Targa Resources Corp.
Form 10-Q
November 04, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

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: 001-34991

TARGA RESOURCES CORP.

(Exact name of registrant as specified in its charter)

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

(713) 584-1000

(Registrant’s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes 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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

As of October 31, 2016, there were 180,827,459 shares of the registrant's common stock, $0.001 par value, outstanding.

PART I—FINANCIAL INFORMATION

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CAUTIONARY STATEMENT ABOUT FORWARD-LOOKING STATEMENTS

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

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

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

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

Bbl	Barrels (equal to 42 U.S. gallons)
BBtu	Billion British thermal units
Bcf	Billion cubic feet
Btu	British thermal units, a measure of heating value
/d	Per day
GAAP	Accounting principles generally accepted in the United States of America
gal	U.S. gallons
GPM	Liquid volume equivalent expressed as gallons per 1000 cu. ft. of natural gas
/hr	Per hour
LIBOR	London Interbank Offered Rate
LPG	Liquefied petroleum gas
MBbl	Thousand barrels
MMBbl	Million barrels
MMBtu	Million British thermal units
MMcf	Million cubic feet
MMgal	Million U.S. gallons
NGL(s)	Natural gas liquid(s)
NYMEX	New York Mercantile Exchange
NYSE	New York Stock Exchange
Price Index Definitions	
EP_PERMIAN	Inside FERC Gas Market Report, El Paso (Permian Basin)
ICE	Intercontinental Exchange
IF-NGPL MC	Inside FERC Gas Market Report, Natural Gas Pipeline Co. of America, Mid-Continent
IF-PB	Inside FERC Gas Market Report, Permian Basin
IF-WAHA	Inside FERC Gas Market Report, West Texas WAHA
NG-NYMEX	NYMEX, Natural Gas
NGPL_TXOK	Inside FERC Gas Market Report, Natural Gas Pipeline Co. of America, TexOK Zone
NY-WTI	NYMEX, West Texas Intermediate Crude Oil
OPIS-MB	Oil Price Information Service, Mont Belvieu, Texas
PEPL	Inside FERC Gas Market Report, Oklahoma Panhandle, Texas-Oklahoma Midpoint
TENN_800	Tennessee Gas Pipeline Co., 800 Leg
TRANSCO_Z4	Inside FERC Gas Market Report, Transco Zone 4

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

TARGA RESOURCES CORP.

CONSOLIDATED BALANCE SHEETS

	September 30, 2016	December 31, 2015
	(Unaudited)	
	(In millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 141.1	$ 140.2
Trade receivables, net of allowances of $0.1 million	547.4	515.8
Inventories	150.3	141.0
Assets from risk management activities	34.8	92.2
Income tax receivable	78.5	13.5
Other current assets	24.6	17.3
Total current assets	976.7	920.0
Property, plant and equipment	12,354.5	11,935.1
Accumulated depreciation	(2,674.3)	(2,232.4)
Property, plant and equipment, net	9,680.2	9,702.7
Intangible assets, net	1,693.0	1,810.1
Goodwill, net	393.0	417.0
Long-term assets from risk management activities	12.4	34.9
Investments in unconsolidated affiliates	246.9	258.9
Other long-term assets	53.4	67.4
Total assets	$ 13,055.6	$ 13,211.0
LIABILITIES, SERIES A PREFERRED STOCK AND OWNERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 710.8	$ 657.1
Liabilities from risk management activities	13.0	5.2
Accounts receivable securitization facility	225.0	219.3
Total current liabilities	948.8	881.6
Long-term debt	4,725.9	5,718.8
Long-term liabilities from risk management activities	17.6	2.4
Deferred income taxes, net	1,141.7	177.8
Other long-term liabilities	159.1	180.2
Contingencies (see Note 17)		
Series A Preferred 9.5% Stock, $1,000 per share liquidation preference, (1,200,000 shares authorized, issued and outstanding 965,100 shares)	185.6	—

Owners' equity:		
Targa Resources Corp. stockholders' equity:		
Common stock ($0.001 par value, 300,000,000 shares authorized)	0.2	0.1
Issued / Outstanding		
September 30, 2016 173,700,369 173,193,354		
December 31, 2015 56,446,573 56,020,266		
Preferred stock ($0.001 par value, after designation of Series A Preferred Stock; 98,800,000 shares authorized, no shares issued and outstanding)	—	—
Additional paid-in capital	5,377.7	1,457.4
Retained earnings (deficit)	(36.6)	26.9
Accumulated other comprehensive income (loss)	(2.7)	5.7
Treasury stock, at cost (507,015 shares as of September 30, 2016 and 426,307 as of December 31, 2015)	(31.8)	(28.7)
Total Targa Resources Corp. stockholders' equity	5,306.8	1,461.4
Noncontrolling interests in subsidiaries	570.1	4,788.8
Total owners' equity	5,876.9	6,250.2
Total liabilities, Series A Preferred Stock and owners' equity	$ 13,055.6	$ 13,211.0

