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Investment Strategy

"Monty Hall and Door Number 1, 2, or 3"

The Three Prisoners problem appeared in Martin Gardner's "Mathematical Games" column in Scientific American in 1959. It is mathematically equivalent to the "Monty Hall problem" with the car and goat replaced with freedom and execution, respectively, and equivalent to, and presumably based on, Bertrand's box paradox.

Three prisoners, A, B and C, are in separate cells and sentenced to death. The governor has selected one of them at random to be pardoned. The warden knows which one is pardoned but is not allowed to tell. Prisoner A begs the warden to let him know the identity of one of the others who is going to be executed. "If B is to be pardoned, give me C's name. If C is to be pardoned, give me B's name. And if I'm to be pardoned, flip a coin to decide whether to name B or C." The warden tells A that B is to be executed. Prisoner A is pleased because he believes that his probability of surviving has gone up from one third to one half, as it is now between him and C. Prisoner A secretly tells C the news, who is also pleased, because he reasons that A still has a chance of one in three to be the pardoned one, but his chance has gone up to two in three. What is the correct answer?

Similarly, like Monty Hall's "Let's Make a Deal," investors have a choice between door number 1, 2, or 3. Door number 1 is that the equity markets are getting ready to trade out to new all-time highs. That view is shared by one of the best quantitative strategists on Wall Street, namely JP Morgan's Marko Kolanovic whose recent report had this tag line, "Game theory implies low risk of trade wars; if equities follow 2015 flow patterns, new highs may come soon" (Chart 1 on page 2).

Door number 2 has it that the indices are likely to trade in consolidation mode over the next few months as they convalesce from last month's heart attack that saw the S&P 500 (SPX/2752.01) surrender ~12% from intraday high to intraday low. However, door number 3 tells a different story, as predicted by our friend Dennis Gartman, who wrote, "This then is our WATERSHED comment; it is time to hold cash; it is time to sell rallies; it is time not to buy weakness. As T.S. Elliot said, 'Hurry up now, it's time.' We can trade other things bullishly, but equities we'll not and as the markets rally this morning we shall watch from the sidelines."

Now Dennis is a lot smarter than we are, but we do not embrace his bearish "call." We do, however, agree with his, "We can trade other things bullishly." One of the areas we think you should position your portfolio for is a more inflationary environment. As our pal Rich Bernstein, of Richard Bernstein Advisors (I own his funds), writes:

> Inflation expectations troughed in June 2016 (!), and have been gradually rising since then. It seems immaterial from an investment point of view whether this increase in inflation expectations is secular or merely cyclical because investors are largely ill-positioned for any increase in inflation. Chart 2 [page 3] shows that the 10-year T-note yield troughed roughly 3 weeks after inflation expectations troughed. The sizeable flows into fixed-income investments ran unabated until only recently despite the increase in yields.

We agree with Rich that "Investors are largely ill-positioned for any increase in inflation" (Chart 3, page 3) and have recommended portfolios be tilted back towards "stuff stocks." That's a term we coined when China joined the World Trade Organization (WTO) in 2001 on the assumption per capita incomes in China were going to rise and that would drive increase purchases on "stuff" (metals, soybeans, fertilizers, cement, etc.).

As for the various "doors," our sense remains that door number 1 is the correct scenario, since all of our models are currently aligned to the upside, the internal energy model has a full charge, and late last week the stock market took a decided step in that upside direction. Despite the late week rally, most of the indices closed down for the week. In fact, of all the indexes we monitor, only the D-J Utility Average was "up" on the week (+2.91%). We will note that the Advance-Decline Line remains strong (Chart 4, page 4), sentiment gauges remain bearish (read: that's bullish), IPO volume (another gauge of sentiment) is muted, margin debt is nowhere near where peaks in the stock market occur, and the bullish list goes on. We will admit there have been some softer economic stats recently. Retail Sales, Philly Fed, NAHB Homebuilder Sentiment, Housing Starts, and Building Permits all came in below the estimates, causing the Atlanta Fed to lower this quarter's GDP estimate to 1.9% from

Please read domestic and foreign disclosure/risk information beginning on page 5 and Analyst Certification on page 6.

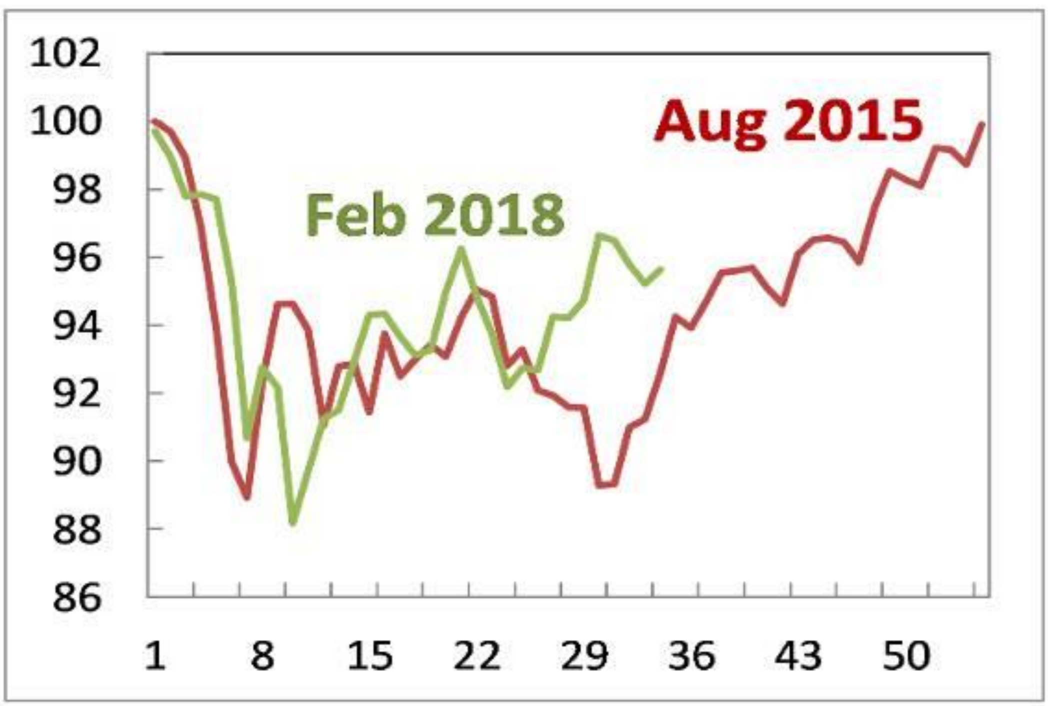
2.5% (recall not too long ago the estimate was around 5%). The big economic event this week will be Wednesday's Fed meeting where a 25 basis point rate hike is expected.

