FORM S-2

Registration of securities

Filing Date: **1994-03-17**
SEC Accession No. 0000950129-94-000177

FILER

TEXAS GAS TRANSMISSION CORP

CIK:**97452**| IRS No.: **610405152** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **S-2** | Act: **33** | File No.: **033-52707** | Film No.: **94516443**
SIC: **4924** Natural gas distribution

Business Address
3800 FREDERICA
P O BOX 1160
OWENSBORO KY 42301
5029268686

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MARCH 17, 1994
REGISTRATION NO. 33-

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-2

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

TEXAS GAS TRANSMISSION CORPORATION
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

<table>
<tr><td>DELAWARE</td><td>61-0405152</td></tr>
<tr><td>(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)</td><td>(I.R.S. EMPLOYER IDENTIFICATION NO.)</td></tr>
</table>

3800 FREDERICA STREET
OWENSBORO, KENTUCKY 42301
(502) 926-8686
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

DAVID E. VARNER
SECRETARY
TEXAS GAS TRANSMISSION CORPORATION
C/O TRANSCO ENERGY COMPANY
2800 POST OAK BOULEVARD
P.O. BOX 1396
HOUSTON, TEXAS 77251
(713) 439-2000
(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF REGISTRANT'S AGENT FOR SERVICE)

COPY TO:

FAITH D. GROSSNICKLE
SHEARMAN & STERLING
599 LEXINGTON AVENUE
NEW YORK, NEW YORK 10022

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after the effective date of this Registration Statement.

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 of 1933, check the following box. / /

If the registrant elects to deliver its latest annual report to security holders, or a complete and legible facsimile thereof, pursuant to Item 11(a)(1) of this Form, check the following box. / /

CALCULATION OF REGISTRATION FEE

<table>
<caption></caption>
<tr><th>TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED</th><th>AMOUNT TO BE REGISTERED</th><th>PROPOSED MAXIMUM AGGREGATE PRICE PER UNIT(1)</th><th>PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(1)</th><th>AMOUNT OF REGISTRATION FEE</th></tr>
<tr><td>% Notes due 2004</td><td>$150,000,000</td><td>100%</td><td>$150,000,000</td><td>$51,725</td></tr>
</table>

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</TABLE>

(1) Estimated solely for the purposes of calculating the registration fee.

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 THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

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TEXAS GAS TRANSMISSION CORPORATION

CROSS REFERENCE SHEET

(SHOWING LOCATION IN PROSPECTUS OF INFORMATION REQUIRED BY ITEMS OF FORM S-2 PURSUANT TO ITEM 501(B) OF REGULATION S-K)

<TABLE>
<CAPTION>

ITEM	LOCATION
1. Forepart of the Registration Statement and Outside Front Cover Page of Prospectus...	Front Cover Page of Prospectus
2. Inside Front and Outside Back Cover Pages of Prospectus.....	Inside Front and Outside Back Cover Pages of Prospectus; Statement of Available Information; Incorporation of Certain Documents by Reference
3. Summary Information, Risk Factors and Ratio of Earnings to Fixed Charges.....	Prospectus Summary; Investment Considerations; Ratio of Earnings to Fixed Charges
4. Use of Proceeds.....	Use of Proceeds
5. Determination of Offering Price.....	Front Cover Page of Prospectus; Underwriting
6. Dilution.....	*
7. Selling Security Holders.....	*
8. Plan of Distribution.....	Front Cover Page of Prospectus; Underwriting
9. Description of Securities to be Registered.....	Prospectus Summary; Description of the Notes
10. Interests of Named Experts and Counsel.....	Legal Matters; Experts
11. Information with Respect to the Registrant.....	Prospectus Summary; Investment Considerations; The Company; Use of Proceeds; Capitalization; Selected Financial Data
12. Incorporation of Certain Information by Reference.....	Incorporation of Certain Documents by Reference
13. Disclosure of Commission Position on Indemnification for Securities Act Liabilities.....	*

</TABLE>

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* Not Applicable

INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO

BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

SUBJECT TO COMPLETION

PRELIMINARY PROSPECTUS DATED MARCH 17, 1994

PROSPECTUS

$150,000,000

TEXAS GAS TRANSMISSION CORPORATION

% Notes due 2004

Interest on the Notes is payable semi-annually on and of each year beginning , 1994. The Notes will not be redeemable prior to maturity and do not provide for any sinking fund.

The Notes will be general unsecured obligations of the Company and will rank pari passu with all existing indebtedness of the Company and senior in right of payment to any future subordinated indebtedness of the Company.

