

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:

SOUTHCROSS ENERGY PARTNERS, L.P., *et al.*

Debtors.¹

Chapter 11

Case No. 19–10702-MFW

Jointly Administered

FL RICH GAS SERVICES, LP

Plaintiff,

– against –

SOUTHCROSS HOLDINGS BORROWER, LP;
SOUTHCROSS TS MIDSTREAM SERVICES,
LP,

Defendants.

Adv. Pro. No. 19-50283 (MFW)

ADVERSARY PROCEEDING COMPLAINT

Plaintiff FL Rich Gas Services, LP (“**FL Services**”), by and through its undersigned attorneys, alleges upon personal knowledge as to its own acts and upon information and belief as to all other matters, as follows:

¹ The debtors and debtors in possession in these cases and the last four digits of their respective Employer Identification Numbers are as follows: Southcross Energy Partners, L.P. (5230); Southcross Energy Partners GP, LLC (5141); Southcross Energy Finance Corp. (2225); Southcross Energy Operating, LLC (9605); Southcross Energy GP LLC (4246); Southcross Energy LP LLC (4304); Southcross Gathering Ltd. (7233); Southcross CCNG Gathering Ltd. (9553); Southcross CCNG Transmission Ltd. (4531); Southcross Marketing Company Ltd. (3313); Southcross NGL Pipeline Ltd. (3214); Southcross Midstream Services, L.P. (5932); Southcross Mississippi Industrial Gas Sales, L.P. (7519); Southcross Mississippi Pipeline, L.P. (7499); Southcross Gulf Coast Transmission Ltd. (0546); Southcross Mississippi Gathering, L.P. (2994); Southcross Delta Pipeline LLC (6804); Southcross Alabama Pipeline LLC (7180); Southcross Nueces Pipelines LLC (7034); Southcross Processing LLC (0672); FL Rich Gas Services GP, LLC (5172); FL Rich Gas Services, LP (0219); FL Rich Gas Utility GP, LLC (3280); FL Rich Gas Utility, LP (3644); Southcross Transmission, LP (6432); T2 EF Cogeneration Holdings, LLC (0613); and T2 EF Cogeneration LLC (4976). The mailing address for the Debtors’ corporate headquarters is 1717 Main Street, Suite 5200, Dallas, TX 75201.



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SUMMARY OF ALLEGATIONS

1. This action arises from a dispute between entities within the Southcross Energy family (collectively, “**Southcross**”). From 2015 to 2018, one Southcross entity, Frio LaSalle Pipeline, L.P. (“**Holdings-Frio**”), fraudulently transferred *over \$1 billion* in assets to or for the benefit of its indirect corporate parent, Defendant Southcross Holdings Borrower LP (“**Holdings Borrower**”), via one of Holdings Borrower’s other wholly owned subsidiaries, Southcross TS Midstream Services, LP (“**TS Midstream**”).

2. These fraudulent transfers, which fall into the three general categories outlined below, stripped Holdings-Frio of both its income and assets and left it insolvent and unable to pay its creditors, including another Southcross entity and a Debtor in these Chapter 11 proceedings, Plaintiff FL Services.

3. *First*, between 2015 and 2018, Holdings-Frio incurred *over \$850 million* in costs of sales of natural gas liquids (“**NGLs**”). It purchased and processed these NGLs, but then transferred the NGL products to TS Midstream without receiving *any* consideration in return (the “**NGL Transfers**”). TS Midstream then sold the NGL products to third parties and received *nearly a billion dollars* in revenue, much of which was distributed to Holdings Borrower. Even though Holdings-Frio paid virtually all the costs of these sales, neither TS Midstream nor Holdings Borrower compensated Holdings-Frio for the costs it incurred, let alone paid Holdings-Frio the profit margin to which it was entitled and which it would have earned had the NGL Transfers been at arm’s length.

4. *Second*, in 2015, FL Services paid \$77.6 million to Holdings Borrower to acquire various assets (the “**Valley Wells Transaction**”). Approximately 70% of the assets (worth about *\$54 million*) that Holdings Borrower transferred to FL Services in the Valley Wells Transaction

belonged to Holdings-Frio according to company ledger entries. Yet Holdings-Frio received no compensation at all in connection with the transaction. Holdings Borrower took everything.

5. *Third*, in connection with the sale of certain assets to EPIC Midstream Holdings, LP (“**EPIC**”) in November 2018 (the “**Robstown Transaction**”), Holdings-Frio transferred a fractionation facility (the “**Robstown Fractionation Facility**”) and certain producer-facing contracts, together valued at approximately **\$300 million**, to TS Midstream. TS Midstream was then sold to EPIC as part of the Robstown Transaction. EPIC paid Holdings Borrower \$405 million for the Robstown Transaction, yet even though about three-quarters of the transferred assets belonged to Holdings-Frio, it received no proceeds of the transaction.

6. All of the above transfers occurred at a time when Holdings-Frio was (i) insolvent, (ii) left with unreasonably small assets in relation to its business, and/or (iii) placed in a position in which it believed or reasonably should have known that it would not be able to repay its debts as they became due. Therefore, they constitute constructive fraudulent transfers under Sections 24.005(a)(2) and 24.006(a) of the Texas Uniform Fraudulent Transfer Act, Tex. Bus. & Com. Code Ann. §§ 24.001–.013 (“**TUFTA**”), and should be avoided by this Court.

7. Furthermore, all of these transfers other than the 2015 Valley Wells Transaction were made with an intent to hinder, delay, or defraud Holdings-Frio’s creditors and involved several badges of fraud. Holdings-Frio was deliberately undercapitalized so that it lacked sufficient assets to repay its creditors, including the ability to fully compensate FL Services if the FL Services Agreements (as defined below) were breached. Holdings-Frio received no value in return for transferring substantially all of its assets at a time when it was already insolvent or unable to pay debts as they became due. And Holdings-Frio made all of the transfers to a

statutory insider under Section 24.002(7) of TUFTA. Therefore, the transfers are also actual fraudulent transfers. *See* TUFTA § 24.005(a)(1), (b).