Speaking to the sectors, only the Real Estate (+1.28%) and Utility (+2.56%) sectors were better for the week. We, however, continue to favor the Technology, Financial, Industrial, and Energy sectors. Energy is particularly interesting since most of the energy stocks are trading at the same valuation levels they were when crude oil was trading at $26 per barrel, yet the April crude oil contract is currently changing hands around $62 per barrel. Within the energy space, the Master Limited Partnerships (MLPs) came under intense selling last week on this headline, "FERC Revises Policies, Will Disallow Income Tax Allowance Cost Recovery in MLP Pipeline Rates." The selling, however, proved wrong-footed, because just about all the MLPs came out with statements that the ruling was non-impactful to their business models. Accordingly, we urge investors to consider the Strong Buy-rated MLP stocks from our Houston-based MLP fundamental analysts. Some of those Strong Buy rated names, which also screen well on our proprietary models, include: Enterprise Products (EPD/$25.40), Plains All American Pipeline (PAA/$21.96), Plains GP Holding (PAGP/$22.64), and Targa Resources (TRGP/$47.73).

Adding to our favorable stance on energy, and "stuff stocks" in general, is the sense the U.S. Dollar will remain under pressure. This also reinforces our views on increased inflation. While we do not think inflation will return to levels seen in the 1970s and 1980s, we do believe inflation will pick up in the months/years ahead and are positioning portfolios accordingly. Again, as Rich Bernstein writes, "Investors are largely ill-positioned for any increase in inflation."

The call for this week: Stocks struggled last week on tariff trauma, the White House shakeup, and the quiet period between earnings season. The Material and Industrial sectors were sold on fears that U.S. tariffs would drive up costs for manufactures. Bank stocks were also sold as interest rates declined and the yield curve flattened. As a result, the S&P 500 remained "pinned" around the 2750 level. The current question is will we retest the February 9 lows (SPX 2533) or trade out to new all-time highs. This morning, however, the typical post expiration pattern is playing where stocks tend to open soft and then rally on post-expiry position squaring. As we write at 6:01 a.m., the S&P futures are down 15.25 points on U.S. and Japanese political angst.