See notes to consolidated financial statements

TARGA RESOURCES CORP.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(Unaudited)			
	(In millions, except per share amounts)			
Revenues				
Sales of commodities	$1,398.7	$1,321.3	$3,882.9	$ 4,119.6
Fees from midstream services	253.6	310.8	795.5	891.6
Total revenues	1,652.3	1,632.1	4,678.4	5,011.2
Costs and expenses:				
Product purchases	1,222.7	1,163.3	3,378.9	3,650.0
Operating expenses	143.0	142.7	414.0	409.6
Depreciation and amortization expenses	184.0	165.8	563.6	448.3
General and administrative expenses	46.1	44.9	138.3	136.5
Goodwill impairment	—	—	24.0	—
Other operating (income) expense	4.9	0.1	6.1	0.6
Income from operations	51.6	115.3	153.5	366.2
Other income (expense):				
Interest expense, net	(62.7)	(67.8)	(187.0)	(189.5)
Equity earnings (loss)	(2.2)	(1.6)	(11.4)	(1.1)
Gain (loss) from financing activities	—	(0.5)	21.4	(13.4)
Other	1.4	(0.6)	1.2	(27.5)
Income (loss) before income taxes	(11.9)	44.8	(22.3)	134.7
Income tax (expense) benefit	8.7	(24.0)	3.9	(54.1)
Net income (loss)	(3.2)	20.8	(18.4)	80.6
Less: Net income attributable to noncontrolling interests	7.5	8.1	18.2	49.2
Net income (loss) attributable to Targa Resources Corp.	(10.7)	12.7	(36.6)	31.4
Dividends on Series A preferred stock	22.9	—	49.7	—
Deemed dividends on Series A preferred stock	5.8	—	12.3	—
Net income (loss) attributable to common shareholders	$(39.4)	$12.7	$(98.6)	$ 31.4
Net income (loss) per common share - basic	$(0.23)	$0.23	$(0.68)	$ 0.60
Net income (loss) per common share - diluted	$(0.23)	$0.23	$(0.68)	$ 0.60
Weighted average shares outstanding - basic	168.0	56.0	145.5	52.6
Weighted average shares outstanding - diluted	168.0	56.1	145.5	52.7

See notes to consolidated financial statements.

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TARGA RESOURCES CORP.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Three Months Ended September 30,					
	2016			2015		
	Pre-Tax	Related Income Tax	After Tax	Pre-Tax	Related Income Tax	After Tax
	(Unaudited) (In millions)					
Net income (loss) attributable to Targa Resources Corp.			$ (10.7)			$ 12.7
Other comprehensive income (loss) attributable to Targa Resources Corp.						
Commodity hedging contracts:						
Change in fair value	$ 12.9	$ (4.9)	8.0	$ 5.5	$ (2.0)	3.5
Settlements reclassified to revenues	(8.1)	3.1	(5.0)	(2.7)	1.0	(1.7)
Other comprehensive income (loss) attributable to Targa Resources Corp.	4.8	(1.8)	3.0	2.8	(1.0)	1.8
Comprehensive income attributable to Targa Resources Corp.			(7.7)			14.5
Net income (loss) attributable to noncontrolling interests			7.5			8.1
Other comprehensive income (loss) attributable to noncontrolling interests						
Commodity hedging contracts:						
Change in fair value	—	—	—	45.2	—	45.2
Settlements reclassified to revenues	—	—	—	(21.8)	—	(21.8)
Other comprehensive income (loss) attributable to noncontrolling interests	—	—	—	23.4	—	23.4
Comprehensive income (loss) attributable to noncontrolling interests			7.5			31.5
Total						
Net income (loss)			(3.2)			20.8
Other comprehensive income (loss)						
Commodity hedging contracts:						
Change in fair value	12.9	(4.9)	8.0	50.7	(2.0)	48.7
Settlements reclassified to revenues	(8.1)	3.1	(5.0)	(24.5)	1.0	(23.5)
Other comprehensive income (loss)	$ 4.8	$ (1.8)	3.0	$ 26.2	$ (1.0)	25.2
Total comprehensive income (loss)			$ (0.2)			$ 46.0

See notes to consolidated financial statements.

