Targa Resources Investments Inc.
Form S-1/A
November 08, 2010

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As filed with the Securities and Exchange Commission on November 8, 2010

Registration No. 333-169277

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

Amendment No. 2
to
Form S-1

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

TARGA RESOURCES INVESTMENTS INC.
(Exact name of registrant as specified in its charter)

Delaware	**4922**	**20-3701075**
(State or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification Number)*

1000 Louisiana, Suite 4300
Houston, Texas 77002
(713) 584-1000
(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Rene R. Joyce
Chief Executive Officer
1000 Louisiana, Suite 4300
Houston, Texas 77002
(713) 584-1000
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

David P. Oelman
Christopher S. Collins
Vinson & Elkins LLP
1001 Fannin Street, Suite 2500
Houston, Texas 77002
(713) 758-2222

Douglass M. Rayburn
Baker Botts L.L.P.
2001 Ross Avenue
Dallas, Texas 75201
(214) 953-6500

Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

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

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

CALCULATION OF REGISTRATION FEE

ch Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price(2)	Am Registra
ck, par value $0.001 per share	15,812,500	$21.00	$332,062,500.00	$23

(1) Includes 2,062,500 shares of common stock which may be issued on exercise of a 30-day option granted to the underwriters to cover over-allotments, if any.

(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(a) under the Securities Act of 1933, as amended.

(3) A registration fee of $21,390.00 was paid previously based on an estimate of the aggregate offering price.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting offers to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion, dated November 8, 2010

PROSPECTUS

13,750,000 Shares

Targa Resources Investments Inc.

Common Stock

This is the initial public offering of the common stock of Targa Resources Investments Inc. The selling stockholders identified in this prospectus, including a member of our senior management, are offering 13,750,000 shares of our common stock. We will not receive any proceeds from the sale of shares by the selling stockholders. No public market currently exists for our common stock.

We have applied to list our common stock on the New York Stock Exchange under the symbol TRGP.

We anticipate that the initial public offering price will be between $19.00 and $21.00 per share.

Investing in our common stock involves risks. See Risk Factors beginning on page 24 of this prospectus.

	Per Share	**Total**
Price to the public	$	$
Underwriting discounts and commissions[1]	$	$
Proceeds to the selling stockholders	$	$

(1) Excludes a structuring fee equal to 0.25% of the gross proceeds of this offering, or approximately $687,500, payable by Targa Resources Investments Inc. to Barclays Capital Inc.

The selling stockholders have granted the underwriters a 30-day option to purchase up to an additional 2,062,500 shares of common stock on the same terms and conditions as set forth above if the underwriters sell more than 13,750,000 shares of common stock in this offering.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed on the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

Barclays Capital expects to deliver the shares on or about , 2010.

Barclays Capital **Morgan Stanley** **BofA Merrill Lynch**
Citi **Deutsche Bank Securities**

Credit Suisse	**J.P. Morgan**	**Wells Fargo Securities**
Raymond James	**RBC Capital Markets**	**UBS Investment Bank**

Baird	**ING**

Prospectus dated , 2010

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You should rely only on the information contained in this prospectus. We have not, and the underwriters have not, authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where an offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate as of the date on the front cover of this prospectus. Our business, financial condition, results of operations and prospects may have changed since that date.

Until , all dealers that buy, sell or trade our common stock, whether or not participating in this offering, may be required to deliver a prospectus. This requirement is in addition to the dealers obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

SUMMARY

This summary provides a brief overview of information contained elsewhere in this prospectus. Because it is abbreviated, this summary may not contain all of the information that you should consider before investing in our common stock. You should read the entire prospectus carefully, including the historical financial statements and the notes to those financial statements. Unless indicated otherwise, the information presented in this prospectus assumes that the underwriters do not exercise their option to purchase additional shares of our common stock. You should read Risk Factors beginning on page 24 for more information about important risks that you should consider carefully before investing in our common stock. We include a glossary of some of the terms used in this prospectus as Appendix A.

As used in this prospectus, unless we indicate otherwise: (1) our, we, us, TRII, the Company and similar terms r either to Targa Resources Investments Inc. in its individual capacity or to Targa Resources Investments Inc. and its subsidiaries collectively, as the context requires, (2) the General Partner refers to Targa Resources GP LLC, the general partner of the Partnership, and (3) the Partnership refers to Targa Resources Partners LP in its individual capacity, to Targa Resources Partners LP and its subsidiaries collectively, or to Targa Resources Partners LP together with combined entities for predecessor periods under common control, as the context requires.

Targa Resources Investments Inc.

We own general and limited partner interests, including incentive distribution rights (IDRs), in Targa Resources Partners LP (NYSE: NGLS), a publicly traded Delaware limited partnership that is a leading provider of midstream natural gas and natural gas liquid services in the United States. The Partnership is engaged in the business of gathering, compressing, treating, processing and selling natural gas and storing, fractionating, treating, transporting and selling natural gas liquids, or NGLs, and NGL products. Our interests in the Partnership consist of the following:

- a 2% general partner interest, which we hold through our 100% ownership interest in the general partner of the Partnership;
- all of the outstanding IDRs; and
- 11,645,659 of the 75,545,409 outstanding common units of the Partnership, representing a 15.1% limited partnership interest.

Our primary business objective is to increase our cash available for distribution to our stockholders by assisting the Partnership in executing its business strategy. We may facilitate the Partnership s growth through various forms of financial support, including, but not limited to, modifying the Partnership s IDRs, exercising the Partnership s IDR reset provision contained in its partnership agreement, making loans, making capital contributions in exchange for yielding or non-yielding equity interests or providing other financial support to the Partnership, if needed, to support its ability to make distributions. In addition, we may acquire assets that could be candidates for acquisition by the Partnership, potentially after operational or commercial improvement or further development.

Our cash flows are generated from the cash distributions we receive from the Partnership. The Partnership is required to distribute all available cash at the end of each quarter after establishing reserves to provide for the proper conduct of its business or to provide for future distributions. Our ownership of the Partnership s IDRs and general partner interests entitle us to receive:

2% of all cash distributed in a quarter until $0.3881 has been distributed in respect of each common unit of the Partnership for that quarter;

15% of all cash distributed in a quarter after $0.3881 has been distributed in respect of each common unit of the Partnership for that quarter;

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25% of all cash distributed in a quarter after $0.4219 has been distributed in respect of each common unit of the Partnership for that quarter; and

50% of all cash distributed in a quarter after $0.50625 has been distributed in respect of each common unit of the Partnership for that quarter.

On November 4, 2010, the Partnership announced that management plans to recommend to the General Partner s board of directors a $0.04 increase in the annualized cash distribution rate to $2.19 per common unit for the fourth quarter of 2010 distribution. Based on a $2.19 annualized rate, a quarterly distribution by the Partnership of $0.5475 per common unit will result in a quarterly distribution to us of $6.4 million, or $25.5 million on an annualized basis, in respect of our common units in the Partnership. Such distribution would also result in a quarterly distribution to us of $6.3 million, or $25.2 million on an annualized basis, in respect of our 2% general partner interest and IDRs for total quarterly distributions of $12.7 million, or $50.7 million on an annualized basis.

We intend to pay to our stockholders, on a quarterly basis, dividends equal to the cash the Partnership distributes to us based on our ownership of Partnership securities, less the expenses of being a public company, other general and administrative expenses, federal income taxes, capital contributions to the Partnership and reserves established by our board of directors. Based on the current distribution policy of the Partnership, we plan to pay an initial quarterly dividend of $0.2575 per share of our common stock, or $1.03 per share on an annualized basis, for a total quarterly dividend of approximately $10.9 million, or $43.6 million on an annualized basis, per our dividend policy, which we will adopt prior to the conclusion of this offering. See Our Dividend Policy.

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The following graph shows the historical cash distributions declared by the Partnership for the periods shown to its limited partners (including us), to us based on our 2% general partner interest in the Partnership and to us based on the IDRs. The increases in historical cash distributions to both the limited partners and the general partner since the second quarter ended June 30, 2007, as reflected in the graph set forth below, generally resulted from increases in the Partnership s per unit quarterly distribution over time and the issuance of approximately 44.7 million additional common units by the Partnership over time to finance acquisitions and capital improvements. Over the same period, the quarterly distributions declared and to be recommended by the Partnership in respect of our 2% general partner interest and IDRs increased approximately 3,050% from $0.2 million to $6.3 million.

Quarterly Cash Distributions by the Partnership[1]

[1] Represents historical quarterly cash distributions by the Partnership.

The graph set forth below shows hypothetical cash distributions payable to us in respect of our interests in the Partnership across an illustrative range of annualized distributions per common unit. This information is based upon the following:

- the Partnership has a total of 75,545,409 common units outstanding; and
- we own (i) a 2% general partner interest in the Partnership, (ii) the IDRs and (iii) 11,645,659 common units of the Partnership.

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The graph below also illustrates the impact on us of the Partnership raising or lowering its per common unit distribution from the fourth quarter quarterly distribution of $0.5475 per common unit, or $2.19 per common unit on an annualized basis, that management plans to recommend to the General Partner s board of directors. This information is presented for illustrative purposes only; it is not intended to be a prediction of future performance and does not attempt to illustrate the impact that changes in our or the Partnership s business, including changes that may result from changes in interest rates, energy prices or general economic conditions, or the impact that any future acquisitions or expansion projects, divestitures or the issuance of additional debt or equity securities, will have on our or the Partnership s results of operations.

Hypothetical Annualized Pre-Tax Partnership Distributions to Us[1]

(1) For the fourth quarter of 2010, management plans to recommend a quarterly cash distribution of $0.5475 per common unit, or $2.19 per common unit on an annualized basis.