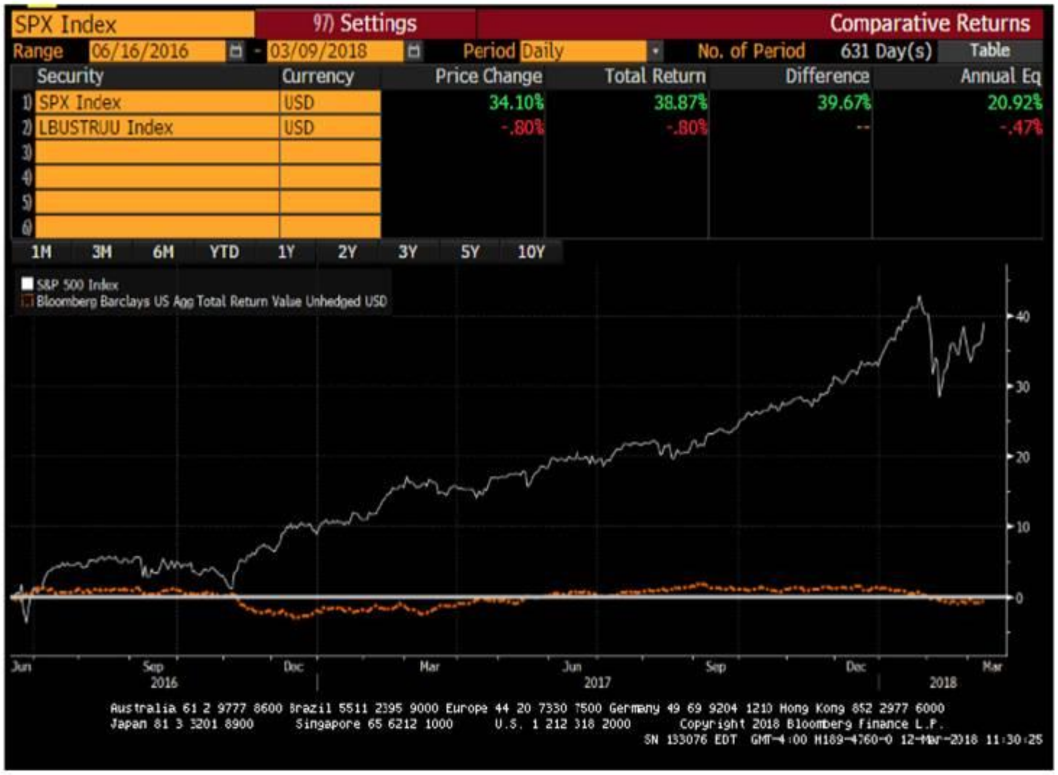
Chart 1



Source: JP Morgan

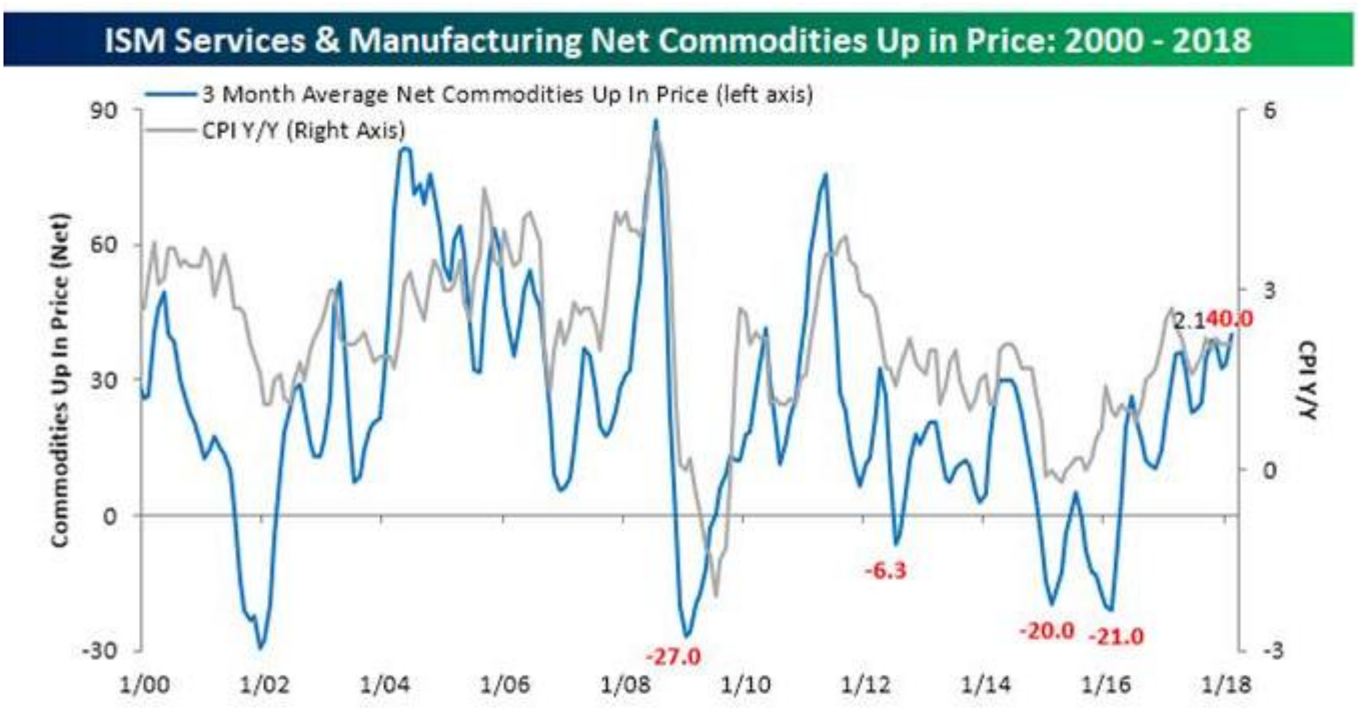
Chart 2

The performance of stocks and bonds since inflation expectations troughed on June 16, 2016. Since that date, stocks have outperformed bonds on an annualized basis by more than 20% PER YEAR!