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TARGA RESOURCES CORP.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Nine Months Ended September 30,					
	2016			2015		
	Pre-Tax	Related Income Tax	After Tax	Pre-Tax	Related Income Tax	After Tax
	(Unaudited) (In millions)					
Net income (loss) attributable to Targa Resources Corp.			$ (36.6)			$ 31.4
Other comprehensive income (loss) attributable to Targa Resources Corp.						
Commodity hedging contracts:						
Change in fair value	$ (64.1)	$ 24.4	(39.7)	$ 7.5	$ (2.9)	4.6
Settlements reclassified to revenues	(39.5)	15.0	(24.5)	(6.8)	2.6	(4.2)
Other comprehensive income (loss) attributable to Targa Resources Corp.	(103.6)	39.4	(64.2)	0.7	(0.3)	0.4
Comprehensive income attributable to Targa Resources Corp.			(100.8)			31.8
Net income (loss) attributable to noncontrolling interests			18.2			49.2
Other comprehensive income (loss) attributable to noncontrolling interests						
Commodity hedging contracts:						
Change in fair value	23.6	—	23.6	70.1	—	70.1
Settlements reclassified to revenues	(11.1)	—	(11.1)	(52.5)	—	(52.5)
Other comprehensive income (loss) attributable to noncontrolling interests	12.5	—	12.5	17.6	—	17.6
Comprehensive income (loss) attributable to noncontrolling interests			30.7			66.8
Total						
Net income (loss)			(18.4)			80.6
Other comprehensive income (loss)						
Commodity hedging contracts:						
Change in fair value	(40.5)	24.4	(16.1)	77.6	(2.9)	74.7
Settlements reclassified to revenues	(50.6)	15.0	(35.6)	(59.3)	2.6	(56.7)
Other comprehensive income (loss)	$ (91.1)	$ 39.4	(51.7)	$ 18.3	$ (0.3)	18.0
Total comprehensive income (loss)			$ (70.1)			$ 98.6

See notes to consolidated financial statements.

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TARGA RESOURCES CORP.

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

	Common Stock		Additional Paid in	Retained Earnings (Accumulated	Accumulated Other Comprehensive Income	Treasury Shares		Noncontrolling	Total Owner's	Series A Preferred
	Shares	Amount	Capital	Deficit)	(Loss)	Shares	Amount	Interests	Equity	Stock
	(Unaudited)									
	(In millions, except shares in thousands)									
Balance, December 31, 2015	56,020	$0.1	$1,457.4	$26.9	$5.7	426	$(28.7)	$4,788.8	$6,250.2	$—
Compensation on equity grants	—	—	20.0	—	—	—	—	2.2	22.2	—
Distribution equivalent rights	—	—	(6.8)	—	—	—	—	(0.2)	(7.0)	—
Shares issued under compensation program	331	—	—	—	—	—	—	—	—	—
Shares and units tendered for tax withholding obligations	(81)	—	—	—	—	81	(3.1)	(0.1)	(3.2)	—
Issuance of common stock	9,211	—	398.0	—	—	—	—	—	398.0	—
Issuance of Series A Preferred and detachable warrants	—	—	796.8	—	—	—	—	—	796.8	173.3
Exercise of warrants - share settled	3,186	—	—	—	—	—	—	—	—	—
Series A Preferred Stock dividends	—	—	—	(49.7)	—	—	—	—	(49.7)	—
Series A Preferred Stock dividends in excess of retained earnings	—	—	(45.9)	45.9	—	—	—	—	—	—
Series A Preferred Stock deemed dividends - accretion of beneficial conversion feature	—	—	(12.3)	—	—	—	—	—	(12.3)	12.3
Common stock dividends	—	—	—	(349.0)	—	—	—	—	(349.0)	—
	—	—	(325.9)	325.9	—	—	—	—	—	—

Common stock dividends in excess of retained earnings										
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(164.3)	(164.3)	—
Contributions from noncontrolling interests	—	—	—	—	—	—	—	32.8	32.8	—
Acquisition of TRP noncontrolling common interests, net of acquisition costs and deferred income taxes	104,526	0.1	3,096.4	—	55.7	—	—	(4,119.7)	(967.5)	—
Other comprehensive income (loss)	—	—	—	—	(64.1)	—	—	12.4	(51.7)	—
Net income (loss)	—	—	—	(36.6)	—	—	—	18.2	(18.4)	—
Balance, September 30, 2016	173,193	$ 0.2	$ 5,377.7	$ (36.6)	$ (2.7)	507	$ (31.8)	$ 570.1	$ 5,876.9	$ 185.6

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TARGA RESOURCES CORP.

