pledge Agreement which will be filed in the Delaware Filing Office.
3. Financing Statement naming Targa Operating, as debtor, and the Collateral Agent, as secured party, with respect to the Pledge Agreement which will be filed in the Delaware Filing Office.
4. Financing Statement naming Targa North Texas GP, as debtor, and the Collateral Agent, as secured party, with respect to the Pledge Agreement which will be filed in the Delaware Filing Office.
5. Financing Statement naming Targa North Texas, as debtor, and the Collateral Agent, as secured party, with respect to the Pledge Agreement which will be filed in the Delaware Filing Office.
6. Financing Statement naming Targa Intrastate, as debtor, and the Collateral Agent, as secured party, with respect to the Pledge Agreement which will be filed in the Delaware Filing Office.
7. Transmitting Utility Financing Statement naming Targa North Texas, as debtor, in respect of the Targa North Texas Chico Plant Deed of Trust and the Targa North Texas Other Properties Deed of Trust which will be filed in the Delaware Filing Office.
8. Transmitting Utility Financing Statement naming Targa Intrastate, as debtor, in respect of Targa Intrastate Deed of Trust which will be filed in the Delaware Filing Office.

The Financing Statements referred to in items 1 through 6 above are collectively referred to as the "Delaware Financing Statements". The Financing Statements referred to in items 7 and 8 above are collectively referred to as the "Transmitting Utility Financing Statements".

Annex V

RELIANCE MATERIALS

Each which has been certified to us by an officer of the General Partner as being complete and correct and continuing in full force and effect as of the date hereof.

1. Copy of the Certificate of Limited Partnership of the Borrower dated as of October 23, 2006.
 2. Copy of the Amended and Restated Limited Partnership Agreement of the Borrower dated as of February 14, 2007.
 3. Certificate, dated January 24, 2007, of the Secretary of State of the State of Delaware as to the good standing and existence of the Borrower in the State of Delaware as of such date.
 4. Certificate, dated February 1, 2007, of the Secretary of State of the State of Texas as to the existence of the Borrower in the State of Texas as of such date.
 5. Copy of the Certificate of Formation of the General Partner dated as of October 23, 2006.
 6. Copy of the Limited Liability Company Agreement of the General Partner dated as of October 23, 2006.
 7. Certificate, dated January 24, 2007, of the Secretary of State of the State of Delaware as to the good standing and legal existence of the General Partner in the State of Delaware as of such date.
 8. Certificate, dated February 1, 2007, of the Secretary of State of the State of Texas as to the existence of the General Partner in the State of Texas as of such date.
 9. Certificate, dated February 1, 2007, of the Comptroller of Public Accounts of the State of Texas as to the good standing of the General Partner in the State of Texas as of such date.
 10. Copy of Unanimous Written Consent of the Board of Directors of the General Partner dated as of February 7, 2007.
 11. Copy of the Certificate of Formation of Targa Operating GP dated as of January 29, 2007.
 12. Copy of the Limited Liability Company Agreement of Targa Operating GP dated as of January 29, 2007.
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13. Certificate, dated February 1, 2007, of the Secretary of State of the State of Delaware as to the good standing and legal existence of Targa Operating GP in the State of Delaware as of such date.
 14. Certificate, dated February 1, 2007, of the Secretary of State of the State of Texas as to the existence of Targa Operating GP in the State of Texas as of such date.
 15. Certificate, dated February 1, 2007, of the Comptroller of Public Accounts of the State of Texas as to the good standing of Targa Operating GP in the State of Texas as of such date.
 16. Copy of Unanimous Written Consent of the Board of Directors of Targa Operating GP dated as of February 7, 2007.
 17. Copy of the Certificate of Limited Partnership of Targa Operating dated as of January 29, 2007.
 18. Copy of the Agreement of Limited Partnership of Targa Operating dated as of January 29, 2007.
 19. Certificate, dated February 1, 2007, of the Secretary of State of the State of Delaware as to the existence of Targa Operating in the State of Delaware as of such date.
 20. Certificate, dated February 1, 2007, of the Secretary of State of the State of Texas as to the existence of Targa Operating in the State of Texas as of such date.
 21. Copy of the Certificate of Formation of Targa North Texas GP dated as of November 28, 2005.
 22. Copy of the Limited Liability Company Agreement of Targa North Texas GP dated as of November 29, 2005.
 23. Certificate, dated January 24, 2007, of the Secretary of State of the State of Delaware as to the good standing and legal existence of Targa North Texas GP in the State of Delaware as of such date.
 24. Certificate, dated January 24, 2007, of the Secretary of State of the State of Texas as to the legal existence of Targa North Texas GP in the State of Texas as of such date.
 25. Certificate, dated January 24, 2007, of the Comptroller of Public Accounts of the State of Texas as to the good standing of Targa North Texas GP in the State of Texas as of such date.
 26. Copy of Unanimous Written Consent of the Board of Managers of Targa North Texas GP dated as of February 7, 2007.
 27. Copy of the Certificate of Limited Partnership of Targa North Texas dated as of November 28, 2005.
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28. Copy of the Agreement of Limited Partnership of Targa North Texas dated as of November 29, 2005.
 29. Certificate, dated January 24, 2007, of the Secretary of State of the State of Delaware as to the good standing and legal existence of Targa North Texas in the State of Delaware as of such date.
 30. Certificate, dated January 24, 2007, of the Secretary of State of the State of Texas as to the legal existence of Targa North Texas in the State of Texas as of such date.
 31. Copy of the Certificate of Incorporation, as amended, of Targa Intrastate dated as of February 8, 2000.
 32. Copy of the Limited Liability Company Agreement of Targa Intrastate dated as of March 20, 2003.
 33. Certificate, dated January 24, 2007, of the Secretary of State of the State of Delaware as to the good standing and legal existence of Targa Intrastate in the State of Delaware as of such date.
 34. Certificate, dated January 24, 2007, of the Secretary of State of the State of Texas as to the legal existence of Targa Intrastate in the State of Texas as of such date.
 35. Certificate, dated January 24, 2007, of the Comptroller of Public Accounts of the State of Texas as to the good standing of Targa Intrastate in the State of Texas as of such date.
 36. Copy of Written Consent of the Sole Member of Targa Intrastate dated as of February 7, 2007.
 37. Copy of Written Consent of Warburg Pincus Private Equity VIII, L.P. dated as of February 1, 2007.
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Exhibit A

FINANCING STATEMENTS

See Attached

Exhibit B

MATERIAL AGREEMENTS

1. Gas Gathering and Purchase Agreement by and between Burlington Resources Oil & Gas Company LP, by BROG GP Inc., its sole general partner, and Burlington Resources Trading Inc. and Dynegy Midstream Services, Limited Partnership.
 2. Omnibus Agreement among Targa, the General Partner and the Borrower.
 3. Natural Gas Purchase Agreement dated as of January 1, 2007 between Targa Gas Marketing LLC and Targa North Texas.
 4. Products Purchase Agreement dated as of January 1, 2007 between Targa North Texas and Targa Liquids Marketing and Trade.
 5. Contribution Agreement dated as of December 1, 2005 among Targa Midstream Services Limited Partnership, Targa GP Inc., Targa LP Inc., Targa Downstream GP LLC, Targa North Texas GP, Targa Straddle GP LLC, Targa Permian GP LLC, Targa Versado GP LLC, Targa Downstream LP, Targa North Texas, Targa Straddle LP, Targa Permian LP and Targa Versado LP.
 6. First Amendment to Contribution Agreement dated as of January 1, 2007 among Targa, Targa Resources LLC, Targa Resources II LLC, Targa Resources Holdings GP LLC, Targa Resources Holdings LP, Targa Midstream GP LLC, Targa Midstream Services Limited Partnership, Targa GP Inc, Targa LP Inc, Targa Downstream GP LLC, Targa North Texas GP, Targa Straddle GP LLC, Targa Permian GP LLC, Targa Versado GP LLC, Targa Downstream LP, Targa North Texas, Targa Straddle LP, Targa Permian LP and Targa Versado LP.
 7. Contribution, Conveyance and Assumption Agreement, dated as of February 14, 2007 among the Borrower, Targa Operating, the General Partner, Targa Operating GP, Targa GP Inc., Targa LP Inc., Targa Regulated Holdings LLC, Targa North Texas GP and Targa North Texas.
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FORM OF PLEDGE AND SECURITY AGREEMENT

PLEDGE AND SECURITY AGREEMENT

THIS PLEDGE AND SECURITY AGREEMENT (this “Agreement”) is made as of February 14, 2007, by each of the undersigned grantors and the Additional Grantors (as hereinafter defined) (whether one or more “Grantor”, and if more than one, jointly and severally), in favor of BANK OF AMERICA, N.A., as the Collateral Agent (in such capacity, together with its successors and assignees herein called “Secured Party”) for the Administrative Agent, the L/C Issuer, the Swing Line Lender and the Lenders from time to time party to the Credit Agreement (as herein defined; with the other terms used and not defined herein having the meanings given to such terms in the Credit Agreement), the Lenders and Affiliates of Lenders owed Cash Management Obligations and the Hedging Parties under the Secured Hedge Agreements. (The Administrative Agent, the Collateral Agent, the L/C Issuer, the Swing Line Lender, the Lenders, the Lenders and Affiliates of Lenders owed Cash Management Obligations and the Hedging Parties are herein collectively called the “Lender Parties”).

RECITALS:

1. TARGA RESOURCES PARTNERS LP, a Delaware limited partnership (the “Borrower”), Bank of America, N.A., as the Administrative Agent, as the Collateral Agent, as the Swing Line Lender, and as the L/C Issuer, and the Lenders are parties to a Credit Agreement dated of even date herewith (as from time to time amended, supplemented, restated, increased, renewed, extended, refinanced or otherwise modified from time to time, the “Credit Agreement”).
 2. Subject to the terms and conditions of the Credit Agreement, the Borrower or certain other Grantors are or may be parties to one or more Secured Hedge Agreements with one or more Hedging Parties.
 3. In consideration of the extensions of credit and other accommodations by the Administrative Agent, the Collateral Agent, the L/C Issuer, the Swing Line Lender or the Lenders pursuant to the Credit Agreement, agreements or arrangements with Lenders or Affiliates of Lenders giving rise to Cash Management Obligations or by the Hedging Parties pursuant to the Secured Hedge Agreements, each Grantor has agreed to secure such Grantor’s obligations under the Loan Documents and the Secured Hedge Agreements as set forth herein.
 4. The Borrower, and each direct and indirect Subsidiary of the Borrower, are mutually dependent on each other in the conduct of their respective businesses under a holding company structure, with the credit needed from time to time by each often being provided by another or by means of financing obtained by one such affiliate with the support of the others for their mutual benefit and the ability of each to obtain such financing being dependent on the successful operations of the others.
 5. The Board of Directors or other equivalent body of each Grantor, as applicable, has determined that such Grantor’s execution, delivery and performance of this Agreement may reasonably be expected to benefit such Grantor, directly or indirectly, and are in the best interests of such Grantor.
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NOW, THEREFORE, in consideration of the premises, of the benefits which will inure to each Grantor from L/C Issuer's issuance of Letters of Credit and Lenders' advances of funds to the Borrower under the Credit Agreement, and of Ten Dollars and other good and valuable consideration, the receipt and sufficiency of all of which are hereby acknowledged, and in order to induce L/C Issuer to issue Letters of Credit, Lenders to advance funds under the Credit Agreement, Lenders and Affiliates of Lenders to enter into agreements and arrangements giving rise to Cash Management Obligations and the Hedging Parties to enter into Secured Hedge Agreements, each Grantor hereby agrees with Secured Party, for the benefit of the Lender Parties, as follows:

AGREEMENTS

ARTICLE I Definitions and References

Section 1.1. General Definitions. As used herein, the terms defined above shall have the meanings indicated above, and the following terms shall have the following meanings:

“Account Debtor” shall mean each Person who is obligated on a Receivable or any supporting obligation related thereto.

“Collateral” means all property, of whatever type, which is described in Section 2.1 as being at any time subject to a security interest granted hereunder to Secured Party.

“Commercial Tort Claims” means a claim arising in tort with respect to which the claimant is Grantor.

“Company” means a LLC, Partnership or Corporation in respect of which Company Rights are granted.

“Company Agreements”, “Company Rights”, and “Company Rights to Payments” have the meanings given them in Section 2.1(k).

“Copyright License” means any license or other agreement, whether now or hereafter in existence, under which is granted or authorized any right to use, copy, reproduce, distribute, prepare derivative works, display or publish any records or other materials on which a Copyright is in existence or may come into existence.

“Copyrights” means all the following: (a) all copyrights under the laws of the United States or any other country (whether or not the underlying works of authorship have been published), all registrations and recordings thereof, all intellectual property rights to works of authorship (whether or not published), and all application for copyrights under the laws of the United States or any other country, including registrations, recordings and applications in the United States Copyright Office or in any similar office or agency of the United States, any State thereof or other country, or any political subdivision thereof, (b) all reissues, renewals and extensions thereof, (c) all claims for, and rights to sue for, past or future infringements of any of the foregoing, and (d) all income, royalties, damages and payments now or hereafter due or payable with respect to any of the foregoing, including damages and payments for past or future infringements thereof.

“**Corporation**” has the meaning given to it in Section 2.1(k)(iii).

“**Deposit Accounts**” means all “deposit accounts” (as defined in the UCC) or other demand, time, savings, passbook, or similar accounts maintained with a bank, including nonnegotiable certificates of deposit.

“**Documents**” means all “documents” (as defined in the UCC) or other receipts covering, evidencing or representing inventory, equipment, or other goods.

“**Equipment**” means all “equipment” (as defined in the UCC) in whatever form, wherever located, and whether now or hereafter existing, and all parts thereof, all accessions thereto, and all replacements therefor.

“**General Intangibles**” means all “general intangibles” (as defined in the UCC) of any kind (including choses in action, Commercial Tort Claims, Software, Payment Intangibles, tax refunds, insurance proceeds, and contract rights), and all instruments, security agreements, leases, contracts, and other rights (except those constituting Receivables, Documents, or Instruments) to receive payments of money or the ownership or possession of property, including all general intangibles under which an account debtor’s principal obligation is a monetary obligation. The General Intangibles include, among other items, all Intellectual Property.

“**Instruments**” means all “instruments”, “chattel paper” or “letters of credit” (as each is defined in the UCC) and all Letter-of-Credit Rights.

“**Intellectual Property**” means any Copyrights, Copyright Licenses, Patents, Patent Licenses, Trademarks, and Trademark Licenses.

“**Inventory**.” means all “inventory” (as defined in the UCC) in all of its forms, wherever located and whether now or hereafter existing, including (a) all movable property and other goods held for sale or lease, all movable property and other goods furnished or to be furnished under contracts of service, all raw materials and work in process, and all materials and supplies used or consumed in a business, (b) all movable property and other goods which are part of a product or mass, (c) all movable property and other goods which are returned to or repossessed by the seller, lessor, or supplier thereof, (d) all goods and substances in which any of the foregoing is commingled or to which any of the foregoing is added, and (e) all accessions to, products of, and documents for any of the foregoing.

“**Investment Property**.” means all “investment property” (as defined in the UCC) and all other securities, whether certificated or uncertificated, securities entitlements, securities accounts, commodity contracts, or commodity accounts.

“**L/C Issuer**” means the Person who is from time to time the “L/C Issuer” as defined in the Credit Agreement.

“**Lender Parties**” has the meaning given it in the Preamble.

“**Lenders**” means the Persons who are from time to time “Lenders” as defined in the Credit Agreement.

“**Letter-of-Credit Rights**” means all rights to payment or performance under a “letter of credit” (as defined in the UCC) whether or not the beneficiary has demanded or is at the time entitled to demand payment or performance.

“**LLC**” has the meaning given to it in Section 2.1(k)(i).

“**Other Company Rights**” has the meaning given it in Section 2.1(k)(v).

“**Other Liable Party**” means any Person, other than Grantors, but including the Borrower, who may now or may at any time hereafter be primarily or secondarily liable for any of the Secured Obligations or who may now or may at any time hereafter have granted to Secured Party or the Lender Parties a Lien upon any property as security for the Secured Obligations.

“**Partnership**” has the meaning given it in Section 2.1(k)(ii).

“**Patent License**” means any license or other agreement, whether now or hereafter in existence, under which is granted or authorized any right with respect to any Patent or any invention now or hereafter in existence, whether patentable or not, whether a patent or application for patent is in existence on such invention or not, and whether a patent or application for patent on such invention may come into existence.

“**Patents**” means all the following: (a) all letters patent and design letters patent of the United States or any other country and all applications for letters patent and design letters patent of the United States or any other country, including applications in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or other country, or any political subdivision thereof, (b) all reissues, divisions, continuations, continuations-in-part, renewals and extensions thereof, (c) all claims for, and rights to sue for, past or future infringements of any of the foregoing, and (d) all income, royalties, damages and payments now or hereafter due or payable with respect to any of the foregoing, including damages and payments for past or future infringements thereof.

“**Payment Intangibles**” means all “payment intangibles” (as defined in the UCC).

“**Pledged Shares**” has the meaning given it in Section 2.1(k)(iii).

“**Proceeds**” means, with respect to any property of any kind, all proceeds of, and all other profits, products, rentals or receipts, in whatever form, arising from any sale, exchange, collection, lease, licensing or other disposition of, distribution in respect of, or other realization upon, such property, including all claims against third parties for loss of, damage to or destruction of, or for proceeds payable under (or unearned premiums with respect to) insurance in respect of, such property (regardless of whether Secured Party is named a loss payee thereunder), and any payments paid or owing by any third party under any indemnity, warranty, or guaranty with respect to such property, and any condemnation or requisition payments with respect to such property, in each case whether now existing or hereafter arising.

“**Receivables**” means (a) all “accounts” (as defined in the UCC) and all other rights to payment for goods or other personal property which have been (or are to be) sold, leased, or exchanged or for services which have been (or are to be) rendered, regardless of whether such

accounts or other rights to payment have been earned by performance and regardless of whether such accounts or other rights to payment are evidenced by or characterized as accounts receivable, contract rights, book debts, notes, drafts or other obligations of indebtedness, (b) all Documents and Instruments of any kind relating to such accounts or other rights to payment or otherwise arising out of or in connection with the sale, lease or exchange of goods or other personal property or the rendering of services, (c) all rights in, to, or under all security agreements, leases and other contracts securing or otherwise relating to any such accounts, rights to payment, Documents, or Instruments, (d) all rights in, to and under any purchase orders, service contracts, or other contracts out of which such accounts and other rights to payment arose (or will arise on performance), and (e) all rights in or pertaining to any goods arising out of or in connection with any such purchase orders, service contracts, or other contracts, including rights in returned or repossessed goods and rights of replevin, repossession, and reclamation.

“[Secured Obligations](#)” has the meaning given such term in Section 2.2.

“[Secured Party](#)” means the Person named as such at the beginning of this Agreement, together with its successors and assigns as the “Administrative Agent” under the Credit Agreement.

“[Software](#)” means all “software” (as defined in the UCC), including all computer programs, any supporting information provided in connection with a transaction relating to a computer program, all licenses or other rights to use any of such computer programs, and all license fees and royalties arising from such use to the extent permitted by such license or rights.

“[Titled Collateral](#)” means Collateral subject to a “certificate of title” (as defined in the UCC).

“[Trademark License](#)” means any license or agreement, whether now or hereafter in existence, under which is granted or authorized any right to use any Trademark.

“[Trademarks](#)” means all of the following: (a) all trademarks, trade names, corporate names, company names, business names, fictitious business names, trade styles, service marks, logos, brand names, trade dress, prints and labels on which any of the foregoing have appeared or appear, package and other designs, and any other source or business identifiers, and general intangibles of like nature, and the rights in any of the foregoing which arise under applicable law, (b) the goodwill of the business symbolized thereby or associated with each of them, (c) all registrations and applications in connection therewith, including registrations and applications in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or other country, or any political subdivision thereof, (d) all reissues, extensions and renewals thereof, (e) all claims for, and rights to sue for, past or future infringements of any of the foregoing, and (f) all income, royalties, damages and payments now or hereafter due or payable with respect to any of the foregoing, including damages and payments for past or future infringements thereof.

“[UCC](#)” means the Uniform Commercial Code in effect in the State of New York from time to time, provided, however, in the event that, by reason of mandatory provisions of law, any or all the attachment, perfection or priority of the Collateral Agent’s security interest in any

Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than the State of New York, the term “UCC” shall mean the Uniform Commercial Code as in effect in such other jurisdiction for purposes of the provisions hereof relating to such attachment, perfection or priority and for purposes of definitions related to such provisions.

Section 1.2. Incorporation of Other Definitions. Reference is hereby made to the Credit Agreement for a statement of the terms thereof. All capitalized terms used in this Agreement which are defined in the Credit Agreement and not otherwise defined herein shall have the same meanings herein as set forth therein. All terms used in this Agreement which are defined in the UCC and not otherwise defined herein or in the Credit Agreement shall have the same meanings herein as set forth therein, except where the context otherwise requires. The parties intend that the terms used herein which are defined in the UCC have, at all times, the broadest and most inclusive meanings possible. Accordingly, if the UCC shall in the future be amended or held by a court to define any term used herein more broadly or inclusively than the UCC in effect on the date hereof, then such term, as used herein, shall be given such broadened meaning. If the UCC shall in the future be amended or held by a court to define any term used herein more narrowly, or less inclusively, than the UCC in effect on the date hereof, such amendment or holding shall be disregarded in defining terms used herein.

Section 1.3. Attachments. All exhibits or schedules which may be attached to this Agreement are a part hereof for all purposes.

Section 1.4. Other Interpretive Provisions. With reference to this, unless otherwise specified herein:

(a) The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The word “or” is not exclusive, and the words “include,” “includes” and “including” shall be deemed to be followed by the phrase “without limitation.” The word “will” shall be construed to have the same meaning and effect as the word “shall.” Unless the context requires otherwise, (i) any definition of or reference to any agreement, instrument or other document shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein or in any other Loan Document), (ii) any reference herein to any Person shall be construed to include such Person’s successors and assigns, (iii) the words “herein,” “hereof” and “hereunder,” and words of similar import when used herein, shall be construed to refer this Agreement in its entirety and not to any particular provision thereof, (iv) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement, (v) any reference to any Law shall include all statutory and regulatory provisions consolidating, amending, replacing or interpreting such Law and any reference to any Law or regulation shall, unless otherwise specified, refer to such Law or regulation as amended, modified or supplemented from time to time, and (vi) the words “asset” and “property” shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

- (b) In the computation of periods of time from a specified date to a later specified date, the word “from” means “from and including;” the words “to” and “until” each mean “to but excluding;” and the word “through” means “to and including.”
- (c) Section headings herein are included for convenience of reference only and shall not affect the interpretation of this Agreement.

ARTICLE II

Security Interest

Section 2.1. Grant of Security Interest. As collateral security for all of the Secured Obligations, each Grantor hereby pledges and assigns to Secured Party and grants to Secured Party a continuing security interest, for the benefit of the Lender Parties, in and to all right, title and interest of such Grantor in and to any and all of the following property, whether now owned or existing or hereafter acquired or arising and regardless of where located:

- (a) all Receivables.
 - (b) all General Intangibles.
 - (c) all Documents.
 - (d) all Instruments.
 - (e) all Inventory.
 - (f) all Equipment.
 - (g) all Deposit Accounts.
 - (h) all Investment Property.
 - (i) All books and records (including, without limitation, customer lists, marketing information, credit files, price lists, operating records, vendor and supplier price lists, sales literature, computer software, computer hardware, computer disks and tapes and other storage media, printouts and other materials and records) of Grantor pertaining to any of the Collateral.
 - (j) All moneys and property of any kind of Grantor in the possession or under the control of Secured Party.
 - (k) All of the following (herein collectively called the “Company Rights”), whether now or hereafter existing, which are owned by such Grantor or in which such Grantor otherwise has any rights:
 - (i) all interests (or in the case of a First-Tier Foreign Subsidiary, all Eligible Equity Interests) in any Person owned by such Grantor (other than any Unrestricted Subsidiary) which is a limited liability company and all proceeds, interest, profits, and other payments or rights to payment attributable to Grantor’s interests in any such limited liability company
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(whether one or more, herein called the “LLCs”), including without limitation those described in Exhibit A hereto,

(ii) all interests (or in the case of a First-Tier Foreign Subsidiary, all Eligible Equity Interests) in any Person owned by such Grantor (other than any Unrestricted Subsidiary) which is a general or limited partnership (including general partnership interests and limited partnership interests) and all proceeds, interest, profits, and other payments or rights to payment attributable to Grantor’s interests in any such limited partnership (whether one or more, herein called the “Partnerships”), including without limitation those described in Exhibit A hereto,

(iii) all shares of stock (or in the case of a First-Tier Foreign Subsidiary, all Eligible Equity Interests) of any Person owned by such Grantor (other than any Unrestricted Subsidiary) which is a corporation (including common shares or preferred shares) and all proceeds, interest, profits, and other payments or rights to payment attributable to Grantor’s interests in any such corporation (whether one or more, herein called the “Corporations”), including without limitation those described in Exhibit A hereto, all certificates representing any such shares, all options and other rights, contractual or otherwise, at any time existing with respect to such shares, and all dividends, cash, instruments and other property now or hereafter received, receivable or otherwise distributed in respect of or in exchange for any or all of such shares (any and all such shares, certificates, options, rights, dividends, cash, instruments and other property being herein called the “Pledged Shares”),

(iv) all distributions, dividends, cash, instruments and other property now or hereafter received, receivable or otherwise made with respect to or in exchange for any interest of Grantor in any Company, including interim distributions, returns of capital, loan repayments, and payments made in liquidation of any Company, and whether or not the same arise or are payable under any Organization Document, any agreement or certificate forming any Company or any other agreement governing any Company or the relations among the members, partners or stockholders of any Company (any and all such proceeds, interest, profits, payments, rights to payment, distributions, dividends, cash, instruments, other property, interim distributions, returns of capital, loan repayments, and payments made in liquidation being herein called the “Company Rights to Payments”, and any and all such Organization Documents, agreements, certificates, and other agreements being herein called the “Company Agreements”), and

(v) all other interests and rights of such Grantor in any Company, whether under the Company Agreements or otherwise, including without limitation any right to cause the dissolution of any Company or to appoint or nominate a successor to such Grantor as a member, shareholder or partner in any Company (all such other interests and rights being herein called the “Other Company Rights”).

(l) All Proceeds of any and all of the foregoing Collateral.

In each case, the foregoing shall be covered by this Agreement, whether such Grantor’s ownership or other rights therein are presently held or hereafter acquired and however such Grantor’s interests therein may arise or appear (whether by ownership, security interest, claim or otherwise).

Notwithstanding the foregoing provisions of this Section 2.1, the grant of a security interest as herein provided shall not extend to any Equipment subject to a purchase money security interest or equipment lease (the “Encumbered Equipment”), General Intangible, Instrument, Company Rights or Investment Property in which any Grantor has any right, title or interest if and to the extent that such Encumbered Equipment, General Intangible, Instrument, Company Rights or Investment Property is subject to a Lien permitted by Section 7.01 of the Credit Agreement, Organization Document, contractual provision or other restriction on assignment such that the creation of a security interest in the right, title or interest of such Grantor therein would be prohibited and would, in and of itself, cause or result in a default thereunder enabling another Person party to such purchase contract, lease, or other contract or agreement relating to Encumbered Equipment, General Intangible, Instrument, Company Rights or Investment Property to enforce any remedy with respect thereto (the “Excluded Collateral”); provided that, the foregoing exclusion shall not apply if (i) such prohibition has been waived or such other Person has otherwise consented to the creation hereunder of a security interest in such Excluded Collateral, or (ii) such prohibition shall be rendered ineffective pursuant to Sections 9-406, 9-407 or 9-408 of the UCC or any other applicable law (including Debtor Relief Laws); provided further, that immediately upon the ineffectiveness, lapse or termination of any such provision such Grantor shall be deemed to have granted such security interest in all its right, title and interest in and to such Excluded Collateral as if such provision had never been in effect; and the foregoing exclusion shall in no way be construed so as to limit, impair or otherwise affect the Secured Party’s continuing security interest in and to all right, title and interest of such Grantor in or to any payment obligations or other rights to receive monies due or become due with respect to any such Excluded Collateral and in any such monies or proceeds of such Excluded Collateral.