The impact on us of changes in the Partnership s distribution levels will vary depending on several factors, including the Partnership s total outstanding partnership interests on the record date for the distribution, the aggregate cash distributions made by the Partnership and the interests in the Partnership owned by us. If the Partnership increases distributions to its unitholders, including us, we would expect to increase dividends to our stockholders, although the timing and amount of such increased dividends, if any, will not necessarily be comparable to the timing and amount of the increase in distributions made by the Partnership. In addition, the level of distributions we receive and of dividends we pay to our stockholders may be affected by the various risks associated with an investment in us and the underlying business of the Partnership. Please read Risk Factors for more information about the risks that may impact your investment in us.

Targa Resources Partners LP

The Partnership is a leading provider of midstream natural gas and NGL services in the United States and is engaged in the business of gathering, compressing, treating, processing and selling natural gas and storing, fractionating, treating, transporting and selling NGLs and NGL products. The Partnership operates in two primary divisions: (i) Natural Gas Gathering and Processing, consisting of two segments (a) Field Gathering and Processing and (b) Coastal Gathering and Processing; and (ii) NGL Logistics and Marketing, consisting of two segments (a) Logistics Assets and (b) Marketing and Distribution.

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The Partnership currently owns interests in or operates approximately 11,372 miles of natural gas pipelines and approximately 800 miles of NGL pipelines, with natural gas gathering systems covering approximately 13,500 square miles and 22 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, the Partnership s integrated NGL logistics and marketing division, or Downstream Business, has net NGL fractionation capacity of approximately 314 MBbl/d, 48 owned and operated storage wells with a net storage capacity of approximately 67 MMBbl, and 15 storage, marine and transport terminals with above ground NGL storage capacity of approximately 825 MBbl.

Since the beginning of 2007, the Partnership has completed six acquisitions from us with an aggregate purchase price of approximately $3.1 billion. In addition, and over the same period, the Partnership has invested approximately $196 million in growth capital expenditures. We believe that the Partnership is well positioned to continue the successful execution of its business strategies, including accretive acquisitions and expansion projects, and that the Partnership s inventory of growth projects should help to sustain continued growth in cash distributions paid by the Partnership.

Based on the Partnership s closing common unit price on November 5, 2010, the Partnership has an equity market capitalization of $2.4 billion. As of September 30, 2010, the Partnership had total assets of $3.1 billion.

Recent Transactions

On August 25, 2010, the Partnership acquired from us a 63% ownership interest in Versado Gas Processors, L.L.C. (Versado), a joint venture in which Chevron U.S.A. Inc. owns the remaining 37% interest, for a purchase price of $247.2 million. Versado owns a natural gas gathering and processing business consisting of the Eunice, Monument and Saunders gathering and processing systems, including treating operations, processing plants and related assets (collectively, the Versado System). The Versado System includes three refrigerated cryogenic processing plants and approximately 3,200 miles of combined gathering pipelines in Southeast New Mexico and West Texas and is primarily conducted under percent of proceeds arrangements. During 2009, the Versado System processed an average of approximately 198.8 MMcf/d of natural gas and produced an average of approximately 22.2 MBbl/d of NGLs. In the first nine months of 2010, the Versado System processed an average of approximately 180.5 MMcf/d of natural gas and produced an average of approximately 20.4 MBbl/d of NGLs.

On September 28, 2010, the Partnership acquired from us a 77% ownership interest in Venice Energy Services Company, L.L.C. (VESCO), a joint venture in which Enterprise Gas Processing, LLC and Oneok Vesco Holdings, L.L.C. own the remaining ownership interests, for a purchase price of $175.6 million. VESCO owns and operates a natural gas gathering and processing business in Louisiana consisting of a coastal straddle plant and the business and operations of Venice Gathering System, L.L.C., a wholly owned subsidiary of VESCO that owns and operates an offshore gathering system and related assets (collectively, the VESCO System). The VESCO System captures volumes from the Gulf of Mexico shelf and deepwater. For the year ended December 31, 2009 and for the nine months ended September 30, 2010, VESCO processed 363 MMcf/d and 423 MMcf/d of natural gas, respectively.

On October 8, 2010, the Partnership declared a quarterly cash distribution of $0.5375 per common unit, or $2.15 per common unit on an annualized basis for the third quarter of 2010, payable on November 12, 2010 to holders of record on October 18, 2010.

On November 4, 2010, the Partnership announced that management plans to recommend to the General Partner s board of directors a $0.04 increase in the annualized cash distribution rate to $2.19 per common unit for the fourth quarter of 2010 distribution.

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Partnership Growth Drivers

We believe the Partnership s near-term growth will be driven both by significant recently completed or pending projects as well as strong supply and demand fundamentals for its existing businesses. Over the longer-term, we expect the Partnership s growth will be driven by natural gas shale opportunities, which could lead to growth in both the Partnership s Gathering and Processing division and Downstream Business, organic growth projects and potential strategic and other acquisitions related to its existing businesses.

Organic growth projects. We expect the Partnership s near-term growth to be driven by a number of significant projects scheduled for completion in 2011 and 2012 that are supported by long-term, fee-based contracts. These projects include:

Cedar Bayou Fractionator expansion project: The Partnership is currently constructing approximately 78 MBbl/d of additional fractionation capacity at the Partnership s 88% owned Cedar Bayou Fractionator (CBF) in Mont Belvieu for an estimated gross cost of $78 million.

Benzene treating project: A new treater is under construction which will operate in conjunction with the Partnership s existing low sulfur natural gasoline (LSNG) facility at Mont Belvieu and is designed to reduce benzene content of natural gasoline to meet new, more stringent environmental standards. The treater has an estimated gross cost of approximately $33 million.

Gulf Coast Fractionators expansion project: The Partnership has announced plans by Gulf Coast Fractionators (GCF), a partnership with ConocoPhillips and Devon Energy Corporation in which the Partnership owns a 38.8% interest, to expand the capacity of its NGL fractionation facility in Mont Belvieu by 43 MBbl/d for an estimated gross cost of $75 million.

SAOU Expansion Program: The Partnership has announced a $30 million capital expenditure program including new compression facilities and pipelines as well as expenditures to restart the 25 MMcf/d Conger processing plant in response to strong volume growth and new well connects.

The Partnership has successfully completed both large and small organic growth projects that are associated with its existing assets and expects to continue to do so in the future. These projects have involved growth capital expenditures of $245 million since 2005 and include an LSNG project, operations improvements and efficiency enhancements, opportunistic commercial development activities, and other enhancements.

Strong supply and demand fundamentals for the Partnership s existing businesses. We believe that the current strength of oil, condensate and NGL prices and of forecast prices for these energy commodities has caused producers in and around the Partnership s natural gas gathering and processing areas of operation to focus their drilling programs on regions rich in these forms of hydrocarbons. Liquids rich gas is prevalent from the Wolfberry Trend and Canyon Sands plays, which are accessible by the SAOU processing business in the Permian Basin (known as SAOU), the Wolfberry and Bone Springs plays, which are accessible by the Sand Hills system, and from oilier portions of the Barnett Shale natural gas play, especially portions of Montague, Cooke, Clay and Wise counties, which are accessible by the North Texas System.

Producer activity in areas rich in oil, condensate and NGLs is currently generating high demand for the Partnership s fractionation services at the Mont Belvieu market hub. As a result, fractionation volumes have recently increased to near existing capacity. Until additional fractionation capacity comes on-line in 2011, there will be limited incremental supply of fractionation services in the area. These strong supply and demand fundamentals have resulted in long-term, take-or-pay contracts for existing capacity and support the construction of new fractionation capacity, such as the

Partnership s

CBF and GCF expansion projects. The Partnership is continuing to see rates for fractionation services increase. The higher volumes of fractionated NGLs should also result in increased demand for other related fee-based services provided by the Partnership s Downstream Business.

Natural gas shale opportunities. The Partnership is actively pursuing natural gas gathering and processing and NGL fractionation opportunities associated with many of the active, liquids rich natural gas shale plays, such as certain regions of the Marcellus Shale and Eagle Ford Shale. We believe that the Partnership s leadership position in the NGL Logistics and Marketing business, which includes the Partnership s fractionation services, provides the Partnership with a competitive advantage relative to other gathering and processing companies without these capabilities.

Potential third party acquisitions related to the Partnership s existing businesses. While the Partnership s recent growth has been partially driven by the implementation of a focused drop drown strategy, our management team also has a record of successful third party acquisitions. Since our formation, our strategy has included approximately $3 billion in acquisitions and growth capital expenditures.

Our management team will continue to manage the Partnership s business after this offering, and we expect that third-party acquisitions will continue to be a significant focus of the Partnership s growth strategy.

The Partnership s Competitive Strengths and Strategies

We believe the Partnership is well positioned to execute its business strategy due to the following competitive strengths:

- The Partnership is one of the largest fractionators of NGLs in the Gulf Coast region.
- The Partnership s gathering and processing businesses are predominantly located in active and growth oriented oil and gas producing basins.
- The Partnership provides a comprehensive package of services to natural gas producers.
- The Partnership s gathering and processing systems and logistics assets consist of high-quality, well maintained assets, resulting in low cost, efficient operations.
- The Partnership maintains gathering and processing positions in strategic oil and gas producing areas across multiple basins and provides services under attractive contract terms to a diverse mix of customers.
- Maintaining appropriate leverage and distribution coverage levels and mitigating commodity price volatility allow the Partnership to be flexible in its growth strategy and enable it to pursue strategic acquisitions and large growth projects.
- The executive management team which formed Targa Resources, Inc. in 2004 and continues to manage Targa today possesses over 200 years of combined experience working in the midstream natural gas and energy business.

The Partnership s Challenges

The Partnership faces a number of challenges in implementing its business strategy. For example:

- The Partnership has a substantial amount of indebtedness which may adversely affect its financial position.