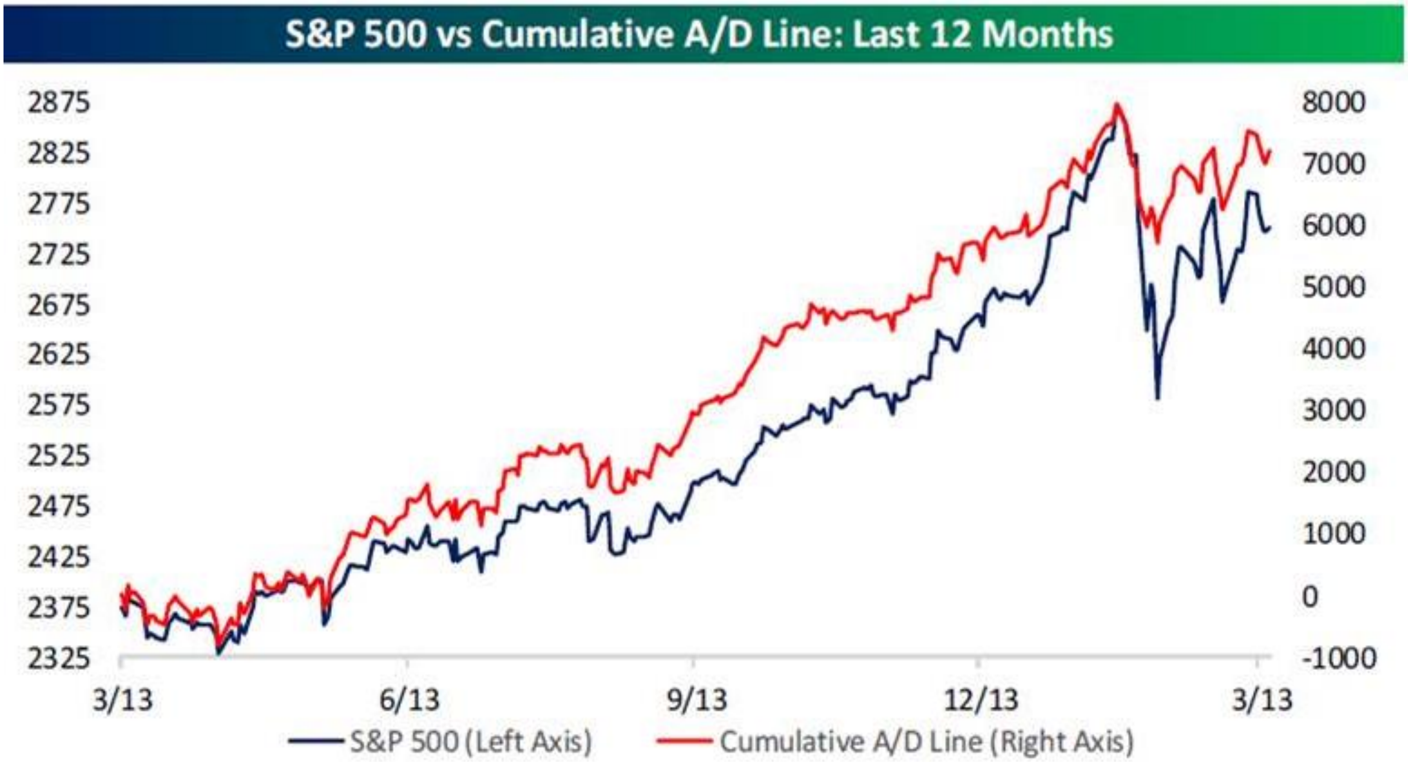
Source: Richard Bernstein

Chart 3



Source: Bespoke Investment Group, Inc.

Chart 4



Source: Bespoke Investment Group, Inc.

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Strong Buy (SB1) Expected to appreciate, produce a total return of at least 15%, and outperform the S&P 500 over the next six to 12 months. For higher yielding and more conservative equities, such as REITs and certain MLPs, a total return of at least 15% is expected to be realized over the next 12 months.
Outperform (MO2) Expected to appreciate and outperform the S&P 500 over the next 12-18 months. For higher yielding and more conservative equities, such as REITs and certain MLPs, an Outperform rating is used for securities where we are comfortable with the relative safety of the dividend and expect a total return modestly exceeding the dividend yield over the next 12-18 months.
Market Perform (MP3) Expected to perform generally in line with the S&P 500 over the next 12 months.
Underperform (MU4) Expected to underperform the S&P 500 or its sector over the next six to 12 months and should be sold.
Suspended (S) The rating and price target have been suspended temporarily. This action may be due to market events that made coverage impracticable, or to comply with applicable regulations or firm policies in certain circumstances, including when Raymond James may be providing investment banking services to the company. The previous rating and price target are no longer in effect for this security and should not be relied upon.

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Outperform (MO2) The stock is expected to appreciate and outperform the S&P/TSX Composite Index over the next twelve months.
Market Perform (MP3) The stock is expected to perform generally in line with the S&P/TSX Composite Index over the next twelve months and is potentially a source of funds for more highly rated securities.
Underperform (MU4) The stock is expected to underperform the S&P/TSX Composite Index or its sector over the next six to twelve months and should be sold.

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Outperform (2) Expected to appreciate and outperform the Stoxx 600 over the next 12 months.
Market Perform (3) Expected to perform generally in line with the Stoxx 600 over the next 12 months.
Underperform (4) Expected to underperform the Stoxx 600 or its sector over the next 6 to 12 months.
Suspended (S) The rating and target price have been suspended temporarily. This action may be due to market events that made coverage impracticable, or to comply with applicable regulations or firm policies in certain circumstances, including when Raymond James may be providing investment banking services to the company. The previous rating and target price are no longer in effect for this security and should not be relied upon.

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	Coverage Universe Rating Distribution*			Investment Banking Distribution		
	RJA	RJL	RJEE/RJFI	RJA	RJL	RJEE/RJFI
Strong Buy and Outperform (Buy)	54%	68%	51%	23%	40%	0%
Market Perform (Hold)	41%	28%	34%	12%	21%	0%
Underperform (Sell)	5%	4%	15%	7%	25%	0%

* Columns may not add to 100% due to rounding.

Suitability Ratings (SR)

Medium Risk/Income (M/INC) Lower to average risk equities of companies with sound financials, consistent earnings, and dividend yields above that of the S&P 500. Many securities in this category are structured with a focus on providing a consistent dividend or return of capital.

Medium Risk/Growth (M/GRW) Lower to average risk equities of companies with sound financials, consistent earnings growth, the potential for long-term price appreciation, a potential dividend yield, and/or share repurchase program.

High Risk/Income (H/INC) Medium to higher risk equities of companies that are structured with a focus on providing a meaningful dividend but may face less predictable earnings (or losses), more leveraged balance sheets, rapidly changing market dynamics, financial and competitive issues, higher price volatility (beta), and potential risk of principal. Securities of companies in this category may have a less predictable income stream from dividends or distributions of capital.