The granting of the foregoing security interest does not make Secured Party a successor to such Grantor as a member of any LLC or as a partner of any Partnership or a stockholder of any Corporation, and neither Secured Party nor any of its successors or assigns hereunder shall be deemed to have become a member of any LLC, have become a partner of any Partnership or have become a stockholder of any Corporation by accepting this Agreement or exercising any right granted herein unless and until such time, if any, when Secured Party or any such successor or assign expressly becomes a member of any LLC, becomes a partner of any Partnership or becomes a stockholder of any Corporation after a foreclosure upon Other Company Rights. Notwithstanding anything herein to the contrary (except to the extent, if any, that Secured Party or any of its successors or assigns hereafter expressly becomes a member of any LLC, a partner of any Partnership or a stockholder of any Corporation), neither Secured Party nor any of its successors or assigns shall be deemed to have assumed or otherwise become liable for any debts or obligations of any Company or of any Grantor to or under any Company, and the above definition of “Other Company Rights” shall be deemed modified, if necessary, to prevent any such assumption or other liability.

Section 2.2. Secured Obligations Secured. The security interest created by each Grantor hereunder in its Collateral constitutes continuing collateral security for all of the following obligations, indebtedness and liabilities, whether now existing or hereafter incurred or arising (collectively, the “Secured Obligations”):

- (a) Credit Agreement Indebtedness. All Obligations.

- (b) Secured Hedge Agreements. All present or future Secured Swap Obligations.
- (c) Cash Management Arrangements. All present or future Cash Management Obligations.
- (d) Renewals. All renewals, extensions, amendments, modifications, supplements, or restatements of or substitutions for any of the foregoing Secured Obligations described in subsections (a) and (c) above.
- (e) Bankruptcy. Without limiting the generality of the foregoing, in each case, such obligations, indebtedness and liabilities whether recovery thereof may be or hereafter become unenforceable or shall be an allowed or disallowed claim under any proceeding or case commenced by or against any Grantor, including the Borrower, under Debtor Relief Laws, and including interest that accrues and expenses that are incurred or arise after the commencement by or against any Grantor, including the Borrower, of any proceeding under any Debtor Relief Laws.

It is the intention of each Grantor which is a Subsidiary of the Borrower and Secured Party that this Agreement not constitute a fraudulent transfer or fraudulent conveyance under any Law that may be applied hereto. Each Grantor which is a Subsidiary of the Borrower and, by its acceptance hereof, Secured Party hereby acknowledges and agrees that, notwithstanding any other provision of this Agreement: (a) with respect to such Grantor, the indebtedness secured hereby shall be limited to the maximum amount of indebtedness that can be incurred or secured by such Grantor without rendering the security interests granted, and obligations incurred, hereunder by such Grantor, subject to avoidance under Section 548 of the United States Bankruptcy Code or any comparable provisions of any applicable Law, and (b) the Collateral pledged by such Grantor hereunder shall be limited to the maximum amount of Collateral that can be pledged by such Grantor without rendering the pledge of Collateral by such Grantor subject to avoidance under Section 548 of the United States Bankruptcy Code or any comparable provisions of any applicable Law. Each Grantor hereby acknowledges that the Secured Obligations are owed to the various Lender Parties and that each Lender Party is entitled to the benefits of the Liens given under this Agreement.

ARTICLE III

Representations, Warranties and Covenants

Section 3.1. Representations and Warranties. Each Grantor hereby represents and warrants that each of the representations and warranties made in the Credit Agreement is true and correct insofar as it refers to such Grantor and, in addition, each Grantor hereby represents and warrants to the Lender Parties as follows:

- (a) Security Interest; Perfection. Such Grantor has and will have at all times full right, power and authority to grant a security interest in its Collateral to Secured Party as provided herein. No effective financing statement or other instrument similar in effect covering all or any part of the Collateral is on file in any recording office except (i) any which have been filed in respect of Liens permitted under Section 7.01 of the Credit Agreement, and (ii) any such financing statements or other instruments for which a termination statement that such Grantor is

authorized to file has been delivered to Secured Party. The filing of financing statements contemplated by Section 4.1 with the Secretary of State (or equivalent governmental official) of the State in which such Grantor is organized which sufficiently indicates the Collateral, will perfect, and establish the first priority (subject to Liens permitted under Section 7.01 of the Credit Agreement) of, Secured Party's security interest hereunder in the Collateral to the extent a security interest in such Collateral may be perfected under the UCC by the filing of a financing statement.

(b) Receivables. Except as has been promptly disclosed to the Administrative Agent and the Secured Party, (i) none of the Account Debtors in respect of any Receivable is the government of the United States, any agency or instrumentality thereof, any state or municipality or any foreign sovereign that has not signed an assignment agreement in form satisfactory to the Administrative Agent and (ii) no Receivable is evidenced by, or constitutes, an Instrument in excess of \$5,000,000, which has not been delivered to, or otherwise subjected to the control of, the Secured Party.

(c) Company Rights. All units, stock, interests and other securities constituting the Company Rights of any Company that is a Subsidiary, and, to the knowledge of such Grantor, all units, stock, interests and other securities constituting Company Rights of any Company that is not a Subsidiary, have been duly authorized and validly issued, are fully paid and (other than with respect to general partnership interests) non assessable, and were not issued in violation of the preemptive rights of any person or of any agreement by which Grantor or any Company is bound. All documentary, stamp or other taxes or fees owing in connection with the issuance, transfer or pledge of the Company Rights (or rights in respect thereof) have been paid. No restrictions or conditions exist with respect to the transfer, voting or capital of any Company Rights which could reasonably be expected to materially interfere with the Secured Party's exercise of its rights under this Agreement or the other Loan Documents, except as permitted by the Credit Agreement. Grantor has delivered to Secured Party all certificates and instruments evidencing Company Rights, if any, existing on the Closing Date. All such certificates and instruments are valid and genuine and have not been altered. No Company (other than any Company that is not a Subsidiary) has any outstanding stock rights, rights to subscribe, options, warrants or convertible securities outstanding or any other rights outstanding whereby any Person would be entitled to have issued to it units of ownership interest, stock or partnership or membership interests in any Company. Except with respect to Pledged Shares, neither Grantor nor any Company (other than any Company that is not a Subsidiary) has elected the application of Article 8 of the UCC to apply to any Company or any Company Rights, and Article 8 of the UCC is thus not applicable to any Company (other than any Company that is not a Subsidiary), except with respect to any Corporation. No other Person (other than any Company that is not a Subsidiary) has any registration under Article 8 of the UCC in effect in respect of any Company Rights. As of the Closing Date, such Grantor owns the interests in each Company which are described on Exhibit A as being owned by such Grantor. No Company in which such Grantor owns an interest has made any calls for capital to such Grantor which have not been fully paid by such Grantor. Grantor is not in default under any of the Company Agreements. Grantor's rights under the Company Agreements are enforceable in accordance with their terms, except as such enforcement may be limited by bankruptcy, insolvency or similar Laws of general application relating to the enforcement of creditors' rights.

(d) Intellectual Property. As of the Closing Date, there is no Intellectual Property included within the Collateral which is material to such Grantor's business.

Section 3.2. Covenants. Unless Secured Party shall otherwise consent in writing, each Grantor will at all times (i) comply with the covenants contained in the Credit Agreement which are applicable to such Grantor and (ii) comply with the covenants contained in this Section 3.2 so long as any part of the Secured Obligations or the Commitment is outstanding.

(a) General. Except for the security interest created by this Agreement, such Grantor shall not create or suffer to exist any Lien upon or with respect to any of the Collateral, except for Liens permitted by Section 7.01 of the Credit Agreement. Such Grantor shall defend its rights and interests in the Collateral, as represented in the Credit Agreement, against all Persons at any time claiming any other interest or Lien therein, other than those Liens permitted by Section 7.01 of the Credit Agreement.

(b) Company Rights. Except as permitted by Sections 7.05 and 7.06 of the Credit Agreement, Grantor will maintain its ownership of the interests in each Company listed on Exhibit A. Grantor will timely honor all calls under any Company Agreement to provide capital to any Company, and Grantor will not otherwise default in performing any of Grantor's obligations under any Company Agreement. The Company Rights shall at all times be duly authorized and validly issued and shall not be issued in violation of the pre emptive rights of any Person or of any agreement by which Grantor or the Company thereof is bound, except as permitted by the Credit Agreement. Nothing herein shall require Grantor as a member, partner or shareholder of a Company to cause such Company to initiate, approve, adopt or order a capital call by such Company.

(c) Delivery of Certificates. All instruments and certificates and true and correct copies of all other writings evidencing the Company Rights, if any, existing on the Closing Date shall be delivered to Secured Party on or prior to the Closing Date. All other certificates and instruments and true and correct copies of all writings hereafter evidencing or constituting Company Rights, if any, shall be delivered to Secured Party promptly upon the receipt thereof by or on behalf of such Grantor or in accordance with Section 6.13. All such certificates and instruments shall be held by or on behalf of Secured Party pursuant hereto and shall be delivered in suitable form for transfer by delivery with any necessary endorsement or shall be accompanied by fully executed instruments of transfer or assignment in blank, all in form and substance satisfactory to Secured Party. To the extent that any of the Company Rights (whether now owned or hereafter acquired) are not evidenced by a certificate, instrument or other writing, such Grantor will take all actions required to perfect the security interest created hereunder under applicable Law, and such other actions as are reasonably necessary to effect the foregoing.

(d) Proceeds of Collateral. If such Grantor shall receive, by virtue of its being or having been an owner of any Company Rights, any certificate, instrument, deed, bill of sale, promissory note, or other instrument or writing (including any certificate representing a stock dividend or distribution or any given in connection with any increase or reduction of capital, reorganization, reclassification, merger, consolidation, sale of assets, liquidation, or partial liquidation, combination of shares, stock split, spinoff or split off) in excess of \$5,000,000, such Grantor shall (i) receive the same in trust for the benefit of Secured Party, (ii) segregate it from

such Grantor’s other property, and, (iii) along with any necessary endorsement or appropriate stock powers or instruments of transfer duly executed in blank: (1) with respect to any such certificates, instruments or promissory notes, promptly deliver it to Secured Party in the exact form received, to be held by Secured Party as Collateral, and (2) with respect to any such deeds, bills of sale or other writings, use its commercially reasonable best efforts to deliver it to Secured Party in the exact form received, to be held by Secured Party as Collateral. If such Grantor shall receive, by virtue of its being or having been an owner of any Company Rights, any (A) option or right, whether as an addition to, substitution for, or in exchange for, any Company Rights, or otherwise; (B) dividends or distributions payable in cash (except such dividends or distributions permitted to be retained by such Grantor pursuant to Section 4.8 hereof) or in securities or other property, or (C) dividends or other distributions in connection with a partial or total liquidation or dissolution or in connection with a reduction of capital, capital surplus or paid in surplus, such Grantor shall receive the same in trust for the benefit of Secured Party, shall segregate it from such Grantor’s other property, and shall promptly deliver it to Secured Party in the exact form received, with any necessary endorsement or appropriate stock powers or instruments of transfer duly executed in blank, to be held by Secured Party as Collateral.

(e) Status of Company Rights. Except for the Pledged Shares, the Company Rights are not and shall not at any time be evidenced by any certificates, unless such certificates have been delivered to Collateral Agent pursuant to Section 3.2(c). The certificates delivered to the Collateral Agent evidencing the Company Rights shall at all times be valid and shall not be altered.

(f) Commercial Tort Claims. If Grantor shall at any time hold or acquire a Commercial Tort Claim in excess of \$10,000,000, Grantor shall immediately notify Secured Party in writing of the details thereof and grant to Secured Party in such writing a security interest therein and in the proceeds thereof, all upon the terms of this Agreement, with such writing to be in form and substance acceptable to Secured Party.

(g) Control Rights. With respect to such Collateral that Secured Party does not then already have control (as defined in the UCC) upon request of the Secured Party from time to time after the occurrence and during the continuance of an Event of Default, Debtor shall cause Secured Party to have control (as defined in the UCC) of Investment Property, Deposit Accounts, and Letter-of-Credit Rights constituting Collateral to perfect, and establish the first priority of, Secured Party's security interest hereunder in such Collateral.

(h) Intellectual Property. Debtor will maintain and protect (i) the validity and enforceability of all Intellectual Property that is reasonably necessary for the operation of its business as currently conducted, and without conflict with the rights of any other Person, except to the extent such conflict, either individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect and (ii) the validity, perfection and priority of Secured Party’s security interest in such Collateral except where the failure to maintain and protect the validity, perfection and priority of such security interest could not reasonably be expected to have a Material Adverse Effect. Prior to filing any application for registration of any Intellectual Property material to the operation of its business as currently conducted with the applicable office or agency of the United States, Debtor will give Secured Party notice of such intended filing and will, upon Secured Party's request, execute, deliver and file any agreements,

instruments, registrations and filings which Secured Party may request to confirm Secured Party's security interest therein and to put such security interest of record in such office.

(i) Certificates of Title. After the occurrence and during the continuance of an Event of Default, Debtor will with respect to Titled Collateral in which Debtor presently has any interest from time to time, deliver to Secured Party all such certificates of title, applications therefor, and all other documents needed or helpful in registering Secured Party's security interest in such Titled Collateral on such certificates of title and applications and in otherwise perfecting Secured Party's security interest in such Titled Collateral.

(j) Revenues. By the terms of the various Mortgages, certain Grantors may be assigning to the Collateral Agent, for the benefit of the Lender Parties, all of the "Revenues" (as defined therein) accruing to the property covered thereby. Notwithstanding any such assignments, so long as no Event of Default has occurred and is continuing, (a) such Grantors may continue to receive and collect from the payors of such Revenues all such Revenues, subject, however, to the Liens created under the Security Documents, which Liens are hereby affirmed and ratified, and free and clear of such Liens, use the proceeds of the Revenues, (b) the Collateral Agent will not notify the obligors of such Revenues or take any other action to cause proceeds thereof to be remitted to the Collateral Agent and (c) the Collateral Agent will not revoke the "License" (as defined in the Mortgage). Upon the occurrence of a Event of Default, the Collateral Agent may revoke the License and exercise all rights and remedies granted under the Security Documents, including the right to obtain possession of all Revenues then held by such Grantors or to receive directly from the payors of such Revenues all other Revenues until such time as such Event of Default is no longer continuing. If the Collateral Agent shall receive any Revenue proceeds from any payor at any time other than during the continuance of a Event of Default, then it shall notify Grantor thereof and (a) upon request and pursuant to the instructions of Grantor, it shall, if no Event of Default is then continuing, remit such proceeds to Grantor and (b) at the request and expense of the Borrower, execute and deliver a letter to such payors confirming Grantor's right to receive and collect Revenues until otherwise notified by the Collateral Agent. In no case shall any failure, whether purposed or inadvertent, by the Collateral Agent to collect directly any such Revenues constitute in any way a waiver, remission or release of any of its rights under the Security Documents, nor shall any release of any Revenues by the Collateral Agent to such Grantors constitute a waiver, remission, or release of any other Revenues or of any rights of the Collateral Agent to collect other Revenues thereafter.

ARTICLE IV

Remedies, Powers and Authorizations

Section 4.1. Provisions Concerning the Collateral.

(a) Authorization to File Financing Statements; Additional Filings. Each Grantor hereby irrevocably authorizes Secured Party at any time and from time to time to file in any jurisdiction any amendments to existing financing statements and any initial financing statements and amendments thereto that (i) indicate the Collateral as "all assets of Grantor and all proceeds thereof, and all rights and privileges with respect thereto" or words of similar effect, regardless of whether any particular asset comprised in the Collateral falls within the scope of Article 9 of

the UCC; (ii) contain any other information required by subchapter E of Article 9 of the UCC for the sufficiency or filing office acceptance of any financing statement or amendment, including the address of the Grantor, whether such Grantor is an organization, the type of organization and any organization identification number issued to such Grantor; and (iii) are necessary to properly effectuate the transactions described in this Agreement, as determined by Secured Party in its reasonable discretion. Each Grantor hereby further authorizes Secured Party to file one or more continuation statements to such financing statements. Each Grantor further agrees that a carbon, photographic or other reproduction of this Agreement or of any financing statement describing any Collateral is sufficient as a financing statement and may be filed in any jurisdiction accepting same by Secured Party.

(b) Power of Attorney. Each Grantor hereby irrevocably appoints Secured Party as such Grantor’s attorney in fact and proxy, with full authority in the place and stead of such Grantor and in the name of such Grantor or otherwise, from time to time in Secured Party’s discretion, if an Event of Default shall have occurred and be continuing, to take any action, and to execute or endorse any instrument, certificate or notice, which may be reasonably necessary to accomplish the purposes of this Agreement, including any action or instrument: (i) to request or instruct each Company (and each registrar, transfer agent, or similar Person acting on behalf of each Company) to register the pledge or transfer of its Collateral to Secured Party; (ii) to otherwise give notification to any Company, registrar, transfer agent, financial intermediary, or other Person of Secured Party’s security interests in its Collateral hereunder; (iii) to ask, demand, collect, sue for, recover, compound, receive and give acquittance and receipts for moneys due and to become due under or in respect of any of its Collateral; (iv) to receive, endorse and collect any drafts or other instruments or documents included in its Collateral; (v) to enforce any obligations included in its Collateral; and (vi) to file any claims or take any action or institute any proceedings which Secured Party may deem necessary or desirable for the collection of any of its Collateral or otherwise to enforce, perfect, or establish the priority of the rights of Secured Party with respect to any of its Collateral. Each Grantor hereby acknowledges that such power of attorney and proxy are coupled with an interest, and are irrevocable.

(c) Performance by Secured Party. If any Grantor fails to perform any agreement or obligation contained herein, Secured Party may itself perform, or cause performance of, such agreement or obligation, and the reasonable expenses of Secured Party incurred in connection therewith shall be payable by such Grantor under Section 4.5.

(d) Collection Rights. Secured Party shall have the right at any time, after the occurrence and during the continuance of an Event of Default, to notify, or require any Grantor to notify, any or all Persons (including any Company) obligated to make payments which are included among its Collateral (whether accounts, general intangibles, dividends, distribution rights, Company Rights to Payment, or otherwise) of the assignment thereof to Secured Party under this Agreement and to direct such obligors to make payment of all amounts due or to become due to such Grantor thereunder directly to Secured Party and, upon such notification and at the expense of such Grantor and to the extent permitted by Law, to enforce collection thereof and to adjust, settle or compromise the amount or payment thereof, in the same manner and to the same extent as such Grantor could have done. After such Grantor receives notice that Secured Party has given (and after Secured Party has required such Grantor to give) any notice referred to above in this subsection, and so long as any Event of Default shall be continuing:

(i) all amounts and proceeds (including instruments and writings) received by such Grantor in respect of such rights to payment, accounts, general intangibles, dividends, distribution rights or Company Rights to Payments shall be received in trust for the benefit of Secured Party hereunder, shall be segregated from other funds of such Grantor and shall be forthwith paid over to Secured Party in the same form as so received (with any necessary endorsement) to be applied as specified in Section 4.3, and

(ii) Such Grantor will not adjust, settle or compromise the amount or payment of any such account or general intangible, Company Rights to Payments or release wholly or partly any account debtor or obligor thereof (including any Company) or allow any credit or discount thereon other than in the ordinary course of business.

Section 4.2. Event of Default Remedies. If an Event of Default shall have occurred and be continuing, Secured Party may from time to time in its discretion, without limitation and without notice except as expressly provided below:

(a) exercise in respect of the Collateral, in addition to any other rights and remedies provided for herein, under the other Loan Documents or the agreements evidencing Secured Swap Obligations or otherwise available to it, all the rights and remedies of a secured party on default under the UCC (whether or not the UCC applies to the affected Collateral);

(b) require each Grantor to, and each Grantor hereby agrees that it will at its expense and upon request of Secured Party, promptly assemble all books, records and information of such Grantor relating to the Collateral at a place to be designated by Secured Party which is reasonably convenient to both parties;

(c) reduce its claim to judgment or foreclose or otherwise enforce, in whole or in part, the security interest created hereby by any available judicial procedure;

(d) dispose of, at its office, on the premises of the respective Grantor or elsewhere, all or any part of the Collateral, as a unit or in parcels, by public or private proceedings, and by way of one or more contracts (it being agreed that the sale of any part of the Collateral shall not exhaust Secured Party’s power of sale, but sales may be made from time to time, and at any time, until all of the Collateral has been sold or until the Secured Obligations have been paid and performed in full), and at any such sale it shall not be necessary to exhibit any of the Collateral;

(e) buy (or allow or one or more of the Lender Parties to buy) the Collateral, or any part thereof, at any public sale;

(f) buy (or allow or one or more of the Lender Parties to buy) the Collateral, or any part thereof, at any private sale if the Collateral is of a type customarily sold in a recognized market or is of a type which is the subject of widely distributed standard price quotations;

(g) appoint by instrument in writing one or more receivers, managers or receiver/manager for the Collateral or the business and undertaking of any Grantor pertaining to the Collateral (the “Receiver”). Any such Receiver will have, in addition to any other rights, remedies and powers which a Receiver may have at Law, in equity or by statute, the rights and powers set out elsewhere in this Section 4.2. In exercising such rights and powers, any Receiver

will act as and for all purposes will be deemed to be the agent of Grantors and no Lender Party will be responsible for any act or default of any Receiver. The Lender Parties may remove any Receiver and appoint another from time to time. No Receiver appointed by the Lender Parties need be appointed by, nor need its appointment be ratified by, or its actions in any way supervised by a court;

(h) apply by appropriate judicial proceedings for appointment of a receiver for the Collateral, or any part thereof, and each Grantor hereby consents to any such appointment; and

(i) at its discretion, retain the Collateral in satisfaction of the Secured Obligations whenever the circumstances are such that Secured Party is entitled to do so under the UCC or otherwise (provided that Secured Party shall in no circumstances be deemed to have retained the Collateral in satisfaction of the Secured Obligations in the absence of an express notice by Secured Party to such Grantor that Secured Party has either done so or intends to do so).

Each Grantor agrees that, to the extent notice of sale shall be required by Law, at least ten (10) days' notice to such Grantor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. Secured Party shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. Secured Party may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned.

Section 4.3. Application of Proceeds. If any Event of Default shall have occurred and be continuing, any cash proceeds received by Secured Party in respect of any sale of, collection from, or other realization upon all or any part of the Collateral, shall be applied as provided in Section 8.03 of the Credit Agreement.

Section 4.4. Deficiency. In the event that the proceeds of any sale, collection or realization of or upon Collateral by Secured Party are insufficient to pay all Secured Obligations and any other amounts to which Secured Party is legally entitled, Grantors shall be liable for the deficiency, together with interest thereon as provided in the governing Loan Documents and the agreements evidencing Cash Management Obligations or Secured Swap Obligations.

Section 4.5. Indemnity and Expenses. Each Grantor hereby agrees to all of the indemnity and expense reimbursement provisions of the Credit Agreement, including, without limitation Section 10.04 of the Credit Agreement, as though such Grantor were a party to such agreement.

Section 4.6. Non Judicial Remedies. In granting to Secured Party the power to enforce its rights hereunder without prior judicial process or judicial hearing, each Grantor expressly waives, renounces and knowingly relinquishes any legal right which might otherwise require Secured Party to enforce its rights by judicial process. In so providing for non judicial remedies, each Grantor recognizes and concedes that such remedies are consistent with the usage of trade, are responsive to commercial necessity, and are the result of a bargain at arm's length. Nothing herein is intended, however, to prevent Secured Party or any Grantor from resorting to judicial process at its option.

Section 4.7. Other Recourse. Each Grantor waives any right to require any Lender Party to proceed against any other Person, to exhaust any Collateral or other security for the Secured Obligations, or to have any Other Liable Party joined with such Grantor in any suit arising out of the Secured Obligations or this Agreement, or pursue any other remedy in Secured Party’s power. Each Grantor further waives any and all notice of acceptance of this Agreement and of the creation, modification, rearrangement, renewal or extension for any period of any of the Secured Obligations of any Other Liable Party from time to time. Each Grantor further waives any defense arising by reason of any disability or other defense of any Other Liable Party or by reason of the cessation from any cause whatsoever of the liability of any Other Liable Party. This Agreement shall continue irrespective of the fact that the liability of any Other Liable Party may have ceased and, irrespective of the validity or enforceability of any other Loan Document or any agreement evidencing Secured Swap Obligations to which such Grantor or any Other Liable Party may be a party, and notwithstanding any death, incapacity, reorganization, or bankruptcy of any Other Liable Party or any other event or proceeding affecting any Other Liable Party. Until all of the Secured Obligations shall have been paid in full, no Grantor shall have any right to subrogation and each Grantor waives the right to enforce any remedy which any Lender Party has or may hereafter have against any Other Liable Party, and waives any benefit of and any right to participate in any other security whatsoever now or hereafter held by Secured Party. Each Grantor authorizes each Lender Party, without notice or demand, without any reservation of rights against such Grantor, and without in any way affecting such Grantor’s liability hereunder or on the Secured Obligations, from time to time to (a) take or hold any other property of any type from any other Person as security for the Secured Obligations, and exchange, enforce, waive and release any or all of such other property, (b) apply the Collateral or such other property in accordance with Section 8.03 of the Credit Agreement and direct the order or manner of sale thereof as Secured Party may in its discretion determine, (c) renew, extend for any period, accelerate, modify, compromise, settle or release any of the obligations of any Other Liable Party in respect of any or all of the Secured Obligations or other security for the Secured Obligations, (d) waive, enforce, modify, amend, restate or supplement any of the provisions of any Loan Document or any agreement evidencing Secured Swap Obligations with any Person other than such Grantor, and (e) release or substitute any Other Liable Party.

Section 4.8. Exercise of Company Rights.

- (a) So long as no Event of Default shall have occurred and be continuing Grantors may receive, retain and use, free and clear of any Lien created hereby, any and all Company Rights to Payment paid in respect of the Collateral, provided, however, that any and all Company Rights to Payment paid or payable other than in cash in respect of, and instruments and other property received, receivable or otherwise distributed in respect of, or in exchange for, any Company Rights shall be, and shall forthwith be delivered to Secured Party as provided in Section 3.2(d).
 - (b) Anything herein to the contrary notwithstanding, Grantors may at all times exercise any and all voting rights pertaining to the Company Rights and Other Company Rights for any purpose not inconsistent with the terms of this Agreement.
 - (c) Upon the occurrence and during the continuance of an Event of Default:
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(i) all rights of each Grantor to receive and retain the Company Rights to Payment which it would otherwise be authorized to receive and retain pursuant to subsection (a) of this section shall automatically cease, and all such rights shall thereupon become vested in Secured Party which shall thereupon have the sole right to receive and hold as Collateral such Company Rights to Payment;

(ii) without limiting the generality of the foregoing, Secured Party may at its option exercise any and all rights of conversion, exchange, subscription or any other rights, privileges or options pertaining to any of the Company Rights, other than voting rights pertaining to the Company Rights, as if it were the absolute owner thereof, including, without limitation, the right to exchange, in its discretion, any and all of the Company Rights upon the merger, consolidation, reorganization, recapitalization or other adjustment of any Company, or upon the exercise by any Company of any right, privilege or option pertaining to any Company Rights, and, in connection therewith, to deposit and deliver any and all of the Company Rights with any committee, depository, transfer agent, registrar or other designated agent upon such terms and conditions as it may determine and any and all rights to dissolve any Company or to compel distribution of any Company’s assets; and

(iii) all Company Rights to Payments which are received by Grantor contrary to the provisions of subsection (c)(i) of this section shall be received in trust for the benefit of Secured Party, shall be segregated from other funds of such Grantor, and shall be forthwith paid over to Secured Party as Company Rights in the exact form received, to be held by Secured Party as Collateral.