The Partnership s cash flow is affected by supply and demand for oil, natural gas and NGL products and by natural gas and NGL prices, and decreases in these prices could adversely affect its results of operations and financial condition.

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- The Partnership s long-term success depends on its ability to obtain new sources of supplies of natural gas and NGLs, which depends on certain factors beyond its control. Any decrease in supplies of natural gas or NGLs could adversely affect the Partnership s business and operating results.

- If the Partnership does not make acquisitions or investments in new assets on economically acceptable terms or efficiently and effectively integrate new assets, its results of operations and financial condition could be adversely affected.

- The Partnership is subject to regulatory, environmental, political, legal and economic risks, which could adversely affect its results of operations and financial condition.

- The Partnership s growth strategy requires access to new capital. Tightened capital markets or increased competition for investment opportunities could impair its ability to grow.

- The Partnership s hedging activities may not be effective in reducing the variability of its cash flows and may, in certain circumstances, increase the variability of its cash flows.

- The Partnership s industry is highly competitive, and increased competitive pressure could adversely affect the Partnership s business and operating results.

For a further discussion of these and other challenges we face, please read Risk Factors.

Our Structure and Ownership After This Offering

We were formed in October 2005 as a Delaware corporation to become the top-tier holding company for Targa Resources, Inc. We currently have outstanding a total of (i) 6,409,697 shares of Series B Convertible Participating Preferred Stock par value $0.001 per share (Series B Preferred) held by affiliates of Warburg Pincus LLC (Warburg Pincus), an affiliate of Bank of America and members of management and (ii) 10,228,520 shares of common stock held by members of management and other employees.

All shares of our outstanding Series B Preferred were issued in connection with our formation in October 2005 either by way of purchase or exchange. All shares of our outstanding common stock were issued under our 2005 Stock Incentive Plan as a direct issuance, as a result of option exercises or in exchange for Series B Preferred options.

Immediately prior to completion of this offering, (1) we will effect a 1 for 2.11 reverse split of our common stock to reduce the number of shares of our common stock that are currently outstanding and (2) all of our shares of Series B Preferred will automatically convert into shares of common stock, based on (a) the 10 to 1 conversion ratio applicable to the Series B Preferred plus (b) the accreted value per share (which includes accrued and unpaid dividends) of the Series B Preferred divided by the initial public offering price for this offering after deducting underwriting discounts and commissions, in each case after giving effect to the reverse split. We also expect to issue equity awards that total approximately 1.9 million shares of common stock in connection with the offering under a new stock incentive plan. Please see Management Executive Compensation Compensation Discussion and Analysis Changes in Connection with the Completion of this Offering for a description of the new stock incentive plan and the proposed initial grant under the plan.

As described above, the number of shares of common stock to be issued upon conversion of our preferred stock will depend on the initial public offering price as well as the accreted value of the preferred stock. For purposes of this preliminary prospectus, we have presented all common stock ownership amounts and percentages based on an assumed initial public offering price of $20.00 per share, which is the midpoint of the range of prices shown on the cover of this preliminary prospectus as of the date hereof and an accreted value of the Series B Preferred of $98 million.

The following chart depicts our organizational and ownership structure after giving effect to this offering and the transactions described above. Upon completion of this offering, there will be a total of 42,292,381 common shares outstanding, consisting of the following:

- Affiliates of Warburg Pincus will own 17,617,299 shares of common stock, representing a 41.7% ownership interest in us.
- An affiliate of Bank of America will own 2,773,711 shares of common stock representing a 6.5% ownership interest in us.
- Our employees, including our executive officers, will own approximately 8.2 million shares of common stock, representing a 19.3% ownership interest in us, including the approximately 1.9 million shares of common stock we expect to issue under the new stock incentive plan to be adopted in conjunction with this offering.
- Our public stockholders will own 13,750,000 shares of common stock, representing a 32.5% ownership interest in us.

We will indirectly own 100% of the ownership interest in the General Partner, which will own the 2% general partner interest in the Partnership and all of the Partnership s IDRs.

We will indirectly own 11,645,659 of the Partnership s 75,545,409 outstanding common units, representing a 15.1% limited partner interest in the Partnership.

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**Our Simplified Organizational Structure
Following this Offering**

The Offering

Common stock offered to the public	13,750,000 shares
Common stock to be outstanding after this offering	42,292,381 shares(1)
Over-allotment option	The selling stockholders have granted the underwriters a 30-day option to purchase up to an aggregate of additional shares of our common stock to cover over-allotments.
Use of proceeds	We will not receive any proceeds from this offering.
Dividend policy	We intend to pay to our stockholders, on a quarterly basis, dividends equal to the cash we receive from our Partnership distributions, less reserves for expenses, future dividends and other uses of cash, including: federal income taxes, which we are required to pay because we are taxed as a corporation; the expenses of being a public company; other general and administrative expenses; reserves our board of directors believes prudent to maintain; and capital contributions to the Partnership upon the issuance by it of additional partnership securities if we choose to maintain the General Partner s 2% interest.
Dividends	Based on the current distribution policy of the Partnership, our expected federal income tax liabilities, our expected level of other expenses and reserves, we expect that our initial quarterly dividend rate will be $0.2575 per share. We expect to pay a prorated dividend for the portion of the fourth quarter of 2010 that we are public in February 2011. However, we cannot assure you that any dividends will be declared or paid by us. Based on the distributions paid by the Partnership to its unitholders for each of the immediately preceding four quarters, we believe we would have been able to pay the initial quarterly dividend to our shareholders for each of the immediately preceding four quarters. We also expect that we will be able to pay the initial quarterly dividend for each of the four quarters in the year ending December 31, 2011. Please read Our Dividend Policy.
Tax	For a discussion of the material tax consequences that may be relevant to prospective stockholders who are non-U.S. holders (as defined below), please read Material U.S. Federal Income Tax Consequences to Non-U.S.

Holders.

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Risk factors	You should carefully read and consider the information beginning on page 24 of this prospectus set forth under the heading Risk Factors and all other information set forth in this prospectus before deciding to invest in our common stock.
New York Stock Exchange symbol	TRGP

(1) This number gives effect to the assumed common stock split, to conversion of our outstanding preferred stock into shares of our common stock and to the expected issuance of shares of common stock under our new stock incentive plan, all of which are described under Our Structure and Ownership After This Offering.

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Comparison of Rights of Our Common Stock and the Partnership s Common Units

Our shares of common stock and the Partnership s common units are unlikely to trade, either by volume or price, in correlation or proportion to one another. Instead, while the trading prices of our shares and the common units may follow generally similar broad trends, the trading prices may diverge because, among other things:

- common unitholders of the Partnership have a priority over the IDRs with respect to the Partnership distributions;
- we participate in the General Partner s distributions and IDRs and the common unitholders do not;
- we and our stockholders are taxed differently from the Partnership and its common unitholders; and
- we may enter into other businesses separate and apart from the Partnership or any of its affiliates.

An investment in common units of a partnership is inherently different from an investment in common stock of a corporation.

	Partnership s Common Units	Our Shares
Distributions and Dividends	The Partnership pays its limited partners and the General Partner quarterly distributions equal to all of the available cash from operating surplus. The General Partner has a 2% general partner interest. Common unitholders do not participate in the distributions to the General Partner or in the IDRs.	We intend to pay our stockholders, on a quarterly basis, dividends equal to the cash the Partnership distributes to us based on our ownership of Partnership interests, less federal income taxes, which we are required to pay because we are taxed as a corporation, the expenses of being a public company, other general and administrative expenses, capital contributions to the Partnership upon the issuance by it of additional Partnership securities if we choose to maintain the General Partner s 2% interest and reserves established by our board of directors. We receive distributions from the Partnership with respect to our 11,645,659 common units.

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	Partnership s Common Units	Our Shares
		In addition, through our ownership of the Partnership s general partner, we participate in the distributions to the General Partner pursuant to the 2% general partner interest and the IDRs. If the Partnership is successful in implementing its strategy to increase distributable cash flow, our income from these rights may increase in the future. However, no distributions may be made on the IDRs until the minimum quarterly distribution has been paid on all outstanding common units. Therefore, distributions with respect to the IDRs are even more uncertain than distributions on the common units.
Taxation of Entity and Equity Owners	The Partnership is a flow-through entity that is not subject to an entity level federal income tax. The Partnership expects that holders of units in the Partnership other than us will benefit for a period of time from tax basis adjustments and remedial allocations of deductions so that they will be allocated a relatively small amount of federal taxable income compared to the cash distributed to them.	Our taxable income is subject to U.S. federal income tax at the corporate tax rate, which is currently a maximum of 35%. In addition, we will be allocated more taxable income relative to our Partnership distributions than the other common unitholders and the relative amount thereof may increase if the Partnership issues additional units or distributes a higher percentage of cash to the holder of the IDRs.

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	Partnership s Common Units	Our Shares
	Common unitholders will receive Forms K-1 from the Partnership reflecting the unitholders share of the Partnership s items of income, gain, loss, and deduction. Tax-exempt organizations, including employee benefit plans, will have unrelated business taxable income as a result of the allocation of the Partnership s items of income, gain, loss, and deduction to them. Regulated investment companies or mutual funds will be allocated items of income, which will not constitute qualifying income, as a result of the ownership of common units.	Because we are not a flow-through entity, our stockholders do not report our items of income, gain, loss and deduction on their federal income tax returns. Distributions to our stockholders will constitute dividends for U.S. tax purposes to the extent of our current or accumulated earnings and profits. To the extent those distributions are not treated as dividends, they will be treated as gain from the sale of the common stock to the extent the distribution exceeds a stockholder s adjusted basis in the common stock sold. Our stockholders will generally recognize capital gain or loss on the sale of our common stock equal to the difference between a stockholder s adjusted tax basis in the shares of common stock sold and the proceeds received by such holder. This gain or loss will generally be long-term gain or loss if a holder sells shares of common stock held for more than one year. Under current law, long-term capital gains of individuals generally are subject to a reduced rate of U.S. federal income tax. Tax-exempt organizations, including employee benefit plans, will not have unrelated business taxable income upon the receipt of dividends from us. Regulated investment companies or mutual funds will have qualifying income as a result of dividends received from us.