High Risk/Growth (H/GRW) Medium to higher risk equities of companies in fast growing and competitive industries, with less predictable earnings (or losses), more leveraged balance sheets, rapidly changing market dynamics, financial or legal issues, higher price volatility (beta), and potential risk of principal.

High Risk/Speculation (H/SPEC) High risk equities of companies with a short or unprofitable operating history, limited or less predictable revenues, very high risk associated with success, significant financial or legal issues, or a substantial risk/loss of principal.

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	Raymond James & Associates makes a market in shares of EPD.
	Raymond James & Associates received non-investment banking securities-related compensation from EPD within the past 12 months.
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	Raymond James & Associates has acted within the past 12 months or may be acting as an agent in an at-the-market offering of PAA shares.
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	Raymond James & Associates has acted within the past 12 months or may be acting as an agent in an at-the-market offering of PAGP shares.
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Targa Resources Corp.	Raymond James & Associates makes a market in shares of TRGP.

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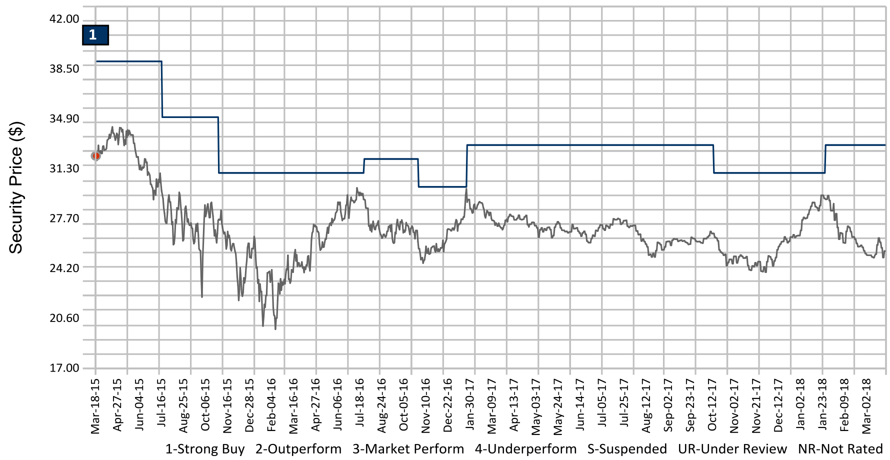
Target Prices: The information below indicates target price and rating changes for the subject companies included in this research.

Enterprise Products Partners L.P. (EPD:NYSE) Date: March 17 2018

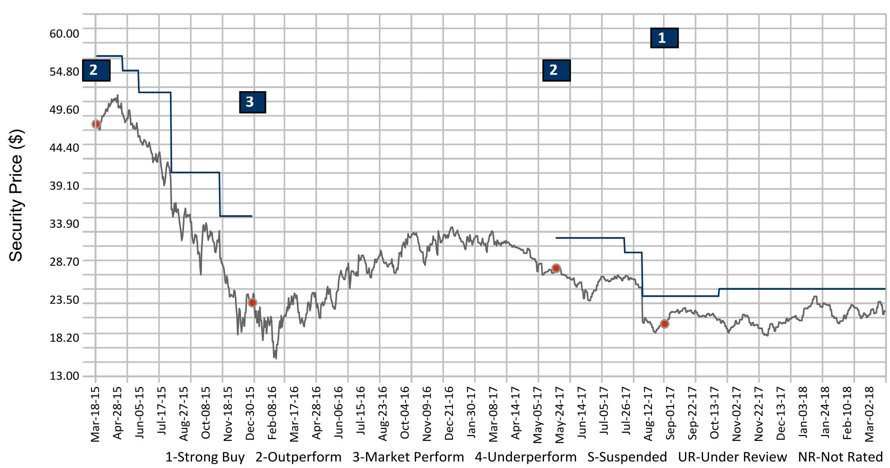


Rating & Target changes

Date	Curr.	Price	Target	Rating
Jan-25-18	$	29.11	33.00	1
Oct-13-17	$	26.66	31.00	1
Jan-27-17	$	28.91	33.00	1
Oct-28-16	$	25.57	30.00	1
Jul-25-16	$	29.10	32.00	1
Oct-30-15	$	27.68	31.00	1
Jul-17-15	$	29.43	35.00	1
Mar-18-15	$	32.22	39.00	1

Valuation Methodology: Our valuation methodology is based on a blended valuation comprising 1) a 10-year, three-stage distribution/dividend discount model (DDM), 2) forward price-to-distributable cash flow (P/DCF) multiples relative to comparable industry peers, and 3) forward enterprise value-to-EBITDA (EV/EBITDA) multiples relative to comparable industry peers. Our DDM assumes 1) cash distributions/dividends based on our forward-looking assumptions of the asset base, 2) a general cost of equity/discount rate/required rate of return for LP holders approximating either the capital asset pricing model (CAPM), the distribution/dividend discount model (forward yield plus growth), or the bond yield plus equity risk premium approach, and 3) a perpetual growth rate/terminal growth rate based on the growth profile of the partnership/company.