Section 4.9. Private Sale of Company Rights. Each Grantor recognizes that Secured Party may deem it impracticable to effect a public sale of all or any part of the Company Rights and that Secured Party may, therefore, determine to make one or more private sales of any such Company Rights to a restricted group of purchasers who will be obligated to agree, among other things, to acquire the same for their own account, for investment and not with a view to the distribution or resale thereof. Each Grantor acknowledges that any such private sale may be at prices and on terms less favorable to the seller than the prices and other terms which might have been obtained at a public sale and, notwithstanding the foregoing, agrees that such private sales shall be deemed to have been made in a commercially reasonable manner and that Secured Party shall have no obligation to delay sale of any such Company Rights for the period of time necessary to permit their registration for public sale under the Securities Act of 1933, as amended (the “Securities Act”), to the extent, if any, that the Securities Act would be applicable thereto. Each Grantor further acknowledges and agrees that any offer to sell any Company Rights which has been (a) publicly advertised on a bona fide basis in a newspaper or other publication of general circulation in the financial community of New York, New York (to the extent that such an offer may be so advertised without prior registration under the Securities Act), or (b) made privately in the manner described above to not less than fifteen (15) bona fide offerees shall be deemed to involve a “public disposition” for the purposes of Section 9-610(c) of the UCC (or any successor or similar, applicable statutory provision) as then in effect in the State of New York, notwithstanding that such sale may not constitute a “public offering” under the Securities Act, and that Secured Party or one or more of the Lender Parties may, in such event, bid for the purchase of such Company Rights.

ARTICLE V

Miscellaneous

Section 5.1. Notices. Any notice or communication required or permitted hereunder shall be given, in the case of the Borrower or the Secured Party, as provided in the Credit Agreement and, in the case of any other Grantor, as provided in such Grantor’s Guaranty in favor of Secured Party, for the benefit of the Lender Parties.

Section 5.2. Amendments; Security Agreement Supplements. No amendment of any provision of this Agreement shall be effective unless it is in writing and signed by each Grantor and Secured Party, and no waiver of any provision of this Agreement, and no consent to any departure by any Grantor therefrom, shall be effective unless it is in writing and signed by Secured Party, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given and to the extent specified in such writing. In addition, all such amendments and waivers shall be effective only if given with the necessary approvals of the Required Lenders or all of the Lenders, as required in the Credit Agreement. Upon the execution and delivery by any Person of a security agreement supplement pursuant to the terms of Section 6.12 of the Credit Agreement in substantially the form of Exhibit B (each, a “Security Agreement Supplement”), (a) such Person shall be referred to as an “Additional Grantor” and shall become and be a Grantor hereunder, and each reference in this Agreement to a “Grantor” shall also mean and be a reference to such Additional Grantor, and each reference in any other Loan Document to a “Grantor” shall also mean and be a reference to such Additional Grantor, and (b) each reference herein to “this Agreement,” “hereunder,” “hereof” or words of like import referring to this Agreement, and each reference in any other Loan Document to the “Pledge and Security Agreement,” “thereunder,” “thereof” or words of like import referring to this Agreement, shall mean and be a reference to this Agreement as supplemented by such Security Agreement Supplement.

Section 5.3. Preservation of Rights. No failure on the part of Secured Party or any other Lender Party to exercise, and no delay in exercising, any right hereunder or under any other Loan Document or any agreement evidencing Secured Swap Obligations shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. Neither the execution nor the delivery of this Agreement shall in any manner impair or affect any other security for the Secured Obligations. The rights and remedies of Secured Party provided herein, in the other Loan Documents and agreements evidencing Secured Swap Obligations are cumulative and are in addition to, and not exclusive of, any rights or remedies provided by Law. The rights of Secured Party under any Loan Document or any agreement evidencing Secured Swap Obligations against any party thereto are not conditional or contingent on any attempt by Secured Party to exercise any of its rights or exhaust any recourse under any other Loan Document or any agreement evidencing Secured Swap Obligations against such party or against any other Person.

Section 5.4. Unenforceability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or invalidity without invalidating the remaining portions hereof or thereof or affecting the validity or enforceability of such provision in any other jurisdiction.

Section 5.5. **Survival of Agreements.** All representations and warranties of each Grantor herein, and all covenants and agreements herein shall survive the execution and delivery of this Agreement, the execution and delivery of any other Loan Documents or any agreements evidencing Secured Swap Obligations and the creation of the Secured Obligations.

Section 5.6. **Other Liable Party.** Neither this Agreement nor the exercise by Secured Party or the failure of Secured Party to exercise any right, power or remedy conferred herein or by Law shall be construed as relieving any Other Liable Party from liability on the Secured Obligations or any deficiency thereon. This Agreement shall continue irrespective of the fact that the liability of any Other Liable Party may have ceased or irrespective of the validity or enforceability of any other Loan Document or any agreement evidencing Secured Swap Obligations to which any Grantor or any Other Liable Party may be a party, and notwithstanding the reorganization, death, incapacity or bankruptcy of any Other Liable Party, and notwithstanding the reorganization or bankruptcy or other event or proceeding affecting any Other Liable Party.

Section 5.7. **Binding Effect and Assignment.** This Agreement creates a continuing security interest in the Collateral and (a) shall be binding on each Grantor and its successors and permitted assigns and (b) shall inure, together with all rights and remedies of Secured Party hereunder, to the benefit of Secured Party and its successors, transferees and assigns. Without limiting the generality of the foregoing, Secured Party or any other Lender Party may (except as otherwise provided in the Credit Agreement) pledge, assign or otherwise transfer any or all of its rights under any or all of the Loan Documents to any other Person, and such other Person shall thereupon become vested with all of the benefits in respect thereof granted to Secured Party, herein or otherwise. None of the rights or duties of any Grantor hereunder may be assigned or otherwise transferred without the prior written consent of Secured Party.

Section 5.8. **Termination.** It is contemplated by the parties hereto that there may be times when no Secured Obligations are outstanding, but notwithstanding such occurrences, this Agreement shall remain valid and shall be in full force and effect as to subsequent outstanding Secured Obligations. Upon the satisfaction in full of the Secured Obligations and the termination or expiration of the Credit Agreement and all agreements evidencing Secured Hedging Obligations (or with the consent of the holders of the Secured Hedging Obligations), this Agreement and the security interest created hereby shall terminate and all rights to the Collateral shall revert to Grantors. Secured Party will, upon the respective Grantor’s request and at such Grantor’s expense, return to such Grantor such of the Collateral as shall not have been sold or otherwise disposed of and execute and deliver to such Grantor such documents as such Grantor shall reasonably request to evidence such termination.

Section 5.9. **Governing Law.** THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK EXCEPT TO THE EXTENT THAT THE LAWS OF ANY STATE IN WHICH ANY COLLATERAL IS LOCATED NECESSARILY GOVERN (i) THE PERFECTION AND PRIORITY OF THE LIENS IN FAVOR OF SECURED PARTY WITH RESPECT TO SUCH COLLATERAL, AND (ii) THE EXERCISE OF ANY REMEDIES (INCLUDING FORECLOSURE) WITH RESPECT TO SUCH COLLATERAL.

Section 5.10. Submission to Jurisdiction. EACH GRANTOR IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE NONEXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK SITTING IN NEW YORK COUNTY AND OF THE UNITED STATES DISTRICT COURT OF THE SOUTHERN DISTRICT OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE COURT OR, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AGREEMENT OR IN ANY OTHER LOAN DOCUMENT SHALL AFFECT ANY RIGHT THAT THE COLLATERAL AGENT, ADMINISTRATIVE AGENT, ANY LENDER OR THE L/C ISSUER MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AGAINST ANY GRANTOR OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION.

Section 5.11. Waiver of Venue. EACH GRANTOR IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT IN ANY COURT REFERRED TO IN SECTION 5.10. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

Section 5.12. Service of Process. EACH PARTY HERETO IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 10.02 OF THE CREDIT AGREEMENT. NOTHING IN THIS AGREEMENT WILL AFFECT THE RIGHT OF ANY PARTY HERETO TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY APPLICABLE LAW.

Section 5.13. Waiver of Jury Trial. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD

NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

Section 5.15. Counterparts. This Agreement may be separately executed in any number of counterparts (including by facsimile transmission), all of which when so executed shall be deemed to constitute one and the same Agreement.

Section 5.16. “Loan Document.” This Agreement is a “Loan Document,” as defined in the Credit Agreement, and, except as expressly provided herein to the contrary, this Agreement is subject to all provisions of the Credit Agreement governing such Loan Documents. In the event of a conflict between the terms and conditions of the Credit Agreement and this Agreement, the terms and conditions of the Credit Agreement shall control.

Section 5.17. FINAL AGREEMENT. THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR OR CONTEMPORANEOUS ORAL AGREEMENTS OF THE PARTIES.

THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, each Grantor has caused this Agreement to be executed and delivered by its officer thereunto duly authorized, as of the date first above written.

TARGA RESOURCES PARTNERS LP

By: Targa Resources GP LLC,

its sole general partner

By: _____

Howard M. Tate

Vice President – Finance and Assistant

Treasurer

TARGA RESOURCES OPERATING LP

By: Targa Resources Operating GP LLC,

its sole general partner

By: _____

Howard M. Tate

Vice President – Finance and Assistant

Treasurer

TARGA RESOURCES OPERATING GP LLC

By: _____

Howard M. Tate

Vice President – Finance and Assistant

Treasurer

TARGA NORTH TEXAS LP

By: Targa North Texas GP LLC,

its sole general partner

By: _____

Howard M. Tate

Vice President – Finance and Assistant

Treasurer

TARGA NORTH TEXAS GP LLC

By: _____

Howard M. Tate

Vice President – Finance and Assistant

Treasurer

TARGA INTRASTATE PIPELINE LLC

By: _____

Howard M. Tate

Vice President – Finance and Assistant

Treasurer

Description of Pledged Shares

None.

Description of Partnership Interests

<u>Grantor</u>	<u>Company</u>	<u>Percentage of Equity Interest Pledged</u>
Targa Resources Operating GP LLC	Targa Resources Operating LP	0.001% GP Interest
Targa Resources Partners LP	Targa Resources Operating LP	99.999% LP Interest
Targa North Texas GP LLC	Targa North Texas LP	50.000% GP Interest
Targa Resources Operating LP	Targa North Texas LP	50.000% LP Interest

Description of LLC Rights

<u>Grantor</u>	<u>Company</u>	<u>Percentage of Equity Interest Pledged</u>
Targa Resources Partners LP	Targa Resources Operating GP LLC	100%
Targa Resources Operating LP	Targa North Texas GP LLC	100%
Targa North Texas LP	Targa Intrastate Pipeline LLC	100%

SECURITY AGREEMENT SUPPLEMENT

_____, 20__

Bank of America, N.A., as Collateral Agent

100 Federal Street

Boston, MA 02110

Attention: Robert Valbona

Re:Credit Agreement effective as of February 14, 2007, among Targa Resources Partners LP, a Delaware limited partnership (the “Borrower”), Bank of America, N.A., a national banking association, as Administrative Agent and Collateral Agent (“Collateral Agent”), and the financial institutions thereto as Lenders (individually a “Lender” and collectively, “Lenders”).

Ladies and Gentlemen:

Reference is made to the Credit Agreement and to the that certain Pledge and Security Agreement of even date therewith executed by the grantors party thereto in favor of Collateral Agent, for the benefit of the Lender Parties (as heretofore amended, supplemented, restated or otherwise modified, the “Original Security Agreement”; such Original Security Agreement, as in effect on the date hereof and as it may hereafter be amended, supplemented, restated or otherwise modified from time to time, together with this Security Agreement Supplement, being the “Security Agreement”). The capitalized terms defined in the Security Agreement or in the Credit Agreement and not otherwise defined herein are used herein as therein defined.

Section 1. Grant of Security Interest. [ADDITIONAL GRANTOR] (the “Additional Grantor”) hereby confirms the grant to the Secured Party set forth in the Security Agreement of, and does hereby grant to the Secured Party, a security interest in all of Additional Grantor’s right, title and interest in and to all Collateral to secure the Secured Obligations, in each case whether now or hereafter existing or in which Additional Grantor now has or hereafter acquires an interest and wherever the same may be located. Additional Grantor represents and warrants that the attached Supplements to Schedules accurately and completely set forth all additional information required pursuant to the Security Agreement and hereby agrees that such Supplements to Schedules shall constitute part of the Schedules to the Security Agreement.

Section 2. Obligations Under the Security Agreement. The Additional Grantor hereby agrees, as of the date first above written, to be bound as a Grantor by all of the terms and conditions of the Security Agreement to the same extent as each of the other Grantors thereunder. The Additional Grantor further agrees, as of the date first above written, that each reference in the Security Agreement to an “Additional Grantor” or a “Grantor” shall also mean and be a reference to the Additional Grantor, and each reference in any other Loan Document to a “Grantor” or a “Loan Party” shall also mean and be a reference to the Additional Grantor.

Section 4. Representations, Warranties and Covenants. The Additional Grantor hereby (a) makes each representation and warranty set forth in Section 3.1 of the Security Agreement

and (b) undertakes each covenant obligation set forth in Section 3.2 of the Security Agreement, in each case to the same extent as each other Grantor.

Section 5. Governing Law and Choice of Venue. THIS SUPPLEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, EXCEPT TO THE EXTENT THAT THE LAWS OF ANY STATE IN WHICH ANY COLLATERAL IS LOCATED NECESSARILY GOVERN (a) THE PERFECTION AND PRIORITY OF THE LIENS IN FAVOR OF SECURED PARTY WITH RESPECT TO SUCH COLLATERAL, AND (b) THE EXERCISE OF ANY REMEDIES (INCLUDING FORECLOSURE) WITH RESPECT TO SUCH COLLATERAL. The Additional Grantor irrevocably waives any objection, to the extent permitted by applicable Law, that it may now or hereafter have (including any claim of inconvenient forum) to the venue of any legal proceeding arising out of or relating to this Supplement in the courts of such State.

Section 6. FINAL AGREEMENT. THIS SECURITY AGREEMENT SUPPLEMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES HERETO AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR OR CONTEMPORANEOUS ORAL AGREEMENTS OF THE PARTIES HERETO. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES HERETO.

IN WITNESS WHEREOF, the undersigned has caused this Security Agreement Supplement to be executed and delivered by its officer thereunto duly authorized, as of the date first above written.

Very truly yours,

[NAME OF ADDITIONAL GRANTOR]

By: _____

Name:

Title:

ACKNOWLEDGED AND ACCEPTED,

As of the date above first written:

BANK OF AMERICA, N.A.,

as Collateral Agent

By: _____

Name:

Title:

FORM OF DEED OF TRUST

WHEN RECORDED OR FILED RETURN TO:

Thompson & Knight L.L.P.
1700 Pacific Avenue, Suite 3300
Dallas, Texas 75201
Attention: Sharon Nye

DEED OF TRUST, MORTGAGE, ASSIGNMENT,
SECURITY AGREEMENT, FIXTURE FILING AND FINANCING STATEMENT

FROM

TARGA NORTH TEXAS LP

(Taxpayer I.D. No. 20-4036176)

TO

PRLAP, INC., TRUSTEE

AND

BANK OF AMERICA, N.A., COLLATERAL AGENT

Dated Effective February 14, 2007

A CARBON, PHOTOGRAPHIC, FACSIMILE, OR OTHER REPRODUCTION OF THIS INSTRUMENT IS SUFFICIENT AS A FINANCING STATEMENT.

THIS INSTRUMENT CONTAINS AFTER-ACQUIRED PROPERTY PROVISIONS, SECURES PAYMENT OF FUTURE ADVANCES, AND COVERS PROCEEDS OF COLLATERAL.

THIS INSTRUMENT, WHICH COVERS GOODS WHICH ARE OR ARE TO BECOME FIXTURES ON THE REAL PROPERTY DESCRIBED HEREIN, IS TO BE FILED FOR RECORD, AMONG OTHER PLACES, IN THE REAL ESTATE OR COMPARABLE RECORDS OF THE COUNTIES REFERENCED IN EXHIBIT A HERETO AND SUCH FILING SHALL SERVE, AMONG OTHER PURPOSES, AS A FIXTURE FILING. THE MORTGAGOR HAS AN INTEREST OF RECORD IN THE REAL ESTATE AND IMMOVABLE PROPERTY CONCERNED, WHICH INTEREST IS DESCRIBED IN SECTION 1.1 OF THIS INSTRUMENT.

A POWER OF SALE HAS BEEN GRANTED IN THIS MORTGAGE. A POWER OF SALE MAY ALLOW COLLATERAL AGENT (AS HEREINAFTER DEFINED) OR THE TRUSTEE (AS HEREINAFTER DEFINED) TO TAKE THE MORTGAGED PROPERTIES AND SELL THEM WITHOUT GOING TO COURT IN A FORECLOSURE ACTION UPON DEFAULT BY THE MORTGAGOR (AS HEREINAFTER DEFINED) UNDER THIS MORTGAGE.

THIS DOCUMENT PREPARED BY:

Brian Minyard, Esq.

Thompson & Knight, L.L.P.

1700 Pacific Avenue, Suite 3300

Dallas, Texas 75201

DEED OF TRUST, MORTGAGE,
ASSIGNMENT, SECURITY AGREEMENT, FIXTURE FILING
AND FINANCING STATEMENT
(this “Mortgage”)

ARTICLE IX. GRANTING CLAUSES; SECURED INDEBTEDNESS

11.01 Grant and Mortgage. TARGA NORTH TEXAS LP (herein called “Mortgagor”), for and in consideration of the sum of Ten Dollars (\$10.00) to Mortgagor in hand paid, and in order to secure the payment of the secured indebtedness hereinafter referred to and the performance of the obligations, covenants, agreements, warranties and undertakings of Mortgagor hereinafter described, does hereby GRANT, BARGAIN, SELL, CONVEY, TRANSFER, ASSIGN AND SET OVER to PRLAP, Inc., Trustee (the “Trustee”), and grant to Trustee a POWER OF SALE (pursuant to this Mortgage and applicable law) the following described properties, rights and interests (the “Mortgaged Properties”):

(a) Those certain tracts of land, described in Exhibit A, attached hereto and made a part hereof, and those certain surface leases and other interests in land (the “Surface Leases”) all as described in Exhibit A attached hereto and made a part hereof (such tracts of land and the lands covered by the Surface Leases being herein collectively called the “Facility Sites”), together with all tanks, tank batteries, injector stations, terminals, pumps, pipelines, plants, heaters, compressors, equipment and other fixtures, personal/movable property and improvements (whether now owned or hereafter acquired by operation of Law or otherwise) located on or under the Facility Sites (the “Facility Property”) or used, held for use in connection with, or in any way related to the Pipeline Systems (as hereinafter defined), (the Facility Sites and the Facility Property are herein sometimes collectively called the “Facilities”);

(b) The rights, interests and estates created under those certain servitudes, easements, rights of way, privileges, franchises, prescriptions, licenses, leases, permits and/or other rights described in Exhibit A, attached hereto and made a part hereof, and all of Mortgagor’s right, title and interest (whether now owned or hereafter acquired by operation of Law or otherwise) in any servitudes, easements, rights of way, privileges, franchises, prescriptions, licenses, leases, permits and/or other rights in and to any land, in any county and section shown on Exhibit A even though they may be incorrectly described in or omitted from such Exhibit A, together with any amendments, renewals, extensions, supplements, modifications or other agreements related to the foregoing, and further together with any other servitudes, easements, rights of way, privileges, prescriptions, franchises, licenses, permits and/or other rights (whether presently existing or hereafter created and whether now owned or hereafter acquired by operation of Law or otherwise) used, held for use in connection with, or in any way related to the Pipeline Systems, the Facilities, and/or pipelines transporting hydrocarbons or other goods, including crude oil, natural gas, natural gas liquids condensate, refined products or asphalt (collectively “Products”) to, from or between Pipeline Systems and/or the Facilities (the rights, interests and estates described in this clause (b) are herein collectively called the “Servitudes”);

(c) Without limitation of the foregoing, all other right, title and interest of Mortgagor of whatever kind or character (whether now owned or hereafter acquired by operation of Law or otherwise) in and to (i) the Facilities, the Surface Leases and/or the Servitudes, and (ii) the lands described or referred to in Exhibit A (or described in any of the instruments described or referred to in Exhibit A);

(d) Without limitation of the foregoing, all of Mortgagor’s right, title and interest (whether now owned or hereafter acquired by operation of Law or otherwise) in and to all transportation, gathering and transmission systems located on the properties described in and/or depicted on Exhibit A, including, without limitation, any transportation, gathering or transmission systems located in or any county or section shown on the foregoing referenced Exhibit A; any leases of transportation, gathering and transmission systems, pipes or facilities described on Exhibit A; all improvements, fixtures, equipment, accessions, inventory, Products, other goods and/or personal property of whatever nature (whether now owned or hereafter acquired by operation of Law or otherwise), including, without limitation, those now or after located on or under, or which in any way relate to or used or held for us in connection with the Servitudes, the Facilities, and/or such transportation, gathering and transmission systems described in this clause (d) (the properties, rights and interests described in this clause (d) are herein collectively called the “Pipeline Systems”) or the operation thereof and including without limitation all pipes, valves, gauges, meters and other measuring equipment, regulators, heaters, extractors, tubing, pipelines, fuel lines, facilities, fittings, materials, tanks, flow lines, gathering lines, compressors, dehydration units, separators, meters, metering stations, buildings, fittings, pipe connectors, drips, storage facilities, absorbers, dehydrators, and power, telephone and telegraph lines;

(e) all licenses and permits of whatever nature, including, but not limited to, that now or hereafter used or held for use in connection with Pipeline Systems or the operation there, and all renewals or replacements of the foregoing or substitutions for the foregoing;

(f) All of Mortgagor’s right, title and interest, whether presently existing or hereafter created or entered into and whether now owned or hereafter acquired by operation of Law or otherwise, in and to:

(g) all purchase, sale, gathering, processing, transportation, storage and other contracts or agreements covering or otherwise relating to the ownership or operation of the Facilities, the Servitudes, and/or the Pipeline Systems, and/or to the purchase, sale or transportation of Products, or to the separation, treatment, stabilization and/or processing of the same;

(h) all rights, privileges and benefits under or arising out of any agreement under which any of the Property, as hereinafter defined, was acquired, including without limitation any and all representations, warranties, or covenants and any and all rights of indemnity or to rebate of the purchase price; all equipment leases, maintenance agreements, electrical supply contracts, option agreements, and other contracts and/or agreements, whether now existing or hereafter entered into, which

cover, affect, or otherwise relate to the Facilities, the Servitudes, and/or the Pipeline Systems, and/or any of the Mortgaged Properties (as hereinafter defined) described above, or to the purchase, sale, transportation, gathering, separation, treatment, stabilization, dehydration, processing, delivery and/or redelivery of Products transported, gathered, separated, treated, stabilized, dehydrated, processed, delivered and/or redelivered by or in the Facilities and/or the Pipeline Systems;

(the contractual rights, contracts and other agreements described in this clause (f) are herein sometimes collectively called the “Contracts”); and

(i) All rights, estates, powers and privileges appurtenant to the foregoing rights, interests and properties.

TO HAVE AND TO HOLD the Mortgaged Properties unto the Trustee, and its successors or substitutes in this trust, and to its or their successors and assigns, in trust, for the benefit of the Collateral Agent, as Collateral Agent for the benefit of the Administrative Agent, the Collateral Agent, the L/C Issuer, the Swing Line Lender, the Lenders and the Hedging Parties, however, upon the terms, provisions and conditions herein set forth.

11.02 Grant of Security Interest. In order to further secure the payment of the secured indebtedness hereinafter referred to and the performance of the obligations, covenants, agreements, warranties, and undertakings of Mortgagor hereinafter described, Mortgagor hereby grants to Collateral Agent for the benefit of the Administrative Agent, the Collateral Agent, the L/C Issuer, the Swing Line Lender, the Lenders and the Hedging Parties a security interest in the entire interest of Mortgagor (whether now owned or hereafter acquired by operation of Law or otherwise) in and to:

(a) the Mortgaged Properties;

(b) without limitation of any other provision of this Section 1.2, all payments received in lieu of performance which are related to the Mortgaged Properties (regardless of whether such payments or rights thereto accrued, and/or the events which gave rise to such payments occurred, on or before or after the date hereof, including, without limitation, firm or prepaid transportation payments and similar payments, payments received in settlement of or pursuant to a judgment rendered with respect to firm transportation or similar obligations or other obligations under a contract, and payments received in buyout or buydown or other settlement of a contract) and/or imbalances in deliveries (the payments described in this subsection (b) being herein called “Payments in Lieu”);

(c) all accounts, receivables, contract rights, choses in action (i.e., rights to enforce contracts or to bring claims thereunder), commercial tort claims and other general intangibles of whatever nature (regardless of whether the same arose and/or the events which gave rise to the same occurred, on or before or after the date hereof, including, but not limited to, that related to the Mortgaged Properties, the operation thereof, or the treating, handling, separation, stabilization, storing, processing, transporting, gathering, or marketing of Products, and including, without limitation, any of the same relating to

payment of proceeds thereof or to payment of amounts which could constitute Payments in Lieu);

(d) without limitation of the generality of the foregoing, any rights and interests of Mortgagor under any present or future hedge or swap agreements, cap, floor, collar, exchange, forward or other hedge or protection agreements or transactions, or any option with respect to any such agreement or transaction now existing or hereafter entered into by or on behalf of Mortgagor;

(e) all engineering, accounting, title, legal, and other technical or business data including, but not limited to, that concerning the Mortgaged Properties, the treating, handling, separation, stabilization, storing, processing, transporting, gathering or marketing of Products or any other item of Property (as hereinafter defined) which are now or hereafter in the possession of Mortgagor or in which Mortgagor can otherwise grant a security interest, and all books, files, records, magnetic media, software, and other forms of recording or obtaining access to such data;

(f) all money, documents, instruments, chattel paper (including without limitation, electronic chattel paper and tangible chattel paper), rights to payment evidenced by chattel paper, securities, accounts, payable intangibles, general intangibles, letters of credit, letter-of-credit rights, supporting obligations and rights to payment of money arising from or by virtue of any transaction (regardless of whether such transaction occurred on or before or after the date hereof, including, but not limited to, that related to the Mortgaged Properties, the treating, handling, separation, stabilization, storing, processing, transporting, gathering or marketing of the Products or any other item of Property);

(g) all rights, titles and interest now owned or hereafter acquired of Mortgagor in any and all goods, inventory, equipment, documents, money, instruments, intellectual property, certificated securities, uncertificated securities, investment property, letters of credit, rights to proceeds of written letters of credit and other letter-of-credit rights, commercial tort claims, deposit accounts, payment intangibles, general intangibles, contract rights, chattel paper (including, without limitation, electronic chattel paper and tangible chattel paper), rights to payment evidenced by chattel paper, software, supporting obligations and accounts, wherever located, and all rights and privileges with respect thereto (all of the properties, rights and interests described in subsections (a), (b), (c), (d), (e), (f) and (g) above and this subsection (h) being herein sometimes collectively called the “Collateral”); and

(h) all proceeds of the Collateral, whether such proceeds or payments are goods, money, documents, instruments, chattel paper, securities, accounts, payment intangibles, general intangibles, fixtures, real property, personal property or other assets (the Mortgaged Properties, the Collateral, and the proceeds of the Collateral being herein sometimes collectively called the “Property”).