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	Partnership s Common Units	Our Shares
Voting	Certain significant decisions require approval by a unit majority of the common units. These significant decisions include, among other things: merger of the Partnership or the sale of all or substantially all of its assets in certain circumstances; and certain amendments to the Partnership s partnership agreement. For more information, please read Material Provisions of the Partnership s Partnership Agreement Voting Rights.	Under our amended and restated bylaws, each stockholder will be entitled to cast one vote, either in person or by proxy, for each share standing in his or her name on the books of the corporation as of the record date. Our amended and restated certificate of incorporation and amended and restated bylaws will contain supermajority voting requirements for certain matters. See Description of Our Capital Stock Anti-Takeover Effects of Provisions of Our Amended and Restated Certificate of Incorporation, Our Amended and Restated Bylaws and Delaware Law Certificate of Incorporation and Bylaws.

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	Partnership s Common Units	Our Shares
Election, Appointment and Removal of General Partner and Directors	Common unitholders do not elect the directors of Targa Resources GP LLC. Instead, these directors are elected annually by us, as the sole equity owner of Targa Resources GP LLC. The Partnership s general partner may not be removed unless that removal is approved by the vote of the holders of not less than 662/3% of the outstanding units, voting together as a single class, including units held by the general partner and its affiliates, and the Partnership receives an opinion of counsel regarding limited liability and tax matters.	Under our amended and restated bylaws, we will have a staggered board of three classes with each class being elected every three years and only one class elected each year. Also, each director shall hold office until the director s successor shall have been duly elected and shall qualify or until the director shall resign or shall have been removed. Directors serving on our board may only be removed from office for cause and only by the affirmative vote of a supermajority of our stockholders. See Description of Our Capital Stock Anti-Takeover Effects of Provisions of our Amended and Restated Certificate of Incorporation, our Amended and Restated Bylaws and Delaware Law Certificate of Incorporation and Bylaws.
Preemptive Rights to Acquire Securities	Common unitholders do not have preemptive rights. Whenever the Partnership issues equity securities to any person other than the General Partner and its affiliates, the General Partner has a preemptive right to purchase additional limited partnership interests on the same terms in order to maintain its percentage interest.	Our stockholders do not have preemptive rights.

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	Partnership s Common Units	**Our Shares**
Liquidation	The Partnership will dissolve upon any of the following: the election of the general partner to dissolve the Partnership, if approved by the holders of units representing a unit majority; there being no limited partners, unless the Partnership is continued without dissolution in accordance with applicable Delaware law; the entry of a decree of judicial dissolution of the Partnership pursuant to applicable Delaware law; or the withdrawal or removal of the General Partner or any other event that results in its ceasing to be the general partner other than by reason of a transfer of its general partner interest in accordance with the Partnership s partnership agreement or withdrawal or removal following approval and admission of a successor.	We will dissolve upon any of the following: the entry of a decree of judicial dissolution of us; or the approval of at least 67% of our outstanding common stock.

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Principal Executive Offices and Internet Address

Our principal executive offices are located at 1000 Louisiana, Suite 4300, Houston, Texas 77002 and our telephone number is (713) 584-1000. Our website is located at www.targaresources.com. We will make our periodic reports and other information filed with or furnished to the Securities and Exchange Commission, or the SEC, available, free of charge, through our website, as soon as reasonably practicable after those reports and other information are electronically filed with or furnished to the SEC. Information on our website or any other website is not incorporated by reference into this prospectus and does not constitute a part of this prospectus.

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Summary Historical and Pro Forma Financial and Operating Data

Because we control Targa Resources GP LLC, our consolidated financial information incorporates the consolidated financial information of Targa Resources Partners LP.

The following table presents selected historical consolidated financial and operating data of Targa Resources Investments Inc. for the periods and as of the dates indicated. The summary historical consolidated statement of operations and cash flow data for the years ended December 31, 2007, 2008 and 2009 and summary historical consolidated balance sheet data as of December 31, 2008 and 2009 have been derived from our audited financial statements, included elsewhere in this prospectus. The summary historical consolidated statement of operations and cash flow data for the nine months ended September 30, 2009 and 2010 and the summary historical consolidated balance sheet data as of September 30, 2010 have been derived from our unaudited financial statements, included elsewhere in this prospectus. The summary historical consolidated balance sheet data as of December 31, 2007 has been derived from our audited financial statements and the summary historical consolidated balance sheet as of September 30, 2009 has been derived from our unaudited financial statements, neither of which is included in this prospectus.

Our summary unaudited pro forma condensed consolidated statement of operations data gives effect to the following transactions which occurred prior to September 30, 2010:

- the September 2010 completion of the sale of our 77% ownership interest in VESCO to the Partnership, including:
  - consideration to us of $175.6 million,
  - the borrowing by the Partnership of $175.6 million under its senior secured revolving credit facility, and
  - our prepayment of the remaining $149.4 million balance of our senior secured term loan;
- the August 2010 completion of the sale of our interests in Versado to the Partnership, including:
  - consideration to us of $247.2 million, including 89,813 common units and 1,833 general partner units,
  - the borrowing by the Partnership of $244.7 million under its senior secured revolving credit facility, and
  - our prepayment of $91.3 million of our senior secured term loan;
- the Partnership s August 2010 issuance of $250 million of 77/8% senior secured notes due October 2018;
- the Partnership s August 2010 public offering of 7,475,000 common units;
- the Partnership s entry into an amended and restated $1.1 billion senior secured credit facility in July 2010;
- the April 2010 sale of the Permian Assets and Coastal Straddles and the September 2009 sale of the Downstream Business to the Partnership along with related financings and debt prepayments;
- our secondary public offering of 8,500,000 common units of the Partnership in April 2010; and
- our January 2010 entry into a new $600 million senior secured credit facility and related refinancing.

Our summary unaudited pro forma condensed consolidated statement of operations data and unaudited pro forma balance sheet data give effect to this offering and to the following events that have occurred subsequent to September 30, 2010:

- the agreed repurchase on November 5, 2010 from certain holders of our Holdco Loan of $141.3 million of face value debt for $137.4 million; and
- the expected award by the Company of approximately 1.9 million shares of common stock under the new stock incentive plan that we expect to adopt in connection with this offering.

The unaudited pro forma condensed consolidated financial information has been prepared by applying pro forma adjustments to the historical financial statements of Targa Resources Investments Inc. The pro forma adjustments have been prepared as if the pro forma transactions had taken place on September 30, 2010, in the case of the unaudited pro forma condensed consolidated balance sheet, or as of January 1, 2009, in the case of the unaudited pro forma condensed consolidated statement of operations.

We derived the information in the following table from, and that information should be read together with and is qualified in its entirety by reference to, the historical combined and unaudited pro forma condensed consolidated financial statements and the accompanying notes included elsewhere in this prospectus.

	Consolidated Historical for Targa Resources Investments Inc.					Pro Forma Targa Resources Investments Inc.	
	For the Years Ended December 31,			For the Nine Months Ended September 30,		Year Ended December 31,	Nine Months Ended September 30,
	2007	2008	2009	2009	2010	2009	2010
	(In millions, except operating and price data)						
Consolidated Statement of Operations Data:							
Revenues(1)	$ 7,297.2	$ 7,998.9	$ 4,536.0	$ 3,145.0	$ 3,942.0	$ 4,536.0	$ 3,942.0
Costs and expenses:							
Product purchases	6,525.5	7,218.5	3,791.1	2,624.9	3,387.6	3,791.1	3,387.6
Operating expenses	247.1	275.2	235.0	182.7	190.4	235.0	190.4
Depreciation and amortization expenses	148.1	160.9	170.3	127.9	136.9	170.3	136.9
General and administrative expenses	96.3	96.4	120.4	83.6	81.0	128.5	87.1
Other	(0.1)	13.4	2.0	1.8	(0.4)	2.0	(0.4)
Total costs and expenses	7,016.9	7,764.4	4,318.8	3,020.9	3,795.5	4,326.9	3,801.6

Income from operations	280.3	234.5	217.2	124.1	146.5	209.1	140.4
Other income (expense):							
Interest expense, net	(162.3)	(141.2)	(132.1)	(102.8)	(83.9)	(128.2)	(78.6)
Equity in earnings of unconsolidated investments	10.1	14.0	5.0	3.2	3.8	5.0	3.8
Gain (loss) on debt repurchases		25.6	(1.5)	(1.5)	(17.4)	(1.5)	(17.4)
Gain (loss) on early debt extinguishment		3.6	9.7	10.4	8.1	9.7	8.1
Gain on insurance claims		18.5					
Other		(1.3)	1.5	2.4	0.4	1.5	0.4
Income before income taxes	128.1	153.7	99.8	35.8	57.5	95.6	56.7
Income tax expense:	(23.9)	(19.3)	(20.7)	(5.1)	(18.5)	(23.7)	(19.8)
Net income	104.2	134.4	79.1	30.7	39.0	71.9	36.9
Less: Net income attributable to non controlling interest	48.1	97.1	49.8	17.7	46.2	101.9	75.1