8. FL Services brings this adversary proceeding to recover the fraudulently transferred assets belonging to Holdings-Frio so that Holdings-Frio can pay its debts to FL Services. In 2014 and 2015, Holdings-Frio and FL Services entered into several long-term, fixed-rate contracts under which Holdings-Frio agreed to pay FL Services for various natural gas processing, transportation, compression, and other related services [REDACTED] (the “**FL Services Agreements**”).

9. Holdings Borrower recently advised FL Services that Holdings-Frio may soon file for Chapter 11 bankruptcy and reject the FL Services Agreements. Due to the fraudulent transfers described above, Holdings-Frio lacks sufficient assets to pay its debts under the FL Services Agreements or the substantial damages that would result if Holdings-Frio rejected the FL Services Agreements. Indeed, Holdings-Frio has apparently been unable to satisfy its obligations under the FL Services Agreements since the contracts were entered, requiring substantial cash infusions from Holdings Borrower to do so. FL Services relies upon the revenues from these contracts for its operations and current restructuring. The prospect of Holdings-Frio’s breach of these contracts is thus real and imminent and would impact MLP’s chances of achieving a successful reorganization under Chapter 11 of the Bankruptcy Code.

10. Accordingly, FL Services requests that the Court enter an order avoiding the transfers described in this Complaint and returning to Holdings-Frio the funds and other assets fraudulently transferred to TS Midstream for Holdings Borrower’s benefit, or transferred to Holdings Borrower as a subsequent transferee.

11. FL Services seeks relief under Section 24.001 *et seq.* of the Texas Business and Commerce Code.

JURISDICTION AND VENUE

12. This Court has jurisdiction over this adversary proceeding pursuant to 28 U.S.C. §§ 157 and 1334. This action is a noncore proceeding under 28 U.S.C. § 157(c)(1).

13. Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

PARTIES²

A. MLP Entities

14. Nonparty Southcross Energy Partners, L.P. (the “**MLP**”) is a Texas limited partnership headquartered in Dallas, Texas, and a Debtor in the above-captioned bankruptcy proceeding. MLP and 26 other affiliated Debtor entities filed voluntary petitions under Chapter 11 of the Bankruptcy Code in this Court on April 1, 2019.

15. Plaintiff FL Services is a Texas limited partnership headquartered in Dallas, Texas. FL Services is a wholly owned subsidiary of MLP and one of the entities that filed a voluntary Chapter 11 petition in this Court on April 1, 2019.

B. Holdings Entities

16. On information and belief, nonparty Southcross Holdings LP (“**Holdings**”) is a Delaware limited partnership headquartered in Dallas, Texas. Holdings is the ultimate corporate parent of MLP and FL Services, but unlike MLP and its subsidiaries, Holdings is not a debtor in the above-captioned Chapter 11 proceeding. Holdings’ subsidiaries include, among others, Holdings Borrower, Holdings-Frio, and, until November 2018, TS Midstream.

² Organizational charts of the Southcross entities are attached in the Appendix.

17. On information and belief, Defendant Holdings Borrower is a Delaware limited partnership headquartered in Dallas, Texas, and a wholly owned subsidiary of Holdings. Like Holdings, Holdings Borrower is not currently a Chapter 11 debtor.

18. On information and belief, Holdings-Frio is a Texas limited partnership headquartered in Dallas, Texas. Holdings Borrower is currently the limited partner of Holdings-Frio and the parent of Holdings-Frio's general partner, Frio LaSalle GP, LLC ("**Frio GP**"). Prior to November 2018, TS Midstream was the limited partner of Holdings-Frio and the parent of Frio GP, while Holdings Borrower was the parent of TS Midstream. Thus, at all relevant times, Holdings-Frio has been an indirect subsidiary of Holdings Borrower. Like Holdings and Holdings Borrower, Holdings-Frio is not currently a Chapter 11 debtor.

C. Non-Southcross Entities

19. On information and belief, EPIC Midstream Holdings, LP ("**EPIC**") is a Texas limited liability company headquartered in San Antonio, Texas. EPIC's business includes building, owning, and operating midstream natural gas infrastructure in South Texas. EPIC's subsidiaries include Robstown Y-Grade, LLC and, as of November 15, 2018, TS Midstream.

20. On information and belief, nonparty Robstown Y-Grade LLC ("**Robstown Y-Grade**") is a Delaware limited liability company headquartered in San Antonio, Texas. Robstown Y-Grade is a subsidiary of EPIC.

21. On information and belief, Defendant TS Midstream is a Texas limited partnership headquartered in San Antonio, Texas. Until it was acquired by EPIC in November 2018, TS Midstream was a wholly owned subsidiary of Holdings Borrower, the limited partner of Holdings-Frio, and the parent of Holdings-Frio's general partner, Holdings GP.

BACKGROUND

A. Southcross's Business and Corporate History

22. Southcross's core business is to provide a range of "midstream" services to natural gas producers and customers. Specifically, Southcross (through its various operating subsidiaries) transports natural gas from "upstream" exploration and production companies—i.e., companies that extract natural gas from the ground—and processes this gas to create marketable products that it then transports to "downstream" end users, such as power companies.

Southcross's services include gathering raw natural gas from the wellheads of other companies; compressing, or pressurizing, the gas so that it may be transported through Southcross's network of pipelines; processing the gas at its own facilities to remove contaminants and separate NGLs; fractionating the NGLs, i.e., separating this stream of liquids into various hydrocarbons such as ethane, propane, and butane ("**purity products**"); and transporting these natural gas purity products to and from various users at different points in the supply chain. Southcross's assets include thousands of miles of pipeline across South Texas, Mississippi, and Alabama, as well as various natural gas processing facilities.

23. Southcross currently employs approximately 205 people in active full- and part-time status. The majority of employees work in Texas, while the remainder work at one of Southcross's plants in Alabama or Mississippi.

24. Although Southcross generally operates as a single public-facing midstream business, its corporate structure is divided between MLP and its subsidiaries (including FL Services), on the one hand, and Holdings Borrower and its subsidiaries (including Holdings-Frio), on the other.