Notwithstanding this [Section 1.2](#) or [clause \(d\)](#) or [\(e\)](#) of [Section 1.1](#), the grant of a security interest as herein provided shall not extend to any equipment subject to a purchase money security interest or equipment lease (the “[Encumbered Equipment](#)”),

general intangible, instrument or investment property in which Mortgagor has any right, title or interest if and to the extent that such Encumbered Equipment, general intangible, instrument or investment property is subject to a Lien permitted by Section 7.01 of the Credit Agreement, contractual provision or other restriction on assignment such that the creation of a security interest in the right, title or interest of Mortgagor therein would be prohibited and would, in and of itself, cause or result in an Event of Default thereunder enabling another Person party to such purchase contract, lease, or other contract or agreement relating to Encumbered Equipment, general intangible, instrument or investment property to enforce any remedy with respect thereto (the “Excluded Collateral”); provided that, the foregoing exclusion shall not apply if (i) such prohibition has been waived or such other Person has otherwise consented to the creation hereunder of a security interest in such Excluded Collateral, or (ii) such prohibition shall be rendered ineffective pursuant to Sections 9-406, 9-407 or 9-408 of the Applicable UCC or any other applicable law (including Debtor Relief Laws); provided further, that immediately upon the ineffectiveness, lapse or termination of any such provision Mortgagor shall be deemed to have granted such security interest in all its right, title and interest in and to such Excluded Collateral as if such provision had never been in effect; and the foregoing exclusion shall in no way be construed so as to limit, impair or otherwise affect Collateral Agent’s continuing security interest in and to all right, title and interest of Mortgagor in or to any payment obligations or other rights to receive monies due or become due with respect to any such Excluded Collateral and in any such monies or proceeds of such Excluded Collateral.

Except as otherwise expressly provided in this Mortgage, all terms in this Mortgage relating to the Collateral and the grant of the foregoing security interest which are defined in the Uniform Commercial Code as evidenced in each state whose law is applicable to the Collateral (the “Applicable UCC”) shall have the meanings assigned to them in Article 9 (or, absent definition in Article 9, in any other Article) of the Applicable UCC, as those meanings may be amended, revised or replaced from time to time. Notwithstanding the foregoing, the parties intend that the terms used herein which are defined in the Applicable UCC have, at all times, the broadest and most inclusive meanings possible. Accordingly, if the Applicable UCC shall in the future be amended or held by a court to define any term used herein more broadly or inclusively than the Applicable UCC in effect on the date of this Mortgage, then such term, as used herein, shall be given such broadened meaning. If the Applicable UCC shall in the future be amended or held by a court to define any term used herein more narrowly, or less inclusively, than the Applicable UCC in effect on the date of this Mortgage, such amendment or holding shall, where legally permitted, be disregarded in defining terms used in this Mortgage.

11.03 Credit, Loan Documents, Other Obligations. This Mortgage is made to secure and enforce the payment and performance of (a) the Obligations pursuant to the provisions of that certain Credit Agreement dated as of February 14, 2007, as amended, supplemented, restated, increased, renewed, extended or otherwise modified from time to time (as amended, supplemented, restated, increased, renewed, extended or otherwise modified from time to time, the “Credit Agreement”) among Targa Resources Partners LP (“Borrower”), Bank of America, N.A., as Administrative Agent, Collateral Agent and

L/C Issuer, and the Lenders, including (i) Loans to Borrower from time to time pursuant to the Credit Agreement and (ii) all Obligations with respect to Letters of Credit governed by the Credit Agreement and reimbursement obligations in respect thereof, together with interest and other amounts payable with respect thereto; (b) the due and punctual payment and performance of any and all indebtedness and other obligations now or hereafter incurred or arising pursuant to that certain Guaranty, dated as of February 14, 2007, as amended, supplemented, restated, increased, extended or otherwise modified, made by Mortgagor and certain Affiliates of Mortgagor (“Guarantors”) in favor of Collateral Agent guaranteeing, among other things, the obligations and liabilities of Borrower under the Credit Agreement and the other Loan Documents; (c) all present or future Secured Swap Obligations; and (d) all present or future Cash Management Obligations. (The Administrative Agent, the Collateral Agent, the L/C Issuer, the Swing Line Lender, the Lenders, their Related Parties and the Hedging Parties are herein collectively called the “Lender Parties”).

11.04 Secured Indebtedness. The indebtedness referred to in Section 1.3, and all renewals, extensions and modifications thereof, and all substitutions therefor, in whole or in part, are herein sometimes referred to as the “secured indebtedness” or the “indebtedness secured hereby”.

11.05 Limit on Secured Indebtedness and Collateral. It is the intention of Mortgagor, Agent, Trustee, and each other Lender Party that this Mortgage not constitute a fraudulent transfer or fraudulent conveyance under any state or federal law that may be applicable hereto. Mortgagor and, by Trustee's and Agent's acceptance hereof, Agent, Trustee and the other Collateral Agent Parties hereby acknowledge and agree that, notwithstanding any other provision of this Mortgage, (a) the indebtedness secured hereby shall be limited to the maximum amount of indebtedness that can be incurred or secured by Mortgagor without rendering this Mortgage voidable under applicable law relating to fraudulent transfers or fraudulent conveyances, and (b) the property granted by Mortgagor hereunder shall be limited to the maximum amount of Property that can be granted by Mortgagor without rendering this Mortgage voidable under applicable law relating to fraudulent conveyances or fraudulent transfers.

11.06 Defined Terms. Terms used herein but not otherwise defined in this Mortgage shall have the same meanings given to them in the Credit Agreement.

ARTICLE XII.
REPRESENTATIONS, WARRANTIES AND COVENANTS

12.01 Mortgagor represents, warrants, and covenants as follows:

(a) Title and Permitted Encumbrances. Mortgagor has, and Mortgagor covenants to maintain, good and defensible fee simple title to or valid leasehold interests, or valid easements or other property interest in the Mortgaged Property which is real property and good and valid title to the Property that is personal property necessary in the ordinary conduct of its business, all free and clear of all

Liens, privileges, security interests, and encumbrances except for (i) the contracts, agreements, burdens, encumbrances and other matters set forth in the descriptions of certain of the Mortgaged Properties on Exhibit A hereto, (ii) the Liens permitted under Section 7.01 of the Credit Agreement, and (iii) such defects in title as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Mortgagor will warrant and defend title to the Property, subject as aforesaid, against the claims and demands of all persons claiming the same or any part thereof. Any and all references made in this Mortgage to Liens permitted under Section 7.01 of the Credit Agreement are made for the purpose of limiting certain warranties and covenants made by Mortgagor herein and such reference is not intended to affect the description herein of the Mortgaged Properties nor to subordinate the Liens and security interests hereunder to any Liens permitted under Section 7.01 of the Credit Agreement.

(b) Sale or Disposal. Mortgagor will not, without the prior written consent of Collateral Agent, sell, exchange, lease, transfer, or otherwise dispose of, or cease to operate (or be operator of) or abandon, any part of, or interest (legal or equitable) in, the Property other than as permitted by Section 7.05 of the Credit Agreement.

(c) Defense of Mortgage. If the validity or priority of this Mortgage or of any rights, titles, liens or security interests created or evidenced hereby with respect to the Property or any part thereof or the title of Mortgagor to the Property shall be endangered or questioned or shall be attacked directly or indirectly or if any legal proceedings are instituted against Mortgagor with respect thereto, Mortgagor will give prompt written notice thereof to Collateral Agent and at Mortgagor's own cost and expense will diligently endeavor to cure any defect that may be developed or claimed, and will take all necessary and proper steps for the defense of such legal proceedings, including, but not limited to, the employment of counsel, the prosecution or defense of litigation and the release or discharge of all adverse claims, and Trustee and Collateral Agent, or either of them (whether or not named as parties to legal proceedings with respect thereto), are hereby authorized and empowered to take such additional steps as in their judgment and discretion may be necessary or proper for the defense of any such legal proceedings or the protection of the validity or priority of this Mortgage and the rights, titles, liens and security interests created or evidenced hereby, including but not limited to the employment of independent counsel, the prosecution or defense of litigation, the compromise or discharge of any adverse claims made with respect to the Property, the purchase of any tax title and the removal of prior liens or security interests, and all expenditures so made of every kind and character shall be a demand obligation (which obligation Mortgagor hereby expressly promises to pay) owing by Mortgagor to Collateral Agent or Trustee (as the case may be) and shall bear interest from the date expended until paid at the rate described in Section 2.3 hereof, and the party incurring such expenses shall be subrogated to all rights of the person receiving such payment.

(d) Insurance. Mortgagor will carry insurance as provided in the Credit Agreement. In the event of any loss under any insurance policies so carried by Mortgagor, Collateral Agent shall have the right (but not the obligation) to make proof of loss and collect the same, and all amounts so received shall be applied toward costs, charges and expenses (including reasonable attorneys' fees), if any, incurred in the collection thereof, then to the payment, in the order determined by Collateral Agent in its own discretion, of the secured indebtedness, and any balance remaining shall be subject to the order of Mortgagor. Collateral Agent is hereby authorized but not obligated to enforce in its name or in the name of Mortgagor payment of any or all of said policies or settle or compromise any claim in respect thereof, and to collect and make receipts for the proceeds thereof and Collateral Agent is hereby appointed Mortgagor's agent and attorney-in-fact to endorse any check or draft payable to Mortgagor in order to collect the proceeds of insurance. In the event of foreclosure of this Mortgage, or other transfer of title to the Property in extinguishment in whole or in part of the secured indebtedness, all right, title and interest of Mortgagor in and to such policies then in force concerning the Property and all proceeds payable thereunder shall thereupon vest in the purchaser at such foreclosure or other transferee in the event of such other transfer of title. Mortgagor shall at all times maintain adequate insurance against its liability on account of damages to persons or property, which insurance shall be carried by companies of recognized responsibility satisfactory to Collateral Agent, and shall be for such amounts and insure against such risks as are customary in the industry for similarly situated businesses and properties.

(e) Further Assurances. Mortgagor will, upon request of Collateral Agent, (i) promptly correct any defect, error or omission which may be discovered in the contents of this Mortgage, or in any other Loan Document, or in the execution or acknowledgment of this Mortgage or any other Loan Document; (ii) execute, acknowledge, deliver and record and/or file such further instruments (including, without limitation, further deeds of trust, mortgages, security agreements, financing statements, continuation statements, and assignments of production and/or rents, accounts, funds, contract rights, general intangibles, and proceeds) and do such further acts as may be necessary, desirable or proper to carry out more effectively the purposes of this Mortgage and the other Loan Documents and to more fully identify and subject to the liens and security interests hereof any property intended to be covered hereby, including specifically, but without limitation, any renewals, additions, substitutions, replacements, or appurtenances to the Property; and (iii) execute, acknowledge, deliver, and file and/or record any document or instrument (including specifically any financing statement) desired by Collateral Agent to protect the lien or the security interest hereunder against the rights or interests of third persons. Mortgagor shall pay all costs connected with any of the foregoing.

(f) Name and Place of Business and Formation. Except where notice of a change has been provided as required by the Credit Agreement: (i) each Mortgagor is a registered organization which is organized under the laws of

Delaware and is located (as determined pursuant to the UCC) in Delaware and (ii) each Mortgagor's exact name is the name set forth in this mortgage.

(g) Not a Foreign Person. Mortgagor is not a “foreign person” within the meaning of the Internal Revenue Code of 1986, as amended, (hereinafter called the “Code”), Sections 1445 and 7701 (i.e. Mortgagor is not a non-resident alien, foreign corporation, foreign partnership, foreign trust or foreign estate as those terms are defined in the Code and any regulations promulgated thereunder.

12.02 Compliance by Operator. As to any part of the Properties which is operated by a party other than Mortgagor, Mortgagor agrees to take all commercially reasonable actions and to exercise all rights and remedies as are available to Mortgagor (including, but not limited to, all rights under any operating agreement) to cause the party who is the operator of such Property to comply with the covenants and agreements contained herein.

12.03 Performance on Mortgagor's Behalf. Mortgagor agrees that, if Mortgagor fails to perform any act or to take any action which hereunder Mortgagor is required to perform or take, or to pay any money which hereunder Mortgagor is required to pay, Collateral Agent, in Mortgagor's name or its own name, may, but shall not be obligated to, perform or cause to be performed such act or take such action or pay such money, and any expenses so incurred by Collateral Agent and any money so paid by Collateral Agent shall be a demand obligation owing by Mortgagor to Collateral Agent (which obligation Mortgagor hereby expressly promises to pay) and Collateral Agent, upon making such payment, shall be subrogated to all of the rights of the person, corporation or body politic receiving such payment. Each amount due and owing by Mortgagor to Trustee and/or Collateral Agent pursuant to this Mortgage shall bear interest each day, from the date of such expenditure or payment until paid, at a rate equal to the rate as provided for past due amounts under the Credit Agreement (provided that, should applicable law provide for a maximum permissible rate of interest on such amounts, such rate shall not be greater than such maximum permissible rate); all such amounts, together with such interest thereon, shall be a part of the secured indebtedness and shall be secured by this Mortgage.

ARTICLE XIII.
ASSIGNMENT OF REVENUES

13.01 Assignment. Mortgagor does hereby absolutely and unconditionally assign, transfer and set over to Collateral Agent all rents, issues, profits, revenue, income and other benefits derived from the Mortgaged Properties, or arising from the operation thereof or from any of the Contracts (herein sometimes collectively called the “Revenues”), together with the immediate and continuing right to collect and receive such Revenues. Mortgagor directs and instructs any and all payors of Revenues to pay to Collateral Agent all of the Revenues until such time as such payors have been furnished with evidence that all secured indebtedness has been paid and that this Mortgage has been released. Mortgagor agrees that no payors of Revenues shall have any responsibility for the application of any funds paid to Collateral Agent.

13.02 Effectuating Payment of Revenues to Collateral Agent. Independent of the foregoing provisions and authorities herein granted, Mortgagor agrees to execute and deliver any and all instruments that may be requested by Collateral Agent or that may be required by any payor of Revenues for the purpose of effectuating payment of the Revenues to Collateral Agent. If under any existing agreements, any Revenues are required to be paid by the payor to Mortgagor so that under such existing agreements payment cannot be made of such Revenues to Collateral Agent, Mortgagor's interest in all Revenues under such agreements and in all other Revenues which for any reason may be paid to Mortgagor shall, when received by Mortgagor, constitute trust funds in Mortgagor's hands and shall be immediately paid over to Collateral Agent. Without limitation upon any of the foregoing, Mortgagor hereby constitutes and appoints Collateral Agent as Mortgagor's special attorney in fact (with full power of substitution, either generally or for such periods or purposes as Collateral Agent may from time to time prescribe) in the name, place and stead of Mortgagor to do any and every act and exercise any and every power that Mortgagor might or could do or exercise personally with respect to all Revenues (the same having been assigned by Mortgagor to Collateral Agent pursuant to Section 3.1 hereof). The foregoing appointment includes, without limitation, the right, power and authority to:

- (a) Execute and deliver in the name of Mortgagor any and all instruments of every nature that may be requested or required by any party for the purposes of effectuating payment of the Revenues to Collateral Agent or which Collateral Agent may otherwise deem necessary or appropriate to effect the intent and purposes of the assignment contained in Section 3.1; and
- (b) If under any agreements any Revenues are required to be paid by the payor to Mortgagor so that under such existing agreements payment cannot be made of such Revenues to Collateral Agent, to make, execute and enter into such agreements as are necessary to direct Revenues to be payable to Collateral Agent.

Collateral Agent, as attorney in fact, is further hereby given and granted full power and authority to do and perform any and every act and thing whatsoever necessary and requisite to be done as fully and to all intents and purposes, as Mortgagor might or could do if personally present; and Mortgagor shall be bound thereby as fully and effectively as if Mortgagor had personally executed, acknowledged and delivered any of the foregoing certificates or documents. The powers and authorities herein conferred upon Collateral Agent may be exercised by Collateral Agent through any person who, at the time of the execution of the particular instrument, is an officer of Collateral Agent. The power of attorney herein conferred is granted for valuable consideration and hence is coupled with an interest and is irrevocable so long as the secured indebtedness, or any part thereof, shall remain unpaid. All persons dealing with Collateral Agent or any substitute shall be fully protected in treating the powers and authorities conferred by this paragraph as continuing in full force and effect until advised by Collateral Agent that all the secured indebtedness is fully and finally paid. Collateral Agent may, but shall not be obligated to, take such action as it deems appropriate in an effort to collect the Revenues and any reasonable expenses (including reasonable attorney's fees) so incurred by Collateral Agent shall be a demand obligation of Mortgagor and shall be part of the secured

indebtedness, and shall bear interest each day, from the date of such expenditure or payment until paid, at the Default Rate.

13.03 Limited License. Subject to [Section 3.4](#) below, Collateral Agent hereby grants to Mortgagor a limited, non-assignable license (“License”), subject to the terms set forth herein, to exercise and enjoy all incidences of the status of payee with respect to the Revenues, including the right to collect, demand, sue for, attach, levy, recover, and receive the Revenues, and to give proper receipts, releases and acquittances therefor. Provided no Event of Default has occurred, Mortgagor may use the Revenues collected in any manner not inconsistent with the Loan Documents.

13.04 **Termination.** Upon an Event of Default, Collateral Agent shall have the right to terminate the License and the immediate and continuing right to collect and receive the Revenues, and Mortgagor shall direct and instruct any and all payors of Revenues to pay to Collateral Agent all of the Revenues. Each payor of Revenues shall pay Revenues to Collateral Agent upon and at all times after receipt of such instruction from Mortgagor or from receipt of notice from Collateral Agent of such termination of the License. After receipt of such instruction or notice, each payor of Revenues shall remit each payment obligation to Collateral Agent. Such payments to Collateral Agent shall continue until such time as such payors have been furnished with evidence that all secured indebtedness has been paid and that this Deed of Trust has been released.

13.05 **Release From Liability; Indemnification.** Collateral Agent and its successors and assigns are hereby released and absolved from all liability for failure to enforce collection of the Revenues, and from all other responsibility in connection therewith, except the responsibility of each to account to Mortgagor for funds actually received by each. Mortgagor agrees to indemnify and hold harmless Collateral Agent (for purposes of this paragraph, the term “Collateral Agent” shall include the directors, officers, partners, employees and agents of Collateral Agent and any persons or entities owned or controlled by or affiliated with Collateral Agent) from and against all claims, demands, liabilities, losses, damages (including without limitation consequential damages), causes of action, judgments, penalties, costs and expenses (including without limitation reasonable attorneys’ fees and expenses) imposed upon, asserted against or incurred or paid by Collateral Agent by reason of the assertion that Collateral Agent received, either before or after payment in full of the secured indebtedness, funds that exceed the maximum amount, tariff or rate, if applicable, permitted under applicable law, and Collateral Agent shall have the right to defend against any such claims or actions, employing attorneys of its own selection, and if not furnished with indemnity satisfactory to it, Collateral Agent shall have the right to compromise and adjust any such claims, actions and judgments, and in addition to the rights to be indemnified as herein provided, all amounts paid by Collateral Agent in compromise, satisfaction or discharge of any such claim, action or judgment, and all court costs, attorneys’ fees and other expenses of every character expended by Collateral Agent pursuant to the provisions of this section shall be a demand obligation (which obligation Mortgagor hereby expressly promises to pay) owing by Mortgagor to Collateral Agent and shall bear interest, from the date expended until paid, at the rate described in [Section 2.3](#) hereof. The foregoing indemnities shall not terminate upon the Release Date or upon the release, foreclosure or

other termination of this Mortgage but will survive the Release Date, foreclosure of this Mortgage or conveyance in lieu of foreclosure, and the repayment of the secured indebtedness and the discharge and release of this Mortgage and the other documents evidencing and/or securing the secured indebtedness. WITHOUT LIMITATION, IT IS THE INTENTION OF MORTGAGOR AND MORTGAGOR AGREES THAT THE FOREGOING RELEASES AND INDEMNITIES SHALL APPLY TO EACH INDEMNIFIED PARTY WITH RESPECT TO ALL CLAIMS, DEMANDS, LIABILITIES, LOSSES, DAMAGES (INCLUDING WITHOUT LIMITATION CONSEQUENTIAL DAMAGES), CAUSES OF ACTION, JUDGMENTS, PENALTIES, COSTS AND EXPENSES (INCLUDING WITHOUT LIMITATION REASONABLE ATTORNEYS' FEES AND EXPENSES) WHICH IN WHOLE OR IN PART ARE CAUSED BY OR ARISE OUT OF THE NEGLIGENCE OF SUCH (AND/OR ANY OTHER) INDEMNIFIED PARTY. However, such indemnities shall not apply to any particular indemnified party (but shall apply to the other indemnified parties) to the extent the subject of the indemnification is caused by or arises out of the gross negligence or willful misconduct of such particular indemnified party.

13.06 Mortgagor's Absolute Obligation to Pay Loans. Nothing herein contained shall detract from or limit the obligations of Mortgagor to make prompt payment of the Loans, and any and all other secured indebtedness, at the time and in the manner provided herein and in the Loan Documents, regardless of whether the Revenues herein assigned are sufficient to pay same, and the rights under this Article III shall be cumulative of all other rights under the Loan Documents.

ARTICLE XIV.
REMEDIES UPON EVENT OF DEFAULT

14.01 Default. The term “Event of Default” as used in this Mortgage shall mean the occurrence of an “Event of Default” as defined in the Credit Agreement. Upon the occurrence of an Event of Default, Collateral Agent at any time and from time to time may without notice to Mortgagor or any other person declare any or all of the secured indebtedness immediately due and payable and all such secured indebtedness shall thereupon be immediately due and payable, without relief from valuation and appraisalment Laws and without presentment, demand, protest, notice of protest, declaration or notice of acceleration or intention to accelerate, putting the Mortgagor in default, dishonor, notice of dishonor or any other notice or declaration of any kind, all of which are hereby expressly waived by Mortgagor, and the Liens evidenced hereby shall be subject to foreclosure in any manner provided for herein or provided for by Law as Collateral Agent may elect.

14.02 Pre-Foreclosure Remedies. Upon the occurrence of an Event of Default, Collateral Agent is authorized, prior or subsequent to the institution of any foreclosure proceedings, and to the extent allowed by applicable law, to enter upon the Property, or any part thereof, and to take possession of the Property and all books and records relating thereto, and to exercise without interference from Mortgagor any and all rights which Mortgagor has with respect to the management, possession, operation, protection or

preservation of the Property. If necessary to obtain the possession provided for above, Collateral Agent may invoke any and all legal remedies to dispossess Mortgagor, including, but not limited to, summary proceeding or restraining order. Mortgagor agrees to peacefully surrender possession of the property upon an Event of Default, if requested. All costs, expenses and liabilities of every character incurred by Collateral Agent in managing, operating, maintaining, protecting or preserving the Property shall constitute a demand obligation (which obligation Mortgagor hereby expressly promises to pay) owing by Mortgagor to Collateral Agent and shall bear interest from date of expenditure until paid at the rate described in [Section 2.3](#) hereof, all of which shall constitute a portion of the secured indebtedness and shall be secured by this Mortgage and by any other instrument securing the secured indebtedness. In connection with any action taken by Collateral Agent pursuant to this Section 4.2, COLLATERAL AGENT SHALL NOT BE LIABLE FOR ANY LOSS SUSTAINED BY MORTGAGOR RESULTING FROM ANY ACT OR OMISSION OF COLLATERAL AGENT (INCLUDING COLLATERAL AGENT'S OWN NEGLIGENCE) IN MANAGING THE PROPERTY UNLESS SUCH LOSS IS CAUSED BY THE WILLFUL MISCONDUCT, GROSS NEGLIGENCE OR BAD FAITH OF COLLATERAL AGENT, nor shall Collateral Agent be obligated to perform or discharge any obligation, duty or liability of Mortgagor arising under any agreement forming a part of the Property or arising under any Permitted Encumbrance or otherwise arising. Mortgagor hereby assents to, ratifies and confirms any and all actions of Collateral Agent with respect to the Property taken under this [Section 4.2](#).

14.03 [Foreclosure.](#)

(a) Upon the occurrence of an Event of Default, Trustee is authorized and empowered and it shall be Trustee's special duty at the request of Collateral Agent to sell the Mortgaged Properties, or any part thereof, as an entirety or in parcels as Collateral Agent may elect, at such place or places and otherwise in the manner and upon such notice as may be required by law or, in the absence of any such requirement, as Trustee may deem appropriate. If Trustee shall have given notice of sale hereunder, any successor or substitute Trustee thereafter appointed may complete the sale and the conveyance of the property pursuant thereto as if such notice had been given by the successor or substitute Trustee conducting the sale. Cumulative of the foregoing and the other provisions of this [Section 4.3](#), as to any portion of the Mortgaged Properties located in the State of Texas (or within the offshore area over which the United States of America asserts jurisdiction and to which the laws of such state are applicable with respect to this Mortgage and/or the liens or security interests created hereby), such sales of all or any part of such Mortgaged Properties shall be conducted at the courthouse of any county (whether or not the counties in which such Mortgaged Properties are located are contiguous) in the State of Texas in which any part of such Mortgaged Properties is situated or which lies shoreward of any Mortgaged Property (i.e., to the extent a particular Mortgaged Property lies offshore within the reasonable projected seaward extension of the relevant county boundary), at public venue to the highest bidder for cash between the hours of ten o'clock a.m. and four o'clock p.m. on the first Tuesday in any month or at such other place, time and date as provided by

the statutes of the State of Texas then in force governing sales of real estate under powers conferred by deed of trust, after having given notice of such sale in accordance with such statutes.

A POWER OF SALE HAS BEEN GRANTED IN THIS MORTGAGE. A POWER OF SALE MAY ALLOW TRUSTEE TO TAKE THE MORTGAGED PROPERTIES AND SELL THEM WITHOUT GOING TO COURT IN A FORECLOSURE ACTION UPON DEFAULT BY MORTGAGOR UNDER THIS MORTGAGE.