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	Consolidated Historical for Targa Resources Investments Inc.					Pro Forma Targa Resources Investments Inc.	
	For the Years Ended December 31,			For the Nine Months Ended September 30,		Year Ended December 31,	Nine Months Ended September 30,
	2007	2008	2009	2009	2010	2009	2010
	(In millions, except operating and price data)						
Net income (loss) attributable to Targa Resources Investments Inc.	56.1	37.3	29.3	13.0	(7.2)	(30.0)	(38.2)
Dividends on Series B preferred stock	(31.6)	(16.8)	(17.8)	(13.2)	(8.4)		
Undistributed earnings attributable to preferred shareholders(2)	(24.5)	(20.5)	(11.5)				
Distributions to common equivalents					(177.8)		
Net income (loss) available to common shareholders	$	$	$	$ (0.2)	$ (193.4)	$ (30.0)	$ (38.2)
Net income (loss) available per common share basic and diluted	$	$	$	$ (0.03)	$ (21.51)	$ (0.71)	$ (0.90)

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	Consolidated Historical for Targa Resources Investments Inc.					Pro Forma Targa Resources Investments Inc.	
	For the Years Ended December 31,			For the Nine Months Ended September 30,		Year Ended December 31,	Nine Months Ended September 30,
	2007	2008	2009	2009	2010	2009	2010
	(In millions, except operating and price data)						
Financial data:							
Gross margin[3]	$ 771.7	$ 780.4	$ 744.9	$ 520.1	$ 554.4		
Operating margin[4]	524.6	505.2	509.9	337.4	364.0		
Operating data:							
Plant natural gas inlet, MMcf/d[5],[6]	1,982.8	1,846.4	2,139.8	2,097.7	2,296.5		
Gross NGL production, MBbl/d	106.6	101.9	118.3	117.1	120.8		
Natural gas sales, Bbtu/d[6]	526.5	532.1	598.4	590.4	678.4		
NGL sales, MBbl/d	320.8	286.9	279.7	285.1	246.0		
Condensate sales, MBbl/d	3.9	3.8	4.7	4.8	3.6		
Average realized prices[7]:							
Natural gas, $/MMBtu	$ 6.56	$ 8.20	$ 3.96	$ 3.78	$ 4.62		
NGL, $/gal	1.18	1.38	0.79	0.71	1.03		
Condensate, $/Bbl	70.01	91.28	56.31	54.36	73.42		
Balance Sheet Data (at period end):							
Property plant and equipment, net	$ 2,430.1	$ 2,617.4	$ 2,548.1	$ 2,563.9	$ 2,494.9		$ 2,494.9
Total assets	3,795.1	3,641.8	3,367.5	3,273.0	3,460.0		3,315.4
Long-term debt, less current maturities	1,867.8	1,976.5	1,593.5	1,622.6	1,663.4		1,522.1
Convertible cumulative participating Series B preferred stock	273.8	290.6	308.4	303.8	96.8		
Total owners equity	574.1	822.0	754.9	789.9	994.3		1,087.8
Cash Flow Data:							
Net cash provided by (used in):							
Operating activities	$ 190.6	$ 390.7	$ 335.8	$ 202.9	$ 104.0		
Investing activities	(95.9)	(206.7)	(59.3)	(50.7)	(81.8)		
Financing activities	(59.5)	0.9	(386.9)	(327.1)	75.4		

(1) Includes business interruption insurance revenues of \$3.0 million and \$7.9 million for the nine months ended September 30, 2010 and 2009 and \$21.5 million, \$32.9 million and \$7.3 million for the years ended December 31, 2009, 2008, and 2007.

(2) Based on the terms of the preferred convertible stock, undistributed earnings of the Company are allocated to the preferred stock until the carrying value has been recovered.

(3) Gross margin is a non-GAAP financial measure and is discussed under Management s Discussion and Analysis of Financial Condition and Results of Operations How We Evaluate Our Operations.

(4) Operating margin is a non-GAAP financial measure and is discussed under Management s Discussion and Analysis of Financial Condition and Results of Operations How We Evaluate Our Operations.

(5) Plant natural gas inlet represents the volume of natural gas passing through the meter located at the inlet of a natural gas processing plant.

(6) Plant natural gas inlet volumes include producer take-in-kind, while natural gas sales exclude producer take-in-kind volumes.

(7) Average realized prices include the impact of hedging activities.

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RISK FACTORS

The nature of our business activities subjects us to certain hazards and risks. You should carefully consider the risks described below, in addition to the other information contained in this prospectus, before making an investment decision. Realization of any of these risks or events could have a material adverse effect on our business, financial condition, cash flows and results of operations, which could result in a decline in the trading price of our common stock, and you may lose all or part of your investment.

Risks Inherent in an Investment in Us

Our cash flow is dependent upon the ability of the Partnership to make cash distributions to us.

Our cash flow consists of cash distributions from the Partnership. The amount of cash that the Partnership will be able to distribute to its partners, including us, each quarter principally depends upon the amount of cash it generates from its business. For a description of certain factors that can cause fluctuations in the amount of cash that the Partnership generates from its business, please read Risks Inherent in the Partnership s Business and Management s Discussion and Analysis of Financial Condition and Results of Operations Factors That Significantly Affect Our Results. The Partnership may not have sufficient available cash each quarter to continue paying distributions at their current level or at all. If the Partnership reduces its per unit distribution, because of reduced operating cash flow, higher expenses, capital requirements or otherwise, we will have less cash available for distribution to you and would probably be required to reduce the dividend per share of common stock paid to you. You should also be aware that the amount of cash the Partnership has available for distribution depends primarily upon the Partnership s cash flow, including cash flow from the release of reserves as well as borrowings, and is not solely a function of profitability, which will be affected by non-cash items. As a result, the Partnership may make cash distributions during periods when it records losses and may not make cash distributions during periods when it records profits.

Once we receive cash from the Partnership and the General Partner, our ability to distribute the cash received to our stockholders is limited by a number of factors, including:

- our obligation to (i) satisfy tax obligations associated with previous sales of assets to the Partnership, (ii) reimburse the Partnership for certain capital expenditures related to Versado and (iii) provide the Partnership with limited quarterly distribution support through 2011, all as described in more detail in Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources;
- interest expense and principal payments on any indebtedness we incur;
- restrictions on distributions contained in any existing or future debt agreements;
- our general and administrative expenses, including expenses we will incur as a result of being a public company as well as other operating expenses;
- expenses of the General Partner;
- income taxes;

- reserves we establish in order for us to maintain our 2% general partner interest in the Partnership upon the issuance of additional partnership securities by the Partnership; and

- reserves our board of directors establishes for the proper conduct of our business, to comply with applicable law or any agreement binding on us or our subsidiaries or to provide for future dividends by us.

For additional information, please read Our Dividend Policy. In the future, we may not be able to pay dividends at or above our estimated initial quarterly dividend of $0.2575 per share, or $1.03 per share on an annualized basis. The actual amount of cash that is available for dividends to our stockholders will depend on numerous factors, many of which are beyond our control.

A reduction in the Partnership s distributions will disproportionately affect the amount of cash distributions to which we are entitled.

Our ownership of the IDRs in the Partnership entitles us to receive specified percentages of the amount of cash distributions made by the Partnership to its limited partners only in the event that the Partnership distributes more than $0.3881 per unit for such quarter. As a result, the holders of the Partnership s common units have a priority over our IDRs to the extent of cash distributions by the Partnership up to and including $0.3881 per unit for any quarter.

Our IDRs entitle us to receive increasing percentages, up to 48%, of all cash distributed by the Partnership. Because the Partnership s distribution rate is currently above the maximum target cash distribution level on the IDRs, future growth in distributions we receive from the Partnership will not result from an increase in the target cash distribution level associated with the IDRs. Furthermore, a decrease in the amount of distributions by the Partnership to less than $0.50625 per unit per quarter would reduce the General Partner s percentage of the incremental cash distributions above $0.3881 per common unit per quarter from 48% to 23%. As a result, any such reduction in quarterly cash distributions from the Partnership would have the effect of disproportionately reducing the distributions that we receive from the Partnership based on our IDRs as compared to distributions we receive from the Partnership with respect to our 2% general partner interest and our common units.

If the Partnership s unitholders remove the General Partner, we would lose our general partner interest and IDRs in the Partnership and the ability to manage the Partnership.

We currently manage our investment in the Partnership through our ownership interest in the General Partner. The Partnership s partnership agreement, however, gives unitholders of the Partnership the right to remove the General Partner upon the affirmative vote of holders of 662/3% of the Partnership s outstanding units. If the General Partner were removed as general partner of the Partnership, it would receive cash or common units in exchange for its 2% general partner interest and the IDRs and would also lose its ability to manage the Partnership. While the cash or common units the General Partner would receive are intended under the terms of the Partnership s partnership agreement to fully compensate us in the event such an exchange is required, the value of the investments we make with the cash or the common units may not over time be equivalent to the value of the general partner interest and the IDRs had the General Partner retained them. Please read Material Provisions of the Partnership s Partnership Agreement Withdrawal or Removal of the General Partner.

In addition, if the General Partner is removed as general partner of the Partnership, we would face an increased risk of being deemed an investment company. Please read If in the future we cease to manage and control the Partnership, we may be deemed to be an investment company under the Investment Company Act of 1940.

The Partnership, without our stockholders consent, may issue additional common units or other equity securities, which may increase the risk that the Partnership will not have sufficient available cash to maintain or increase its cash distribution level per common unit.

Because the Partnership distributes to its partners most of the cash generated by its operations, it relies primarily upon external financing sources, including debt and equity issuances, to fund its acquisitions and expansion capital expenditures. Accordingly, the Partnership has wide latitude to issue additional common units on the terms and conditions established by its general partner. We receive cash distributions from the Partnership on the general partner interest, IDRs and common units that we own. Because a significant portion of the cash we receive from the Partnership is attributable to our ownership of the IDRs, payment of distributions on additional Partnership common units may

increase the risk that the Partnership will be unable to maintain or increase its quarterly cash distribution per unit, which in turn may reduce the amount of distributions we receive attributable to our common units, general partner interest and IDRs and the available cash that we have to distribute to our stockholders.