CONSOLIDATED STATEMENTS OF CHANGES IN OWNERS' EQUITY

	Common Stock		Additional Paid in	Retained Earnings (Accumulated	Accumulated Other Comprehensive Income	Treasury Shares		Noncontrolling	Total Owner's
	Shares	Amount	Capital	Deficit)	(Loss)	Shares	Amount	Interests	Equity
	(Unaudited)								
	(In millions, except shares in thousands)								
Balance, December 31, 2014	42,143	$ —	$ 164.9	$ 25.5	$ 4.8	389	$ (25.4)	$ 2,369.7	$ 2,539.5
Compensation on equity grants	—	—	6.2	—	—	—	—	12.8	19.0
Distribution equivalent rights	—	—	(0.6)	—	—	—	—	(1.9)	(2.5)
Shares issued under compensation program	48	—	—	—	—	—	—	—	—
Shares and units tendered for tax withholding obligations	(36)	—	—	—	—	36	(3.1)	(5.2)	(8.3)
Sale of Partnership limited partner interests	—	—	—	—	—	—	—	315.4	315.4
Issuance of common stock	3,738	—	335.5	—	—	—	—	—	335.5
Impact of Partnership equity transactions	—	—	56.5	—	—	—	—	(56.5)	—
Dividends	—	—	—	(128.0)	—	—	—	—	(128.0)
Dividends in excess of retained earnings	—	—	(83.7)	83.7	—	—	—	—	—
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(368.5)	(368.5)
Contributions from noncontrolling interests	—	—	—	—	—	—	—	16.4	16.4
Noncontrolling interests in acquired subsidiaries	—	—	—	—	—	—	—	113.4	113.4
Common stock issued in ATLS merger	10,126	0.1	1,013.6	—	—	—	—	—	1,013.7
Partnership units issued in APL merger	—	—	—	—	—	—	—	2,435.7	2,435.7
Other comprehensive income (loss)	—	—	—	—	0.4	—	—	17.6	18.0
Net income	—	—	—	31.4	—	—	—	49.2	80.6

Balance, September 30, 2015	56,019	$ 0.1	$ 1,492.4	$ 12.6	$ 5.2	425	$ (28.5)	$ 4,898.1	$ 6,379.9

See notes to consolidated financial statements.

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TARGA RESOURCES CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended September 30,	
	2016	2015
	(Unaudited)	
	(In millions)	
Cash flows from operating activities		
Net income (loss)	$(18.4)	$80.6
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Amortization in interest expense	12.1	11.2
Compensation on equity grants	22.2	19.0
Depreciation and amortization expense	563.6	448.3
Goodwill impairment	24.0	—
Accretion of asset retirement obligations	3.5	4.0
Change in redemption value of mandatorily redeemable preferred interest	(18.8)	—
Deferred income tax expense (benefit)	(3.9)	41.9
Equity (earnings) loss of unconsolidated affiliates	11.4	1.1
Distributions of earnings received from unconsolidated affiliates	1.8	10.1
Risk management activities	11.7	53.2
(Gain) loss on sale or disposition of assets	5.7	(0.2)
(Gain) loss from financing activities	(21.4)	13.4
Changes in operating assets and liabilities, net of business acquisitions:		
Receivables and other assets	(94.1)	121.6
Inventories	(27.8)	31.2
Accounts payable and other liabilities	89.1	(139.9)
Net cash provided by operating activities	560.7	695.5
Cash flows from investing activities		
Outlays for property, plant and equipment	(425.0)	(625.3)
Outlays for business acquisitions, net of cash acquired	—	(1,574.4)
Investment in unconsolidated affiliates	(4.6)	(6.6)
Return of capital from unconsolidated affiliates	3.4	1.1
Other, net	4.2	(3.0)
Net cash used in investing activities	(422.0)	(2,208.2)
Cash flows from financing activities		
Debt obligations:		
Proceeds from borrowings under credit facilities	1,497.0	2,127.0
Repayments of credit facilities	(1,942.0)	(1,349.0)
Proceeds from borrowings under accounts receivable securitization facility	121.4	275.5
Repayments of accounts receivable securitization facility	(115.7)	(322.8)
Proceeds from issuance of senior notes and term loan	—	2,122.5
Open market purchases of senior notes	(534.3)	—
Repayments on senior term loan	—	(270.0)
Redemption of APL senior notes	—	(1,168.8)
Costs incurred in connection with financing arrangements	(46.1)	(43.0)

Proceeds from issuance of common stock	401.0	335.5
Proceeds from issuance of preferred stock and warrants	994.1	—
Proceeds from sale of Partnership common and preferred units	—	318.6
Repurchase of shares and units under compensation plans	(3.2)	(8.3)
Contributions from noncontrolling interests	32.8	16.4
Distributions to noncontrolling interests	(16.8)	(8.8)
Payments of distribution equivalent rights	(0.3)	(2.5)
Distributions to Partnership unitholders	(147.5)	(359.7)
Dividends paid to common and preferred shareholders	(378.2)	(128.0)
Net cash provided by (used in) financing activities	(137.8)	1,534.6
Net change in cash and cash equivalents	0.9	21.9
Cash and cash equivalents, beginning of period	140.2	81.0
Cash and cash equivalents, end of period	$141.1	$102.9

See notes to consolidated financial statements.