25. In 2009, private equity firm Charlesbank Capital Partners formed Southcross Energy LLC to acquire and operate midstream oil and gas assets. Southcross Energy LLC

created the MLP as a subsidiary in 2012, and took it public through an initial public offering. At that point, ownership of the MLP was shared by Southcross Energy LLC and public unitholders.

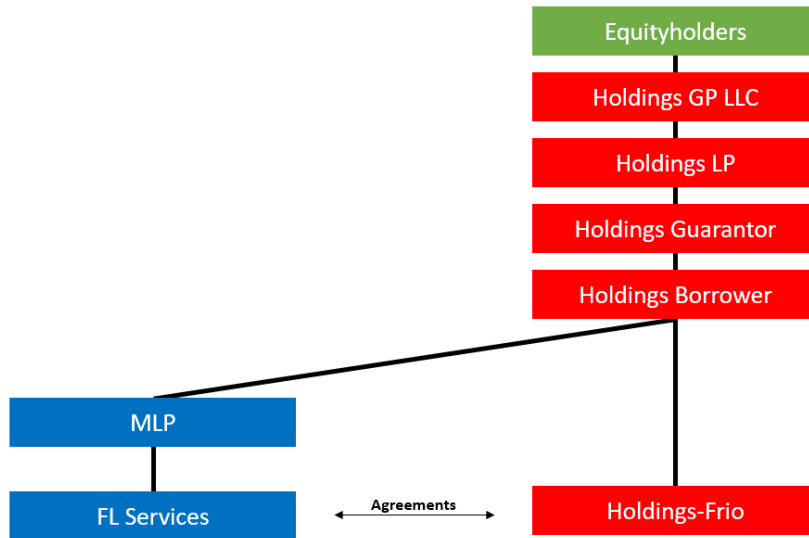
26. The current company structure, and the relationship between the MLP and Holdings, stems from an August 2014 contribution agreement between Southcross and TexStar Midstream Services, LP (“**TexStar**”), which was then a standalone midstream company that owned pipelines and plants in the Eagle Ford shale region in South Texas. As a result of the agreement, Southcross Energy LLC was replaced by Holdings as the top-level Southcross entity. In connection with the transaction, Holdings acquired 100% of the MLP’s general partner, all of the MLP equity owned by Southcross Energy LLC, and 100% of TexStar. EIG and Tailwater, the joint owners of TexStar, joined Charlesbank as indirect owners of Holdings, with each owning one-third of the company’s equity. Through their ownership in Holdings, the three sponsors shared ownership of the MLP with public unitholders.

27. When TexStar and Southcross combined, Holdings Borrower became the indirect owner of all of TexStar’s subsidiaries, including FL Services and Holdings-Frio. After executing the contribution agreement, Holdings reorganized its internal subsidiary structure by selling FL Services to the MLP in exchange for \$80 million in cash and \$100 million of debt. Thus, since August 2014, FL Services has operated as an indirect MLP subsidiary, while Holdings-Frio has operated as an indirect Holdings Borrower subsidiary.

28. On March 28, 2016, Holdings and certain of its subsidiaries, including Holdings-Frio, filed for bankruptcy under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of Texas. Holdings and its subsidiaries emerged from the bankruptcy on April 13, 2016, with the financial institutions that lent to Holdings being issued one-third of Holdings’ limited partner interests, replacing Charlesbank. Today, this one-

third interest in Holdings is held by over 160 different equity holders. The owners of the remaining two-thirds of Holdings' equity are funds managed by two private equity firms, EIG and Tailwater.

29. A simplified organizational chart below reflects the current, relevant Southcross structure:



B. Holdings-Frio's Business

30. After the contribution agreement and related reorganization were completed in 2014, Holdings-Frio owned a number of assets and entered into three groups of contracts for each of its lines of business. First, Holdings-Frio entered into contracts with FL Services (the “**FL Services Agreements**”), pursuant to which [REDACTED]. Second, Holdings-Frio entered into contracts with third parties (the “**Third-Party Agreements**”), whereby [REDACTED]. Third, Holdings-Frio entered into contracts with producers (the “**Producer Agreements**”), pursuant to which [REDACTED]. Each of Holdings-Frio's assets and collections of agreements is described below.

1. Holdings-Frio Assets

31. As of August 2014 and throughout the period relevant to this Complaint until the Robstown Transaction, Holdings-Frio owned the following assets in South Texas that were part of Southcross's natural gas processing operations:

- *Robstown Fractionation Facility.* Located outside of Corpus Christi, Texas, the Robstown Fractionation Facility is capable of turning Y-grade into marketable purity products, including ethane, propane, isobutane, normal butane and natural gasoline. The Robstown Fractionation Facility can fractionate 63,000 barrels of natural gas per day.
- *Valley Wells Treater and Related Assets.* Located in La Salle County, Texas, the Valley Wells Treater is a sour gas treating facility that removes the hydrogen sulfide from the "sour gas" that it receives to produce "sweet gas."
- *Lancaster Processing Facility.* Located in Frio County, Texas, the Lancaster Processing Facility consists of a sour gas treater and an acid gas injection plant.
- *Compression Assets.* Located in Frio and La Salle Counties in Texas, these Compression Assets are part of the Valley Wells and Lancaster systems.
- *NGL Pipeline System.* Located throughout South Texas, this NGL Pipeline System connects producers in the Eagle Ford shale region of South Texas to the larger natural gas marketplace in the Corpus Christi area.

2. FL Services Agreements

32. In 2014 and 2015, Holdings-Frio and FL Services entered into the FL Services Agreements, which consist of the following contracts:

[REDACTED]

[REDACTED]

- *May 2015 Master Compression Services Agreement.* Under the May 1, 2015 Master Compression Services Agreement, along with its accompanying Schedule A and First Amendment (collectively, “**May 2015 Master Compression Services Agreement**”), Holdings-Frio agrees, among other things, to accept various gas compression services from FL Services. The Agreement imposes a fixed rate on the parties and remains in effect until April 30, 2023.