The General Partner, with our consent but without the consent of our stockholders, may limit or modify the incentive distributions we are entitled to receive, which may reduce cash dividends to you.

We own the General Partner, which owns the IDRs in the Partnership that entitle us to receive increasing percentages, up to a maximum of 48% of any cash distributed by the Partnership as certain target distribution levels are reached in excess of $0.3881 per common unit in any quarter. A substantial portion of the cash flow we receive from the Partnership is provided by these IDRs. Because of the high percentage of the Partnership s incremental cash flow that is distributed to the IDRs, certain potential acquisitions might not increase cash available for distribution per Partnership unit. In order to facilitate acquisitions by the Partnership or for other reasons, the board of directors of the General Partner may elect to reduce the IDRs payable to us with our consent. These reductions may be permanent reductions in the IDRs or may be reductions with respect to cash flows from the potential acquisition. If distributions on the IDRs were reduced for the benefit of the Partnership units, the total amount of cash distributions we would receive from the Partnership, and therefore the amount of cash distributions we could pay to our stockholders, would be reduced.

In the future, we may not have sufficient cash to pay estimated dividends.

Because our only source of operating cash flow consists of cash distributions from the Partnership, the amount of dividends we are able to pay to our stockholders may fluctuate based on the level of distributions the Partnership makes to its partners, including us. The Partnership may not continue to make quarterly distributions at the 2010 fourth quarter distribution level of $0.5475 per common unit that management plans to recommend, or may not distribute any other amount, or increase its quarterly distributions in the future. In addition, while we would expect to increase or decrease distributions to our stockholders if the Partnership increases or decreases distributions to us, the timing and amount of such changes in distributions, if any, will not necessarily be comparable to the timing and amount of any changes in distributions made by us. Factors such as reserves established by our board of directors for our estimated general and administrative expenses of being a public company as well as other operating expenses, reserves to satisfy our debt service requirements, if any, and reserves for future distributions by us may affect the dividends we make to our stockholders. The actual amount of cash that is available for dividends to our stockholders will depend on numerous factors, many of which are beyond our control.

Our cash dividend policy limits our ability to grow.

Because we plan on distributing a substantial amount of our cash flow, our growth may not be as fast as the growth of businesses that reinvest their available cash to expand ongoing operations. In fact, because our only cash-generating assets are direct and indirect partnership interests in the Partnership, our growth will be substantially dependent upon the Partnership. If we issue additional shares of common stock or we were to incur debt, the payment of dividends on those additional shares or interest on that debt could increase the risk that we will be unable to maintain or increase our cash dividend levels.

Our rate of growth may be reduced to the extent we purchase additional units from the Partnership, which will reduce the relative percentage of the cash we receive from the IDRs.

Our business strategy includes, where appropriate, supporting the growth of the Partnership by purchasing the Partnership s units or lending funds or providing other forms of financial support to the Partnership to provide funding for the acquisition of a business or asset or for a growth project. To the

extent we purchase common units or securities not entitled to a current distribution from the Partnership, the rate of our distribution growth may be reduced, at least in the short term, as less of our cash distributions will come from our ownership of IDRs, whose distributions increase at a faster rate than those of our other securities.

We have a credit facility that contains various restrictions on our ability to pay dividends to our stockholders, borrow additional funds or capitalize on business opportunities.

We have a credit facility that contains various operating and financial restrictions and covenants. Our ability to comply with these restrictions and covenants may be affected by events beyond our control, including prevailing economic, financial and industry conditions. If we are unable to comply with these restrictions and covenants, any future indebtedness under this credit facility may become immediately due and payable and our lenders commitment to make further loans to us may terminate. We might not have, or be able to obtain, sufficient funds to make these accelerated payments.

Our credit facility limits our ability to pay dividends to our stockholders during an event of default or if an event of default would result from such dividend.

In addition, any future borrowings may:

- adversely affect our ability to obtain additional financing for future operations or capital needs;
- limit our ability to pursue acquisitions and other business opportunities;
- make our results of operations more susceptible to adverse economic or operating conditions; or
- limit our ability to pay dividends.

Our payment of any principal and interest will reduce our cash available for distribution to holders of common stock. In addition, we are able to incur substantial additional indebtedness in the future. If we incur additional debt, the risks associated with our leverage would increase. For more information regarding our credit facility, please read Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources.

If dividends on our shares of common stock are not paid with respect to any fiscal quarter, including those at the anticipated initial dividend rate, our stockholders will not be entitled to receive that quarter s payments in the future.

Dividends to our stockholders will not be cumulative. Consequently, if dividends on our shares of common stock are not paid with respect to any fiscal quarter, including those at the anticipated initial distribution rate, our stockholders will not be entitled to receive that quarter s payments in the future.

The Partnership s practice of distributing all of its available cash may limit its ability to grow, which could impact distributions to us and the available cash that we have to dividend to our stockholders.

Because our only cash-generating assets are common units and general partner interests in the Partnership, including the IDRs, our growth will be dependent upon the Partnership s ability to increase its quarterly cash distributions. The Partnership has historically distributed to its partners most of the cash generated by its operations. As a result, it relies primarily upon external financing sources, including debt and equity issuances, to fund its acquisitions and expansion capital expenditures. Accordingly, to the extent the Partnership is unable to finance growth externally, its ability to grow will be impaired because it distributes substantially all of its available cash. Also, if the Partnership incurs additional indebtedness to finance its growth, the increased interest expense associated with such indebtedness may reduce the amount of available cash that we can distribute to you. In addition, to the extent the Partnership issues additional units in connection with any acquisitions or growth capital expenditures, the payment of distributions on those additional units may increase the risk that the Partnership will be unable to maintain or increase its per unit distribution level, which in turn may impact the available cash that we have to distribute to our stockholders.

Restrictions in the Partnership s senior secured credit facility and indentures could limit its ability to make distributions to us.

The Partnership s senior secured credit facility and indentures contain covenants limiting its ability to incur indebtedness, grant liens, engage in transactions with affiliates and make distributions. The Partnership s senior secured credit facility also contains covenants requiring the Partnership to maintain certain financial ratios. The Partnership is prohibited from making any distribution to unitholders if such distribution would cause an event of default or otherwise violate a covenant under its senior secured credit facility or the indentures.

If in the future we cease to manage and control the Partnership, we may be deemed to be an investment company under the Investment Company Act of 1940.

If we cease to manage and control the Partnership and are deemed to be an investment company under the Investment Company Act of 1940, we would either have to register as an investment company under the Investment Company Act of 1940, obtain exemptive relief from the SEC or modify our organizational structure or our contractual rights to fall outside the definition of an investment company. Registering as an investment company could, among other things, materially limit our ability to engage in transactions with affiliates, including the purchase and sale of certain securities or other property to or from our affiliates, restrict our ability to borrow funds or engage in other transactions involving leverage and require us to add additional directors who are independent of us and our affiliates, and adversely affect the price of our common stock.

Our historical and pro forma financial information may not be representative of our future performance.

The historical financial information included in this prospectus is derived from our historical financial statements for periods prior to our initial public offering. Our audited historical financial statements were prepared in accordance with GAAP. Accordingly, the historical financial information included in this prospectus does not reflect what our results of operations and financial condition would have been had we been a public entity during the periods presented, or what our results of operations and financial condition will be in the future.

In preparing the pro forma financial information included in this prospectus, we have made adjustments to our historical financial information based upon currently available information and upon assumptions that our management believes are reasonable in order to reflect, on a pro forma basis, the impact of the items discussed in our unaudited pro forma financial statements and related notes. The estimates and assumptions used in the calculation of the pro forma financial information in this prospectus may be materially different from our actual experience as a public entity. Accordingly, the pro forma financial information included in this prospectus does not purport to represent what our results of operations would actually have been had we operated as a public entity during the periods presented or what our results of operations and financial condition will be in the future, nor does the pro forma financial information give effect to any events other than those discussed in our unaudited pro forma financial statements and related notes.

The assumptions underlying our TRII minimum estimated cash available for distribution for the twelve month period ending December 31, 2011, included in Our Dividend Policy involve inherent and significant business, economic, financial, regulatory and competitive

risks and uncertainties that could cause actual results to differ materially from those estimated.

Our estimate of cash available for distribution for the twelve month period ending December 31, 2011 set forth in Our Dividend Policy has been prepared by management, and we have not received an opinion or report on it from our or any other independent registered public accounting firm. The assumptions underlying the forecast are inherently uncertain and are subject to significant business, economic, financial, regulatory and competitive risks and uncertainties that could cause actual results to differ materially from those forecasted. If we do not achieve the forecasted results, we may not be able to pay a quarterly dividend on our common stock, in which event the market price of our common stock may decline materially. For further discussion on our ability to pay a quarterly dividend, please read Our Dividend Policy.

If we lose any of our named executive officers, our business may be adversely affected.

Our success is dependent upon the efforts of the named executive officers. Our named executive officers are responsible for executing the Partnership s business strategy and, when appropriate to our primary business objective, facilitating the Partnership s growth through various forms of financial support provided by us, including, but not limited to, modifying the Partnership s IDRs, exercising the Partnership s IDR reset provision contained in its partnership agreement, making loans, making capital contributions in exchange for yielding or non-yielding equity interests or providing other financial support to the Partnership. There is substantial competition for qualified personnel in the midstream natural gas industry. We may not be able to retain our existing named executive officers or fill new positions or vacancies created by expansion or turnover. We have not entered into employment agreements with any of our named executive officers. In addition, we do not maintain key man life insurance on the lives of any of our named executive officers. A loss of one or more of our named executive officers could harm our and the Partnership s business and prevent us from implementing our and the Partnership s business strategy.