(b) Upon the occurrence of an Event of Default, Collateral Agent may exercise its rights of enforcement with respect to the Collateral under the Texas Business and Commerce Code, as amended or under the Uniform Commercial Code or any other statute in force in any state to the extent the same is applicable law. Cumulative of the foregoing and the other provisions of this [Section 4.3](#):

(c) Collateral Agent may enter upon the Mortgaged Properties or otherwise upon Mortgagor's premises to take possession of, assemble and collect the Collateral or to render it unusable; and

(d) Collateral Agent may require Mortgagor to assemble the Collateral and make it available at a place Collateral Agent designates which is mutually convenient to allow Collateral Agent to take possession or dispose of the Collateral; and

(e) written notice mailed to Mortgagor as provided herein at least ten (10) days prior to the date of public sale of the Collateral or prior to the date after which private sale of the Collateral will be made shall constitute reasonable notice; and

(f) in the event of a foreclosure of the liens and/or security interests evidenced hereby, the Collateral, or any part thereof, and the Mortgaged Properties, or any part thereof, may, at the option of Collateral Agent, be sold, as a whole or in parts, together or separately (including, without limitation, where a portion of the Mortgaged Properties is sold, the Collateral related thereto may be sold in connection therewith); and

(g) the expenses of sale provided for in clause FIRST of [Section 4.6](#) shall include the reasonable expenses of retaking the Collateral, or any part thereof, holding the same and preparing the same for sale or other disposition; and

(h) should, under this subsection, the Collateral be disposed of other than by sale, any proceeds of such disposition shall be treated under [Section 4.6](#) as if the same were sales proceeds; and

(i) To the extent permitted by applicable law, the sale hereunder of less than the whole of the Property shall not exhaust the powers of sale herein granted or the right to judicial foreclosure, and successive sale or sales may be made until the whole of the Property shall be sold, and, if the proceeds of such sale of less than the whole of the Property shall be less than the aggregate of the

indebtedness secured hereby and the expense of conducting such sale, this Mortgage and the liens and security interests hereof shall remain in full force and effect as to the unsold portion of the Property just as though no sale had been made; provided, however, that Mortgagor shall never have any right to require the sale of less than the whole of the Property. In the event any sale hereunder is not completed or is defective in the opinion of Collateral Agent, such sale shall not exhaust the powers of sale hereunder or the right to judicial foreclosure, and Collateral Agent shall have the right to cause a subsequent sale or sales to be made. Any sale may be adjourned by announcement at the time and place appointed for such sale without further notice except as may be required by law. The Trustee or his successor or substitute, and the Collateral Agent acting under power of sale, respectively, may appoint or delegate any one or more persons as agent to perform any act or acts necessary or incident to any sale held by it (including, without limitation, the posting of notices and the conduct of sale), and such appointment need not be in writing or recorded. Any and all statements of fact or other recitals made in any deed or deeds, or other instruments of transfer, given in connection with a sale as to nonpayment of the secured indebtedness or as to the occurrence of any Event of Default, or as to all of the secured indebtedness having been declared to be due and payable, or as to the request to sell, or as to notice of time, place and terms of sale and the properties to be sold having been duly given, or, with respect to any sale by the Trustee, or any successor or substitute trustee, as to the refusal, failure or inability to act of Trustee or any substitute or successor trustee or the appointment of any substitute or successor trustee, or as to any other act or thing having been duly done, shall be taken as prima facie evidence of the truth of the facts so stated and recited. With respect to any sale held in foreclosure of the liens and/or security interests covered hereby, it shall not be necessary for the Trustee, Collateral Agent, any public officer acting under execution or order of the court or any other party to have physically present or constructively in his/her or its possession, either at the time of or prior to such sale, the Property or any part thereof.

14.04 Effective as Mortgage. This instrument shall be effective as a mortgage as well as a deed of trust and upon the occurrence of an Event of Default may be foreclosed as to the Mortgaged Properties, or any portion thereof, in any manner permitted by applicable law, and any foreclosure suit may be brought by Trustee or by Collateral Agent. To the extent, if any, required to cause this instrument to be so effective as a mortgage as well as a deed of trust, Mortgagor hereby mortgages the Mortgaged Properties to Collateral Agent. In the event a foreclosure hereunder as to the Mortgaged Properties, or any part thereof, shall be commenced by Trustee, or his substitute or successor, Collateral Agent may at any time before the sale of such properties direct Trustee to abandon the sale, and may then institute suit for the foreclosure of this Mortgage as to such properties. It is agreed that if Collateral Agent should institute a suit for the foreclosure of this Mortgage, Collateral Agent may at any time before the entry of a final judgment in said suit dismiss the same, and require Trustee, its substitute or successor, to sell the Mortgaged Properties, or any part thereof, in accordance with the provisions of this Mortgage.

14.05 Receiver. In addition to all other remedies herein provided for, Mortgagor agrees that, upon the occurrence of an Event of Default, Collateral Agent shall as a matter of right be entitled to the appointment of a receiver or receivers for all or any part of the Property, whether such receivership be incident to a proposed sale (or sales) of such property or otherwise, and without regard to the value of the Property or the solvency of any person or persons liable for the payment of the indebtedness secured hereby, and Mortgagor does hereby consent to the appointment of such receiver or receivers, waives any and all defenses to such appointment, and agrees not to oppose any application therefor by Collateral Agent, and agrees that such appointment shall in no manner impair, prejudice or otherwise affect the rights of Collateral Agent under Article III hereof. Mortgagor expressly waives notice of a hearing for appointment of a receiver and the necessity for bond or an accounting by the receiver. Nothing herein is to be construed to deprive Collateral Agent of any other right, remedy or privilege it may now or hereafter have under the law to have a receiver appointed. Any money advanced by Collateral Agent in connection with any such receivership shall be a demand obligation (which obligation Mortgagor hereby expressly promises to pay) owing by Mortgagor to Collateral Agent and shall bear interest, from the date of making such advancement by Collateral Agent until paid, at the rate described in Section 2.3 hereof.

14.06 Proceeds of Foreclosure. The proceeds of any sale held in foreclosure of the liens and/or security interests evidenced hereby shall be applied:

FIRST, to the payment of all necessary costs and expenses incident to such foreclosure sale, including but not limited to all court costs and charges of every character in the event foreclosed by suit or any judicial proceeding and including, but not limited to, a reasonable fee to the Trustee if such sale was made by the Trustee acting under the provisions of Section 4.3(a);

SECOND, to the payment of the secured indebtedness as provided in the Credit Agreement; and

THIRD, the remainder, if any there shall be, shall be paid to Mortgagor, or to Mortgagor's successors or assigns, or such other persons as may be entitled thereto by law.

14.07 Lender Party as Purchaser. Any party constituting a Lender Party shall have the right to become the purchaser at any sale held in foreclosure of the liens and/or security interests evidenced hereby, and any party constituting a Lender Party which is purchasing at any such sale shall have the right to credit upon the amount of the bid made therefor, to the extent necessary to satisfy such bid, the secured indebtedness owing to such party, or if

such party holds less than all of such indebtedness, the pro rata part thereof owing to such party, accounting to all other parties constituting a Lender Party who are not joining in such bid in cash for the portion of such bid or bids apportionable to such non-bidding parties.

14.08 **Foreclosure as to Matured Debt.** Upon the occurrence of an Event of Default, Collateral Agent shall have the right to proceed with foreclosure of the liens and/or security interests evidenced hereby without declaring the entire secured indebtedness due, and in such event, any such foreclosure sale may be made subject to the unmatured part of the secured indebtedness and shall not in any manner affect the unmatured part of the secured indebtedness, but as to such unmatured part, this Mortgage shall remain in full force and effect just as though no sale had been made. The proceeds of such sale shall be applied as provided in **Section 4.6** except that the amount paid under clause SECOND thereof shall be only the matured portion of the secured indebtedness and any proceeds of such sale in excess of those provided for in clauses FIRST and SECOND (modified as provided above) shall be applied as provided in clause SECOND AND THIRD of **Section 4.6** hereof. Several sales may be made hereunder without exhausting the right of sale for any unmatured part of the secured indebtedness.

14.09 **Remedies Cumulative.** All remedies herein provided for are cumulative of each other and of all other remedies existing at law or in equity and are cumulative of any and all other remedies provided for in any other Loan Document, and, in addition to the remedies herein provided, there shall continue to be available all such other remedies as may now or hereafter exist at law or in equity for the collection of the secured indebtedness and the enforcement of the covenants herein and the foreclosure of the liens and/or security interests evidenced hereby, and the resort to any remedy provided for hereunder or under any such other Loan Document or provided for by law shall not prevent the concurrent or subsequent employment of any other appropriate remedy or remedies.

14.10 **Discretion as to Security.** Collateral Agent may resort to any security given by this Mortgage or to any other security now existing or hereafter given to secure the payment of the secured indebtedness, in whole or in part, and in such portions and in such order as may seem best to Collateral Agent in its sole and uncontrolled discretion, and any such action shall not in any way be considered as a waiver of any of the rights, benefits, liens or security interests evidenced by this Mortgage.

14.11 **Mortgagor's Waiver of Certain Rights.** To the full extent Mortgagor may do so, Mortgagor agrees that Mortgagor will not at any time insist upon, plead, claim or take the benefit or advantage of any law now or hereafter in force providing for any appraisalment, valuation, stay, extension or redemption, and Mortgagor, for Mortgagor, Mortgagor's heirs, devisees, representatives, successors and assigns, and for any and all persons ever claiming any interest in the Property, to the extent permitted by applicable law, hereby waives and releases all rights of appraisalment, valuation, stay of execution, redemption, notice of intention to mature or declare due the whole of the secured indebtedness, notice of election to mature or declare due the whole of the secured indebtedness and all rights to a marshaling of assets of Mortgagor, including

the Property, or to a sale in inverse order of alienation in the event of foreclosure of the liens and/or security interests hereby created. Mortgagor shall not have or assert any right under any statute or rule of law pertaining to the marshaling of assets, sale in inverse order of alienation, the exemption of homestead, the administration of estates of decedents, or other matters whatever to defeat, reduce or affect the right under the terms of this Mortgage to a sale of the Property for the collection of the secured indebtedness without any prior or different resort for collection, or the right under the terms of this Mortgage to the payment of the secured indebtedness out of the proceeds of sale of the Property in preference to every other claimant whatever. If any law referred to in this Section and now in force, of which Mortgagor or Mortgagor's heirs, devisees, representatives, successors or assigns or any other persons claiming any interest in the Mortgaged Properties or the Collateral might take advantage despite this Section, shall hereafter be repealed or cease to be in force, such law shall not thereafter be deemed to preclude the application of this Section.

14.12 Mortgagor as Tenant Post-Foreclosure. In the event there is a foreclosure sale hereunder and at the time of such sale Mortgagor or Mortgagor's heirs, devisees, representatives, successors or assigns or any other persons claiming any interest in the Property by, through or under Mortgagor are occupying or using the Property, or any part thereof, each and all shall immediately become the tenant of the purchaser at such sale, which tenancy shall be a tenancy from day to day, terminable at the will of either landlord or tenant, at a reasonable rental per day based upon the value of the property occupied, such rental to be due daily to the purchaser. To the extent permitted by applicable law, the purchaser at such sale shall, notwithstanding any language herein apparently to the contrary, have the sole option to demand immediate possession following the sale or to permit the occupants to remain as tenants at will. In the event the tenant fails to surrender possession of said property upon demand, the purchaser shall be entitled to institute and maintain a summary action for possession of the property (such as an action for forcible entry and detainer) in any court having jurisdiction.

ARTICLE XV.
MISCELLANEOUS

15.01 Scope of Mortgage. This Mortgage is a deed of trust and mortgage of both real and personal property, a security agreement, a financing statement and an assignment, and also covers proceeds and fixtures and all rights as set out herein.

15.02 Effective as a Financing Statement. This Mortgage covers goods which are or are to become fixtures on the real property described herein, and this Mortgage shall be effective as a financing statement filed as a fixture filing with respect to all fixtures included within the Property. This Mortgage is to be filed for record in the real property records of each county where any part of the Mortgaged Properties is situated. This Mortgage shall also be effective as a financing statement covering any other Property and may be filed in any other appropriate filing or recording office. The mailing address of Mortgagor is the address of Mortgagor set forth at the end of this Mortgage and the address of Collateral Agent from which information concerning the security

interests hereunder may be obtained is the address of Collateral Agent set forth at the end of this Mortgage.

15.03 Reproduction of Mortgage as Financing Statement. A carbon, photographic, facsimile or other reproduction of this Mortgage or of any financing statement relating to this Mortgage shall be sufficient as a financing statement for any of the purposes referred to in Section 5.2. Without limiting any other provision herein, Mortgagor hereby authorizes Agent to file one or more financing statements, or renewal or continuation statements thereof, describing the Collateral.

15.04 Notice to Account Debtors. In addition to, but without limitation of, the rights granted in Article III hereof, Collateral Agent may, at any time after an Event of Default has occurred, notify the account debtors or obligors of any accounts, chattel paper, negotiable instruments or other evidences of indebtedness included in the Collateral to pay Collateral Agent directly.

15.05 Waivers. Collateral Agent may at any time and from time to time in writing waive compliance by Mortgagor with any covenant herein made by Mortgagor to the extent and in the manner specified in such writing, or consent to Mortgagor's doing any act which hereunder Mortgagor is prohibited from doing, or to Mortgagor's failing to do any act which hereunder Mortgagor is required to do, to the extent and in the manner specified in such writing, or release any part of the Property or any interest therein from the lien and security interest of this Mortgage (and/or terminate the assignment provided for in Article III), without the joinder of Trustee. Any party liable, either directly or indirectly, for the secured indebtedness or for any covenant herein or in any other Loan Document may be released from all or any part of such obligations without impairing or releasing the liability of any other party. No such act shall in any way impair any rights or powers hereunder except to the extent specifically agreed to in such writing.

15.06 No Impairment of Security. The lien, security interest and other security rights hereunder shall not be impaired by any indulgence, moratorium or release which may be granted including, but not limited to, any renewal, extension or modification which may be granted with respect to any secured indebtedness, or any surrender, compromise, release, renewal, extension, exchange or substitution which may be granted in respect of the Property, or any part thereof or any interest therein, or any release or indulgence granted to any endorser, guarantor or surety of any secured indebtedness.

15.07 Acts Not Constituting Waiver. Any Event of Default may be waived without waiving any other prior or subsequent Event of Default. Any Event of Default may be remedied without waiving the Event of Default remedied. Neither failure to exercise, nor delay in exercising, any right, power or remedy upon any Event of Default shall be construed as a waiver of such Event of Default or as a waiver of the right to exercise any such right, power or remedy at a later date. No single or partial exercise of any right, power or remedy hereunder shall exhaust the same or shall preclude any other or further exercise thereof, and every such right, power or remedy hereunder may be exercised at any time and from time to time. No modification or waiver of any provision hereof nor consent to any departure by Mortgagor therefrom shall in any event be

effective unless the same shall be in writing and signed by Collateral Agent and then such waiver or consent shall be effective only in the specific instances, for the purpose for which given and to the extent therein specified. No notice to nor demand on Mortgagor in any case shall of itself entitle Mortgagor to any other or further notice or demand in similar or other circumstances. Acceptance of any payment in an amount less than the amount then due on any secured indebtedness shall be deemed an acceptance on account only and shall not in any way excuse the existence of an Event of Default hereunder.

15.08 Mortgagor's Successors. In the event the ownership of the Property or any part thereof becomes vested in a person other than Mortgagor, then, without notice to Collateral Agent, such successor or successors in interest may be dealt with, with reference to this Mortgage and to the indebtedness secured hereby, in the same manner as with Mortgagor, without in any way vitiating or discharging Mortgagor's liability hereunder or for the payment of the indebtedness or performance of the obligations secured hereby. No transfer of the Property, no forbearance, and no extension of the time for the payment of the indebtedness secured hereby, shall operate to release, discharge, modify, change or affect, in whole or in part, the liability of Mortgagor hereunder or for the payment of the indebtedness or performance of the obligations secured hereby, or the liability of any other person hereunder or for the payment of the indebtedness secured hereby.

15.09 Place of Payment. All secured indebtedness which may be owing hereunder at any time by Mortgagor shall be payable at the place designated in the Credit Agreement (or if no such designation is made, at the address of Collateral Agent indicated at the end of this Mortgage), or at such other place as Collateral Agent may designate in writing.

15.10 Subrogation to Existing Liens. To the extent that proceeds of the Loans are used to pay indebtedness secured by any outstanding lien, security interest, charge or prior encumbrance against the Property, such proceeds have been advanced at Mortgagor's request, and the party or parties advancing the same shall be subrogated to any and all rights, security interests and liens owned by any owner or holder of such outstanding liens, security interests, charges or encumbrances, irrespective of whether said liens, security interests, charges or encumbrances are released, and it is expressly understood that, in consideration of the payment of such indebtedness, Mortgagor hereby waives and releases all demands and causes of action for offsets and payments to, upon and in connection with the said indebtedness.

15.11 Application of Payments to Certain Indebtedness. If any part of the secured indebtedness cannot be lawfully secured by this Mortgage or if any part of the Property cannot be lawfully subject to the lien and security interest hereof to the full extent of such indebtedness, then all payments made shall be applied on said indebtedness first in discharge of that portion thereof which is not secured by this Mortgage.

15.12 Compliance With Usury Laws. It is the intent of Mortgagor, Collateral Agent and all other parties to the Loan Documents to contract in strict compliance with

applicable usury law from time to time in effect. In furtherance thereof, it is stipulated and agreed that none of the terms and provisions contained herein or in the other Loan Documents shall ever be construed to create a contract to pay, for the use, forbearance or detention of money, interest in excess of the maximum amount of interest permitted to be collected, charged, taken, reserved, or received by applicable law from time to time in effect.

15.13 Substitute Trustee. The Trustee may resign by an instrument in writing addressed to Collateral Agent, or Trustee may be removed at any time with or without cause by an instrument in writing executed by Collateral Agent. In case of the death, resignation, removal, or disqualification of Trustee, or if for any reason Collateral Agent shall deem it desirable to appoint a substitute or successor trustee to act instead of the herein named trustee or any substitute or successor trustee, then Collateral Agent shall have the right and is hereby authorized and empowered to appoint a successor trustee, or a substitute trustee, without other formality than appointment and designation in writing executed by Collateral Agent and the authority hereby conferred shall extend to the appointment of other successor and substitute trustees successively until the indebtedness secured hereby has been paid in full, or until the Property is sold hereunder. In the event the secured indebtedness is owned by more than one person or entity, the holder or holders of not less than a majority in the amount of such indebtedness shall have the right and authority to make the appointment of a successor or substitute trustee as provided for in the preceding sentence or to remove Trustee as provided in the first sentence of this Section. Such appointment and designation by Collateral Agent, or by the holder or holders of not less than a majority of the indebtedness secured hereby, shall be full evidence of the right and authority to make the same and of all facts therein recited. If Collateral Agent is a corporation or association and such appointment is executed in its behalf by an officer of such corporation or association, such appointment shall be conclusively presumed to be executed with authority and shall be valid and sufficient without proof of any action by the board of directors or any superior officer of the corporation or association. Collateral Agent may act through an agent or attorney-in-fact in substituting trustees. Upon the making of any such appointment and designation, all of the estate and title of Trustee in the Mortgaged Properties shall vest in the named successor or substitute Trustee and such successor or substitute shall thereupon succeed to, and shall hold, possess and execute, all the rights, powers, privileges, immunities and duties herein conferred upon Trustee; but nevertheless, upon the written request of Collateral Agent or of the successor or substitute Trustee, the Trustee ceasing to act shall execute and deliver an instrument transferring to such successor or substitute Trustee all of the estate and title in the Mortgaged Properties of the Trustee so ceasing to act, together with all the rights, powers, privileges, immunities and duties herein conferred upon the Trustee, and shall duly assign, transfer and deliver any of the properties and moneys held by said Trustee hereunder to said successor or substitute Trustee. All references herein to Trustee shall be deemed to refer to Trustee (including any successor or substitute appointed and designated as herein provided) from time to time acting hereunder.

15.14 No Liability for Trustee. THE TRUSTEE SHALL NOT BE LIABLE FOR ANY ERROR OF JUDGMENT OR ACT DONE BY TRUSTEE IN GOOD

FAITH, OR BE OTHERWISE RESPONSIBLE OR ACCOUNTABLE UNDER ANY CIRCUMSTANCES WHATSOEVER (INCLUDING, WITHOUT LIMITATION, THE TRUSTEE'S NEGLIGENCE), EXCEPT FOR TRUSTEE'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT. The Trustee shall have the right to rely on any instrument, document or signature authorizing or supporting any action taken or proposed to be taken by the Trustee hereunder, believed by the Trustee in good faith to be genuine. All moneys received by Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated in any manner from any other moneys (except to the extent required by law), and Trustee shall be under no liability for interest on any moneys received by him hereunder. Mortgagor hereby ratifies and confirms any and all acts which the herein named Trustee or its successor or successors, substitute or substitutes, shall do lawfully by virtue hereof. Mortgagor will reimburse Trustee for, and indemnify and save Trustee harmless against, any and all liability and expenses (including attorneys fees) which may be incurred by Trustee in the performance of his duties. The foregoing indemnities shall not terminate upon the release, foreclosure or other termination of this Mortgage but will survive the release, termination and/or foreclosure of this Mortgage, or conveyance in lieu of foreclosure, and the repayment of the secured indebtedness and the discharge and release of this Mortgage and the other documents evidencing and/or securing the secured indebtedness. Any amount to be paid hereunder by Mortgagor to Trustee shall be a demand obligation owing by Mortgagor to Trustee and shall be subject to and covered by the provisions of [Section 2.3](#) hereof.

15.15 [Release of Mortgage](#). If all of the secured indebtedness be paid as the same becomes due and payable and all of the covenants, warranties, undertakings and agreements made in this Mortgage are kept and performed and no further obligation shall exist to provide credit or advance funds to Mortgagor or the maker of any promissory note (or other obligor with respect to other indebtedness) secured hereby, then this Mortgage shall be released, in due form and at Mortgagor's cost; provided, however, that, notwithstanding such release, certain indemnifications, and other rights, which are provided herein to continue following the release hereof shall continue in effect unaffected by such release; and provided further that if any payment to Collateral Agent is held to constitute a preference or a voidable transfer under applicable state or federal laws or if for any other reason Collateral Agent is required to refund such payment to the payor thereof or to pay the amount thereof to any third party, this Mortgage shall be reinstated to the extent of such payment or payments.

15.16 [Notices](#). All notices, requests, consents, demands and other communications required or permitted hereunder or under any other Loan Document shall be in writing and, unless otherwise specifically provided in such other Loan Document, shall be deemed sufficiently given or furnished if delivered by personal delivery, by facsimile or other electronic transmission, by delivery service with proof of delivery, or by registered or certified United States mail, postage prepaid, at the addresses specified at the end of this Mortgage (unless changed by similar notice in writing given by the particular party whose address is to be changed). Any such notice or communication shall be deemed to have been given (a) in the case of personal delivery or delivery service, as of the date of first attempted delivery at the address and in the manner

provided herein, (b) in the case of facsimile or other electronic transmission, upon receipt, and (c) in the case of registered or certified United States mail, three days after deposit in the mail. Notwithstanding the foregoing, or anything else in the Loan Documents or the agreements evidencing Secured Swap Obligations which may appear to the contrary, any notice given in connection with a foreclosure of the Liens, privileges, and/or security interests created hereunder, or otherwise in connection with the exercise by Collateral Agent or Trustee of their respective rights hereunder or under any other Loan Document or any agreement evidencing Secured Swap Obligations, which is given in a manner permitted by applicable Law shall constitute proper notice; without limitation of the foregoing, notice given in a form required or permitted by statute shall (as to the portion of the Property to which such statute is applicable) constitute proper notice.

15.17 Invalidity of Certain Provisions. A determination that any provision of this Mortgage is unenforceable or invalid shall not affect the enforceability or validity of any other provision and the determination that the application of any provision of this Mortgage to any person or circumstance is illegal or unenforceable shall not affect the enforceability or validity of such provision as it may apply to other persons or circumstances.

15.18 Gender; Titles. Within this Mortgage, words of any gender shall be held and construed to include any other gender, and words in the singular number shall be held and construed to include the plural, unless the context otherwise requires. Titles appearing at the beginning of any subdivisions hereof are for convenience only, do not constitute any part of such subdivisions, and shall be disregarded in construing the language contained in such subdivisions.

15.19 Recording. Mortgagor will cause this Mortgage and all amendments and supplements thereto and substitutions therefor and all financing statements and continuation statements relating thereto to be recorded, filed, re-recorded and refiled in such manner and in such places as Trustee or Collateral Agent shall reasonably request and will pay all such recording, filing, re-recording and refiling taxes, fees and other charges.

15.20 Reporting Compliance. Mortgagor agrees to comply with any and all reporting requirements applicable to the transaction evidenced by the Credit Agreement and secured by this Mortgage which are set forth in any law, statute, ordinance, rule, regulation, order or determination of any governmental authority, and further agrees upon request of Collateral Agent to furnish Collateral Agent with evidence of such compliance.

15.21 Certain Consents. Except where otherwise expressly provided herein, in any instance hereunder where the approval, consent or the exercise of judgment of Collateral Agent is required, the granting or denial of such approval or consent and the exercise of such judgment shall be within the sole discretion of Collateral Agent, and Collateral Agent shall not, for any reason or to any extent, be required to grant such approval or consent or exercise such judgment in any particular manner, regardless of the reasonableness of either the request or Collateral Agent's judgment.

15.22 Certain Obligations of Mortgagor. Without limiting Mortgagor's obligations hereunder, Mortgagor's liability hereunder shall extend to and include all post petition interest, expenses, and other duties and liabilities with respect to Mortgagor's obligations hereunder which would be owed but for the fact that the same may be unenforceable due to the existence of a bankruptcy, reorganization or similar proceeding.

15.23 Counterparts. This Mortgage may be executed in several counterparts, all of which are identical, except that, to facilitate recordation, certain counterparts hereof may include only those portions of Exhibit A which contain descriptions of the properties located in (or otherwise subject to the recording or filing requirements and/or protections of the recording or filing acts or regulations of) the recording jurisdiction in which the particular counterpart is to be recorded, and other portions of Exhibit A shall be included in such counterparts by reference only. All of such counterparts together shall constitute one and the same instrument. Complete copies of this Mortgage containing the entire Exhibit A have been retained by Mortgagor and Collateral Agent.

15.24 Successors and Assigns. The terms, provisions, covenants, representations, indemnifications and conditions hereof shall be binding upon Mortgagor, and the successors and assigns of Mortgagor, and shall inure to the benefit of Trustee and Collateral Agent and their respective successors and assigns, and shall constitute covenants running with the Mortgaged Properties. All references in this Mortgage to Mortgagor, Trustee or Collateral Agent shall be deemed to include all such successors and assigns.

15.25 FINAL AGREEMENT OF THE PARTIES. THE WRITTEN LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

15.26 CHOICE OF LAW. NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY AND WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW, WITH RESPECT TO EACH PORTION OF THE PROPERTY, THIS MORTGAGE SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE IN WHICH SUCH PORTION OF THE PROPERTY IS LOCATED OR WHICH IS OTHERWISE APPLICABLE TO SUCH PORTION OF THE PROPERTY).

IN WITNESS WHEREOF, this instrument is executed by Mortgagor this ____ day of February, 2007.

MORTGAGOR:
TARGA NORTH TEXAS LP
By: Targa North Texas GP LLC, its sole general partner

By: _____
Howard M. Tate
Vice President and Assistant Treasurer

The address of Collateral Agent is:
100 Federal Street
Boston, MA 02110

The address of Mortgagor is:
1000 Louisiana Street, Suite 4300
Houston, Texas 77002

FORM OF INTERCREDITOR AGREEMENT

INTERCREDITOR AGREEMENT

dated as of

February 14, 2007

among

TARGA RESOURCES PARTNERS LP,

THE SECURED HEDGING PARTIES PARTY HERETO

and

BANK OF AMERICA, N.A.,

as Collateral Agent

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INTERCREDITOR AGREEMENT dated as of February 14, 2007 among TARGA RESOURCES PARTNERS LP (the “**Borrower**”), the Secured Hedging Parties named herein and BANK OF AMERICA, N.A., as Collateral Agent. Capitalized terms used in this Agreement have the meanings assigned to them in Article I below.

Reference is made to the Credit Agreement dated as of February 14, 2007 (as amended, supplemented or otherwise modified from time to time, the “**Credit Agreement**”), among the Borrower, each Lender from time to time party thereto and Bank of America, N.A., as Administrative Agent, Swing Line Lender, and L/C Issuer. The obligations of the Borrower under the Credit Agreement are guaranteed and secured as contemplated by the Credit Agreement. The Borrower has requested, and the Lenders have agreed, that the benefits of such guarantees and security also be afforded to certain counterparties that enter into Swap Contracts with the Borrower or another Loan Party, and the Lenders have agreed to such request subject to certain conditions, including a condition that any such counterparty has become a party to this Agreement.