SEE "INVESTMENT CONSIDERATIONS" FOR A DISCUSSION OF CERTAIN FACTORS THAT SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE NOTES OFFERED HEREBY.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

<TABLE>
<CAPTION>

	PRICE TO PUBLIC(1)	UNDERWRITING DISCOUNT(2)	PROCEEDS TO COMPANY(1)(3)
<S>	<C>	<C>	<C>
Per Note	%	%	%
Total	$	$	$

</TABLE>

(1) Plus accrued interest, if any, from March , 1994.

(2) The Company has agreed to indemnify the several Underwriters against certain liabilities under the Securities Act of 1933. See "Underwriting."

(3) Before deduction of expenses payable by the Company estimated at $.

The Notes are offered by the several Underwriters, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of certain legal matters by counsel for the Underwriters and certain other conditions. The Underwriters reserve the right to withdraw, cancel or modify such offer and to reject orders in whole or in part. It is expected that delivery of the Notes will be made in New York, New York on or about April , 1994.

MERRILL LYNCH & CO. CITICORP SECURITIES, INC.

The date of this Prospectus is March , 1994

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE NOTES OFFERED HEREBY AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

STATEMENT OF AVAILABLE INFORMATION

Texas Gas Transmission Corporation ("Texas Gas" or the "Company") is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "1934 Act"), and is required to file reports and other information with the Securities and Exchange Commission (the "SEC"). Reports and other information filed by the Company may be inspected and copied at the public reference facilities maintained by the SEC at 450 Fifth Street, N.W., Judiciary Plaza, Washington, D.C. 20549, and at regional offices of the SEC located at the Northwest Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661, and at Seven World Trade Center, 13th Floor, New York, New York 10048. Copies of such material may also be obtained from the Public Reference Section of the SEC in its Washington, D.C. office at prescribed rates. The Company's principal executive office is located at 3800 Frederica Street, Owensboro, Kentucky 42301, and its telephone number is (502) 926-8686.

This Prospectus does not contain all information set forth in the Registration Statement of which this Prospectus is a part, or exhibits relating thereto which the Company has filed with the SEC under the Securities Act of 1933, as amended (the "Act"). Reference is made to the Registration Statement and to the exhibits relating thereto for further information with respect to the Company and the Notes offered hereby. Statements contained herein concerning the provisions of documents are necessarily summaries of such documents, and each such statement is qualified in its entirety by reference to the copy of the applicable document filed with the SEC.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The Company's Annual Report on Form 10-K for the year ended December 31, 1993 (the "Texas Gas 1993 Form 10-K"), which is reproduced as Annex A in this Prospectus and heretofore filed with the SEC by the Company pursuant to the 1934 Act, is incorporated herein by reference.

All documents filed by the Company pursuant to Sections 13(a), 13(c), or 15(d) of the 1934 Act after the date of this Prospectus and before the termination of this offering shall be deemed to be incorporated by reference in this Prospectus and to be a part hereof from the date of filing of such documents. Any statement contained herein or in a document incorporated herein by reference shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

The Company will provide without charge to each person, including any beneficial owner of securities to whom this Prospectus is delivered, upon request of such person, a copy of any and all other documents that are incorporated by reference in this Prospectus (other than exhibits to such documents unless such exhibits are specifically incorporated by reference in any such documents). Requests for copies of such documents should be directed to the office of the Corporate Secretary, Texas Gas Transmission Corporation, c/o Transco Energy Company, 2800 Post Oak Boulevard, P.O. Box 1396, Houston, Texas 77251, telephone number (713) 439-2000.

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(MAP)

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PROSPECTUS SUMMARY

The following summary is qualified in its entirety by the detailed information including the financial information appearing elsewhere or incorporated by reference in this Prospectus. As used herein, the term "Transco" refers to Transco Energy Company together with its wholly owned subsidiaries, unless the context otherwise requires; the terms "Texas Gas" or the "Company" refer to Texas Gas Transmission Corporation and the term "TGPL" refers to Transcontinental Gas Pipe Line Corporation.

THE COMPANY

Texas Gas, an indirect wholly owned subsidiary of Transco, is a major interstate natural gas pipeline company primarily engaged in the transportation of natural gas. Texas Gas owns and operates an extensive pipeline system originating in major gas supply areas in the Louisiana Gulf Coast area and in East Texas and running generally north and east through Louisiana, Arkansas, Mississippi, Tennessee, Kentucky, Indiana and into Ohio, with smaller diameter lines extending into Illinois. The Texas Gas system currently consists of 6,050 miles of transmission lines. In conjunction with its pipeline facilities, Texas Gas owns and operates ten underground storage reservoirs having a total capacity of 176.7 Bcf* and a working capacity of 86.5 Bcf.