TARGA RESOURCES CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

Note 1 — Organization and Operations

Our Organization

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

Our Operations

The Company is engaged in the business of:

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

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

Note 2 — Basis of Presentation

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

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

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

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

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

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

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

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

TRP's 5,000,000 9.0% Series A Fixed-to-Floating Rate Cumulative Redeemable Perpetual Preferred Units (the "Preferred Units") remain outstanding after the TRC/TRP Merger. The Preferred Units are listed on the NYSE under "NGLS PRA" and are publicly traded. The Preferred Units are reported as noncontrolling interests in our financial statements.

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

	Common shares	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	TRC's stockholders' equity	Noncontrolling interests (1)	Total owners' equity
Shares issued for the Merger	$ 0.1	$ 1,803.0	$ —	$ —	$ 1,803.1	$ (4,119.7)	$ (2,316.6)
Impact of NCI acquisition on TRC owners' equity	—	2,226.7	—	89.9	2,316.6	—	2,316.6
Deferred tax adjustments	—	(918.4)	—	(34.2)	(952.6)	—	(952.6)
Transaction costs, net of tax	—	(14.9)	—	—	(14.9)	—	(14.9)
Acquisition of TRP noncontrolling common interests	$ 0.1	$ 3,096.4	$ —	$ 55.7	$ 3,152.2	$ (4,119.7)	$ (967.5)

(1) Reflects the February 17, 2016 book value of the publicly held interests in TRP.

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

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

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

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

The following table displays the impact of these revisions to activity reported in our Consolidated Statements of Comprehensive Income (Loss) during the three and nine months ended September 30, 2015 and the year ended December 31, 2015:

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

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

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

Note 3 — Significant Accounting Policies

Accounting Policy Updates

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

Recent Accounting Pronouncements

Revenue from Contracts with Customers

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

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

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

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

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

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

Consolidation

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

Presentation of Debt Issuance Costs

In April 2015, the FASB issued ASU 2015-03, Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. The amendments in this update require that debt issuance costs related to a recognized debt liability (other than line-of-credit or other revolving credit facilities) be presented in the Consolidated Balance Sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. This update dealt solely with financial statement display matters; recognition and measurement of debt issuance costs were unaffected. We adopted the amendments on January 1, 2016 and have reclassified unamortized debt issuance costs of $42.7 million on our Consolidated Balance Sheet as of December 31, 2015 from Other long-term assets to Long-term debt to conform to current year presentation. Our Consolidated Balance Sheet as of September 30, 2016 has $33.3 million in unamortized debt issuance costs classified in Long-term debt.

Leases

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

Share-Based Compensation

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

We adopted the applicable amendments in the second quarter of 2016 and have applied the guidance as of January 1, 2016. Amendments related to the timing of when excess tax benefits and deficiencies are recognized, minimum statutory withholding requirements, and forfeitures have been applied using a modified retrospective transition method but resulted in no cumulative effect adjustment to equity. The amendment related to the presentation of employee taxes paid on the statement of cash flows when an employer withholds shares to meet the minimum statutory withholding requirement had no impact as we previously classified these payments as a financing activity and continue to do so. The amendment requiring recognition of excess tax benefits and tax deficiencies in the income statement has been applied prospectively. We have elected to apply the amendment related to the presentation of excess tax benefits and deficiencies on the statement of cash flows on a prospective basis and prior periods have not been adjusted. We recognized $0.3 million and $2.6 million of excess tax deficiencies in income tax expense for the three and nine months ended September 30, 2016. Our diluted earnings per share calculation has been adjusted for the three and nine months ended September 30, 2016, to exclude windfall tax benefits in assumed proceeds under the treasury stock method. In addition, we have elected to account for forfeitures as they occur.

Measurement of Credit Losses on Financial Instruments

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

Cash Flow Classification

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force). These amendments clarify how entities should classify certain cash receipts and cash payments on the statement of cash flows related to the following transactions: (1) debt prepayment or extinguishment costs; (2) settlement of zero-coupon debt instruments or other debt instruments with coupon rates that are insignificant in relation to the effective interest rate of the borrowing; (3) contingent consideration payments made after a business combination; (4) proceeds from the settlement of insurance claims; (5) proceeds from the settlement of corporate-owned life insurance; (6) distributions received from equity method investees; and (7) beneficial interests in securitization transactions. Additionally, the update clarifies how the predominance principle should be applied when cash receipts and cash payments have aspects of more than one class of cash flows. These amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2017, with early adoption permitted. We are currently evaluating the effect of the amendments on our consolidated financial statements and related disclosures.

Recognition of Intra-Entity Transfers of Assets Other than Inventory

In October 2016, the FASB issued ASU 2016-16, Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other than Inventory. The amendments in this update are intended to improve the accounting for the income tax consequences of intra-entity transfers of assets other than inventory. Current GAAP prohibits the recognition of current and deferred income taxes for an intra-entity asset transfer until the asset has been sold to an outside party which is an exception to the principle of comprehensive recognition of current and deferred income taxes in GAAP. This update eliminates the exception by requiring entities to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. These amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2017, with early adoption permitted. We are currently evaluating the effect of the amendments on our consolidated financial statements and related disclosures.