The parties hereto desire to enter into this Agreement in order to set forth certain agreements with respect to the obligations of the Loan Parties under the Credit Agreement and the obligations of the Loan Parties under Swap Contracts that are secured and guaranteed on the same basis, including certain voting provisions. Accordingly, the parties hereto agree as follows:

ARTICLE I.
DEFINITIONS

1.01 **Credit Agreement.** (a) Capitalized terms used in this Agreement and not otherwise defined herein have the meanings specified in the Credit Agreement.

(b) The rules of construction specified in [Article I](#) of the Credit Agreement also apply to this Agreement.

1.02 **Other Defined Terms.** As used in this Agreement, the following terms have the meanings specified below:

“**Act**” has the meaning assigned to such term in [Section 2.03](#).

“**Credit Agreement**” has the meaning assigned to such term in the preliminary statement of this Agreement.

“**Holder**” means any Person that is a direct holder of any Obligations.

“**Intercreditor Agreement Supplement**” means an instrument substantially in the form of [Annex A](#) hereto (or any other form approved by the Collateral Agent), providing for a Hedging Party to become a party to this Agreement.

“**Maximum Credit Agreement Obligations**” means, at any time, the sum of (a) \$750,000,000 (which represents the aggregate principal amount of the Commitments

as of the Closing Date plus the maximum amount by which such Commitments may be increased under the Credit Agreement as of the Closing Date), plus (b) \$100,000,000, minus (c) the aggregate principal amount of mandatory prepayments made in respect of principal amounts outstanding under the Credit Agreement, to the extent (but only to the extent) resulting in a permanent reduction of the aggregate principal amount of credit extensions outstanding (or permitted to be outstanding pursuant to unused financing commitments) under the Credit Agreement immediately prior to such mandatory prepayment; provided that, for purposes of clause (c) above, a prepayment in respect of outstanding principal under the Credit Agreement shall not reduce the Maximum Credit Agreement Obligations to the extent financed with a new or replacement credit facility (or increased amount of an existing credit facility) under the Credit Agreement.

“**Obligations**” means the Obligations (as defined in the Credit Agreement), the Cash Management Obligations and the Secured Swap Obligations.

“**Required Secured Parties**” means, at any time, the Required Lenders at such time (without giving effect to any amendment or modification of such term in the Credit Agreement other than those that give effect to the inclusion of credit facilities thereunder that are not in effect on the Closing Date and are permitted hereunder, but do not change the voting percentage in such definition); provided that, for purposes of this Agreement (a) the definition of Required Lenders in the Credit Agreement shall be deemed to include each Secured Hedging Party as though it were a Lender and as though the Total Outstandings included the amount of its Secured Hedging Obligations at the time, (b) if the Borrower or any Affiliate thereof is a Lender or a Secured Hedging Party, such Person and its share of any amounts otherwise included in determining the Required Secured Parties shall be disregarded, and (c) solely for purposes of directing the exercise of remedies under the Support Documents, the unused portion of financing commitments under the Credit Agreement shall be disregarded (it being understood that a Letter of Credit shall constitute usage of a financing commitment for purposes of this clause).

“**Secured Hedging Obligations**” means the Secured Swap Obligations (as defined in the Credit Agreement); provided that (a) for purposes of determining the Required Secured Parties or for purposes of Section 3.02 or Section 4.02, the amount of the Secured Hedging Obligations of any Secured Hedging Party in respect of any Secured Hedge Agreement at such time shall be the termination amount that would be payable by the applicable Loan Party or Loan Parties thereunder (after giving effect to any legally enforceable netting agreements thereunder) if all Swap Contracts thereunder were closed out and terminated (or the applicable termination amount then due, in respect of any Swap Contracts thereunder that have been so closed out and terminated), and (b) the amount of Secured Hedging Obligation in respect of any Secured Hedge Agreement at any time shall be the amount thereof determined by the applicable Secured Hedging Party consistent with prevailing market practices (and in accordance with clause (a) above, if applicable), if certified to the Collateral Agent pursuant to Section 2.04(a).

“**Secured Hedging Parties**” means (a) the Persons identified on Schedule I hereto, (b) each Lender and each Affiliate of a Lender that is owed any Secured Hedging Obligations on or after the Closing Date (subject to the provisions of the Credit

Agreement regarding a Person that ceases to be a Lender or an Affiliate of a Lender) and (c) each other Hedging Party that becomes a party to this Agreement after the Closing Date pursuant to an Intercreditor Agreement Supplement.

“**Secured Instrument**” means (a) the Credit Agreement, (b) each Secured Hedge Agreement and (c) in the case of Cash Management Obligations, the agreements pertaining thereto.

“**Secured Swap Transaction Designation**” means a written notice from a Secured Hedging Party to the Collateral Agent identifying a Secured Hedge Agreement or a Swap Contract thereunder (or any material amendment or modification thereof or any termination thereof), which notice shall include (a) the date thereof, (b) the Loan Party or Loan Parties that are parties thereto and (c) a summary description of the type of Swap Contract thereunder (or of the material amendment or modification thereof indicating the termination thereof, as applicable).

“**Support Documents**” means the Security Documents and the Guaranty.

ARTICLE II.
SECURED HEDGING PARTIES; PROCEDURES

2.01 **Secured Hedging Parties.** Upon execution and delivery by the Collateral Agent and a Hedging Party of an Intercreditor Agreement Supplement, such applicable Hedging Party shall become a Secured Hedging Party hereunder. Each Lender or Affiliate of a Lender that is owed Secured Hedging Obligations shall be a Secured Hedging Party hereunder without the execution of this Intercreditor Agreement or an Intercreditor Agreement Supplement. If a Person ceases to be a Lender or Affiliate of a Lender (i) Obligations under a Swap Contract in respect of a transaction entered into between a Loan Party and such Person that were Secured Hedging Obligations prior to such Person ceasing to be a Lender or Affiliate of a Lender will continue to be Secured Hedging Obligations and (ii) Obligations under a Swap Contract in respect of a transaction between a Loan Party and such Person entered into after such Person ceased to be a Lender or Affiliate of a Lender will be Secured Hedging Obligations only if, at the time such transaction is entered into, such Person is a Hedging Party and has executed an Intercreditor Agreement Supplement as provided herein. The execution and delivery of any Intercreditor Agreement Supplement by the Collateral Agent and a Hedging Party shall not require the consent of any other party hereunder. The rights and obligations of each party hereunder shall remain in full force and effect notwithstanding the addition of any new Secured Hedging Party as a party to this Agreement.

2.02 **Secured Swap Transactions.** Each Secured Hedging Party or the Borrower shall promptly deliver to the Collateral Agent (a) copies of each Master Agreement giving rise to Secured Hedging Obligations (and any material amendment or modification thereof or any termination thereof) and (b) if and to the extent requested by the Collateral Agent, copies of each confirmation thereunder.

2.03 **Acts of Secured Hedging Parties.** Any request, demand, authorization, direction, notice, consent, waiver or other action permitted or required by this Agreement to be given or taken by any Secured Hedging Party may be and, at the request of the Collateral Agent, shall be embodied in and evidenced by one or more instruments reasonably satisfactory in form to the Collateral Agent and signed by such Secured Hedging Party and, except as otherwise expressly provided in any such instrument, any such action shall become effective when such instrument or instruments shall have been delivered to the Collateral Agent. The instrument or instruments evidencing any action (and the action embodied therein and evidenced thereby) are sometimes referred to herein as an “**Act**” of the Secured Hedging Party signing such instrument or instruments. The Collateral Agent shall be entitled to rely absolutely upon an Act of any Secured Hedging Party if such Act purports to be taken by or on behalf of such Secured Hedging Party, and nothing in this **Section 2.03** or elsewhere in this Agreement shall be construed to require any Secured Hedging Party to demonstrate that it has been authorized to take any action which it purports to be taking, the Collateral Agent being entitled to rely conclusively, and being fully protected in so relying, on any Act of such Secured Hedging Party.

2.04 **Determination of Amounts of Secured Hedging Obligations.** (a)Whenever the Collateral Agent is required to determine the existence or amount of any of the Secured Hedging Obligations or any other amount or any portion thereof for any purposes of this Agreement or any Support Document, it shall be entitled to make such determination on the basis of one or more certificates of any applicable Secured Hedging Party; **provided** that if, notwithstanding the written request of the Collateral Agent, any applicable Secured Hedging Party shall fail or refuse promptly to certify as to the existence or amount of any Secured Hedging Obligations or any portion thereof within the time specified in such request (which shall allow a period of time that is reasonable under the circumstances, but in no event less than 48 hours), the Collateral Agent shall be entitled to determine such existence or amount by reliance upon a certificate of the Borrower or upon the most recent available information provided to the Collateral Agent by the Secured Parties; **provided further** that the Collateral Agent shall correct any error that any Secured Hedging Party brings to the attention of the Collateral Agent. The Collateral Agent may rely conclusively, and shall be fully protected in so relying, on any determination made by it in accordance with the provisions of the preceding sentence (or as otherwise directed by a court of competent jurisdiction) and shall have no liability to the Borrower, any other Loan Party or any Secured Party or any other Person as a result of any action taken by the Collateral Agent based upon such determination prior to receipt of notice of any error in such determination.

(b) If any Secured Party receives any amount pursuant to a distribution by the Collateral Agent under any Support Document in excess of the amount it was entitled to receive thereunder as a result of a demonstrable error in the determination of the amount of the Obligations, then such Secured Party agrees to pay such excess to the Collateral Agent for application in accordance with such Support Document as soon as practicable after the existence of such error shall have been determined. All distributions made by the Collateral Agent pursuant to any Support Document shall be (subject to the preceding sentence and to any decree of any court of competent jurisdiction) final, and

the Collateral Agent shall have no duty to inquire as to the application by any Secured Party of any amounts distributed to them.

2.05 **Restrictions on Actions.** Each Secured Party agrees that, unless and until this Agreement is terminated as provided herein, and so long as any Secured Hedge Agreement is in effect, the provisions of this Agreement shall provide the exclusive method by which any Secured Party may exercise, or direct the exercise of, rights and remedies under the Support Documents. Therefore, each Secured Party shall, for the mutual benefit of all Secured Parties, except as permitted under this Agreement, refrain from taking or filing any action, judicial or otherwise, to enforce any rights or pursue any remedies under the Support Documents, except for delivering notices hereunder; provided that the foregoing shall not prevent (a) any Secured Party from imposing a default rate of interest in accordance with the applicable Secured Instrument, (b) the Collateral Agent from exercising any right or remedy or taking any other action on behalf of the Secured Parties that it is permitted or authorized to exercise or take, (c) a Secured Party from exercising its rights and remedies as a general creditor in accordance with the applicable Secured Instrument and applicable law, including the right to commence legal proceedings to collect any Obligations due and payable to such Secured Party and remaining unpaid, to accelerate the maturity of any Obligations, to commence legal proceedings to enforce any Secured Instrument and obtain a judgment and to enforce such judgment, in each case to the same extent as if such Secured Party were an unsecured creditor (but subject to the applicable provisions of this Agreement) or (d) any Secured Hedging Party from exercising its rights and remedies as a general creditor in accordance with the Guaranty, insofar as the Guaranty guarantees the Obligations owing to such Secured Credit Party under its Secured Hedge Agreement, including exercising rights thereunder of the type described in (c) above (but any proceeds realized by any Secured Hedging Party from any such exercise of remedies under the Subsidiary Guaranty shall be applied in accordance with Section 8.03 of the Credit Agreement).

2.06 **Actions Under Support Documents.** (a) The Collateral Agent shall not be obligated to take any action under this Agreement or any Support Documents except for the performance of such duties as are specifically set forth herein or therein.

(b) Subject to the provisions of Article III and Article IV, the Collateral Agent acting on behalf of the Secured Parties shall take any action under or with respect to the Support Documents that is in accordance with instructions that the Collateral Agent has received from the Required Secured Parties and that is not inconsistent with or contrary to the provisions of this Agreement, the Credit Agreement or the Support Documents.

(c) The Collateral Agent may not exercise any remedy involving the acceptance of Collateral in full or partial satisfaction of any Obligation, to the extent available in any applicable jurisdiction, except with the consent of each Secured Party affected thereby.

(d) This Section shall not be construed to apply to amendments, modifications or waivers of the Credit Agreement or any Support Document, which shall be subject to [Article IV](#).

2.07 **Release of Collateral and Guarantees.** Each Secured Hedging Party acknowledges and agrees to the matters set forth in [Section 9.10](#) of the Credit Agreement, as though named therein as a Lender. Each Secured Party also acknowledges and agrees that, for purposes of clause (a) of [Section 9.10](#) of the Credit Agreement, a Letter of Credit shall be deemed terminated if the L/C Issuer in respect thereof agrees that such Letter of Credit shall cease to constitute a “Letter of Credit” entitled to the benefits of the Support Documents (whether by reason of the deposit of cash collateral, receipt of a back-up letter of credit, or otherwise).

2.08 **Additional Collateral.** Each of the Secured Parties hereby covenants and agrees that it (a) will not accept any Guarantee of any of the Obligations by the Borrower or any Restricted Subsidiary unless such Person’s Guarantee is provided pursuant to the Guaranty or otherwise Guarantees the payment of all the Obligations on a pari passu basis and (b) will not take any security interest in or Lien on or assignment of any assets of the Borrower or any Restricted Subsidiary thereof to secure any of the Obligations unless such security interest or Lien or assignment is granted to the Collateral Agent on behalf of the Secured Parties to secure the payment of all the Obligations on a pari passu basis pursuant to a Collateral Document; provided that the foregoing shall not be construed to prohibit any Letter of Credit supporting any of the Obligations.

ARTICLE III.
THE COLLATERAL AGENT

3.01 **Appointment; Rights and Duties.** The Collateral Agent is acting as agent for the Secured Parties, including the Secured Hedging Parties. Accordingly, each Secured Hedging Party acknowledges and agrees to the matters set forth in [Article IX](#) of the Credit Agreement relating to the Collateral Agent, including its appointment, authorization, powers and duties, its rights to delegate the same, and all exculpatory provisions therein (including limitations on its liability), and the provisions thereof shall be binding upon the Secured Hedging Parties, mutatis mutandis; provided that the Secured Hedging Parties shall not be entitled (other than in their capacity as a Lender, if applicable) to participate in the appointment of a successor Collateral Agent pursuant to [Section 9.06](#) of the Credit Agreement.

3.02 **Participation in Indemnity.** Each Secured Hedging Party agrees that, in the event that the Collateral Agent (or any if its Agent-Related Persons) is entitled to be indemnified or reimbursed under [Section 9.11](#) of the Credit Agreement, such Secured Hedging Party shall, if requested by the Collateral Agent, participate in such indemnity or reimbursement, pro rata (as though the amount of its Secured Hedging Obligations were Loans); provided that the Secured Hedging Parties will be required to participate in any such indemnity or reimbursement only to the extent amounts being indemnified or reimbursed arise out of or relate to the Support Documents, the Collateral or any actions or activities related thereto.

ARTICLE IV.
VOTING

Any amendment, modification or waiver of any provision of this Agreement, the Credit Agreement or any Support Document shall be subject to the provisions of this Article.

4.01 **Amendments and Waivers under this Agreement.** Neither this Agreement, nor any provision hereof, may be waived, amended or modified, except pursuant to an agreement or agreements in writing entered into by the Collateral Agent (it being understood that the Collateral Agent is not required to agree to any such waiver, amendment or modification without the consent of the Required Lenders) and each Secured Hedging Party that has a Secured Hedge Agreement in effect at the time; provided that:

- (a) no such agreement shall affect the Borrower's rights hereunder without the prior written consent of the Borrower;
- (b) any party hereto may waive any of its rights hereunder without the agreement or consent of any other party hereto, but such waiver shall not be effective to waive any other party's rights hereunder;
- (c) any such amendment or modification that by its terms does not affect any rights or obligations hereunder of any Secured Hedging Party in respect of any Secured Hedge Agreement in effect at the time, may be effected by agreement of the Borrower and the Collateral Agent without the consent or approval of any Secured Hedging Party; and
- (d) any such agreement that by its terms affects the rights or obligations of one or more specific Secured Hedging Parties may be effected by agreement of the Collateral Agent and such Secured Hedging Party or Secured Hedging Parties, without the consent or agreement of other Secured Hedging Parties (but subject to clause (a) above, if the Borrower's rights hereunder are affected).

4.02 **Amendments and Waivers under the Credit Agreement and the Support Documents.** The Secured Parties agree that:

- (a) the right to direct the exercise of remedies under any of the Support Documents shall be based upon the instructions of the Required Secured Parties (as opposed to the Required Lenders); provided that this clause shall not be construed to limit the authority of the Collateral Agent to exercise such remedies in the absence of instructions from the Required Secured Parties, if it determines in its discretion to do so and it has not received instructions to the contrary from the Required Secured Parties;
 - (b) any amendment, modification or waiver of any provision of any Loan Document relating to maintenance of insurance shall require the consent of the Required Secured Parties; and
-

(c) any amendment, modification or waiver of the Credit Agreement that would permit the aggregate principal amount of credit facilities thereunder to exceed the Maximum Credit Agreement Obligations shall require the consent of the Required Secured Parties; provided that any increase, imposition, deferral or capitalization of fees or interest under the Credit Agreement shall not be construed as an increase in the aggregate principal amount of the credit facilities thereunder for purposes hereof.

Except as expressly provided above in this Section 4.02, the provisions of this Agreement shall not be construed to restrict any amendment, modification or waiver of any provision of the Credit Agreement or any Support Document, or any action under the Credit Agreement or any Support Document.

ARTICLE IV.
MISCELLANEOUS

5.01 **Notices.** All communications and notices hereunder shall (except as otherwise expressly permitted herein) be in writing and given as provided on Schedule II hereto or in Section 10.02 of the Credit Agreement, as applicable. All communications and notices to any Secured Hedging Party shall be mailed, faxed or delivered as set forth in the Credit Agreement or in the applicable Intercreditor Agreement Supplement, or at such other address as may be designated by such Secured Hedging Party in a written notice to the Borrower and the Collateral Agent.

5.02 **Counterparts.** This Agreement may be executed in two or more counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract, and shall become effective as provided in Section 5.03. Delivery of an executed signature page to this Agreement by facsimile (or any other means of electronic transmission) shall be effective as delivery of a manually executed counterpart of this Agreement.

5.03 **Binding Effect; Assignment.** This Agreement shall become effective as to any party when a counterpart hereof executed on behalf of such party shall have been delivered to the Collateral Agent and a counterpart hereof shall have been executed on behalf of the Collateral Agent, and thereafter shall be binding upon such party and the Collateral Agent and their respective permitted successors and assigns, and shall inure to the benefit of such party and the Collateral Agent and their respective successors and assigns, subject to the proviso to Section 5.08.

5.04 **Severability.** Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction. The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of

which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

5.05 **Governing Law; Jurisdiction; Consent to Service of Process.**

- (a) This Agreement shall be construed in accordance with and governed by the law of the State of New York.
- (b) Each party hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the Supreme Court of the State of New York sitting in New York City and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.
- (c) Each of the parties hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any court referred to in paragraph (b) of this Section 5.05. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.
- (d) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 5.01. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

5.06 **WAIVER OF JURY TRIAL.** EACH PARTY TO THIS AGREEMENT HEREBY EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING UNDER THIS AGREEMENT OR IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO OR ANY OF THEM WITH RESPECT TO THIS AGREEMENT, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER FOUNDED IN CONTRACT OR TORT OR OTHERWISE; AND EACH PARTY HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY, AND THAT ANY PARTY TO THIS AGREEMENT MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION 5.06 WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE SIGNATORIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY. EACH PARTY HERETO

HEREBY FURTHER (A) IRREVOCABLY WAIVE, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER IN ANY SUCH LITIGATION ANY “SPECIAL DAMAGES,” AS DEFINED BELOW, (B) CERTIFY THAT NO PARTY HERETO NOR ANY REPRESENTATIVE OR AGENT OR COUNSEL FOR ANY PARTY HERETO HAS REPRESENTED, EXPRESSLY OR OTHERWISE, OR IMPLIED THAT SUCH PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVERS, AND (C) ACKNOWLEDGE THAT IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT, AND THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS CONTAINED IN THIS SECTION. AS USED IN THIS SECTION, “SPECIAL DAMAGES” INCLUDES ALL SPECIAL, CONSEQUENTIAL, EXEMPLARY, OR PUNITIVE DAMAGES (REGARDLESS OF HOW NAMED), BUT DOES NOT INCLUDE ANY PAYMENTS OR FUNDS WHICH ANY PARTY HERETO HAS EXPRESSLY PROMISED TO PAY OR DELIVER TO ANY OTHER PARTY HERETO.

5.07 **Headings.** Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and are not to affect the construction of, or to be taken into consideration in interpreting, this Agreement.

5.08 **Successors and Assigns.** Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the permitted successors and assigns of such party; and all covenants, promises and agreements by or on behalf of the Borrower, any Secured Hedging Party or the Collateral Agent that are contained in this Agreement shall bind and inure to the benefit of their respective successors and assigns; provided that any assignment by any Secured Hedging Party of its rights under any Secured Hedge Agreement to a Person that is not a Secured Hedging Party at the time (unless such Person is a Hedging Party that executes an Intercreditor Agreement Supplement at the time of the assignment) shall result in such Secured Hedge Agreement ceasing to be a Secured Hedge Agreement. A Secured Hedging Party shall notify the Borrower and the Collateral Agent of any assignment by it of any Secured Hedge Agreement.

5.09 **Termination.** This Agreement shall terminate when all the Liens and security interests under the Support Documents have been released and terminated as provided in Section 2.07; provided that this Agreement shall continue to be effective or be reinstated, as the case may be, if any payment that gave rise to such termination is rescinded or must otherwise be restored by any applicable Secured Party upon the bankruptcy or reorganization of any Loan Party.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

TARGA RESOURCES PARTNERS LP

By: Targa Resources GP LLC, its sole
general partner

By: _____

Howard M. Tate
Vice President – Finance and
Assistant Treasurer

J. ARON & COMPANY, as a Secured
Hedging Party

By: _____

Name:

Title:

BANK OF AMERICA, N.A., as Collateral

Agent

By: _____

Name:

Title:

SECURED HEDGING PARTIES

J. Aron & Company

NOTICES

J. Aron & Company

85 Broad Street

New York, New York 10004

SUPPLEMENT dated as of [●], to the Intercreditor Agreement dated as of February 14, 2007, among TARGA RESOURCES PARTNERS LP (the “**Borrower**”), the Secured Hedging Parties identified therein and BANK OF AMERICA, N.A., as Collateral Agent.

A. Reference is made to the Credit Agreement dated as of February 14, 2007 (as amended, supplemented or otherwise modified from time to time, the “**Credit Agreement**”), among the Borrower, each lender from time to time party thereto and Bank of America, N.A., as Administrative Agent, Swing Line Lender, and L/C Issuer.

B. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement and the Intercreditor Agreement referred to therein.

C. Section 2.01 of the Intercreditor Agreement provides that a Hedging Party may become a Secured Hedging Party under the Intercreditor Agreement by execution and delivery of an instrument in the form of this Supplement. The undersigned Hedging Party (the “**New Secured Hedging Party**”) is executing this Supplement to become a Secured Hedging Party under the Intercreditor Agreement.

Accordingly, the Collateral Agent and the New Secured Hedging Party agree as follows:

SECTION 1. In accordance with Section 2.01 of the Intercreditor Agreement, the New Secured Hedging Party by its signature below becomes a Secured Hedging Party with the same force and effect as if originally named therein as a Secured Hedging Party and the New Secured Hedging Party hereby agrees to all the terms and provisions of the Intercreditor Agreement applicable to it as a Secured Hedging Party thereunder. Each reference to a “Secured Hedging Party” in the Intercreditor Agreement shall be deemed to include the New Secured Hedging Party. The Intercreditor Agreement is hereby incorporated herein by reference.

SECTION 2. This Supplement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Supplement shall become effective when the Collateral Agent shall have received a counterpart of this Supplement that bears the signature of the New Secured Hedging Party and the Collateral Agent has executed a counterpart hereof. Delivery of an executed signature page to this Supplement by facsimile transmission or any other means of electronic transmission shall be as effective as delivery of a manually signed counterpart of this Supplement.

SECTION 3. Except as expressly supplemented hereby, the Intercreditor Agreement shall remain in full force and effect.

SECTION 4. THIS SUPPLEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SECTION 5. In case any one or more of the provisions contained in this Supplement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and in the Intercreditor Agreement shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties hereto shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 6. The New Secured Hedging Party’s initial address for communications and notices under the Intercreditor Agreement is set forth on Schedule I hereto.

IN WITNESS WHEREOF, the New Secured Hedging Party and the Collateral Agent have duly executed this Supplement to the Intercreditor Agreement as of the day and year first above written.

[NAME OF NEW SECURED HEDGING PARTY],

by

Name:

Title:

BANK OF AMERICA, N.A., as Collateral Agent

by

Name:

Title:

NOTICES

New Secured Hedging Party

Address

Targa Resources Partners
Long-Term Incentive Plan

Restricted Unit Grant Agreement

Grantee: _____

Grant Date: _____, 20__

Number of Restricted Units: _____

1. **Grant of Restricted Units.** Targa Resources GP LLC (the “Company”) hereby grants to you the above number of Restricted Units under the Targa Resources Partners Long-Term Incentive Plan (the “Plan”) on the terms and conditions set forth herein and in the Plan, which is incorporated herein by reference as a part of this Agreement. In the event of any conflict between the terms of this Agreement and the Plan, the Plan shall control. Capitalized terms used in this Agreement but not defined herein shall have the meanings ascribed to such terms in the Plan, unless the context requires otherwise.
2. **Vesting.** Except as otherwise provided in Paragraph 3 below, the Restricted Units granted hereunder shall vest on the anniversary of the Grant Date as follows:

<u>Anniversary of Grant Date</u>	<u>Cumulative Vested Percentage</u>
Prior to 1st anniversary	0%
On the 1st anniversary	33⅓%
On the 2nd anniversary	66⅔%
On the 3rd anniversary	100%

Distributions on a Restricted Unit shall be vested when made and will be paid to you currently.

3. **Events Occurring Prior to Full Vesting.**
- (a) **Death or Disability.** If your membership on the Board terminates as a result of your death or a disability that substantially prevents you from performing your duties (as determined by the Board), the Restricted Units then held by you (and any distributions thereon being held) automatically will become fully vested upon such termination.
-

(b) **Other Terminations.** If your membership on the Board terminates for any reason other than as provided in Paragraph 3(a) above, all unvested Restricted Units then held by you automatically shall be forfeited without payment upon such termination.

(c) **Change of Control.** All outstanding Restricted Units held by you automatically shall become fully vested upon a Change of Control.

For purposes of this Paragraph 3, “membership on the Board” shall include being an Employee or a Director of, or a Consultant to, the Company or an Affiliate.

4. **Unit Certificates.** A certificate evidencing the Restricted Units may be issued in your name, pursuant to which you shall have all voting rights of a holder of a Unit, if any. The certificate shall bear the following legend:

The Units evidenced by this certificate have been issued pursuant to an agreement made as of _____, 20__, a copy of which is attached hereto and incorporated herein, between the Company and the registered holder of the Units, and are subject to forfeiture to the Company under certain circumstances described in such agreement. The sale, assignment, pledge or other transfer of the Units evidenced by this certificate is prohibited under the terms and conditions of such agreement, and such Units may not be sold, assigned, pledged or otherwise transferred except as provided in such agreement.

The Company may cause the certificate to be delivered upon issuance to the Secretary of the Company as a depository for safekeeping until the forfeiture occurs or the restrictions lapse pursuant to the terms of this Agreement. Upon request of the Company, you shall deliver to the Company a unit power, endorsed in blank, relating to the Restricted Units then subject to the restrictions. Upon the lapse of the restrictions without forfeiture, the Company shall cause a certificate or certificates to be issued without legend in your name in exchange for the certificate evidencing the Restricted Units.