THE OFFERING

The Notes	$150,000,000 aggregate principal amount of % Notes due 2004 (the "Notes").
Maturity Date	, 2004.
Interest Payment Dates	and , commencing , 1994.
Ranking	The Notes will rank pari passu with all existing indebtedness of the Company and senior in right of payment to any future subordinated indebtedness.
Redemption	The Notes will not be redeemable prior to maturity.
Certain Covenants	The Indenture with respect to the Notes will contain certain covenants that, among other things, restrict the ability of the Company, under certain circumstances, to create liens and engage in certain sale and leaseback transactions. See "Description of the Notes -- Covenants."
Use of Proceeds	The net proceeds from the offering of the Notes hereby (the "Offering"), together with other available funds of the Company, will be used to refinance the Company's 10% Debentures due November 1, 1994 (the "10% Debentures").

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* As used herein, the term "Mcf" means thousand cubic feet, the term "MMcf" means million cubic feet, the term "Bcf" means billion cubic feet and the term "Tcf" means trillion cubic feet. Unless otherwise stated, gas volumes are stated at a pressure base of 14.73 pounds per square inch and at 60() Fahrenheit.

SELECTED FINANCIAL DATA

The selected financial information set forth below has been prepared from the financial statements of Texas Gas. This selected financial information should be read in conjunction with the financial statements and the notes thereto included in the Texas Gas 1993 Form 10-K attached as Annex A to this Prospectus. For an explanation of significant variations in the Company's financial results for the years ended 1993 compared to 1992 and 1992 compared to 1991, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Texas Gas 1993 Form 10-K attached as Annex A to this Prospectus.

	POST-ACQUISITION					PRE-ACQUISITION(1)
	FOR THE YEARS ENDED DECEMBER 31,				FOR THE PERIOD 4/3/89 TO 12/31/89(1)	FOR THE PERIOD 1/1/89 TO 4/2/89
	1993	1992	1991	1990		
	(THOUSANDS OF DOLLARS)					
INCOME STATEMENT DATA:						
Operating Revenues	$ 465,459	$ 463,865	$ 468,109	$ 671,237	$ 441,732	$ 207,844
Costs of Sales and Transportation	213,512	236,860	251,761	439,668	289,696	151,832
Operation and Maintenance	54,803	53,898	57,126	57,364	38,417	11,932
Administrative and General	62,702	46,267	58,907	51,682	43,525	14,032
Depreciation, Depletion and						

Amortization	38,330	37,637	36,959	34,479	24,690	7,945
Taxes - Other Than Income Taxes	13,075	13,265	12,743	12,493	9,230	3,303
Provision for Severance Costs	--	--	6,259	--	--	--
Provision for Producer Settlements	--	--	(3,473	2,225	--	6,250
Total Operating Costs and Expenses	382,422	387,927	420,282	597,911	405,558	195,294
Operating Income	83,037	75,938	47,827	73,326	36,174	12,550
Other (Income) and Deductions	17,425	8,557	11,484	3	23,111	4,352
Income Before Income Taxes and Extraordinary Loss	65,612	67,381	36,343	73,323	13,063	8,198
Provision for Income Taxes	26,555	26,463	14,894	27,879	5,563	3,030
Income Before Extraordinary Loss	39,057	40,918	21,449	45,444	7,500	5,168
Extraordinary Loss on Early Retirement of Debt, Net	--	--	--	--	(1,963)	--
Net Income	39,057	40,918	21,449	45,444	5,537	5,168
Dividends on Preferred Stock	--	--	--	--	--	83
Common Stock Equity in Net Income	$ 39,057	$ 40,918	$ 21,449	$ 45,444	$ 5,537	$ 5,085
BALANCE SHEET DATA:						
Total Assets	$1,132,346	$1,139,964	$1,110,530	$1,069,554	$1,192,050	$1,082,031
Short-Term Debt and Current Maturities of Long-Term Debt	$ 150,000	$ --	$ --	$ --	$ --	$ 256
Capitalization:						
Long-Term Debt, Less Current Maturities	$ 98,678	$ 248,305	$ 250,000	$ 250,000	$ 250,000	$ 251,574
Redeemable Preferred Stock	--	--	--	--	--	3,969
Common Stockholder's Equity	607,236	602,904	596,849	597,804	602,360	423,259
Total Capitalization	$ 705,914	$ 851,209	$ 846,849	$ 847,804	$ 852,360	$ 678,802
Cash Dividends and Returns of Capital on Common Stock	$ 34,725	$ 34,863	$ 22,404	$ 50,000	$ --	$ 75,000
OTHER FINANCIAL DATA:						
Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)	$ 129,520	$ 131,702	$ 99,882	$ 137,667	$ 77,900	$ 23,218
Interest Expense	25,578	26,684	26,580	29,865	40,147	7,075
Capital Expenditures	33,014	38,236	57,238	66,039	52,665	3,047
Ratio of Earnings to Fixed Charges(2)	3.51	3.41	2.37	3.35	1.35	2.08