Note 4 – Business Acquisitions

2015 Acquisition

Atlas Mergers

On February 27, 2015, Targa completed the transactions contemplated by the Agreement and Plan of Merger, dated as of October 13, 2014 (the "ATLS Merger Agreement"), by and among (i) Targa, Targa GP Merger Sub LLC, a Delaware limited liability company and a wholly owned subsidiary of Targa ("GP Merger Sub"), Atlas Energy L.P., a Delaware limited partnership ("ATLS") and Atlas Energy GP, LLC, a Delaware limited liability company and the general partner of ATLS ("ATLS GP"), and (ii) Targa and the Partnership completed the transactions contemplated by the Agreement and Plan of Merger (the "APL Merger Agreement" and, together with the ATLS Merger Agreement, the "Atlas Merger Agreements") by and among Targa, the Partnership, the Partnership's general partner, Trident MLP Merger Sub LLC, a Delaware limited liability company and a wholly owned subsidiary of the Partnership ("MLP Merger Sub"), ATLS, Atlas Pipeline Partners L.P., a Delaware limited partnership ("APL") and Atlas Pipeline

Partners GP, LLC, a Delaware limited liability company and the general partner of APL (“APL GP”). Pursuant to the terms and conditions set forth in the ATLS Merger Agreement, GP Merger Sub merged (the “ATLS merger”) with and into ATLS, with ATLS continuing as the surviving entity and as a subsidiary of Targa. Pursuant to the terms and conditions set forth in the APL Merger Agreement, MLP Merger Sub merged (the “APL merger” and, together with the ATLS merger, the “Atlas mergers”) with and into APL, with APL continuing as the surviving entity and as a subsidiary of the Partnership. While the Atlas mergers were two separate legal transactions, for GAAP reporting purposes, they are viewed as a single integrated transaction.

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

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

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

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

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

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

The APL merger was a unit-for-unit transaction with an exchange ratio of 0.5846 of the Partnership's common units (the "APL Unit Consideration") and $1.26 in cash for each APL common unit (the "APL Cash Consideration" and, with the APL Unit Consideration, the "APL Merger Consideration"), a $128.0 million total cash payment, of which $0.6 million was expensed at the acquisition date as the cash payment representing accelerated vesting of a portion of retained employees' APL phantom awards. The Partnership issued 58,614,157 of its common units and awarded 629,231 replacement phantom unit awards with a combined value of approximately $2.6 billion as consideration for the APL merger (based on the $43.82 closing market price of a common unit on the NYSE on February 27, 2015). The cash component of the APL merger also included $701.4 million for the mandatory repayment and extinguishment at closing of the APL Senior Secured Revolving Credit Facility that was to mature in May 2017 (the "APL Revolver"), $28.8 million of payments related to change of control and $6.4 million of cash paid in lieu of unit issuances in connection with settlement of APL equity awards for AEG employees. In March 2015, we contributed $52.4 million to the Partnership to maintain our 2% general partner interest.

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

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

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

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

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

The acquired business contributed revenues of $1,065.7 million and a net loss of $1.0 million to the Company for the period from February 27, 2015 to September 30, 2015, and is reported in our Gathering and Processing segment. As of September 30, 2015, we had incurred $27.3 million of acquisition-related costs. These expenses are included in other expense in our Consolidated Statements of Operations for the nine months ended September 30, 2015. As of September 30, 2016, cumulative acquisition-related costs totaled $27.3 million.

Pro Forma Impact of Atlas Mergers on Consolidated Statement of Operations

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

	September 30, 2015 Pro Forma
Revenues	$ 5,299.9
Net income	62.2

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

- Reflect the change in amortization expense resulting from the difference between the historical balances of APL's intangible assets, net, and the fair value of intangible assets acquired.
- Reflect the change in depreciation expense resulting from the difference between the historical balances of APL's property, plant and equipment, net, and the fair value of property, plant and equipment acquired.
- Reflect the change in interest expense resulting from our financing activities directly related to the Atlas mergers as compared to APL's historical interest expense.
- Reflect the changes in stock-based compensation expense related to the fair value of the unvested portion of replacement Partnership Long Term Incentive Plan ("LTIP") awards that were issued in connection with the acquisition to APL phantom unitholders who continue to provide service as Targa employees following the completion of the APL merger.
- Remove the results of operations attributable to the February 2015 transfer to Atlas Resource Partners, L.P. of 100% of APL's interest in gas gathering assets located in the Appalachian Basin of Tennessee.
- Exclude $27.3 million of acquisition-related costs incurred as of September 30, 2015 from pro forma net income for the nine months ended September 30, 2015.
- Reflect the change in APL's revenues and product purchases to report plant sales of Y-grade at contractual net values to conform to our accounting policy.