33. These contracts, which are governed by Texas law, collectively provide FL Services with an estimated annual gross margin of approximately [REDACTED] from Holdings-Frio for the duration of the agreements. Because FL Services has a “right to payment” from Holdings-Frio under the FL Services Agreements, FL Services constitutes a “creditor” for purposes of TUFTA and may bring a fraudulent transfer claim thereunder. *See* TUFTA §§ 24.002(3)–(4), 24.005, 24.006.

3. Third-Party Service Agreements

34. Holdings-Frio has a separate set of agreements with third parties, including [REDACTED]

[REDACTED], [REDACTED], [REDACTED], and [REDACTED]. [REDACTED]

[REDACTED]

[REDACTED]

35. Holdings-Frio earns revenues from these contracts. Indeed, nearly all of the revenues Holdings-Frio received from 2015 onward arise from these Third-Party Service Agreements. These Third-Party Service Agreements are not at issue in this Complaint.

4. Producer Agreements

36. The third set of agreements Holdings-Frio had were for [REDACTED] from producers, such as [REDACTED], [REDACTED], and [REDACTED], among others. [REDACTED]

38. Holdings-Frio continued to enter into new Producer Agreements with different producers until October 2018.

39. Since 2015, Holdings Borrower has repeatedly stripped Holdings-Frio of its assets by causing Holdings-Frio to effectuate fraudulent transfers in three respects in violation of Sections 24.005 and 24.006 of TUFTA.

40. *First*, Holdings-Frio fraudulently transferred hundreds of millions of dollars of fractionated Y-grade NGLs to TS Midstream, while receiving nothing in return.

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executed between these two entities, and Holdings-Frio never received any consideration for its transfers.

42. These transfers were made for Holdings Borrower's benefit because, among other things, they increased gross NGL margins, the profits from TS Midstream's resulting sales were generally transferred to Holdings Borrower, and the transfers inflated TS Midstream's value prior to the sale of TS Midstream to EPIC.

43. Because Holdings-Frio was transferring hundreds of millions of dollars in Y-grade to TS Midstream for zero consideration, it repeatedly ran out of sufficient assets to fund its operations and pay its creditors. As a result, Holdings-Frio would receive sporadic cash infusions from Holdings Borrower and TS Midstream on an as-needed basis. These cash infusions were not subject to any intercompany contracts and were not compensation for Holdings-Frio's free transfers of fractionated NGLs to TS Midstream. They were simply ad hoc monetary contributions that further underscore that the fraudulent transfers of Holdings-Frio's assets to TS Midstream rendered Holdings-Frio insolvent.

44. The cash infusions were also insufficient to prevent Holdings-Frio's insolvency. For instance, in 2018 alone, Holdings-Frio received approximately \$118 million less from Holdings entities than the cost of the NGLs it transferred to TS Midstream that year.

45. Moreover, had Holdings-Frio instead sold the Y-grade it purchased at arm's-length, in addition to covering its costs, it would have been entitled to a gross margin of tens of millions of dollars on its sales of the Y-grade. And because Holdings-Frio also processed the Y-grade that it purchased by fractionating it at its Robstown Fractionation Facility, Holdings-Frio is further entitled to compensation for the costs of those fractionation services and a substantial

share of the tens of millions of dollars in gross margin earned by TS Midstream on the resulting purity product.

2. Transfer of Valley Wells and Associated Assets

46. *Second*, Holdings Borrower sold certain of Holdings-Frio's assets in May 2015, but Holdings-Frio received no value in exchange.

47. On May 7, 2015, Holdings Borrower and MLP agreed to a drop-down transaction (the "**Valley Wells Transaction**") pursuant to which Holdings Borrower transferred ownership of the Valley Wells Treater, the Compression Assets, and the NGL Pipeline Facility, among other assets, to FL Services. *See* Southcross Energy Partners L.P., Annual Report (Form 10-K) 55–56 (Apr. 14, 2016). In exchange, MLP paid \$15 million in cash and tendered MLP common units worth \$62.5 million at the time, for a total of \$77.6 million.

48. The Valley Wells Treater, Compression Assets, and NGL Pipeline Facility all belonged to Holdings-Frio and accounted for roughly 70% of the total assets transferred to MLP according to company ledger entries. Holdings-Frio was therefore entitled to receive its corresponding share of the \$77.6 million consideration, or approximately \$54 million, but instead received nothing because the entire amount was transferred directly to Holdings Borrower.

3. Transfer of Robstown Assets

49. *Third*, Holdings Borrower sold most of Holdings-Frio's remaining assets in the fall of 2018, again without providing any value in exchange to Holdings-Frio.

50. In October 2018, Holdings Borrower executed an Equity Purchase Agreement (the "**Robstown EPA**") with Robstown Y-Grade, a subsidiary of EPIC. In connection with the Robstown Equity Purchase Agreement, Holdings-Frio transferred its Robstown Fractionation Facility and Producer Agreements to TS Midstream, which was itself then transferred to EPIC on

November 15, 2018, the closing date of the transaction. These transfers were also made for the benefit of Holdings Borrower.

51. Sections 5.15 and 6.4(h) of the Robstown EPA explicitly required Holdings Borrower to assign the Producer Agreements from Holdings-Frio to TS Midstream, and Robstown Y-Grade purchased TS Midstream on behalf of EPIC. Holdings-Frio received zero compensation for the transfer of the Producer Agreements.

52. Additionally, the Robstown Fractionation Facility, which was owned by Holdings-Frio, was transferred to TS Midstream without Holdings-Frio receiving any consideration in return. The Robstown Fractionation Facility had been consistently recorded as an asset on Holdings-Frio's books up to the time of the Robstown Transaction, and Holdings-Frio paid certain of the property taxes and excise taxes relating to the facility before it was transferred to EPIC. Moreover, the Chief Financial Officer of TexStar indicated in a 2015 email that Holdings-Frio owned the Robstown Fractionation Facility, and Holdings-Frio had identified itself as the owner of the Robstown Fractionation Facility in regulatory documents filed with the IRS in 2016 and as the operator of the Robstown Fractionation Facility in correspondence to the Texas Railroad Commission in November 2018. Yet, at some point prior to the November 2018 Robstown Transaction, the Robstown Fractionation Facility was apparently assumed by the parties to be owned by TS Midstream, because the Robstown EPA asserts that TS Midstream owned the Robstown Fractionation Facility at that point. However, there is no documentation of any such transfer, and Holdings-Frio never received any consideration from TS Midstream for the Robstown Fractionation Facility.