</TABLE>

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(1) The Pre-Acquisition period amounts represent operations and balances of the Company prior to its acquisition by Transco on April 3, 1989. On such date Transco acquired the Company and two related companies from CSX for $598 million in cash and the assumption of $250 million of long-term debt. A portion of the purchase price was financed with $350 million of debt with the Company as guarantor. The acquisition of the Company by Transco was accounted for using the purchase method of accounting. Accordingly, the acquisition debt and the purchase price were pushed down and recorded in the Company's financial statements. As a result, the post-acquisition and pre-acquisition amounts are not comparable. For the period April 3, 1989 to December 31, 1989, the pre-tax income was reduced by approximately $17.6 million ($11.6 million after-tax), resulting from the interest on the acquisition debt which was pushed down. The debt was repaid on September 18, 1989.

(2) For the purposes of calculating the ratio of earnings to fixed charges, earnings available for fixed charges consist of income before income taxes and extraordinary loss, interest expense, the portion of rents representative of the interest factor, amortization of debt expense,

discount and premium and dividends and distributions from less-than-fifty-percent-owned affiliates, net of equity in earnings of less-than-fifty-percent-owned affiliates. Fixed charges consist of interest expense, the portion of rents representative of the interest factor and amortization of debt expense, discount and premium.

INVESTMENT CONSIDERATIONS

Through the years, the Company has consistently maintained its financial strength and experienced strong operational results. As an indirect wholly owned subsidiary of Transco, the Company may be affected by the financial position and performance of Transco and its other subsidiaries. The Company does not currently anticipate that its relationship with Transco will have a material adverse effect on its financial position or results of operations.

In October 1991, Transco's Board of Directors approved a comprehensive strategic and financial plan (the "Plan") designed to stabilize Transco's financial position, improve its financial flexibility and restore its earnings. Since the Plan's adoption, Transco has made significant progress in the implementation of the Plan, including the sale of certain non-core and non-strategic businesses, reduction in capital expenditures, resolution of certain material litigation and improvement in its results of operations and financial flexibility. Certain contingencies remain to be resolved, including Transco's ability to ultimately recover its remaining investment in its non-operating interest in coalbed methane properties and related assets and certain litigation relating to producer contract settlements with certain subsidiaries of Transco pursuant to which producers have made claims against such subsidiaries for indemnification of certain claims for royalties. Transco remains committed to deleveraging its balance sheet, further eliminating or mitigating the potentially adverse impact from the resolution of remaining contingencies and improving financial results.

As a subsidiary of Transco, the Company engages in transactions with Transco and other Transco subsidiaries which are characteristic of group operations. The Company meets its working capital requirements by participation in the Transco consolidated cash management program, pursuant to which the Company, for investment purposes, both makes advances to and receives repayments of advances from Transco. Further, the Company accesses capital markets to fund its long-term debt requirements. In addition, the Company and Transco's other subsidiaries pay dividends, based on the level of their earnings and net cash flows, to provide funds to Transco for debt service and dividend payments.

To meet the working capital requirements of Transco and its subsidiaries, Transco has in place a $450 million credit facility, amended as of December 31, 1993, with a group of fifteen banks (the "Amended Transco Bank Credit Facility") and a $50 million letter of credit facility with a group of five banks (the "Reimbursement Facility"). The Company has guaranteed repayment of up to $180 million under the Amended Transco Bank Credit Facility and up to $20 million under the Reimbursement Facility (collectively, the "Texas Gas Guarantees").

The Amended Transco Bank Credit Facility and the Reimbursement Facility prohibit the Company from, among other things, incurring or guaranteeing any additional indebtedness (except for indebtedness incurred to refinance existing indebtedness), issuing preferred stock or advancing cash to affiliates other than Transco. Further, the Amended Transco Bank Credit Facility, the Reimbursement Facility and the Indenture governing Transco's 11 1/4% Notes due 1999 (the "Transco Indenture") contain financial covenants which could limit Transco's ability to make additional borrowings and, therefore, under certain circumstances, its ability to repay advances to the Company or to make capital contributions to the Company.