Plains All American Pipeline, L.P. (PAA:NYSE) Date: March 17 2018

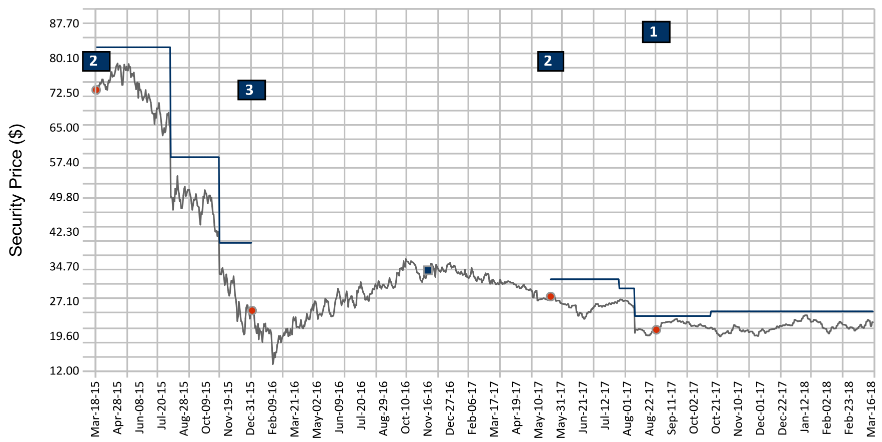


Rating & Target changes

Date	Curr.	Price	Target	Rating
Oct-18-17	$	20.81	25.00	1
Aug-28-17	$	20.19	24.00	1
Aug-08-17	$	20.51	24.00	2
Jul-25-17	$	26.54	30.00	2
May-22-17	$	27.83	32.00	2
Jan-04-16	$	23.10	NM	3
Nov-04-15	$	29.21	35.00	2
Aug-05-15	$	35.95	41.00	2
Jun-05-15	$	46.00	52.00	2
May-07-15	$	49.08	55.00	2
Mar-19-15	$	47.64	57.00	2

Valuation Methodology: Our valuation methodology is based on a blended valuation comprising a dividend discount model, DCF multiple analysis, and yield spread valuation analysis.

Plains GP Holdings, L.P. (PAGP:NYSE) Date: March 17 2018

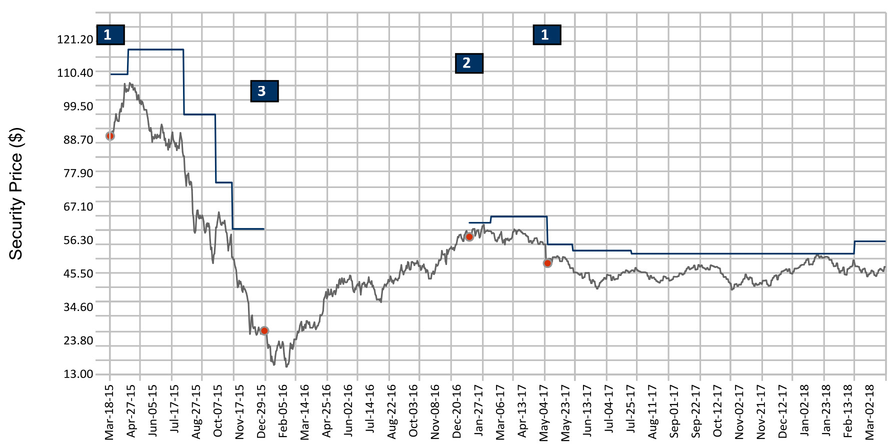


Rating & Target changes

Date	Curr.	Price	Target	Rating
Oct-18-17	$	21.48	25.00	1
Aug-28-17	$	21.00	24.00	1
Aug-08-17	$	20.32	24.00	2
Jul-25-17	$	27.30	30.00	2
May-22-17	$	28.23	32.00	2
Jan-04-16	$	25.17	NM	3
Nov-04-15	$	33.15	39.95	2
Aug-05-15	$	49.88	58.59	2
Mar-19-15	$	73.26	82.55	2

Valuation Methodology: For GPs, the average cost of equity assumption we use to discount distributions is the average five-year cost of equity at the L.P. Recall, at the L.P. level, to calculate the average five-year cost of equity, we add a basis point spread over our 10-year Treasury assumption of 3% to reach a target yield, which is then divided by the limited partner interest or calculated by subtracting the general partner distribution interest from 1.

Targa Resources Corp. (TRGP:NYSE) Date: March 17 2018



Rating & Target changes

Date	Curr.	Price	Target	Rating
Feb-16-18	$	48.64	56.00	1
Jul-25-17	$	46.64	52.00	1
May-30-17	$	47.34	53.00	1
May-05-17	$	48.91	55.00	1
Feb-16-17	$	59.19	64.00	2
Jan-12-17	$	57.43	62.00	2
Jan-04-16	$	27.06	NM	3
Nov-04-15	$	50.88	60.00	1
Oct-05-15	$	60.51	75.00	1
Aug-04-15	$	83.54	97.00	1
Apr-22-15	$	104.61	118.00	1
Mar-19-15	$	90.04	110.00	1

Valuation Methodology: Our valuation methodology is based on a blended valuation comprising 1) a 10-year, three-stage distribution/dividend discount model (DDM), 2) forward price-to-distributable cash flow (P/DCF) multiples relative to comparable industry peers, and 3) forward enterprise value-to-EBITDA (EV/EBITDA) multiples relative to comparable industry peers. Our DDM assumes 1) cash distributions/dividends based on our forward-looking assumptions of the asset base, 2) a general cost of equity/discount rate/required rate of return for LP holders approximating either the capital asset pricing model (CAPM), the distribution/dividend discount model (forward yield plus growth), or the bond yield plus equity risk premium approach, and 3) a perpetual growth rate/terminal growth rate based on the growth profile of the partnership/company.