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

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

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

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

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

	February 27,
Fair value determination:	2015
Trade and other current receivables, net	$ 181.1
Other current assets	24.4
Assets from risk management activities	102.1

Property, plant and equipment	4,616.9
Investments in unconsolidated affiliates	214.5
Intangible assets	1,354.9
Other long-term assets	5.5
Current liabilities	(259.3)
Long-term debt	(1,573.3)
Deferred income tax liabilities, net	(13.6)
Other long-term liabilities	(119.1)
Total identifiable net assets	4,534.1
Noncontrolling interest in subsidiaries	(216.9)
Goodwill	707.0
Total fair value of consideration transferred	$ 5,024.2

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

During the three months ended September 30, 2015, we recorded additional measurement-period adjustments to our acquisition date fair values due to the refinement of our valuation models, assumptions and inputs. In accordance with ASU 2015-16, we recognized these measurement-period adjustments in the third quarter of 2015, with the effect on the Consolidated Statements of Operations resulting from the change to the provisional amounts calculated as if the acquisition had been completed at February 27, 2015. During the three months ended September 30, 2015, the acquisition date fair value of property, plant and equipment increased by $9.9 million, investments in unconsolidated affiliates increased by $5.5 million, intangible assets decreased by $5.0 million, current liabilities increased by $2.4 million, other assets decreased by $1.0 million, and other current assets decreased by $0.6 million, which resulted in a decrease in goodwill of $6.4 million. These adjustments resulted in increased revenues of $0.6 million, a reduction of operating expenses of $1.9 million, depreciation and amortization expense of $0.1 million and equity losses of $0.1 million recorded in the three months ended September 30, 2015, which, under the prior accounting standard, would have been reflected in previous reporting periods.

During the three months ended December 31, 2015, we recorded additional measurement-period adjustments to our acquisition date fair values due to the refinement of our valuation models, assumptions and inputs, as well as adjustments to previously reported preliminary fair values as a result of our review procedures over the development and application of inputs, assumptions and calculations used in cash-flow based fair value measurements associated with business combinations not operating as designed (as previously disclosed in our 2015 Annual Report on Form 10-K). We recognized these adjustments in the fourth quarter of 2015, with the effect on the Consolidated Statements of Operations resulting from the change to the provisional amounts calculated as if the acquisition had been completed at February 27, 2015. During the three months ended December 31, 2015, the acquisition date fair value of intangible assets increased $155.9 million, noncontrolling interest in subsidiaries increased $103.5 million, other long-term liabilities increased $110.1 million, property, plant and equipment decreased by $86.2 million, investments in unconsolidated affiliates decreased by $5.2 million, deferred tax liabilities increased by $5.0 million, current liabilities increased by $1.3 million, other assets decreased by $0.1 million and other current assets decreased by $0.1 million, which resulted in an increase in goodwill of $155.6 million. These adjustments resulted in depreciation and amortization expenses of $2.0 million, a net decrease to interest expense of $26.2 million, equity earnings of $0.2 million, and a reduction of general and administrative expenses of $0.4 million, recorded in the three months ended December 31, 2015, which, under the prior accounting standard, would have been reflected in previous reporting periods.

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

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

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

Mandatorily Redeemable Preferred Interests

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

Contingent Consideration

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

Replacement Restricted Stock Units (“RSUs”)

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

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

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

Replacement Phantom Units

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

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

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

Goodwill

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

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

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

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

	WestTX	SouthTX	SouthOK	Total
Balance at January 1, 2015	$ —	$ —	$ —	$—
Acquisition, February 27, 2015	364.5	160.3	182.2	707.0
Provisional Impairment (recorded 4Q 2015)	(37.6)	(70.2)	(182.2)	(290.0)
Balance at December 31, 2015	326.9	90.1	—	417.0
Additional Impairment (recorded 1Q 2016)	(14.4)	(9.6)	—	(24.0)
Balance at September 30, 2016	$ 312.5	$ 80.5	$ —	$ 393.0

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

Subsequent Event

On October 31, 2016, we executed a Membership Interest Sale and Purchase Agreement with Chevron U.S.A. Inc. to acquire their 37% membership interest in Versado Gas Processors, L.L.C. (“Versado”). Targa held a 63% controlling interest in Versado prior to this transaction and consolidated Versado. As we continue to control Versado, the change in our ownership interest will be accounted for as an equity transaction and no gain or loss will be recognized in our Consolidated Statements of Operations as a result. See Note 17 – Contingencies.