If we fail to develop or maintain an effective system of internal controls, we may not be able to accurately report our financial results or prevent fraud. In addition, potential changes in accounting standards might cause us to revise our financial results and disclosure in the future.

Effective internal controls are necessary for us to provide timely and reliable financial reports and effectively prevent fraud. If we cannot provide timely and reliable financial reports or prevent fraud, our reputation and operating results would be harmed. We continue to enhance our internal controls and financial reporting capabilities. These enhancements require a significant commitment of resources, personnel and the development and maintenance of formalized internal reporting procedures to ensure the reliability of our financial reporting. Our efforts to update and maintain our internal controls may not be successful, and we may be unable to maintain adequate controls over our financial processes and reporting in the future, including future compliance with the obligations under Section 404 of the Sarbanes-Oxley Act of 2002. Any failure to develop or maintain effective controls, or difficulties encountered in their implementation or other effective improvement of our internal controls could prevent us from timely and reliably reporting our financial results and may harm our operating results. Ineffective internal controls could also cause investors to lose confidence in our reported financial information. In addition, the Financial Accounting Standards Board or the SEC could enact new accounting standards that might impact how we or the Partnership are required to record revenues, expenses, assets and liabilities. Any significant change in accounting standards or disclosure requirements could have a material effect on our business, results of operations, financial condition and ability to service our and our subsidiaries debt obligations.

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Our shares of common stock and the Partnership s common units may not trade in relation or proportion to one another.

The shares of our common stock and the Partnership s common units may not trade, either by volume or price, in correlation or proportion to one another. Instead, while the trading prices of our common stock and the Partnership s common units may follow generally similar broad trends, the trading prices may diverge because, among other things:

- the Partnership s cash distributions to its common unitholders have a priority over distributions on its IDRs;
- we participate in the distributions on the General Partner s general partner interest and IDRs in the Partnership while the Partnership s common unitholders do not;
- we and our stockholders are taxed differently from the Partnership and its common unitholders; and
- we may enter into other businesses separate and apart from the Partnership or any of its affiliates.

An increase in interest rates may cause the market price of our common stock to decline.

Like all equity investments, an investment in our common stock is subject to certain risks. In exchange for accepting these risks, investors may expect to receive a higher rate of return than would otherwise be obtainable from lower-risk investments. Accordingly, as interest rates rise, the ability of investors to obtain higher risk-adjusted rates of return by purchasing government-backed debt securities may cause a corresponding decline in demand for riskier investments generally, including yield-based equity investments. Reduced demand for our common stock resulting from investors seeking other more favorable investment opportunities may cause the trading price of our common stock to decline.

The initial public offering price of our common stock may not be indicative of the market price of our common stock after this offering. In addition, an active liquid trading market for our common stock may not develop and our stock price may be volatile.

Prior to this offering, our common stock was not traded on any market. An active and liquid trading market for our common stock may not develop or be maintained after this offering. Liquid and active trading markets usually result in less price volatility and more efficiency in carrying out investors purchase and sale orders. The market price of our common stock could vary significantly as a result of a number of factors, some of which are beyond our control. In the event of a drop in the market price of our common stock, you could lose a substantial part or all of your investment in our common stock. The initial public offering price will be negotiated between the selling stockholders and representatives of the underwriters, based on numerous factors which are discussed in the Underwriting section of this prospectus, and may not be indicative of the market price of our common stock after this offering. Consequently, you may not be able to sell shares of our common stock at prices equal to or greater than the price paid by you in the offering.

The following factors could affect our stock price:

- our and the Partnership s operating and financial performance;
- quarterly variations in the rate of growth of our and the Partnership s financial indicators, such as net income per share, net income and revenues;
- changes in revenue or earnings estimates or publication of reports by equity research analysts relating to us or the Partnership;

speculation in the press or investment community;

sales of our common stock by us, the selling stockholders or other stockholders, or the perception that such sales may occur;

general market conditions, including fluctuations in commodity prices; and

domestic and international economic, legal and regulatory factors unrelated to our performance.

The stock markets in general have experienced volatility that has often been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of our common stock.

The requirements of being a public company, including compliance with the reporting requirements of the Exchange Act and the requirements of the Sarbanes-Oxley Act, may strain our resources, increase our costs and distract management; and we may be unable to comply with these requirements in a timely or cost-effective manner.

As a public company with listed equity securities, we will need to comply with new laws, regulations and requirements, certain corporate governance provisions of the Sarbanes-Oxley Act of 2002, related regulations of the SEC and the requirements of the New York Stock Exchange, or NYSE, with which we were not required to comply as a private company. Complying with these statutes, regulations and requirements will occupy a significant amount of time of our board of directors and management and will significantly increase our costs and expenses. We will need to:

institute a more comprehensive compliance function;

design, establish, evaluate and maintain an additional system of internal controls over financial reporting in compliance with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 and the related rules and regulations of the SEC and the Public Company Accounting Oversight Board;

comply with rules promulgated by the NYSE;

prepare and distribute periodic public reports in compliance with our obligations under the federal securities laws;

establish new internal policies, such as those relating to disclosure controls and procedures and insider trading;

involve and retain to a greater degree outside counsel and accountants in the above activities; and

augment our investor relations function.

In addition, we also expect that being a public company will require us to accept less director and officer liability insurance coverage than we desire or to incur additional costs to maintain coverage. These factors could also make it more difficult for us to attract and retain qualified members of our board of directors, particularly to serve on our Audit Committee, and qualified executive officers.

Future sales of our common stock in the public market could lower our stock price, and any additional capital raised by us through the sale of equity or convertible securities may dilute your ownership in us.

We or our stockholders may sell shares of common stock in subsequent public offerings. We may also issue additional shares of common stock or convertible securities. After the completion of this offering, we will have 42,292,381 outstanding shares of common stock. This number consists of 13,750,000 shares that the selling stockholders are selling in this offering (assuming no exercise of the underwriters over-allotment option), which may be resold immediately in the public market. Following the completion of this offering, the existing stockholders will own approximately 29 million shares, or approximately 67.5% of our total outstanding shares, all of which are restricted from immediate resale under the federal securities laws. A substantial portion of such shares are subject to the lock-up agreements between such parties and the underwriters described in Underwriting, but may be sold into the market in the future. Certain of our existing stockholders are party to a registration rights agreement with us which requires us to effect the registration of their shares in certain circumstances no earlier than the expiration of the lock-up period contained in the underwriting agreement entered into in connection with this offering.

As soon as practicable after this offering, we intend to file a registration statement with the SEC on Form S-8 providing for the registration of 5 million shares of our common stock issued or reserved for issuance under our stock incentive plan. Subject to the satisfaction of vesting conditions and the expiration of lock-up agreements, shares registered under this registration statement on Form S-8 will be available for resale immediately in the public market without restriction.

We cannot predict the size of future issuances of our common stock or the effect, if any, that future issuances and sales of shares of our common stock will have on the market price of our common stock. Sales of substantial amounts of our common stock (including shares issued in connection with an acquisition), or the perception that such sales could occur, may adversely affect prevailing market prices of our common stock.

Our amended and restated certificate of incorporation and amended and restated bylaws, as well as Delaware law, will contain provisions that could discourage acquisition bids or merger proposals, which may adversely affect the market price of our common stock.

Our amended and restated certificate of incorporation will authorize our board of directors to issue preferred stock without stockholder approval. If our board of directors elects to issue preferred stock, it could be more difficult for a third party to acquire us. In addition, some provisions of our amended and restated certificate of incorporation and amended and restated bylaws could make it more difficult for a third party to acquire control of us, even if the change of control would be beneficial to our stockholders, including:

- a classified board of directors, so that only approximately one-third of our directors are elected each year;
- limitations on the removal of directors; and
- limitations on the ability of our stockholders to call special meetings and establish advance notice provisions for stockholder proposals and nominations for elections to the board of directors to be acted upon at meetings of stockholders.

Delaware law prohibits us from engaging in any business combination with any interested stockholder, meaning generally that a stockholder who beneficially owns more than 15% of our stock cannot acquire us for a period of three years from the date this person became an interested stockholder, unless various conditions are met, such as approval of the transaction by our board of directors. We anticipate opting out of this provision of Delaware law until such time as Warburg Pincus and certain transferees, do not beneficially own at least 15% of our common stock. Please read Description of Our Capital Stock Anti-Takeover Effects of Provisions of Our Amended and Restated Certificate of Incorporation, Our Amended and Restated Bylaws and Delaware Law.

We have a significant stockholder, which will limit your ability to influence corporate matters and may give rise to conflicts of interest.

Upon completion of this offering, affiliates of Warburg Pincus will beneficially own approximately 41.7% of our outstanding common stock based on the assumed rate of conversion of our preferred stock into common stock upon completion of this offering as described under Summary Our Structure and Ownership After This Offering. See Security Ownership of Management and Selling Stockholders. Accordingly, Warburg Pincus will exert significant influence over us and any action requiring the approval of the holders of our stock, including the election of directors and approval of significant corporate transactions. Warburg s concentrated ownership makes it less likely that any other holder or group of holders of common stock will be able to affect the way we are managed or the direction of our business. These factors also may delay or prevent a change in our management or voting control.

Furthermore, conflicts of interest could arise in the future between us, on the one hand, and Warburg Pincus and its affiliates, on the other hand, concerning among other things, potential competitive business activities, business opportunities, the issuance of additional securities, the payment of dividends by us and other matters. Warburg Pincus is a private equity firm that has invested, among other things, in companies in the energy industry. As a result, Warburg Pincus existing and future portfolio companies which it controls may compete with us for investment or business opportunities. These conflicts of interest may not be resolved in our favor.