Neither Transco nor the Company believes that further implementation of the Plan nor the resolution of remaining contingencies will have a material adverse effect on Transco's ability to remain in compliance with the terms of the Amended Transco Bank Credit Facility, the Reimbursement Facility or the Transco Indenture or to meet its capital requirements. Further, the Company and Transco believe that the Company's cash flows from operating activities, supplemented, if necessary, by repayment of funds advanced to Transco, will provide the Company with sufficient liquidity to meet its capital requirements, including payments relating to the Notes. However, if Transco's consolidated earnings and cash flows from operating activities significantly decrease or if the resolution of Transco's contingencies requires significant additional charges against earnings or significant payments to be made by Transco, Transco's ability to remain in compliance with financial covenants contained in the Amended Transco

Bank Credit Facility, the Reimbursement Agreement and the Transco Indenture could be affected. In this event, Transco could be prohibited from repaying funds advanced to Transco by the Company and, under certain circumstances, the Company could be required to make payments pursuant to the Texas Gas Guarantees.

THE COMPANY

Texas Gas is a major interstate natural gas pipeline company primarily engaged in the transportation of natural gas. Texas Gas owns and operates an extensive pipeline system originating in major gas supply areas in the Louisiana Gulf Coast area and in East Texas and running generally north and east through Louisiana, Arkansas, Mississippi, Tennessee, Kentucky, Indiana and into Ohio, with smaller diameter lines extending into Illinois. The Texas Gas system currently consists of 6,050 miles of transmission lines. In conjunction with its pipeline facilities, Texas Gas owns and operates ten underground storage reservoirs having a total capacity of 176.7 Bcf and a working capacity of 86.5 Bcf.

The Company is a wholly owned subsidiary of Transco Gas Company ("TGC"), which is wholly owned by Transco. Prior to its acquisition by Transco on April 3, 1989, the Company was an indirect wholly owned subsidiary of CSX Corporation ("CSX"). The Company was incorporated in the State of Delaware on December 7, 1945.

For a description of the business of Texas Gas, see the Texas Gas 1993 Form 10-K attached as Annex A to this Prospectus.

RATIO OF EARNINGS TO FIXED CHARGES

<TABLE>
<CAPTION>

POST-ACQUISITION					PRE-ACQUISITION(1)
FOR THE YEAR ENDED 12/31 1993	FOR THE YEAR ENDED 12/31 1992	FOR THE YEAR ENDED 12/31 1991	FOR THE YEAR ENDED 12/31 1990	FOR THE PERIOD 4/3/89 TO 12/31/89(1)	FOR THE PERIOD 1/1/89 TO 4/2/89
<S>	<C>	<C>	<C>	<C>	<C>
3.51	3.41	2.37	3.35	1.35	2.08

</TABLE>

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(1) The Pre-Acquisition period ratio represents operations of the Company prior to its acquisition by Transco on April 3, 1989. On such date Transco acquired the Company and two related companies from CSX for $598 million in cash and the assumption of $250 million of long-term debt. A portion of the purchase price was financed with $350 million of debt with the Company as guarantor. The acquisition of the Company by Transco was accounted for using the purchase method of accounting. Accordingly, the acquisition debt and the purchase price were pushed down and recorded in the Company's financial statements. As a result, the post-acquisition and pre-acquisition ratios are not comparable. For the period April 3, 1989 to December 31, 1989, pre-tax income was reduced by approximately $17.6 million ($11.6 million after-tax), resulting from the interest on the acquisition debt which was pushed down. The debt was repaid on September 18, 1989.

For the purposes of calculating the foregoing ratios, earnings available for fixed charges consist of income before income taxes and extraordinary loss, interest expense, the portion of rents representative of the interest factor, amortization of debt expense, discount and premium and dividends and distributions from less-than-fifty-percent-owned affiliates, net of equity in earnings of less-than-fifty-percent-owned affiliates. Fixed charges consist of interest expense, the portion of rents representative of the interest factor and amortization of debt expense, discount and premium.

USE OF PROCEEDS

The net proceeds from the Offering are estimated to be approximately $ million, which together with other available funds of the Company, will be used

to refinance the Company's 10% Debentures.