Risk Factors

General Risk Factors: Following are some general risk factors that pertain to the businesses of the subject companies and the projected target prices and recommendations included on Raymond James research: (1) Industry fundamentals with respect to customer demand or product / service pricing could change and adversely impact expected revenues and earnings; (2) Issues relating to major competitors or market shares or new product expectations could change investor attitudes toward the sector or this stock; (3) Unforeseen developments with respect to the management, financial condition or accounting policies or practices could alter the prospective valuation; or (4) External factors that affect the U.S. economy, interest rates, the U.S. dollar or major segments of the economy could alter investor confidence and investment prospects. International investments involve additional risks such as currency fluctuations, differing financial accounting standards, and possible political and economic instability.

Specific Investment Risks Related to the Industry or Issuer

Company-Specific Risks for Enterprise Products Partners L.P.

Distributions Are Not Guaranteed
The actual amount of cash distributed to unitholders may fluctuate and will depend on Enterprise Products' future operating performance. Cash distributions are dependent primarily on margins and throughput volumes. Should Enterprise Products experience significantly lower margins or throughput volumes, cash distributions could be decreased or terminated.

Volumes Could Decline
Gathering and transmission pipelines generally do not carry commodity price risk but are exposed to supply risk. If supplies decrease and the related throughput in the pipeline decreases, then Enterprise Products Partners' revenues will decrease accordingly. Supply decreases result from normal declines in production, a failure to secure new supply agreements, and competition from other pipelines.

Interest Rates Could Rise
Interest rate movements can affect yield-based investments, such as MLPs. Increasing interest rates could have an adverse effect on Enterprise Products' unit price as alternative yield investments, such as U.S. Treasuries, become more attractive. In addition, increased debt service costs and interest expense might negatively affect the partnership's distributable cash flow.

Commodity Price Risk
Although limited, Enterprise Products' operations or margins could be exposed to volatility in commodity prices. While an MLP's revenues are typically generated primarily by tolling fees, margin-based businesses, such as Natural Gas Processing, can be directly and/or indirectly impacted by increases or decreases in commodity prices.

Acquisition Risk
The risk of a dilutive or unsuccessful acquisition by Enterprise Products Partners exists. There are inherent risks involved (integration risk, limited operating history, competition, etc.) when making acquisitions that could impair a partnership's ability to make cash distributions. Management teams typically attempt to minimize these risks by doing extensive due diligence work.

Dependence on Capital Markets
Midstream and MLP entities pay out a significant portion of available cash in the form of dividends or distributions to shareholders or unitholders. When growth projects/acquisitions become available, companies and partnerships typically tap the capital markets for the necessary financing to fund such projects. Market conditions may or may not be attractive for Enterprise Products Partners L.P. at the time it needs external funding.

Company-Specific Risk for Plains All American Pipeline L.P.

Inability to Remove the General Partner
Consistent with the MLP structure, common unitholders are not entitled to elect the general partner or its board of directors. Given this level of control, removing the general partner or the individuals in management is not likely. As a result, unitholders will have a very limited voice in corporate governance.

Distributions Are Not Guaranteed
The actual amount of cash distributed to unitholders may fluctuate and will depend on Plains' future operating performance. Cash distributions are dependent primarily on margins, storage utilization, and pipeline throughput volumes from the asset base. Should the partnership experience significantly lower margins or throughput volumes, cash distributions could be decreased or terminated.

Dependence on Capital Markets
MLPs pay out a significant portion of available cash in the form of distributions to unitholders. When growth projects/acquisitions become available, partnerships typically access the capital markets for the necessary funds to finance this growth. Market conditions may or may not be attractive for Plains at the time it seeks external funding, which may result in higher capital costs, lower returns, and in some instances the inability to fund growth.

Commodity Price Risk
Petroleum product prices may be in contango (future prices higher than current prices) or backwardated (future prices lower than current prices) depending on market expectations for future supply and demand. In an increasing price environment, when a premium is placed on

storage, Plains can profit from its storage assets by buying in the current market and selling at a higher price in the future, though its margins on lease gathering volumes may shrink. Alternately, in a backwardated market, when a premium is placed on prompt delivery, Plains may benefit from lease gathering margins, but may not have an incentive to store the physical capacity.

Acquisition Risk
The risk of an unsuccessful acquisition exists, including integration risk, overpayment risk, environmental or other unknown liability assumption risk, and the risk of asset underperformance once it is acquired. These risks could impair Plains All American Pipeline L.P.'s ability to make cash distributions; however, management attempts to minimize these risks by performing extensive due diligence work.

Volumes Could Decline
Transportation volumes are exposed to supply/demand risk. Supply decreases could result from normal declines in production, failure to secure new supplies or supply agreements, and competition from other parties. Demand could be impacted by higher prices, which could impact system throughput.

FERC Regulation
The partnership's interstate natural gas transportation and some of its natural gas storage operations are subject to FERC ratemaking policies that could have an adverse impact on its ability to establish rates that would allow it to recover the full cost of operating its pipelines. If a negative ruling is entered, it could impact Plains' cash flows and its ability to pay distributions.

Interest Rate Risk
Increasing interest rates could increase Plains' financing costs and negatively impact its distributable cash flow.

Company-Specific Risks for Plains GP Holdings L.P.

Acquisition/Integration Risk
The risk of an unsuccessful acquisition exists, including integration risk, overpayment risk, environmental or other unknown liability assumption risk, and the risk of asset underperformance once it is acquired. If the partnership encounters complications, delays, or cost overruns during the integration process, it could prevent Plains All American Pipeline from meeting our forecasted growth expectations. Thus, these risks would directly affect Plains GP Holdings' ability to make cash dividends; however, management attempts to minimize these risks by performing extensive due diligence work.