5. **Limitations Upon Transfer.** All rights under this Agreement shall belong to you alone and may not be transferred, assigned, pledged, or hypothecated by you in any way (whether by operation of law or otherwise), other than by will or the laws of descent and distribution, and shall not be subject to execution, attachment, or similar process. Upon any attempt by you to transfer, assign, pledge, hypothecate, or otherwise dispose of such rights contrary to the provisions in this Agreement or the Plan, or upon the levy of any attachment or similar process upon such rights, such rights shall immediately become null and void.

6. **Restrictions.** By accepting this grant, you agree that any Units that you may acquire upon vesting of this award will not be sold or otherwise disposed of in any manner that would constitute a violation of any applicable federal or state securities laws. You also agree that (i) the certificates representing the Units acquired under this award

may bear such legend or legends as the Company deems appropriate in order to assure compliance with applicable securities laws, (ii) the Company may refuse to register the transfer of the Units acquired under this award on the transfer records of the Partnership if such proposed transfer would in the opinion of counsel satisfactory to the Partnership constitute a violation of any applicable securities law, and (iii) the Partnership may give related instructions to its transfer agent, if any, to stop registration of the transfer of the Units to be acquired under this award.

7. **Withholding of Taxes.** To the extent that the grant or vesting of a Restricted Unit or distribution thereon results in the receipt of compensation by you with respect to which the Company or an Affiliate has a tax withholding obligation pursuant to applicable law, unless other arrangements have been made by you that are acceptable to the Company or such Affiliate, you shall deliver to the Company or the Affiliate such amount of money as the Company or the Affiliate may require to meet its withholding obligations under such applicable law. No delivery of a certificate issued without legend shall be made pursuant to this Agreement until you have paid or made arrangements approved by the Company or the Affiliate to satisfy in full the applicable tax withholding requirements of the Company or Affiliate with respect to such event.
8. **Insider Trading Policy.** The terms of the Company's Insider Trading Policy with respect to Units are incorporated herein by reference.
9. **Binding Effect.** This Agreement shall be binding upon and inure to the benefit of any successor or successors of the Company and upon any person lawfully claiming under you.
10. **Entire Agreement.** This Agreement and the Plan constitute the entire agreement of the parties with regard to the subject matter hereof, and contain all the covenants, promises, representations, warranties and agreements between the parties with respect to the Restricted Units granted hereby. Without limiting the scope of the preceding sentence, all prior understandings and agreements, if any, among the parties hereto relating to the subject matter hereof are hereby null and void and of no further force and effect.
11. **Modifications.** Except as provided below, any modification of this Agreement shall be effective only if it is in writing and signed by both you and an authorized officer of the Company.
12. **Governing Law.** This grant shall be governed by, and construed in accordance with, the laws of the State of Texas, without regard to conflicts of laws principles thereof.

TARGA RESOURCES GP LLC

By:

Name: Rene R. Joyce
Title: Chief Executive Officer

Targa Resources, Inc. 2010 Annual Incentive Plan Description

On February 9, 2010, the Compensation Committee (the “**Committee**”) of the Board of Directors (the “**Board**”) of Targa Resources Investments Inc. (“Targa Investments”), the indirect parent of Targa Resources, Inc. (the “Company”), approved the Targa Investments 2010 Annual Incentive Compensation Plan (the “**Bonus Plan**”). The Bonus Plan is a discretionary annual cash bonus plan available to all of the Company’s employees, including its executive officers. The purpose of the Bonus Plan is to reward employees for contributions toward the Company’s business priorities (including business priorities of Targa Resources Partners LP) approved by the Committee and to aid the Company in retaining and motivating employees. Under the Bonus Plan, funding of a discretionary cash bonus pool is expected to be recommended by the Company’s chief executive officer (the “**CEO**”) and approved by the Committee based on the Company’s achievement of certain strategic, financial and operational objectives (or “business priorities”). The Bonus Plan is approved by the Committee, which considers certain recommendations by the CEO. Near or following the end of the year, the CEO recommends to the Committee the total amount of cash to be allocated to the bonus pool based upon the overall performance of the Company relative to these objectives, generally ranging from 0 to 2x the total target bonus for the employees in the pool. Upon receipt of the CEO’s recommendation, the Committee, in its sole discretion, determines the total amount of cash to be allocated to the bonus pool. Additionally, the Committee, in its sole discretion, determines the amount of the cash bonus award to each of the Company’s executive officers, including the CEO. The executive officers determine the amount of the cash bonus pool to be allocated to the Company’s departments, groups and employees (other than the executive officers of the Company) based on performance and upon the recommendation of their supervisors, managers and line officers.

The Committee has established the following nine key business priorities for 2010:

- continue to control all operating, capital and general and administrative costs,
- invest in our businesses primarily within existing cash flow,
- continue priority emphasis and strong performance relative to a safe workplace,
- reinforce business philosophy and mindset that promotes environmental and regulatory compliance,
- continue to tightly manage the Downstream Business’ inventory exposure,
- execute on major capital and development projects, such as finalizing negotiations, completing projects on time and on budget, and optimizing economics and capital funding,
- pursue selected opportunities including new shale play gathering and processing build-outs, other fee-based capex projects and potential purchases of strategic assets,
- pursue commercial and financial approaches to achieve maximum value and manage risks, and
- execute on all business dimensions, including the financial business plan.

The Committee has targeted a total cash bonus pool for achievement of the business priorities based on the sum of individual employee market-based target percentages ranging from approximately 3% to 50% of each employee’s eligible earnings. Generally, eligible earnings are an employee’s base salary and overtime pay. The Committee has discretion to adjust the cash bonus pool attributable to the business priorities based on accomplishment of the applicable objectives as determined by the Committee and the CEO. Funding of the Company’s cash bonus pool and the payment of individual cash bonuses to employees are subject to the sole discretion of the Committee.

**AMENDED AND RESTATED
NATURAL GAS PURCHASE AGREEMENT**

By and Between

TARGA GAS MARKETING LLC

("Buyer")

And

TARGA NORTH TEXAS LP

("Seller")

Effective as of March 1, 2009

AMENDED AND RESTATED NATURAL GAS PURCHASE AGREEMENT

This Amended and Restated Natural Gas Purchase Agreement is executed on January 25, 2010, but effective as of March 1, 2009, by and between **TARGA GAS MARKETING LLC** ("Buyer") and **TARGA NORTH TEXAS LP** ("Seller") (each a "Party," and together, the "Parties"), and sets forth the terms and conditions pursuant to which Seller will sell to Buyer, and Buyer will purchase from Seller, certain Gas (as hereinafter defined) produced at natural gas processing facilities owned and operated by Seller. This Agreement amends and restates in its entirety that certain Natural Gas Purchase Agreement dated and effective as of December 1, 2005.

1. Definitions.

As used in this Agreement, the following terms shall have the following meaning:

"Affiliate" means any Person that directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with the Person specified, with the term "control" (including the terms "controlled by" or "under common control with") meaning the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership, by contract, or otherwise. Any Person shall be deemed to be an Affiliate of any specified Person if (i) such Person owns fifty percent (50%) or more of the voting securities of the specified Person, if the specified Person owns fifty percent (50%) or more of the voting securities of such Person, or if fifty percent (50%) or more of the voting securities of the specified Person and such Person are under common control, or (ii) such Person has operational control of the specified Person pursuant to an operating agreement, management agreement or other contractual rights.

"Business Day" means any day except Saturday, Sunday or Federal Reserve Bank holidays.

"Claims" means any and all claims, liabilities, losses, damages, demands, penalties, fines, causes of action, remediation expenses, suits, judgments, arbitration awards, court orders, directives, injunctions, decrees or awards of any jurisdiction, and any costs and expenses related to the same (including court costs, reasonable attorneys' fees, and other reasonable expenses of litigation).

"Early Termination Date" is defined in Section 14.2.

"Excess Gas" means Gas delivered by Seller at any Receipt Point during a Month that is greater than the Nominated Quantity at such Receipt Point for such Month.

"Gas" means all residue gas owned or controlled by Seller that is produced from and/or processed at the Plants and is not now or hereafter committed by Seller for sale to third parties.

"Gas Proceeds" means the aggregate proceeds received by Buyer from its first of Month baseload sales at the relevant Near Market Point to Buyer's customers, including third parties and Affiliates of Buyer.

"Index Price" means the price per MMBtu reported in the first publication of *Inside FERC's Gas Market Report* for such Month for the applicable Near Market Point. Notwithstanding the foregoing, if there is no single price published for such day, but there is published a range of prices, then the Index Price for such day will be the average of the high and low prices in that range.

"MMBtu" means 1,000,000 British thermal units.

"Month" shall mean the period beginning at 7:00 AM Central Standard Time (as adjusted for Central Daylight Time) on the first day of a calendar month and ending at 6:59 AM on the last day of such calendar month.

"Near Market Point" means one or more available delivery points for each Plant using applicable transportation, as set forth on Exhibit "B" attached hereto.

"Near Market Price" means the applicable price for Gas for the first of Month baseload sales sold at each Near Market Point, as set forth on Exhibit "B" attached hereto.

"Net Index Price" means the applicable Index Price, less applicable Transportation Costs.

"Nominated Quantity" means the quantity of Gas for any Month that is nominated by Seller prior to the first day of such Month with respect to any Receipt Point.

"Person" means any individual, corporation, partnership, limited liability company, association, joint venture, trust, or other organization of any nature or kind.

"Plant" or "Plants" means one or more natural gas processing plants that are now or hereafter owned or operated by Seller, including but not limited to the plants identified on Exhibit "A," attached hereto.

"Receipt Point" is defined in Section 5.

"Receiving Transporter" means the transporter receiving Gas at a Receipt Point.

"Remote Market Point" means, for any Plant, one or more delivery points that are further away from such Plant than the applicable Near Market Point.

"Remote Market Price" means the applicable price for Gas for the first of Month baseload sales sold at Remote Market Points, as set forth in Exhibit "B" attached hereto.

"Taxes" means any or all ad valorem, property, occupation, severance, generation, first use, conversion, Btu or Gas, transport, transmission, utility, gross receipts, privilege, sales, use, consumption, excise, lease, transaction, and other taxes, governmental charges, regulatory assessments by federal, state or local agencies or commissions (including, but not limited to, FERC assessments), license fees, permits or assessments or increases therein, other than taxes based on net income or net worth

"Termination Payment" is defined in Section 14.2.

"Transportation Costs" means all transportation costs incurred by Buyer (or deemed to be incurred) for first of Month baseload Gas sales at the applicable Near Market Point, including any pipeline tariff charges, fuel, and any demand charges for firm capacity. Any additional transportation costs incurred by Buyer for delivery of Gas to a Remote Market Point shall be at the sole expense of Buyer.

"Weighted Average Sales Price" or "WASP" means, for each applicable Near Market Point, a price per MMBtu for each Month equal to (i) Gas Proceeds for such Month, less Transportation

Costs for such Month, divided by (ii) the total number of first of Month baseload MMBtus of Gas sold at such Near Market Point during such Month.

2. **Term; Termination.**

2.1 This Agreement shall commence on March 1, 2009, and shall continue in full force and effect for a term of fifteen (15) years (the “Initial Term”). At the expiration of the Initial Term, this Agreement shall be automatically extended for consecutive sixty (60) month terms (the “Renewal Term”), unless either Party shall have given written notice of termination to the other Party at least one hundred twenty (120) days prior to the expiration of the Initial Term or the applicable Renewal Term (the Initial Term and any Renewal Term(s) shall collectively be referred to as the “Term”).

2.2 In the event that either Party ceases to be an Affiliate of Targa Resources, Inc., then either Party may, at its sole discretion, elect to terminate this Agreement upon one hundred twenty (120) days notice to the other Party.

3. **Quantity.**

Subject to the terms and conditions of this Agreement, for each Month during the Term, Seller agrees to sell and deliver and Buyer agrees to purchase and receive all of Seller’s Gas.

4. **Price.**

- 4.1 The price per MMBtu for all Gas sold by Buyer at any Near Market Point during each Month shall be the applicable Near Market Price for such Month.
- 4.2 The price per MMBtu for all Gas sold by Buyer at any Remote Market Point during each Month shall be the applicable Remote Market Price for such Month.
- 4.3 The price per MMBtu for all Excess Gas sold by Buyer at any Near Market Point or Remote Market Point during each Month shall be the same as the Remote Market Price for such market delivery point.

5. **Receipt Point; Transportation;**

The receipt point (“Receipt Point”) for each Plant shall be a point at or near the tailgate of such Plant. Seller shall have the sole responsibility for delivering the Gas to the Receipt Points. Buyer shall have the sole responsibility for transporting the Gas from the Receipt Points.

6. **Nominations.**

Seller will nominate the total quantity of Plant Gas (in MMBtu per day) to be delivered to each Receipt Point for each Plant during any Month, giving sufficient time to meet the applicable pipeline company’s nomination deadlines for such Month, and will also provide Buyer with any other operational information which could have a significant effect on the quantity of Gas delivered from each Plant for the Month. Seller and Buyer will cooperate in communicating throughout each Month regarding any changes in the quantity of Plant Gas to be delivered at each Receipt Point for the Month of flow and the following Month. Should Seller become aware that actual deliveries at any Receipt Point on any day will be more or less than the Nominated Quantity, Seller shall promptly notify Buyer.

7. **Operational Procedures.**

For its first of month sales of Gas from each Plant, Buyer agrees to utilize operational procedures agreed to by Seller and Buyer from time to time based upon available transportation, current market conditions and other relevant factors.

8. **Quality; Delivery Pressure.**

All Gas delivered by Seller hereunder shall meet the pressure, quality and heat content requirements of the Receiving Transporter. The unit of quantity measurement for purposes of this Agreement shall be one MMBtu dry. Measurement of Gas quantities hereunder shall be in accordance with the established procedures of the Receiving Transporter.

9. **Taxes and Other Charges.**

Seller is liable for and shall pay, or cause to be paid, all Taxes applicable to the purchase or sale of Gas at a particular Receipt Point arising prior to the Receipt Points. Seller will release, indemnify, defend and save Buyer harmless from and against all Claims for such Taxes. In the event Buyer is required to remit such Taxes, Seller shall reimburse Buyer for such amount. Buyer is liable for and shall pay or cause to be paid all Taxes applicable to the purchase or sale of Gas at a particular Receipt Point arising at or after the Receipt Points. Buyer shall release, indemnify, defend and save Seller harmless from and against all Claims for such Taxes. In the event Seller is required to remit such Taxes, Buyer shall reimburse Seller for such amount.

10. **Billing and Payments.**

10.1 On or before the fifteenth (15th) day following each Month during the Term (and for the first Month following the expiration or termination of this Agreement), Buyer shall deliver to Seller a statement for the preceding Month showing the daily and total volume of Gas delivered to each Receipt Point, the applicable price for such Gas, and any other amounts and adjustments due hereunder, and the total amount due from Buyer to Seller. In the event that the quantity of gas delivered at any Receipt Point is less than the Nominated Quantity for such Month, there shall be no adjustment to the price per MMBtu payable by Buyer to Seller for Gas. If the actual volume delivered is not available by such billing date, Buyer shall use an estimated volume based on nominations. The estimated volume will then be corrected to the actual volume on the following Month's billing or as soon thereafter as transport information is available.

10.2 On or before the twenty-fifth (25th) day of each Month, Buyer will pay Seller at the notice address set forth in Section 11, in immediately available funds, for Gas delivered during the preceding Month. In the event that either Party discovers any underpayment or overpayment, such Party shall promptly notify the other Party, and Seller or Buyer, as applicable shall make a payment to the other Party in the amount of any undisputed overpayment or underpayment, as applicable, no later than thirty (30) days after receipt of such notice. The Parties agree that, notwithstanding the provisions of this Section 11, no retroactive adjustment shall be made for any overpayment or underpayment more than twenty-four (24) months from the date of the original payment to which such overpayment or underpayment relates.

11. **Notices.**

Every notice, request, statement or bill provided for in this Agreement shall be in writing directed to the Party to whom given, made or delivered at such Party's address as set forth below and as such address may be changed from time to time with written notice to the other Party.

Buyer: TARGA GAS MARKETING LLC

Notices and Correspondence:

Targa Gas Marketing LLC
1000 Louisiana, Suite 4300
Houston, TX 77002
Attn: Contract Administration
Phone: (713) 584-1000
Fax: (713) 584-1503

Invoices and Statements:

Targa Gas Marketing LLC
1000 Louisiana, Suite 4300
Houston, TX 77002
Attn: Gas Marketing Accounting
Phone: (713) 584-1000
Fax: (713) 584-1100

Operational Matters:

Targa Gas Marketing LLC
1000 Louisiana, Suite 4300
Houston, TX 77002
Attn: Manager, Gas Scheduling
Phone: (713) 584-1354
After Hours Number: (713) 584-1354

Duns No.: 61-094-6290

Federal Tax ID: 20-1884884

Seller: TARGA NORTH TEXAS LP

Notices and Correspondence:

Targa North Texas LP
1000 Louisiana, Suite 4300
Houston, TX 77002
Attn: Contract Administration
Phone: (713) 584-1000
Fax: (713) 584-1503

Duns No.: 00-947-4847
Federal Tax ID: 20-4036176

Wire Transfer: JP Morgan Chase
Account #5567890
ABA #00071000013

12. **Title, Warranty and Indemnity.**

12.1 Seller shall have title, custody and control of the Gas and shall assume liability and risk of loss with respect to the Gas prior to the applicable Receipt Point. Buyer shall have title, custody and control of the Gas and shall assume liability and risk of loss with respect to the Gas at and after the applicable Receipt Point.

12.2 Seller warrants that it will have the right to convey and will transfer good and merchantable title to all Gas sold hereunder and delivered by Seller to Buyer, free and clear of all liens, encumbrances, and claims. EXCEPT AS PROVIDED IN THIS SECTION 12.2 AND IN SECTION 15.5, SELLER DISCLAIMS ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR OF FITNESS FOR ANY PARTICULAR PURPOSE.

12.3 Seller shall release, indemnify, defend and hold harmless Buyer from and against all Claims arising from or relating to the Gas prior to the Receipt Points. Buyer shall release, indemnify, defend and hold harmless Seller from and against all Claims arising from and relating to the Gas at and after the Receipt Points.

12.4 Notwithstanding the other provisions of this Article 12, as between Seller and Buyer, Seller will be liable for, and shall release, indemnify, defend and hold harmless Buyer from and against all Claims arising from or related to the failure of Gas delivered by Seller to meet the quality requirements of Section 8.

12.5 EXCEPT AS OTHERWISE PROVIDED HEREIN, NEITHER PARTY SHALL BE LIABLE TO THE OTHER PARTY FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES, LOST PROFITS OR OTHER BUSINESS INTERRUPTION DAMAGES, BY STATUTE, IN TORT OR AGREEMENT, UNDER ANY INDEMNITY PROVISION OR OTHERWISE. IT IS THE INTENT OF THE PARTIES THAT THE LIMITATIONS HEREIN IMPOSED ON REMEDIES AND THE MEASURE OF DAMAGES BE WITHOUT REGARD TO THE CAUSE OR CAUSES RELATED THERETO, INCLUDING THE NEGLIGENCE OF ANY PARTY, WHETHER SUCH NEGLIGENCE BE SOLE, JOINT OR CONCURRENT, OR ACTIVE OR PASSIVE.

13. Force Majeure.

13.1 In the event that either Party is rendered unable, by reason of an event of force majeure, to perform, wholly or in part, any obligation or commitment set forth in this Agreement, then upon such Party's giving notice and full particulars of such event of force majeure, this Agreement shall be suspended, except for the payment of monies owed hereunder, to the extent and for the period that such ability to perform is prevented by such force majeure condition. Initial notice may be given orally; however, written notification with reasonably full particulars of the event or occurrence is required as soon as reasonably possible.

13.2 The term "force majeure" as employed in this Agreement shall mean acts of God, landslides, lightening, earthquakes, fires, storms or storm warnings, such as hurricanes, which result in evacuation of the affected areas, floods, washouts, explosions, breakage or accident or necessity of repairs to machinery or equipment or lines of pipe, weather related events affecting an entire geographic region (which include freezing of wells or pipelines), strikes, lockouts or industrial disputes or disturbances, civil disturbances, governmental actions such as necessity for compliance with any court order, law, statute, ordinance, regulation, or policy having the effect of law promulgated by a government authority having jurisdiction, failure or inability to secure or maintain capacity for purposes of transportation of gas on any pipeline system, or any other cause, whether of the kind herein enumerated or otherwise, not reasonably within the control of the Party claiming force majeure.

14. Events of Default; Termination.

14.1 It shall be an "Event of Default" if:

- (a) Either Party becomes insolvent, makes an assignment for the benefit of creditors, or a receiver or trustee is appointed for the benefit of such Party's creditors, or a Party makes a filing for protection from creditors under any bankruptcy or insolvency laws, or such filing is made against a Party;
 - (b) Buyer fails to make any payment when due and such nonpayment shall have
-

continued for ten (10) Days or more after written notice of same from Seller; or

(c) Either Party fails to perform any of its material obligations hereunder and such nonperformance shall have continued for thirty (30) Days or more after notice of same from the other Party.

14.2 If an Event of Default occurs and is continuing, the non-defaulting Party may, by written notice to the defaulting Party, designate a day no earlier than the day such notice is effective as an early termination date ("Early Termination Date"). On the Early Termination Date, all obligations due on or after the Early Termination Date under the Agreement shall be terminated except as provided herein. If an Early Termination Date has been designated, the non-defaulting Party shall in good faith calculate the amount due between the parties as of the Early Termination Date. The non-defaulting party shall notify the defaulting Party in writing of the amount due and whether it is owed to or from the defaulting Party (the "Termination Payment"). The party owing the Termination Payment shall pay it to the other party within two (2) Business Days after the effective date of such notice, with interest at the Base Rate from the Early Termination Date until paid.

In addition, the defaulting Party hereunder shall reimburse the non-defaulting Party, on demand, for actual, reasonable out-of-pocket expenses (with interest at a rate equal to the lower of (i) the then-effective prime rate of interest published under "Money Rate" by The Wall Street Journal, plus two percent per annum; or (ii) the maximum applicable lawful interest rate), including, without limitation, reasonable legal fees and expenses incurred by the other Party in connection with the enforcement of the Agreement.

If an Early Termination Date is designated, the non-defaulting party shall be entitled, in its sole discretion, to set-off any amount payable by the non-defaulting Party to the defaulting Party under the Agreement or otherwise, against any amounts payable by the defaulting Party to the non-defaulting Party under this Agreement or otherwise. This provision shall be in addition to any right of setoff or other right and remedies to which any party is otherwise entitled (whether by operation of law, contract or otherwise). If an obligation is unascertained, the non-defaulting party may in good faith estimate that obligation and set-off in respect of the estimate, subject to the non-defaulting party accounting to the defaulting Party when the obligation is ascertained.

15. Miscellaneous.

15.1 This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the respective Parties hereto, and the covenants, conditions, rights and obligations of this Agreement shall run for the full term of this Agreement. No assignment of this Agreement, in whole or in part, will be made without the prior written consent of the non-assigning Party, which consent will not be unreasonably withheld or delayed; provided, either Party may (i) transfer, sell, pledge, encumber, or assign this Agreement or the accounts, revenues, or proceeds hereof in connection with any financing or other financial arrangements, or (ii) transfer its interest to any parent or Affiliate by assignment, merger or otherwise without the prior approval of the other Party. Upon any such assignment, transfer and assumption, the transferor shall remain principally liable for and shall not be relieved of or discharged from any obligations hereunder.

15.2 The invalidity of any one or more covenants or provisions of this Agreement shall not affect the validity of any other provisions hereof or this Agreement as a whole, and in case of any such invalidity, this Agreement shall be construed to the maximum extent possible as if

such invalid provision had not been included herein. No waiver of any breach of this Agreement shall be held to be a waiver of any other or subsequent breach.

15.3 This Agreement sets forth all understandings between the Parties respecting each transaction subject hereto, and any prior Agreements, understandings and representations, whether oral or written, relating to such transactions are merged into and superseded by this Agreement and any effective transaction(s). This Agreement may be amended only by a writing executed by both Parties. Each Party shall take such acts and execute and deliver such documents as may be reasonably required to effectuate the purposes of this Agreement.

15.4 The interpretation and performance of this Agreement shall be governed by the laws of the State of Texas, excluding, however, any conflict of laws rule which would apply the law of another jurisdiction. This Agreement and all provisions herein will be subject to all applicable and valid statutes, rules, orders and regulations of any governmental authority having jurisdiction over the Parties, their facilities, Gas supply, this Agreement or transaction or any provisions thereof. The Parties shall comply with all applicable laws in the performance of their respective obligations under this Agreement.

15.5 Each Party to this Agreement represents and warrants that it has full and complete authority to enter into and perform this Agreement. Each person who executes this Agreement on behalf of either Party represents and warrants that it has full and complete authority to do so and that such Party will be bound thereby.

15.6 The provisions of Section 14.2 and Article 12, shall survive any expiration or termination of this Agreement.

15.7 Nothing in this Agreement shall entitle any person other than Seller or Buyer, or their successors or assigns, to any claim, cause of action, remedy or right of any kind relating to the transaction(s) contemplated by this Agreement.

15.8 In construing this Agreement, the following principles shall be followed: (i) no consideration shall be given to the fact or presumption that one Party had a greater or lesser hand in drafting this Agreement; (ii) examples shall not be construed to limit, expressly or by implication, the matter they illustrate; (iii) the word “includes” and its syntactical variants mean “includes, but is not limited to” and corresponding syntactical variant expressions; (iv) the plural shall be deemed to include the singular and vice versa, as applicable, and (v) unless the context otherwise requires, any reference to a statutory provision (including those contained in subordinate legislation) is a reference to the provision as amended or re-enacted, or as modified by other statutory provisions from time to time, and includes subsequent legislation made under the relevant statute.

EXECUTED January 25, 2010, but effective March 1, 2009.

"BUYER"
1 6 0 ;

"SELLER"

& #

TARGA GAS MARKETING LLC

TARGA NORTH TEXAS LP

T a r g a N o r t h T e x a s G P L L C

B y :

By: /s/ Stacy Duke
Name: Stacy Duke
Title: Vice President

By: /s/ Clark White
Name: Clark White
Title: Vice President

EXHIBIT "A"

**To Natural Gas Purchase Agreement
Between Targa Gas Marketing, Buyer
and
Targa North Texas LP, Seller
Effective as of March 1, 2009**

Plants:

Chico Gas Processing Plant

Shackelford Gas Processing Plant

EXHIBIT “B”

To Natural Gas Purchase Agreement
Between Targa Gas Marketing, Buyer
and
Targa North Texas LP, Seller
Effective as of March 1, 2009

Chico Plant			
Applicable Transport	Near Market Point	Near Market Price	Remote Market Price
NGPL	Midcon Pool	Net Midcon Index Price	Net Midcon Index Price
ET Fuel	Cleburne Receipt Points	WASP of Cleburne Sales	WASP of Cleburne Sales
	Turbine Receipt Point	WASP of Turbine Sales	WASP of Turbine Sales
NSL - Atmos	Howard Receipt Points	WASP of Howard Sales	WASP of Howard Sales
N/A	Tailgate of Plant	WASP of Tailgate Sales	N/A

Shackelford Plant			
Transport	Near Market Point	Near Market Price	Remote Market Price
EPNG	Permian Pool	Net Permian Index Price	Net Permian Index Price
Targa Intrastate Pipeline	Atmos Header	WASP of Atmos Sales	N/A
N/A	Tailgate of Plant	WASP of Tailgate Sales	N/A

AMENDED AND RESTATED
NATURAL GAS PURCHASE AGREEMENT

By and Between

TARGA GAS MARKETING LLC

("Buyer")

And

TARGA TEXAS FIELD SERVICES LP

("Seller")

Effective as of March 1, 2009

AMENDED AND RESTATED NATURAL GAS PURCHASE AGREEMENT

This Amended and Restated Natural Gas Purchase Agreement is executed on January 25, 2010, but effective as of March 1, 2009, by and between TARGA GAS MARKETING LLC ("Buyer") and TARGA TEXAS FIELD SERVICES LP ("Seller") (each a "Party," and together, the "Parties"), and sets forth the terms and conditions pursuant to which Seller will sell to Buyer, and Buyer will purchase from Seller, certain Gas (as hereinafter defined) produced at natural gas processing facilities owned and operated by Seller. This Agreement amends and restates in its entirety that certain Natural Gas Purchase Agreement dated and effective as of December 1, 2005.