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CAPITALIZATION

The following table sets forth the capitalization of the Company at December 31, 1993 and as adjusted to reflect the sale of the Notes by the Company (assuming net proceeds to the Company of approximately $ million) and the application of such net proceeds to repay certain indebtedness of the Company as described under "Use of Proceeds." The Company has also guaranteed repayment of up to $180 million of the Amended Transco Bank Credit Facility and up to $20 million of the Reimbursement Facility pursuant to the Texas Gas Guarantees. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the 1993 Texas Gas Form 10-K attached as Annex A to this Prospectus. The Texas Gas Guarantees are not reflected in the table.

<TABLE>
<CAPTION>

	DECEMBER 31, 1993	
	ACTUAL	AS ADJUSTED
<S>	<C>	<C>
	(MILLIONS OF DOLLARS)	
Current Maturities of Long-Term Debt	$150	$ --
Long-Term Debt, Less Current Maturities	99	
Common Stockholder's Equity	607	607
Total Capitalization	$706	$

</TABLE>

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DESCRIPTION OF THE NOTES

The Notes are to be issued under the Indenture, to be dated as of March , 1994 (the "Indenture"), between the Company and Chase Manhattan Bank, N.A., as Trustee (the "Trustee"), a copy of which has been filed as an exhibit to the Registration Statement of which this Prospectus is a part. The following summaries of certain provisions of the Indenture do not purport to be complete and are subject to, and are qualified in their entirety by reference to, all the provisions of the Indenture, including the definitions therein of certain terms. Wherever particular sections or defined terms of the Indenture are referred to, such sections or defined terms are incorporated herein by reference.

GENERAL

The Notes will be unsecured obligations of the Company, will be limited to $150 million aggregate principal amount and will mature on , 2004. The Notes will bear interest at the rate per annum shown on the front cover of this Prospectus from , 1994 or from the most recent Interest Payment Date to which interest has been paid or provided for, payable semi-annually on and of each year, commencing on , 1994, to the Person in whose name the Note (or any Predecessor Note) is registered at the close of business on the preceding or , as the case may be. Principal of and premium, if any, and interest on the Notes will be payable, and transfer of Notes will be registrable, at the office or agency of the Company in The Borough of Manhattan, The City of New York. In addition, payment of interest may, at the option of the Company, be made by check mailed to the address of the Person entitled thereto as it appears in the Note Register.

The Notes will be issued only in fully registered form, without coupons, in denominations of $1,000 and any integral multiple thereof. No service charge will be made for any registration of transfer or exchange of Notes, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

COVENANTS

The Indenture contains, among others, the following covenants:

Limitations Concerning Distributions By and Transfers to Subsidiaries. The Company may not, and may not permit any Subsidiary of the Company to, suffer to exist any encumbrance or restriction (other than pursuant to law or regulation) on the ability of any Subsidiary of the Company (i) to pay, directly or indirectly, dividends or make any other distributions in respect of its Capital Stock or pay any Debt or other obligation owed to the Company or any other Subsidiary of the Company; (ii) to make loans or advances to the Company or any Subsidiary of the Company; or (iii) to transfer any of its property or assets to the Company or any other Subsidiary, except, in the case of any event described in clause (i), (ii) or (iii) above, any encumbrance or restriction (a) pursuant to any agreement in effect on the date of the Indenture (including the Texas Gas Guarantees), or (b) pursuant to an agreement relating to any Debt outstanding on the date such subsidiary becomes a Subsidiary of the Company and not Incurred in anticipation of becoming a Subsidiary, or (c) pursuant to an agreement effecting a renewal, extension, refinancing or refunding (or successive extensions, renewals, refinancings or refundings) of Debt Incurred pursuant to an agreement referred to in clause (a) or clause (b) above; provided, however, that the provisions contained in any such agreements be no less favorable to the holders of the Notes than those under such agreements existing, in the case of clause (a) above, on the date of the Indenture or, in the case of clause (b) above, on the date such subsidiary becomes a Subsidiary of the Company, in each case as determined in good faith by the Board of Directors and evidenced by a Board Resolution filed with the Trustee.

The Company may not make any loan, advance, capital contribution to or investment in, or transfer any of its property or assets to, any Wholly owned Subsidiary except (i) in the ordinary course of business and consistent with the past practices of the Company and its Subsidiaries or (ii) for fair value if the Company delivers an Officers' Certificate to the Trustee stating that such transfer will not be adverse to the Holders of the Notes, and in case of (ii) as determined by the Board of Directors and evidenced by a Board Resolution filed with the Trustee.