53. Holdings Borrower received a total of \$405 million from EPIC under the Robstown EPA. Most of the assets transferred had belonged to Holdings-Frio: the Robstown

Fractionation Facility, which was valued at approximately \$260 million on Holdings-Frio's books at the time of the transfer, and the Producer Agreements, which FL Services estimates to have been worth at least \$35 million at the time of the Robstown Transaction. Thus, Holdings-Frio is entitled to at least \$295 million of the total consideration that EPIC paid to Holdings Borrower, and likely more, given that Holdings Borrower recorded a gain on the sale. Instead, Holdings-Frio received nothing, as the cash from EPIC was received directly by Holdings Borrower without any intercompany entries recorded.

54. Shortly after the closing of the Robstown transaction, Holdings Borrower issued a \$135 million dividend to its equity holders in December 2018. This distribution left approximately \$110 million in Holdings Borrower's bank account, which funds remain there today. Holdings Borrower had temporarily agreed not to further distribute those funds while the parties sought a mutual resolution of this dispute, but now refuses to extend any such agreement.

4. Holdings-Frio Was Insolvent, Had Unreasonably Small Assets, and/or Was Unable to Pay Its Debts as a Result of the Above Transfers

55. Each of the transfers described above left Holdings-Frio insolvent, unable to pay its debts as they became due, and/or with unreasonably small assets in relation to its business. From 2015 onwards, Holdings-Frio had negative net income of over a hundred million dollars each year, and was grossly undercapitalized, with total current assets significantly less than its total current liabilities. Indeed, as the designated entity incurring costs of sales to purchase Y-grade NGLs without receiving any of the benefit from the subsequent sales of these molecules, Holdings-Frio was necessarily chronically short of cash to meet its obligations. Other Holdings entities periodically provided cash to Holdings-Frio on an as-needed basis precisely because Holdings-Frio lacked sufficient assets to fund its operations and pay its creditors.

56. Moreover, even with these periodic cash infusions, Holdings-Frio filed for bankruptcy in early 2016, underscoring that it was consistently undercapitalized, unable to pay its debts, and insolvent. And even after emerging from that bankruptcy, and with continued cash infusions from other Holdings entities, Holdings-Frio was still balance-sheet insolvent as of 2017, reporting *negative \$44 million* in assets, and \$66 million in liabilities at the end of the year. By 2018, after the Robstown transaction, Holdings-Frio had *negative \$823 million* in assets and \$38 million in liabilities, leaving it with net equity of *negative \$861 million*.

57. Indeed, Holdings Borrower has effectively acknowledged that Holdings-Frio has been insolvent for some time by suggesting that Holdings-Frio may soon file again for another bankruptcy.

5. The Transfers Were Actually and Constructively Fraudulent

58. Holdings-Frio made each of the above transfers while receiving no consideration in exchange, let alone “reasonably equivalent value,” at a time in which the FL Services Agreements were in effect. *See* TUFTA § 24.005(a)(2).

59. These transfers caused Holdings-Frio to incur over a billion dollars in losses, and (i) left Holdings-Frio with “unreasonably small” assets in relation to its business; (ii) placed Holdings-Frio in a position in which it knew—or reasonably should have known—that it would incur debts it could not repay as they became due; and/or (iii) rendered Holdings-Frio insolvent. Indeed, for the entire duration of the FL Services Agreements, Holdings-Frio has been undercapitalized, unable to pay its debts, and insolvent because it was structured to be the entity that paid hundreds of millions of dollars in costs of sales to benefit the Holdings corporate family without receiving any value in return. Each of the transfers described above to TS Midstream and for Holdings Borrower’s benefit is accordingly a constructive fraudulent transfer. *See* TUFTA §§ 24.005(a)(2)(A)–(B), 24.006(a).

60. Furthermore, Holdings-Frio knowingly and intentionally transferred the above assets and contracts to a statutory insider that controlled Holdings-Frio so that Holdings-Frio would have insufficient assets remaining to pay creditors such as FL Services. Accordingly, each of the transfers described above is also an actual fraudulent transfer. *See* TUFTA § 24.005(b).

D. Holdings-Frio's Rejection of the FL Services Agreements

61. Holdings Borrower recently informed FL Services that Holdings-Frio may file for Chapter 11 bankruptcy because, among other things, Holdings-Frio cannot continue to satisfy its contractual obligations under the FL Services Agreements. If Holdings-Frio rejects these agreements, it will owe substantial rejection damages to FL Services but will be unable to pay these damages in full, or potentially at all, because Holdings-Frio has fraudulently transferred cash and assets worth over a billion dollars to TS Midstream and Holdings Borrower since 2015.

62. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

63. FL Services would suffer over [REDACTED] in estimated losses if Holdings-Frio files for Chapter 11 bankruptcy and rejects its obligations under the FL Services Agreements. At the same time, there is more than [REDACTED] available in a Holdings Borrower bank account at JPMorgan Chase Bank, N.A., that would be returned to Holdings-Frio's estate and thus be

available to FL Services if it succeeds on the fraudulent transfer claims that are the subject of this action.

* * * * *

FIRST CLAIM FOR RELIEF

Avoidance of Constructive Fraudulent Transfers to or for the Benefit of Holdings Borrower Under TUFTA

64. FL Services repeats and incorporates the allegations in paragraphs 1 through 63 of this Complaint.

65. FL Services is currently, and has been since 2014 or earlier, a creditor of Holdings-Frio under Section 24.002 of TUFTA because it has a right to payment from Holdings-Frio pursuant to the FL Services Agreements. FL Services was a creditor of Holdings-Frio prior to and during the NGL Transfers, the transfer of the Robstown Fractionation Facility and Producer Agreements, and the transfer of assets as part of the Valley Wells Transaction. FL Services' contractual right to payment from Holdings-Frio arose before all of those transfers.