In our amended and restated certificate of incorporation, we have renounced business opportunities that may be pursued by the Partnership or by affiliated stockholders that currently hold a significant amount of our common stock.

In our restated charter and in accordance with Delaware law, we have renounced any interest or expectancy we may have in, or being offered an opportunity to participate in, any business opportunities, including any opportunities within those classes of opportunity currently pursued by the Partnership, presented to Warburg Pincus or any private fund that it manages or advises, their affiliates (other than us and our subsidiaries), their officers, directors, partners, employees or other agents who serve as one of our directors, Merrill Lynch Ventures L.P. 2001, its affiliates (other than us and our subsidiaries), and any portfolio company in which such entities or persons has an equity investment (other than us and our subsidiaries) participates or desires or seeks to participate in and that involves any aspect of the energy business or industry. Please read Description of Our Capital Stock Corporate Opportunity.

The duties of our officers and directors may conflict with those owed to the Partnership and these officers and directors may face conflicts of interest in the allocation of administrative time among our business and the Partnership s business.

We anticipate that substantially all of our officers and certain members of our board of directors will be officers or directors of the General Partner and, as a result, will have separate duties that govern their management of the Partnership s business. These officers and directors may encounter situations in which their obligations to us, on the one hand, and the Partnership, on the other hand, are in conflict. For a description of how these conflicts will be resolved, please read Certain Relationships and Related Transactions Conflicts of Interest. The resolution of these conflicts may not always be in our best interest or that of our stockholders.

In addition, our officers who also serve as officers of the General Partner may face conflicts in allocating their time spent on our behalf and on behalf of the Partnership. These time allocations may adversely affect our or the Partnership s results of operations, cash flows, and financial condition. For a list of our officers and directors that will serve in the same capacity for the General Partner and a discussion of the amount of time we expect them to devote to our business, please read Management.

The U.S. federal income tax rate on dividend income is scheduled to increase in 2011.

Our distributions to our stockholders will constitute dividends for U.S. federal income tax purposes to the extent such distributions are paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Dividends received by certain non-corporate U.S. stockholders, including individuals, are subject to a reduced maximum federal tax rate of 15% for taxable years beginning on or before December 31, 2010. However, for taxable years beginning

after December 31, 2010, dividends received by such non-corporate U.S. stockholders will be taxed at the rate applicable to ordinary income of individuals, which is scheduled to increase to a maximum of 39.6%.

Risks Inherent in the Partnership s Business

Because we are directly dependent on the distributions we receive from the Partnership, risks to the Partnership s operations are also risks to us. We have set forth below risks to the Partnership s business and operations, the occurrence of which could negatively impact the Partnership s financial performance and decrease the amount of cash it is able to distribute to us.

The Partnership has a substantial amount of indebtedness which may adversely affect its financial position.

The Partnership has a substantial amount of indebtedness. On July 19, 2010, the Partnership entered into a new five-year $1.1 billion senior secured revolving credit facility, which allows it to request increases in commitments up to an additional $300 million. The amended and restated senior secured credit facility replaces the Partnership s former $977.5 million senior secured revolving credit facility due February 2012. As of September 30, 2010, the Partnership had approximately $753 million of borrowings outstanding under its senior secured credit facility, approximately $102 million of letters of credit outstanding and approximately $245 million of additional borrowing capacity under its senior secured credit facility. For the year ended December 31, 2009 and the quarter ended September 30, 2010, the Partnership s consolidated interest expense was $118.6 million and $23.3 million.

This substantial level of indebtedness increases the possibility that the Partnership may be unable to generate cash sufficient to pay, when due, the principal of, interest on or other amounts due in respect of indebtedness. This substantial indebtedness, combined with the Partnership s lease and other financial obligations and contractual commitments, could have other important consequences to us, including the following:

- the Partnership s ability to obtain additional financing, if necessary, for working capital, capital expenditures, acquisitions or other purposes may be impaired or such financing may not be available on favorable terms;

- satisfying the Partnership s obligations with respect to indebtedness may be more difficult and any failure to comply with the obligations of any debt instruments could result in an event of default under the agreements governing such indebtedness;

- the Partnership will need a portion of cash flow to make interest payments on debt, reducing the funds that would otherwise be available for operations and future business opportunities;

- the Partnership s debt level will make it more vulnerable to competitive pressures or a downturn in its business or the economy generally; and

- the Partnership s debt level may limit flexibility in planning for, or responding to, changing business and economic conditions.

The Partnership s ability to service its debt will depend upon, among other things, its 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 its control. If the Partnership s operating results are not sufficient to service its current or future indebtedness, it will be forced to take actions such as reducing or delaying business activities, acquisitions, investments or capital expenditures, selling assets, restructuring or refinancing debt, or seeking additional equity capital and may adversely affect the Partnership s ability to make cash distributions. The Partnership may not be able to effect any of these actions on satisfactory terms, or at all.

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Increases in interest rates could adversely affect the Partnership s business.

The Partnership has significant exposure to increases in interest rates. As of September 30, 2010, its total indebtedness was $1,433.2 million, of which $679.9 million was at fixed interest rates and $753.3 million was at variable interest rates. After giving effect to interest rate swaps with a notional amount of $300 million, a one percentage point increase in the interest rate on the Partnership s variable interest rate debt would have increased its consolidated annual interest expense by approximately $4.5 million. As a result of this significant amount of variable interest rate debt, the Partnership s financial condition could be adversely affected by significant increases in interest rates.

Despite current indebtedness levels, the Partnership may still be able to incur substantially more debt. This could increase the risks associated with its substantial leverage.

The Partnership may be able to incur substantial additional indebtedness in the future. As of September 30, 2010, the Partnership had approximately $753 million of borrowings outstanding under its senior secured credit facility, approximately, $102 million of letters of credit outstanding and approximately $245 million of additional borrowing capacity. The Partnership may be able to incur an additional $300 million of debt under its senior secured credit facility if it requests and is able to obtain commitments for the additional $300 million available under its senior secured credit facility. Although the Partnership s senior secured credit facility contains restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and any indebtedness incurred in compliance with these restrictions could be substantial. If the Partnership incurs additional debt, the risks associated with its substantial leverage would increase.

The terms of the Partnership s senior secured credit facility and indentures may restrict its current and future operations, particularly its ability to respond to changes in business or to take certain actions.

The credit agreement governing the Partnership s senior secured credit facility and the indentures governing the Partnership s senior notes contain, and any future indebtedness the Partnership incurs will likely contain, a number of restrictive covenants that impose significant operating and financial restrictions, including restrictions on its ability to engage in acts that may be in its best long-term interests. These agreements include covenants that, among other things, restrict the Partnership s ability to:

- incur or guarantee additional indebtedness or issue preferred stock;
- pay dividends on its equity securities or redeem, repurchase or retire its equity securities or subordinated indebtedness;
- make investments;
- create restrictions on the payment of dividends or other distributions to its equity holders;
- engage in transactions with its affiliates;
- sell assets, including equity securities of its subsidiaries;
- consolidate or merge;
- incur liens;
- prepay, redeem and repurchase certain debt, other than loans under the senior secured credit facility;

make certain acquisitions;

transfer assets;

enter into sale and lease back transactions;

- make capital expenditures;
- amend debt and other material agreements; and
- change business activities conducted by it.

In addition, the Partnership s senior secured credit facility requires it to satisfy and maintain specified financial ratios and other financial condition tests. The Partnership s ability to meet those financial ratios and tests can be affected by events beyond its control, and we cannot assure you that the Partnership will meet those ratios and tests.

A breach of any of these covenants could result in an event of default under the Partnership s senior secured credit facility and indentures. Upon the occurrence of such an event of default, all amounts outstanding under the applicable debt agreements could be declared to be immediately due and payable and all applicable commitments to extend further credit could be terminated. If the Partnership is unable to repay the accelerated debt under its senior secured credit facility, the lenders under senior secured credit facility could proceed against the collateral granted to them to secure that indebtedness. The Partnership has pledged substantially all of its assets as collateral under its senior secured credit facility. If the Partnership indebtedness under its senior secured credit facility or indentures is accelerated, we cannot assure you that the Partnership will have sufficient assets to repay the indebtedness. The operating and financial restrictions and covenants in these debt agreements and any future financing agreements may adversely affect the Partnership s ability to finance future operations or capital needs or to engage in other business activities.

The Partnership s 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 its results of operations and financial condition.

The Partnership s 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. The Partnership s future cash flow may be materially adversely affected if it experiences significant, prolonged pricing deterioration. The markets and prices for natural gas and NGLs depend upon factors beyond the Partnership s control. These factors include demand for these commodities, which fluctuate with changes in market and economic conditions and other factors, including:

- the impact of seasonality and weather;
- general economic conditions and economic conditions impacting the Partnership s primary markets;
- the economic conditions of the Partnership s 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.

The Partnership s primary natural gas gathering and processing arrangements that expose it to commodity price risk are its percent-of-proceeds arrangements. For the nine months ended September 30, 2010 and the year ended December 31, 2009, its percent-of-proceeds arrangements

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accounted for approximately 37% and 48% of its gathered natural gas volume. Under percent-of-proceeds arrangements, the Partnership generally processes natural gas from producers and remits 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 its processing facilities. In some percent-of-proceeds arrangements, the Partnership remits to the producer a percentage of an 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, the Partnership s revenues and its cash flows increase or decrease, whichever is applicable, as the price of natural gas, NGLs and crude oil fluctuates. Please see Management s Discussion and Analysis of Financial Condition and Results of Operations Quantitative and Qualitative Disclosures about Market Risk.