Limitation on Liens. The Company may not, and may not permit any Subsidiary of the Company to, Incur any Lien on property or assets of the Company or such Subsidiary to secure Debt without making, or causing such Subsidiary to make, effective provision for securing the Notes (and, if the Company may so determine, any other Debt of the Company or of such Subsidiary which is not subordinate to the Notes) equally and ratably with such Debt as to such property for so long as such Debt will be so secured or in the event such Debt is Debt of the Company which is subordinate in right of payment to the Notes, prior to such Debt as to such property for so long as such Debt will be so secured.

The foregoing restrictions will not apply to Liens existing on the date of the Indenture or to: (i) any Liens (A) which secure all or part of the purchase, acquisition or construction price or cost of any property or improvements to property (or secure a loan made to enable the Company or any Subsidiary to acquire or construct the property described in creating such Lien) or (B) upon any property acquired or constructed by the Company or a Subsidiary and created not later than 180 days after the later of (1) such acquisition or completion of such construction and (2) commencement of full operation of such property, or (C) existing on any property at the time of the acquisition thereof whether or not assumed by the Company or any Subsidiary; provided that in all such cases such Lien will extend to the property so acquired or constructed, fixed improvements thereon, replacements, products and proceeds thereof, the income and profits therefrom and, in the case of construction, the real property on which such property is located; (ii) Liens securing only the Notes; (iii) Liens in favor of the Company or a Wholly owned Subsidiary of the Company; (iv) Liens on property of a Person existing at the time such Person is merged into or consolidated with the Company or any Subsidiary of the Company and not created in anticipation of becoming a Subsidiary; (v) Liens on property existing at the time of acquisition thereof; (vi) Liens on property of the Company or any of the Subsidiaries in favor of the United States of America or any state thereof, or any instrumentality of either, to secure certain payments pursuant to any contract or statute; (vii) Liens for taxes or assessments or other governmental charges or levies; (viii) Liens to secure obligations under workmen's compensation laws or similar legislation, including Liens with respect to judgments which are not currently dischargeable; (ix) Liens incurred to secure the performance of statutory obligations, surety or appeal bonds, performance or

return-of-money bonds or other obligations of a like nature incurred in the ordinary course of business; (x) Liens to secure industrial revenue or development or pollution control bonds; (xi) any Liens securing Debt owing by a Subsidiary of the Company to one or more Wholly owned Subsidiaries of the Company (but only if such Debt is held by such Wholly owned Subsidiaries); (xii) Liens on inventory and receivables incurred in the ordinary course of business to secure Debt incurred for working capital purposes, including the sale of receivables on a limited or non-recourse basis; and (xiii) Liens to secure any extension, renewal, refinancing or refunding (or successive extensions, renewals, refinancings or refundings), in whole or in part of any Debt secured by Liens referred to in the foregoing clauses (i) to (xii) so long as such Lien does not extend to any other property and the Debt so secured is not increased.

In addition to the foregoing, the Company and its Subsidiaries may Incur a Lien to secure Debt or enter into a Sale and Leaseback Transaction, without equally and ratably securing the Notes, if the sum of (i) the amount of Debt secured by a Lien entered into after the date of the Indenture and otherwise prohibited by the Indenture and (ii) the Attributable Value of all Sale and Leaseback Transactions or Capitalized Lease Obligations in respect thereof entered into after the date of the Indenture and otherwise prohibited by the Indenture does not exceed 10% of Consolidated Net Tangible Assets.

Limitation on Sale and Leaseback Transactions. The Company may not, and may not permit any Subsidiary of the Company to, enter into any Sale and Leaseback Transaction (except for a period not exceeding 12 months) unless: (1) the Company or such Subsidiary would be entitled to incur a Lien to secure Debt or enter into a Sale and Leaseback Transaction by reason of the provisions described in the third paragraph under the "Limitation on Liens" covenant without equally and ratably securing the Notes; or (2) the Company or such Subsidiary applies or commits to apply within 60 days an amount equal to the Net Available Proceeds of the sale pursuant to the Sale and Leaseback Transaction to (a) the repayment of Company Debt which is pari passu with the Notes or, if no such Debt is outstanding or repayable, in lieu thereof, other Company or Subsidiary Debt or (b) the investment by the Company in Pipeline Assets.