66. The above-described three categories of transfers of Holdings-Frio's assets were made to or for the benefit of Holdings Borrower without Holdings-Frio receiving reasonably equivalent value in exchange.

67. Each of the transfers has (i) left Holdings-Frio in a position where it has "unreasonably small" assets in relation to its business; (ii) placed Holdings-Frio in a position in which it knew—or reasonably should have known—that it would incur debts it could not repay as they became due; and/or (iii) rendered Holdings-Frio insolvent. *See* TUFTA §§ 24.005(a)(2)(A)–(B), 24.006(a).

68. At the time FL Services filed for bankruptcy protection on April 1, 2019, none of its TUFTA claims were time-barred. *See* TUFTA § 24.010(a)(1)–(2). Accordingly, Section

108(a)(2) of the Bankruptcy Code extends the deadline to bring such claims by two years. *See* 11 U.S.C.A. § 108(a)(2). All of the stated claims are therefore timely.

69. Accordingly, the transfers described above constitute constructive fraudulent transfers under TUFTA, and this Court should order the avoidance of those transfers and the return of the transferred funds to Holdings-Frio. *See* TUFTA § 24.008(a)(1).

SECOND CLAIM FOR RELIEF

Avoidance of Actual Fraudulent Transfers to or for the Benefit of Holdings Borrower Under TUFTA

70. FL Services repeats and incorporates the allegations in paragraphs 1 through 69 of this Complaint.

71. FL Services is currently, and has been since 2014 or earlier, a creditor of Holdings-Frio under TUFTA Section 24.002 because it has a right to payment from Holdings-Frio pursuant to the FL Services Agreements. FL Services was a creditor of Holdings-Frio prior to and during each of the fraudulent transfers described above, and its contractual right to payment from Holdings-Frio arose before all of those transfers.

72. Holdings-Frio and Holdings Borrower made the NGL Transfers and transferred the Robstown Fractionation Facility and Producer Agreements to Holdings Borrower or other entities Holdings Borrower controlled with an intent to hinder, delay, or defraud creditors, and to prevent creditors from recovering assets owed to them. *See* TUFTA § 24.005(a)(1).

73. Holdings Borrower is a limited partner of Holdings-Frio and the corporate parent of the general partner of Holdings-Frio. Holdings Borrower is therefore a statutory insider of Holdings-Frio under TUFTA Section 24.002(7).

74. Furthermore, Holdings-Frio did not receive reasonably equivalent value for and became insolvent shortly after the transfers, which consisted of substantially all of Holdings-Frio's assets. *See* TUFTA § 24.005(b)(5), (8), (9).

75. Accordingly, the transfers described above constitute actual fraudulent transfers under TUFTA, and this Court should order the avoidance of those transfers and the return of the transferred funds to Holdings-Frio. *See* TUFTA § 24.008(a)(1).

THIRD CLAIM FOR RELIEF

Avoidance of Constructive Fraudulent Transfers to TS Midstream under TUFTA

76. FL Services repeats and incorporates the allegations in paragraphs 1 through 75 of this Complaint.

77. FL Services is currently, and has been since 2014 or earlier, a creditor of Holdings-Frio under TUFTA Section 24.002 because it has a right to payment from Holdings-Frio pursuant to the FL Services Agreements. FL Services was a creditor of Holdings-Frio prior to and during each of the fraudulent transfers described above, and its contractual right to payment from Holdings-Frio arose before all of those transfers.

78. Holdings-Frio made the NGL Transfers, and transferred the Robstown Fractionation Facility and Producer Agreements, to TS Midstream without receiving reasonably equivalent value in exchange.

79. These transfers (i) left Holdings-Frio in a position where it has “unreasonably small” assets in relation to its business; (ii) placed Holdings-Frio in a position in which it knew—or reasonably should have known—that it would incur debts it could not repay as they became due; and/or (iii) rendered Holdings-Frio insolvent. *See* TUFTA §§ 24.005(a)(2)(A)–(B), 24.006(a).

80. Accordingly, the transfer described above constitutes a constructive fraudulent transfer under TUFTA, and this Court should order the avoidance of those transfers and the return of the transferred assets or their value to Holdings-Frio. *See* TUFTA § 24.008(a)(1).

FOURTH CLAIM FOR RELIEF

Avoidance of Actual Fraudulent Transfers to TS Midstream Under TUFTA

81. FL Services repeats and incorporates the allegations in paragraphs 1 through 80 of this Complaint.

82. FL Services is currently, and has been since 2014 or earlier, a creditor of Holdings-Frio under TUFTA Section 24.002 because it has a right to payment from Holdings-Frio pursuant to the FL Services Agreements. FL Services was a creditor of Holdings-Frio prior to and during each of the fraudulent transfers described above, and its contractual right to payment from Holdings-Frio arose before all of those transfers.

83. Holdings-Frio made the NGL Transfers, and transferred its Robstown Fractionation Facility and Producer Agreements, to TS Midstream with an intent to hinder, delay, or defraud creditors, and prevent them from recovering assets owed to them. *See* TUFTA § 24.005(a)(1).

84. At the time of these transfers, TS Midstream was a limited partner of Holdings-Frio and the corporate parent of the general partner of Holdings-Frio. TS Midstream was therefore a statutory insider of Holdings-Frio under TUFTA § 24.002(7).

85. Furthermore, Holdings-Frio did not receive reasonably equivalent value for and became insolvent shortly after the transfers, which consisted of substantially all of Holdings-Frio's assets. *See* TUFTA § 24.005(b)(5), (8), (9).

86. Accordingly, the transfers described above constitute actual fraudulent transfers under TUFTA, and this Court should order the avoidance of those transfers and the return of the transferred assets or their value to Holdings-Frio. *See* TUFTA § 24.008(a)(1).