Volumetric Risk
Due to the natural decline of production from existing wells connected to Plains All American Pipelines' gathering systems, the partnership's long-term viability hinges on its success in obtaining new sources of crude oil and natural gas liquids on its gathering lines. If the partnership fails to secure new production flows to maintain current throughput levels, its cash flows will begin to deteriorate. Of most concern, many of the primary factors affecting the partnership's ability to obtain new sources of oil and NGL are outside of the partnership's control. These factors include the level of drilling activity in the partnership's core areas of operation, the amount of reserves associated with wells connected to its gathering systems, the rate at which production from these wells declines, and the price of hydrocarbons. Furthermore, volumes on the partnership's systems in unconventional resource plays may need to be replaced at a faster rate to maintain current volumes than in conventional production areas. This is primarily due to the fact that wells in unconventional plays tend to have higher initial production rates and steeper production decline curves. The need to replace existing throughput at faster rates will lead to higher maintenance expenditures and less cash flow available for distribution to limited partners.

Commodity Price Risk
Most of Plains All American Pipelines' volumes are subject to fee-based or fee-based equivalent contracts, largely insulating Plains All American from commodity price risk. However, the Supply and Logistics segment operates by purchasing products at the wellhead and reselling them for a margin, as well as linefill to maintain transportation of crude on its pipelines. Though this business is smaller than the core transportation businesses, it has been the source of significant growth over the past several years and exposes the partnership to commodity price risk. The partnership hedges the majority of its exposure to commodity prices through a combination of futures, forwards, swaps, and options. However, the nature of the hedges allows for some fluctuation in pricing, as well as rollover risk in the out-years, which could impact cash flows and the partnership's ability to pay distributions. While an MLP's revenues are typically generated primarily by tolling fees, margin-based businesses, such as hydrocarbon reselling, can be directly and/or indirectly impacted by increases or decreases in commodity prices.

Dependence on Capital Markets
Limited partnerships pay out all available cash in the form of distributions to unitholders. As a result, when growth projects/acquisitions become available, companies are forced to tap the capital markets for the necessary financing. Market conditions may or may not be attractive to the company at the time it needs external funding. Given PAA's high-level of forecasted capital expenditures over the next few years, its ability to access capital at reasonable rates is critical to sustaining current cash flow levels to PAGP.

Regulatory Risk
The ownership, operation, and development of midstream assets involve numerous regulatory, environmental, political, and legal uncertainties that are outside of Plains All American Pipeline's control.

Interest Rate Risk
Interest rate movements can have an impact on yield-based investments such as MLPs. Increasing interest rates could have an adverse effect on Plains GP Holdings' unit price as alternative yield investments become more attractive. Rising interest rates will also increase Plains All

American Pipeline's and Plains GP Holdings' financing costs, which will reduce cash flow available for distribution to unitholders and shareholders on both levels.

Cash Flows Are Dependent on the Underlying Partnership's Cash Flow Growth
Plains GP Holdings generates 100% of its cash flows through its ownership interests in Plains All American Pipeline L.P. As such, any adverse operational issues at Plains All American Pipeline L.P. could impact Plains GP Holdings' ability to pay out distributions. The actual amount of cash distributed to unitholders may fluctuate and will depend on Plains All American Pipeline L.P.'s future operating performance. Should the partnership experience significantly lower revenues than our forecasts suggest, cash distributions could be decreased or terminated.

Company-Specific Risks for Targa Resources Corp.

Commodity Price Risk
Most of Targa Resources' volumes are subject to percent-of-proceeds or keepwhole contracts, which expose the partnership to NGL and natural gas commodity price risk. The partnership hedges the majority of its exposure to commodity prices through a combination of swaps and puts. However, the nature of the hedges allows for some fluctuation in pricing, as well as rollover risk in the out-years, which could impact cash flows and the partnership's ability to pay distributions. While an midstream entities' revenues are typically generated primarily by tolling fees, margin-based businesses, such as Natural Gas Processing, can be directly and/or indirectly impacted by increases or decreases in commodity prices.

Volumetric Risk
Due to the natural decline of production from existing wells connected to Targa Resources Corporation's gathering systems, the company's long-term viability hinges on its success in obtaining new sources of natural gas on its gathering lines. If the company fails to secure new production flows to maintain current throughput levels, its cash flows will begin to deteriorate. Of most concern, many of the primary factors affecting the company's ability to obtain new sources of gas are outside its control. These factors include the level of drilling activity in the company's core areas of operation, the amount of reserves associated with wells connected to its gathering systems, the rate at which production from these wells declines, and the price of hydrocarbons. Furthermore, volumes on the company's systems in unconventional resource plays may need to be replaced at a faster rate to maintain current volumes than in conventional production areas. This is primarily due to the fact that wells in unconventional plays tend to have higher initial production rates and steeper production decline curves. The need to replace existing throughput at faster rates will lead to higher expenditures and less cash flow available for dividends to shareholders.

Interest Rate Risk
Interest rate movements can have an impact on yield-based investments such as Midstream companies. Increasing interest rates could have an adverse effect on Targa Resource Corporation's share price as alternative yield investments become more attractive. Rising interest rates will also increase Targa Resources Corporation's financing costs, which will reduce cash flow available for dividends to shareholders.

Dividends Are Not Guaranteed
Targa Resources Corp. intends to pay a significant portion of net cash to shareholders but is not required to do so. Should Targa Resources Corp. experience significantly lower margins or throughput volumes, cash dividends may be significantly lowered.

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