1. Definitions.

As used in this Agreement, the following terms shall have the following meaning:

"Affiliate" means any Person that directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with the Person specified, with the term "control" (including the terms "controlled by" or "under common control with") meaning the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership, by contract, or otherwise. Any Person shall be deemed to be an Affiliate of any specified Person if (i) such Person owns fifty percent (50%) or more of the voting securities of the specified Person, if the specified Person owns fifty percent (50%) or more of the voting securities of such Person, or if fifty percent (50%) or more of the voting securities of the specified Person and such Person are under common control, or (ii) such Person has operational control of the specified Person pursuant to an operating agreement, management agreement or other contractual rights.

"Business Day," means any day except Saturday, Sunday or Federal Reserve Bank holidays.

"Claims" means any and all claims, liabilities, losses, damages, demands, penalties, fines, causes of action, remediation expenses, suits, judgments, arbitration awards, court orders, directives, injunctions, decrees or awards of any jurisdiction, and any costs and expenses related to the same (including court costs, reasonable attorneys' fees, and other reasonable expenses of litigation).

"Early Termination Date" is defined in Section 14.2.

"Excess Gas" means Gas delivered by Seller at any Receipt Point during a Month that is greater than the Nominated Quantity at such Receipt Point for such Month.

"Gas" means all residue gas owned or controlled by Seller that is produced from and/or processed at the Plants and is not now or hereafter committed by Seller for sale to third parties.

"Gas Proceeds" means the aggregate proceeds received by Buyer from its first of Month baseload sales at the relevant Near Market Point to Buyer's customers, including third parties and Affiliates of Buyer.

"Index Price" means the price per MMBtu reported in the first publication of Inside FERC's Gas Market Report for such Month for the applicable Near Market Point. Notwithstanding the foregoing, if there is no single price published for such day, but there is published a range of prices, then the Index Price for such day will be the average of the high and low prices in that range.

"MMBtu" means 1,000,000 British thermal units.

"Month" shall mean the period beginning at 7:00 AM Central Standard Time (as adjusted for Central Daylight Time) on the first day of a calendar month and ending at 6:59 AM on the last day of such calendar month.

"Near Market Point" means one or more available delivery points for each Plant using applicable transportation, as set forth on Exhibit "B" attached hereto.

"Near Market Price" means the applicable price for Gas for the first of Month baseload sales sold at each Near Market Point, as set forth on Exhibit "B" attached hereto.

"Net Index Price" means the applicable Index Price, less applicable Transportation Costs.

"Nominated Quantity" means the quantity of Gas for any Month that is nominated by Seller prior to the first day of such Month with respect to any Receipt Point.

"Person" means any individual, corporation, partnership, limited liability company, association, joint venture, trust, or other organization of any nature or kind.

"Plant" or "Plants" means one or more natural gas processing plants that are now or hereafter owned or operated by Seller, including but not limited to the plants identified on Exhibit "A," attached hereto.

"Receipt Point" is defined in Section 5.

"Receiving Transporter" means the transporter receiving Gas at a Receipt Point.

"Remote Market Point" means, for any Plant, one or more delivery points that are further away from such Plant than the applicable Near Market Point.

"Remote Market Price" means the applicable price for Gas for the first of Month baseload sales sold at Remote Market Points, as set forth in Exhibit "B" attached hereto.

"Taxes" means any or all ad valorem, property, occupation, severance, generation, first use, conversion, Btu or Gas, transport, transmission, utility, gross receipts, privilege, sales, use, consumption, excise, lease, transaction, and other taxes, governmental charges, regulatory assessments by federal, state or local agencies or commissions (including, but not limited to, FERC assessments), license fees, permits or assessments or increases therein, other than taxes based on net income or net worth

"Termination Payment" is defined in Section 14.2.

"Transportation Costs" means all transportation costs incurred by Buyer (or deemed to be incurred) for first of Month baseload Gas sales at the applicable Near Market Point, including any pipeline tariff charges, fuel, and any demand charges for firm capacity. Any additional transportation costs incurred by Buyer for delivery of Gas to a Remote Market Point shall be at the sole expense of Buyer.

"Weighted Average Sales Price" or "WASP" means, for each applicable Near Market Point, a price per MMBtu for each Month equal to (i) Gas Proceeds for such Month, less Transportation

Costs for such Month, divided by (ii) the total number of first of Month baseload MMBtus of Gas sold at such Near Market Point during such Month.

2. Term; Termination.

2.1 This Agreement shall commence on March 1, 2009 and shall continue in full force and effect for a term of fifteen (15) years (the “Initial Term”). At the expiration of the Initial Term, this Agreement shall be automatically extended for consecutive sixty (60) month terms (the “Renewal Term”), unless either Party shall have given written notice of termination to the other Party at least one hundred twenty (120) days prior to the expiration of the Initial Term or the applicable Renewal Term (the Initial Term and any Renewal Term(s) shall collectively be referred to as the “Term”).

2.2 In the event that either Party ceases to be an Affiliate of Targa Resources, Inc., then either Party may, at its sole discretion, elect to terminate this Agreement upon one hundred twenty (120) days notice to the other Party.

3. Quantity.

Subject to the terms and conditions of this Agreement, for each Month during the Term, Seller agrees to sell and deliver and Buyer agrees to purchase and receive all of Seller’s Gas.

4. Price.

4.1 The price per MMBtu for all Gas sold by Buyer at any Near Market Point during each Month shall be the applicable Near Market Price for such Month.

4.2 The price per MMBtu for all Gas sold by Buyer at any Remote Market Point during each Month shall be the applicable Remote Market Price for such Month.

4.3 The price per MMBtu for all Excess Gas sold by Buyer at any Near Market Point or Remote Market Point during each Month shall be the same as the Remote Market Price for such market delivery point.

5. Receipt Point; Transportation:

The receipt point (“Receipt Point”) for each Plant shall be a point at or near (i) the tailgate of such Plant or (ii) the interconnection of the Plant and its transporting pipelines.

Seller shall have the sole responsibility for delivering the Gas to the Receipt Points. Buyer shall have the sole responsibility for transporting the Gas from the Receipt Points.

6. Nominations.

Seller will nominate the total quantity of Plant Gas (in MMBtu per day) to be delivered to each Receipt Point for each Plant during any Month, giving sufficient time to meet the applicable pipeline company’s nomination deadlines for such Month, and will also provide Buyer with any other operational information which could have a significant effect on the quantity of Gas delivered from each Plant for the Month. Seller and Buyer will cooperate in communicating throughout each Month regarding any changes in the quantity of Plant Gas to be delivered at each Receipt Point for the Month of flow and the following Month. Should Seller become aware

that actual deliveries at any Receipt Point on any day will be more or less than the Nominated Quantity, Seller shall promptly notify Buyer.

7. Operational Procedures.

For its first of month sales of Gas from each Plant, Buyer agrees to utilize operational procedures agreed to by Seller and Buyer from time to time based upon available transportation, current market conditions and other relevant factors.

8. Quality; Delivery Pressure.

All Gas delivered by Seller hereunder shall meet the pressure, quality and heat content requirements of the Receiving Transporter, unless otherwise agreed by the parties. The unit of quantity measurement for purposes of this Agreement shall be one MMBtu dry. Measurement of Gas quantities hereunder shall be in accordance with the established procedures of the Receiving Transporter.

9. Taxes and Other Charges.

Seller is liable for and shall pay, or cause to be paid, all Taxes applicable to the purchase or sale of Gas at a particular Receipt Point arising prior to the Receipt Points. Seller will release, indemnify, defend and save Buyer harmless from and against all Claims for such Taxes. In the event Buyer is required to remit such Taxes, Seller shall reimburse Buyer for such amount. Buyer is liable for and shall pay or cause to be paid all Taxes applicable to the purchase or sale of Gas at a particular Receipt Point arising at or after the Receipt Points. Buyer shall release, indemnify, defend and save Seller harmless from and against all Claims for such Taxes. In the event Seller is required to remit such Taxes, Buyer shall reimburse Seller for such amount.

10. Billing and Payments.

10.1 On or before the fifteenth (15th) day following each Month during the Term (and for the first Month following the expiration or termination of this Agreement), Buyer shall deliver to Seller a statement for the preceding Month showing the daily and total volume of Gas delivered to each Receipt Point, the applicable price for such Gas, and any other amounts and adjustments due hereunder, and the total amount due from Buyer to Seller. In the event that the quantity of gas delivered at any Receipt Point is less than the Nominated Quantity for such Month, there shall be no adjustment to the price per MMBtu payable by Buyer to Seller for Gas. If the actual volume delivered is not available by such billing date, Buyer shall use an estimated volume based on nominations. The estimated volume will then be corrected to the actual volume on the following Month's billing or as soon thereafter as transport information is available.

10.2 On or before the twenty-fifth (25th) day of each Month, Buyer will pay Seller at the notice address set forth in Section 11, in immediately available funds, for Gas delivered during the preceding Month. In the event that either Party discovers any underpayment or overpayment, such Party shall promptly notify the other Party, and Seller or Buyer, as applicable shall make a payment to the other Party in the amount of any undisputed overpayment or underpayment, as applicable, no later than thirty (30) days after receipt of such notice. The Parties agree that, notwithstanding the provisions of this Section 11, no retroactive adjustment shall be made for any overpayment or underpayment more than twenty-four (24)

months from the date of the original payment to which such overpayment or underpayment relates.

11. Notices.

Every notice, request, statement or bill provided for in this Agreement shall be in writing directed to the Party to whom given, made or delivered at such Party's address as set forth below and as such address may be changed from time to time with written notice to the other Party.

Buyer: TARGA GAS MARKETING LLC

Invoices and Statements:

Targa Gas Marketing LLC
1000 Louisiana, Suite 4300
Houston, TX 77002
Attn: Contract Administration
Phone: (713) 584-1000
Fax: (713) 584-1503

Notices and Correspondence:

Targa Gas Marketing LLC
1000 Louisiana, Suite 4300
Houston, TX 77002
Attn: Gas Marketing Accounting
Phone: (713) 584-1000
Fax: (713) 584-1100

Operational Matters:

Targa Gas Marketing LLC
1000 Louisiana, Suite 4300
Houston, TX 77002
Attn: Manager, Gas Scheduling
Phone: (713) 584-1354
After Hours Number: (713) 584-1354

Duns No.: 61-094-6290

Federal Tax ID: 20-1884884

Seller: TARGA TEXAS FIELD SERVICES LP

Notices and Correspondence:

Targa Texas Field Services LP
1000 Louisiana, Suite 4300
Houston, TX 77002
Attn: Contract Administration

Duns No.: 15-389-7215
Federal Tax ID: 86-1099713

Wire Transfer:

Phone: (713) 584-1000
Fax: (713) 584-1503

JP Morgan Chase
Account #304-189839
ABA#021-000-021

12. Title, Warranty and Indemnity.

12.1 Seller shall have title, custody and control of the Gas and shall assume liability and risk of loss with respect to the Gas prior to the applicable Receipt Point. Buyer shall have title, custody and control of the Gas and shall assume liability and risk of loss with respect to the Gas at and after the applicable Receipt Point.

12.2 Seller warrants that it will have the right to convey and will transfer good and merchantable title to all Gas sold hereunder and delivered by Seller to Buyer, free and clear of

all liens, encumbrances, and claims. EXCEPT AS PROVIDED IN THIS SECTION 12.2 AND IN SECTION 15.5, SELLER DISCLAIMS ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR OF FITNESS FOR ANY PARTICULAR PURPOSE.

12.3 Seller shall release, indemnify, defend and hold harmless Buyer from and against all Claims arising from or relating to the Gas prior to the Receipt Points. Buyer shall release, indemnify, defend and hold harmless Seller from and against all Claims arising from and relating to the Gas at and after the Receipt Points.

12.4 Notwithstanding the other provisions of this Article 12, as between Seller and Buyer, Seller will be liable for, and shall release, indemnify, defend and hold harmless Buyer from and against all Claims arising from or related to the failure of Gas delivered by Seller to meet the quality requirements of Section 8.

12.5 EXCEPT AS OTHERWISE PROVIDED HEREIN, NEITHER PARTY SHALL BE LIABLE TO THE OTHER PARTY FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES, LOST PROFITS OR OTHER BUSINESS INTERRUPTION DAMAGES, BY STATUTE, IN TORT OR AGREEMENT, UNDER ANY INDEMNITY PROVISION OR OTHERWISE. IT IS THE INTENT OF THE PARTIES THAT THE LIMITATIONS HEREIN IMPOSED ON REMEDIES AND THE MEASURE OF DAMAGES BE WITHOUT REGARD TO THE CAUSE OR CAUSES RELATED THERETO, INCLUDING THE NEGLIGENCE OF ANY PARTY, WHETHER SUCH NEGLIGENCE BE SOLE, JOINT OR CONCURRENT, OR ACTIVE OR PASSIVE.

13. **Force Majeure.**

13.1 In the event that either Party is rendered unable, by reason of an event of force majeure, to perform, wholly or in part, any obligation or commitment set forth in this Agreement, then upon such Party's giving notice and full particulars of such event of force majeure, this Agreement shall be suspended, except for the payment of monies owed hereunder, to the extent and for the period that such ability to perform is prevented by such force majeure condition. Initial notice may be given orally; however, written notification with reasonably full particulars of the event or occurrence is required as soon as reasonably possible.

13.2 The term "**force majeure**" as employed in this Agreement shall mean acts of God, landslides, lightening, earthquakes, fires, storms or storm warnings, such as hurricanes, which result in evacuation of the affected areas, floods, washouts, explosions, breakage or accident or necessity of repairs to machinery or equipment or lines of pipe, weather related events affecting an entire geographic region (which include freezing wells or pipelines), strikes, lockouts or industrial disputes or disturbances, civil disturbances, governmental actions such as necessity for compliance with any court order, law, statute, ordinance, regulation, or policy having the effect of law promulgated by a government authority having jurisdiction, failure or inability to secure or maintain capacity for purposes of transportation of gas on any pipeline system, or any other cause, whether of the kind herein enumerated or otherwise, not reasonably within the control of the Party claiming force majeure.

14. **Events of Default; Termination.**

14.1 It shall be an "Event of Default" if:

a. Either Party becomes insolvent, makes an assignment for the benefit of creditors, or a receiver or trustee is appointed for the benefit of such Party's creditors, or a Party makes a filing for protection from creditors under any bankruptcy or insolvency laws, or such filing is made against a Party;

b. Buyer fails to make any payment when due and such nonpayment shall have continued for ten (10) Days or more after written notice of same from Seller; or

c. Either Party fails to perform any of its material obligations hereunder and such nonperformance shall have continued for thirty (30) Days or more after notice of same from the other Party.

14.2 If an Event of Default occurs and is continuing, the non-defaulting Party may, by written notice to the defaulting Party, designate a day no earlier than the day such notice is effective as an early termination date ("Early Termination Date"). On the Early Termination Date, all obligations due on or after the Early Termination Date under the Agreement shall be terminated except as provided herein. If an Early Termination Date has been designated, the non-defaulting Party shall in good faith calculate the amount due between the parties as of the Early Termination Date. The non-defaulting party shall notify the defaulting Party in writing of the amount due and whether it is owed to or from the defaulting Party (the "Termination Payment"). The party owing the Termination Payment shall pay it to the other party within two (2) Business Days after the effective date of such notice, with interest at the Base Rate from the Early Termination Date until paid.

In addition, the defaulting Party hereunder shall reimburse the non-defaulting Party, on demand, for actual, reasonable out-of-pocket expenses (with interest at a rate equal to the lower of (i) the then-effective prime rate of interest published under "Money Rate" by The Wall Street Journal, plus two percent per annum; or (ii) the maximum applicable lawful interest rate), including, without limitation, reasonable legal fees and expenses incurred by the other Party in connection with the enforcement of the Agreement.

If an Early Termination Date is designated, the non-defaulting party shall be entitled, in its sole discretion, to set-off any amount payable by the non-defaulting Party to the defaulting Party under the Agreement or otherwise, against any amounts payable by the defaulting Party to the non-defaulting Party under this Agreement or otherwise. This provision shall be in addition to any right of setoff or other right and remedies to which any party is otherwise entitled (whether by operation of law, contract or otherwise). If an obligation is unascertained, the non-defaulting party may in good faith estimate that obligation and set-off in respect of the estimate, subject to the non-defaulting party accounting to the defaulting Party when the obligation is ascertained.

15. Miscellaneous.

15.1 This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the respective Parties hereto, and the covenants, conditions, rights and obligations of this Agreement shall run for the full term of this Agreement. No assignment of this Agreement, in whole or in part, will be made without the prior written consent of the non-assigning Party, which consent will not be unreasonably withheld or delayed; provided, either Party may (i) transfer, sell, pledge, encumber, or assign this Agreement or the accounts, revenues, or proceeds hereof in connection with any financing or other financial arrangements, or (ii) transfer its interest to any parent or Affiliate by assignment, merger or otherwise without

the prior approval of the other Party. Upon any such assignment, transfer and assumption, the transferor shall remain principally liable for and shall not be relieved of or discharged from any obligations hereunder.

15.2 The invalidity of any one or more covenants or provisions of this Agreement shall not affect the validity of any other provisions hereof or this Agreement as a whole, and in case of any such invalidity, this Agreement shall be construed to the maximum extent possible as if such invalid provision had not been included herein. No waiver of any breach of this Agreement shall be held to be a waiver of any other or subsequent breach.

15.3 This Agreement sets forth all understandings between the Parties respecting each transaction subject hereto, and any prior Agreements, understandings and representations, whether oral or written, relating to such transactions are merged into and superseded by this Agreement and any effective transaction(s). This Agreement may be amended only by a writing executed by both Parties. Each Party shall take such acts and execute and deliver such documents as may be reasonably required to effectuate the purposes of this Agreement.

15.4 The interpretation and performance of this Agreement shall be governed by the laws of the State of Texas, excluding, however, any conflict of laws rule which would apply the law of another jurisdiction. This Agreement and all provisions herein will be subject to all applicable and valid statutes, rules, orders and regulations of any governmental authority having jurisdiction over the Parties, their facilities, Gas supply, this Agreement or transaction or any provisions thereof. The Parties shall comply with all applicable laws in the performance of their respective obligations under this Agreement.

15.5 Each Party to this Agreement represents and warrants that it has full and complete authority to enter into and perform this Agreement. Each person who executes this Agreement on behalf of either Party represents and warrants that it has full and complete authority to do so and that such Party will be bound thereby.

15.6 The provisions of Section 14.2 and Article 12, shall survive any expiration or termination of this Agreement.

15.7 Nothing in this Agreement shall entitle any person other than Seller or Buyer, or their successors or assigns, to any claim, cause of action, remedy or right of any kind relating to the transaction(s) contemplated by this Agreement.

15.8 In construing this Agreement, the following principles shall be followed: (i) no consideration shall be given to the fact or presumption that one Party had a greater or lesser hand in drafting this Agreement; (ii) examples shall not be construed to limit, expressly or by implication, the matter they illustrate; (iii) the word “includes” and its syntactical variants mean “includes, but is not limited to” and corresponding syntactical variant expressions; (iv) the plural shall be deemed to include the singular and vice versa, as applicable, and (v) unless the context otherwise requires, any reference to a statutory provision (including those contained in subordinate legislation) is a reference to the provision as amended or re-enacted, or as modified by other statutory provisions from time to time, and includes subsequent legislation made under the relevant statute.

EXECUTED January 25, 2010, but effective as of March 1, 2009.

"BUYER"

"SELLER"

TARGA GAS MARKETING LLC
SERVICES LP,

TARGA TEXAS FIELD

Resources Texas GP LLC,
partner

6 0 ;
6 0 ;

By: Targa
its general

By: /s/ Stacy Duke
Name: Stacy Duke
Title: Vice President

By: /s/ Dan C. Middlebrooks
Name: Dan C. Middlebrooks
Title: Assistant Vice President - Supply
and Business Development, San
Angelo Operating Unit

TO NATURAL GAS SALES AGREEMENT
Between Targa Gas Marketing LLC, Buyer
and
Targa Texas Field Services LP, Seller
Effective as of March 1, 2009

Plants:

- Mertzon Gas Processing Plant
 - Sterling Gas Processing Plant
-

EXHIBIT "B"

TO NATURAL GAS SALES AGREEMENT
Between Targa Gas Marketing LLC, Buyer
and
Targa Texas Field Services LP, Seller
Effective as of March 1, 2009

Mertzon Plant			
Applicable Transport	Near Market Point	Near Market Price	Remote Market Price
EPNG	Permian Pool	Net Permian Index Price	Net Permian Index Price
KM	Houston Ship Channel Pool	Net HSC Index Price	
N/A	Tailgate of Plant	WASP of Tailgate Sales	N/A

Sterling Plant			
Applicable Transport	Near Market Point	Near Market Price	Remote Market Price
ET Fuel	Waha Hub	Waha Index Price	Waha IndexPrice
EPNG/ET Fuel	Permian Pool (Keystone)	Waha Index Price	
EPNG/ET Fuel	Waha Pool	Waha Index Price	Waha Index Price
N/A	Tailgate of Plant	WASP of Tailgate Sales	N/A

**AMENDMENT TO THE AMENDED AND RESTATED
NATURAL GAS PURCHASE AGREEMENT**

Effective as of July 1, 2009

between

TARGA GAS MARKETING LLC (“Buyer”)

-and-

TARGA TEXAS FIELD SERVICES LP (“Seller”)

Recitals:

- A. Seller and Buyer have previously entered into an Amended and Restated Natural Gas Purchase Agreement, effective as of March 1, 2009 (collectively, the “Agreement”);
- B. Seller and Buyer hereby agree to amend the Agreement as contemplated herein;

NOW, THEREFORE, for and in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Exhibit “B” to the Agreement shall be deleted in its entirety and replaced with the Exhibit attached hereto.

IN WITNESS WHEREOF the parties have executed this Amendment on January 25, 2010, with the effective date as of July 1, 2009.

**TARGA GAS MARKETING LLC
SERVICES LP**

TARGA TEXAS FIELD

**R e s o u r c e s T e x a s G P L L C , i t s
p a r t n e r**

**B y : T a r g a
g e n e r a l**

By: /s/ Stacy Duke
Name: Stacy Duke
Title: Vice President

By: /s/ Dan C. Middlebrooks
Name: Dan C. Middlebrooks
Title: Assistant Vice President – Supply and
Business Development, San Angelo
Operating Unit

Exhibit to the Amendment to the Amended and Restated
Natural Gas Purchase Agreement

“EXHIBIT “B”
TO NATURAL GAS SALES AGREEMENT
Between Targa Gas Marketing LLC, Buyer
and
Targa Texas Field Services LP, Seller
Effective as of March 1, 2009

Mertzon Plant			
Applicable Transport	Near Market Point	Near Market Price	Remote Market Price
EPNG	Permian Pool	Net Permian Index Price	Net Permian Index Price
KM	Houston Ship Channel Pool	Net HSC Index Price	
N/A	Tailgate of Plant	WASP of Tailgate Sales	N/A
Sterling Plant			
Applicable Transport	Near Market Point	Near Market Price	Remote Market Price
ET Fuel	Waha Hub	Waha Index Price minus \$0.06	Adjusted Waha Index Price *
EPNG/ET Fuel	Permian Pool (Keystone)	Waha Index Price minus \$0.06	
EPNG/ET Fuel	Waha Pool	Waha Index Price minus \$0.06	Adjusted Waha Index Price *
N/A	Tailgate of Plant	WASP of Tailgate Sales	N/A

* Note: Adjusted Waha Index Price will be the higher of Waha Index Price minus \$0.06 or Waha Index Price minus transport costs, or as otherwise agreed by the parties.”

Targa Resources Partners LP Subsidiary List

Entity Name	Jurisdiction of Formation
Cedar Bayou Fractionators, L.P.	Delaware
Downstream Energy Ventures Co., L.L.C.	Delaware
Gulf Coast Fractionators	Texas
Midstream Barge Company LLC	Delaware
Targa Canada Liquids Inc.	British Columbia
Targa Co-Generation LLC	Delaware
Targa Downstream GP LLC	Delaware
Targa Downstream LP	Delaware
Targa Intrastate Pipeline LLC	Delaware
Targa Liquids GP LLC	Delaware
Targa Liquids Marketing and Trade	Delaware
Targa Louisiana Field Services LLC	Delaware
Targa Louisiana Intrastate LLC	Delaware
Targa LSNG GP LLC	Delaware
Targa LSNG LP	Delaware
Targa MLP Capital LLC	Delaware
Targa NGL Pipeline Company LLC	Delaware
Targa North Texas GP LLC	Delaware
Targa North Texas LP	Delaware
Targa Resources Operating GP LLC	Delaware
Targa Resources Operating LP	Delaware
Targa Resources Partners Finance Corporation	Delaware
Targa Resources Texas GP LLC	Delaware
Targa Retail Electric LLC	Delaware
Targa Sparta LLC	Delaware
Targa Texas Field Services LP	Delaware
Targa Transport LLC	Delaware

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-149200) and Form S-3 (No. 333-159678) of Targa Resources Partners LP of our report dated March 1, 2010 relating to the consolidated financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/PricewaterhouseCoopers LLP

Houston, Texas
March 3, 2010

CERTIFICATION
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Rene R. Joyce, certify that:

1. I have reviewed this Annual Report on Form 10-K of Targa Resources Partners LP;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a- 15(f) and 15d-(f) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 3, 2010

By: /s/ Rene R. Joyce

Name: Rene R. Joyce

Title: Chief Executive Officer of Targa Resources GP LLC,
the general partner of Targa Resources Partners LP
(Principal Executive Officer)

CERTIFICATION
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Jeffrey J. McParland, certify that:

1. I have reviewed this Annual Report on Form 10-K of Targa Resources Partners LP;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a- 15(f) and 15d-(f) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 3, 2010

By: /s/ Jeffrey J. McParland

Name: Jeffrey J. McParland

Title: Executive Vice President, Chief Financial Officer
of Targa Resources GP LLC, the general partner of
Targa Resources Partners LP
(Principal Financial Officer)

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of Targa Resources Partners LP (the "Partnership") for the year ended December 31, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Rene R. Joyce, as Chief Executive Officer of Targa Resources GP LLC, the general partner of the Partnership, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

By: /s/ Rene R. Joyce

Name: Rene R. Joyce

Title: Chief Executive Officer of Targa Resources GP LLC,
the general partner of Targa Resources Partners LP

Date: March 3, 2010

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Partnership and will be retained by the Partnership and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of Targa Resources Partners LP (the "Partnership") for the year ended December 31, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Jeffrey J. McParland, as Chief Financial Officer of Targa Resources GP LLC, the general partner of the Partnership, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

By: /s/ Jeffrey J. McParland

Name: Jeffrey J. McParland

Title: Executive Vice President, Chief Financial Officer
of Targa Resources GP LLC, the general partner of
Targa Resources Partners LP

Date: March 3, 2010

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Partnership and will be retained by the Partnership and furnished to the Securities and Exchange Commission or its staff upon request.