REQUEST FOR RELIEF

WHEREFORE, for the foregoing reasons, FL Services respectfully requests that this Court enter an order:

- (a) avoiding the fraudulent transfers from Holdings-Frio to or for the benefit of TS Midstream and Holdings Borrower and returning the transferred assets or their value to Holdings-Frio under TUFTA Section 24.008(a)(1); and
- (b) awarding such other relief as the Court deems proper.

Dated: New York, New York
August 12, 2019

By: /s/ Robert J. Dehney

MORRIS, NICHOLS ARSHT & TUNNELL LLP

Robert J. Dehney (No. 3578)

Andrew R. Remming (No. 5120)

Joseph C. Barsalona II (No. 6102)

Eric W. Moats (No. 6441)

1201 North Market Street, 16th Floor

P.O. Box 1347

Wilmington, Delaware 19899-1347

Tel.: (302) 658-9200

Fax: (302) 658-3989

rdehney@mnat.com

aremming@mnat.com

jbarsalona@mnat.com

emoats@mnat.com

-and-

DAVIS POLK & WARDWELL LLP

Elliot Moskowitz (*admitted pro hac vice*)

Adam G. Mehes (*admitted pro hac vice*)

Katherine Cheng (*pro hac vice* motion pending)

450 Lexington Avenue

New York, New York 10017

(212) 450-4000 (telephone)

(212) 701-5800 (facsimile)

elliot.moskowitz@davispolk.com

adam.mehes@davispolk.com

katherine.cheng@davispolk.com

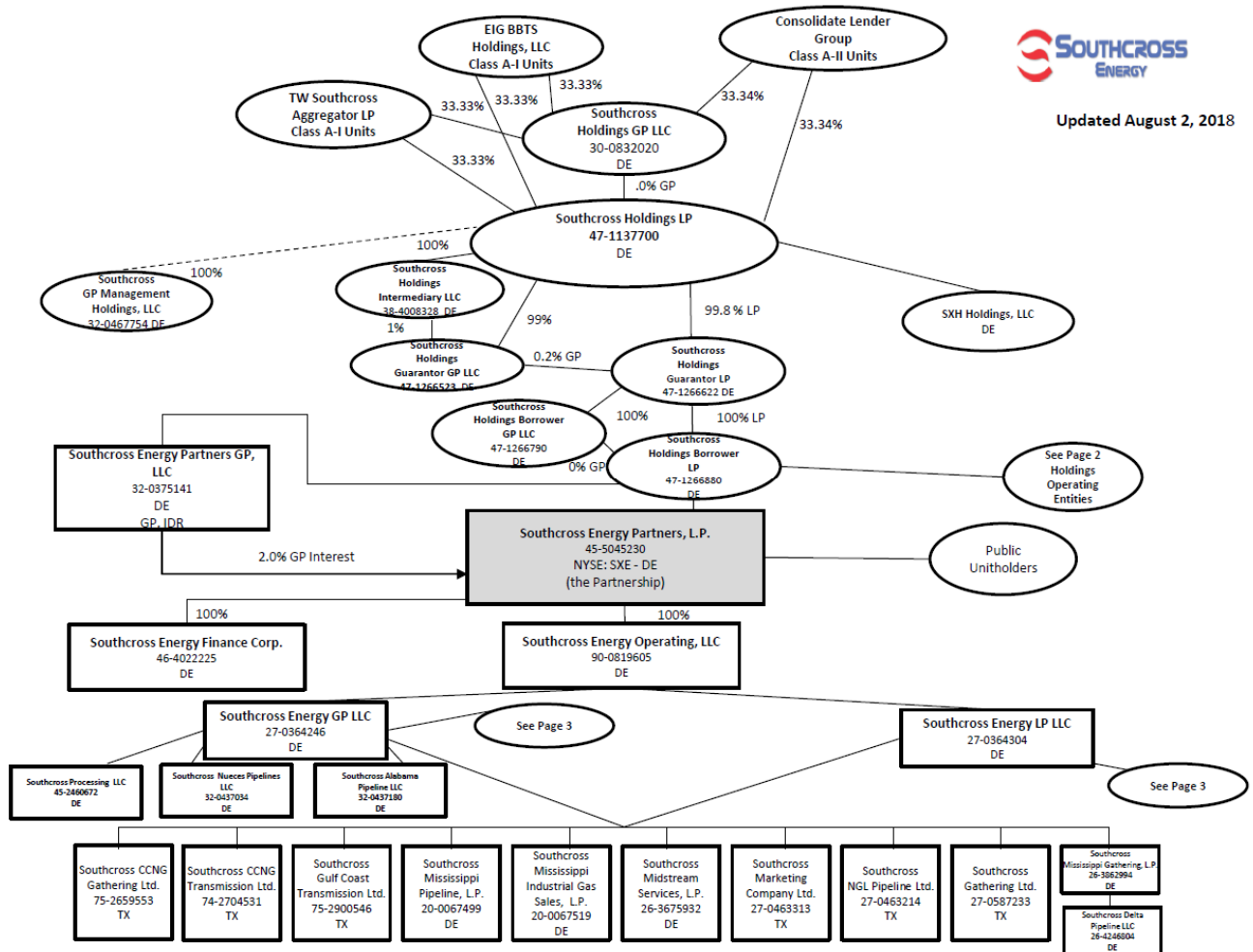
Counsel for Plaintiff FL Rich Gas Services, LP

The organizational chart for Southcross Energy Partners, L.P. ("MLP") is structured as follows:

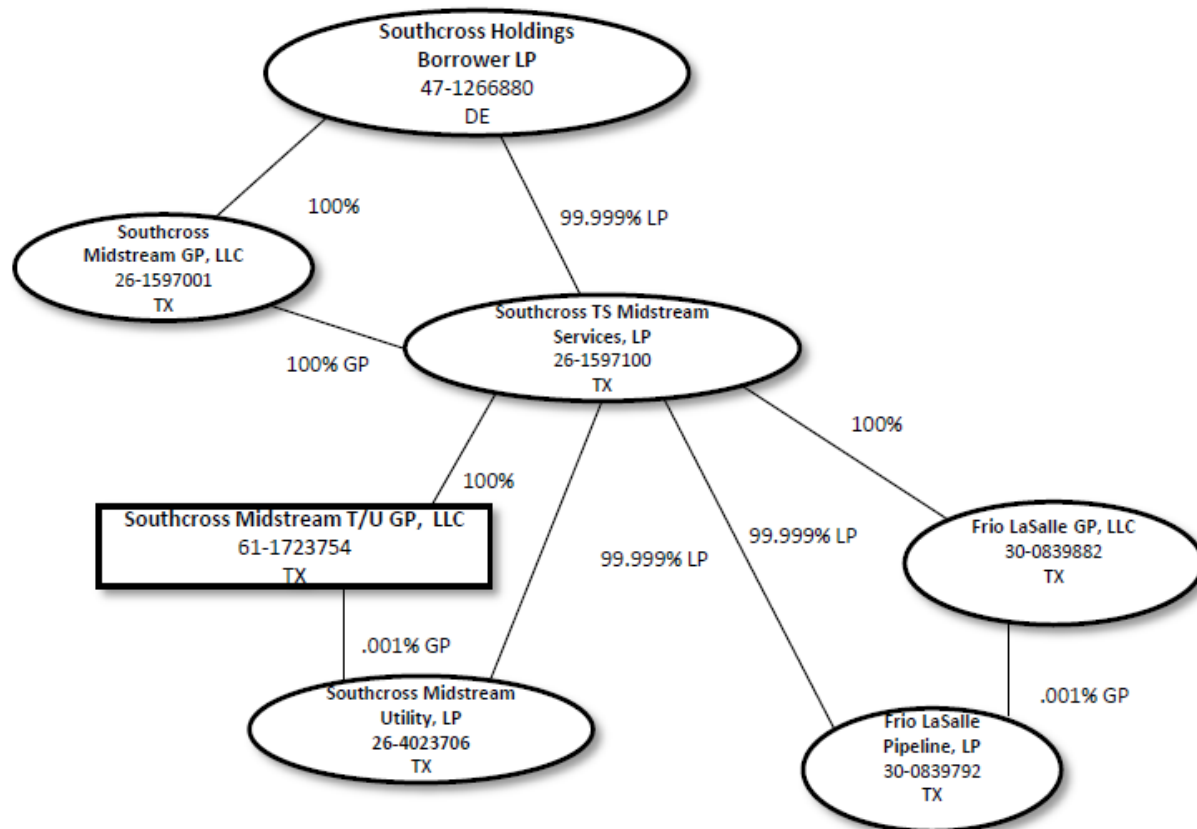
- Southcross Energy Partners, L.P. ("MLP")** is the central entity, receiving capital from:
 - Southcross Holdings Borrower LP** (2% GP)
 - Southcross Energy Partners GP, LLC ("MLP GP")** (23.61% Class B LP Units, 32.30% Common LP Units, 14.93% Subordinated LP Units)
 - Public Unitholders** (26.96% Common LP Units)
- Southcross Energy Partners, L.P. ("MLP")** is owned by **Southcross Energy Finance Corp.** and **Southcross Energy Operating, LLC**.
- Southcross Energy Operating, LLC** is the operating entity, which is owned by **Southcross Energy GP LLC** (.001% GP) and **Southcross Energy LP LLC** (99.999% LP).
- Southcross Energy GP LLC** and **Southcross Energy LP LLC** are the general partners and limited partners, respectively, of the following entities:
 - Southcross Gathering Ltd.**
 - Southcross CCNG Gathering Ltd.**
 - Southcross CCNG Transmission Ltd.**
 - Southcross Gulf Coast Transmission Ltd.**
 - Southcross Marketing Company Ltd.**
 - Southcross NGL Pipeline Ltd.**
 - Southcross Midstream Services, L.P.**
 - Southcross Mississippi Industrial Gas Sales, L.P.**
 - Southcross Mississippi Pipeline, L.P.**
 - Southcross Mississippi Gathering, L.P.**
 - Southcross Delta Pipeline LLC**
- Southcross Energy GP LLC** is also the general partner of **Southcross Alabama Pipeline LLC** (Alabama assets) and **Southcross Nueces Pipelines LLC**.
- Southcross Energy LP LLC** is the limited partner of **FL Rich Gas Services GP, LLC (TX)** (1% GP) and **FL Rich Gas Utility GP, LLC (TX)** (99.999% LP).
- FL Rich Gas Services GP, LLC (TX)** is the general partner of **FL Rich Gas Services, LP (TX)** (99% LP).
- FL Rich Gas Services, LP (TX)** is the limited partner of **FL Rich Gas Utility, LP (TX)** (99.999% LP) and **Southcross Transmission, LP (TX)** (99.999% LP).
- FL Rich Gas Utility GP, LLC (TX)** is the general partner of **FL Rich Gas Utility, LP (TX)** (.001% GP) and **Southcross Transmission, LP (TX)** (.001% GP).
- Targa Resources** is the owner of **T2 LaSalle Gathering Company LLC** (75%) and **T2 Eagle Ford Gathering Company LLC** (50%).
- FL Rich Gas Services, LP (TX)** is the owner of **T2 EF Cogeneration Holdings LLC** (50%) and **T2 EF Cogeneration LLC (TX)** (50%).
- T2 LaSalle Gathering Company LLC** is the owner of **T2 LaSalle Gas Utility LLC (TX)**.
- T2 Eagle Ford Gathering Company LLC** is the owner of **T2 Gas Utility LLC (TX)**.

Holdings Entities	MLP Operating Subs
MLP Top-Cos	JVs
Public and Non-Insider Investors	JV Partners

Unless otherwise noted, "Corp.," "LLC," and "LP" entities organized in Delaware; "Ltd." entities organized in Texas.

Holdings Organizational Chart (as of August 2, 2018):

Holdings Borrower Organizational Chart Detail (as of August 2, 2018):



[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]