Note 5 — Inventories

	September 30, 2016	December 31, 2015
Commodities	$ 139.3	$ 128.3

Materials and supplies	11.0	12.7
	$ 150.3	$ 141.0

Note 6 — Property, Plant and Equipment and Intangible Assets

	September 30, 2016	December 31, 2015	Estimated Useful Lives (In Years)
Gathering systems	$6,447.0	$6,304.5	5 to 20
Processing and fractionation facilities	3,312.1	2,995.2	5 to 25
Terminaling and storage facilities	1,194.5	1,115.0	5 to 25
Transportation assets	452.1	454.0	10 to 25
Other property, plant and equipment	232.2	221.1	3 to 25
Land	120.6	108.8	—
Construction in progress	596.0	736.5	—
Property, plant and equipment	12,354.5	11,935.1	
Accumulated depreciation	(2,674.3)	(2,232.4)	
Property, plant and equipment, net	$9,680.2	$9,702.7	
Intangible assets	$2,036.6	$2,036.6	20
Accumulated amortization	(343.6)	(226.5)	
Intangible assets, net	$1,693.0	$1,810.1	

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

The fair values of intangible assets acquired in the Atlas mergers have been recorded at a fair value of $1,354.9 million and are being amortized over a 20 year life using the straight-line method, as a reliably determinable pattern of amortization could not be identified. Amortization expense attributable to our intangible assets related to the Badlands acquisition is recorded using a method that closely reflects the cash flow pattern underlying their intangible asset valuation over a 20 year life.

The changes in our intangible assets are as follows:

Balance at December 31, 2015	$1,810.1
Amortization	(117.1)
Balance at September 30, 2016	$1,693.0

Note 7 – Investments in Unconsolidated Affiliates

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

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

	GCF	T2 LaSalle	T2 Eagle Ford	T2 EF Cogen	Total
Balance at December 31, 2015	$49.5	$ 63.6	$123.8	$ 22.0	$258.9
Equity earnings (loss)	1.8	(3.8)	(6.8)	(2.6)	(11.4)
Cash distributions (1)	(4.4)	—	—	(0.8)	(5.2)
Cash calls for expansion projects	—	0.1	4.5	—	4.6
Balance at September 30, 2016	$46.9	$ 59.9	$121.5	$ 18.6	$246.9

(1)

Includes $3.4 million in distributions received from GCF and the T2 Joint Ventures in excess of our share of cumulative earnings for the nine months ended September 30, 2016. Such excess distributions are considered a return of capital and disclosed in cash flows from investing activities in the Consolidated Statements of Cash Flows.

The recorded value of the T2 Joint Ventures is based on fair values at the date of acquisition which results in an excess fair value of $36.7 million over the book value of the joint venture capital accounts as of September 30, 2016. This basis difference is attributable to depreciable tangible assets and is being amortized over the estimated useful lives of the underlying assets of 20 years on a straight-line basis and is included as a component of equity earnings. See Note 4 - Business Acquisitions for further information regarding the fair value determinations related to the Atlas mergers.

Note 8 — Accounts Payable and Accrued Liabilities

	September 30, 2016	December 31, 2015
Commodities	$ 441.2	$ 385.2
Other goods and services	91.9	142.9
Interest	63.4	81.0
Compensation and benefits	28.0	16.0
Income and other taxes	49.6	13.4
Preferred dividends payable	23.9	0.9
Other	12.8	17.7
	$ 710.8	$ 657.1

Accounts payable and accrued liabilities includes $23.7 million and $34.2 million of liabilities to creditors to whom we have issued checks that remain outstanding as of September 30, 2016 and December 31, 2015.

Note 9 — Debt Obligations

	September 30, 2016	December 31, 2015
Current:		
Obligations of the Partnership: (1)		
Accounts receivable securitization facility, due December 2016	$ 225.0	$ 219.3
Long-term:		
TRC obligations:		
TRC Senior secured revolving credit facility, variable rate, due February 2020 (2)	275.0	440.0
TRC Senior secured term loan, variable rate, due February 2022	160.0	160.0
Unamortized discount	(2.3)	(2.5)
Obligations of the Partnership: (1)		
Senior secured revolving credit facility, variable rate, due October 2017 (3)	—	280.0
Senior unsecured notes:		
5% fixed rate, due January 2018	733.6	1,100.0
4 % fixed rate, due November 2019	749.4	800.0
6 % fixed rate, due October 2020	309.9	342.1
Unamortized premium	3.9	5.0
6 % fixed rate, due February 2021	478.6	483.6
Unamortized discount	(19.3)	(22.1)
6 % fixed rate, due August 2022	278.7	300.0
5¼% fixed rate, due May 2023	559.6	583.7
4¼% fixed rate, due November 2023	583.9	623.5
6¾% fixed rate, due March 2024	580.1	600.0
APL notes, 6 % fixed rate, due October 2020 (4)	12.9	12.9
Unamortized premium	0.1	0.2
APL notes, 4¾% fixed rate, due November 2021 (4)	6.5	6.5
APL notes, 5 % fixed rate, due August 2023 (4)	48.1	48.1
Unamortized premium		