Limitation on Transactions with Affiliates and Related Persons. The Company may not, and may not permit any Subsidiary of the Company to, directly or indirectly, enter into any transaction after the date of the Indenture with any Affiliate or Related Person (other than the Company or a wholly owned Subsidiary of the Company) except for transactions in the ordinary course of business of the Company which involve a dollar amount which is less than 5% of the consolidated revenues of the Company and its Subsidiaries for the prior fiscal year, unless the Board of Directors determines in its good faith judgment and evidenced by a Board Resolution describing such transaction and filed with the Trustee that: (1) such transaction is in the best interest of the Company or such Subsidiary and (2) such transaction is on terms no less favorable to the Company or such Subsidiary than those that could be obtained in an arm's length transaction; provided, however, that the foregoing limitation shall not apply to the cash management program, tax sharing agreements, management service agreements, gas marketing agreements, agency agreements or other arrangements or agreements among Transco and its Subsidiaries in effect on the date hereof, or any successor arrangements on comparable terms.

PROVISION OF FINANCIAL INFORMATION

So long as the Notes are Outstanding, whether or not the Company is subject to the reporting requirements of Section 13(a) or 15(d) of the 1934 Act, the Company will file with the Commission the annual reports, quarterly reports and other documents which the Company would have been required to file with the Commission pursuant to Section 13(a) or 15(d) if the Company were so required. The Company will also provide to all Holders and file with the Trustee copies of the annual reports, quarterly reports and other documents which the Company would have been required to file with the Commission pursuant to Section 13(a) or 15(d) of the 1934 Act if the Company were subject to the reporting requirements of such Sections and if filing such documents by the Company with the Commission is not permitted under the 1934 Act, and promptly upon written request supply copies of such documents to any prospective Holder.

DEFEASANCE

The Company may (A) if applicable, be discharged from any and all obligations in respect of the Outstanding Notes (except for certain obligations to issue temporary Notes and exchange them for definitive Notes, register the transfer or exchange of Notes, replace mutilated, destroyed, lost and stolen

Notes, maintain paying agencies and hold moneys for payment in trust), or (B) if applicable, omit to comply with restrictive covenants, and such omission will not be deemed to be an Event of Default under the Indenture and the Notes, in either case (A) or (B), upon irrevocable deposit with the Trustee, in trust, of money and/or U.S. Government Obligations which through the payment of interest thereon and principal thereof in accordance with their terms will provide, not later than one day before the due date of any payment, money in an amount sufficient in the opinion of a nationally recognized firm of independent public accountants to pay the principal of and premium, if any, and each installment of interest, if any, on the Outstanding Notes. With respect to clause (B), the obligations under the Indenture other than with respect to such covenants and the Events of Default other than the Event of Default relating to such covenants above shall remain in full force and effect. Such trust may only be established if, among other things, (i) the Company has delivered to the Trustee (a) an Opinion of Counsel to the effect, among other things, that the deposit and related defeasance would not cause the Holders of the Notes to recognize gain or loss for Federal income tax purposes (and, in the case of defeasance of the type described in clause (A) above, such opinion must refer to and be based upon a ruling of the Internal Revenue Service or a change in applicable Federal income tax laws after the date of the Indenture); and (b) an Officers' Certificate to the effect that the Notes, if then listed on any securities exchange, will not be delisted as a result of such deposit; (ii) no Event of Default or event that with the passing of time or the giving of notice, or both, shall constitute an Event of Default shall have occurred or be continuing (a) on the date of such deposit or (b) insofar as certain events of bankruptcy, insolvency or reorganization are concerned, at any time during the period ending on the 91st day after the date of such deposit (it being understood that this condition shall not be deemed satisfied until the expiration of such period); (iii) such defeasance or covenant defeasance will not result in the trust arising from such deposit constituting an investment company as defined in the Investment Company Act of 1940, as amended, or such

trust will be qualified under such act or exempt from regulation thereunder; and (iv) certain other conditions are satisfied.

MERGERS, CONSOLIDATIONS AND CERTAIN SALES AND PURCHASES OF ASSETS

The Company may not and may not permit any Subsidiary of the Company created after the date of the Indenture to: (i) consolidate with or merge into any other Person (other than the Company or a Wholly owned Subsidiary of the Company) or permit any other Person to consolidate with or merge into the Company or any Subsidiary of the Company; (ii) directly or indirectly, transfer, convey, sell, lease or otherwise dispose of all or substantially all of its properties and assets as an entirety; (iii) directly or indirectly, acquire Capital Stock or other ownership interests of any other Person such that such Person becomes a Subsidiary of the Company; or (iv) directly or indirectly, purchase, lease or otherwise acquire (x) all or substantially all of the properties and assets or (y) any existing business (whether existing as a separate entity, subsidiary, division, unit or otherwise) of any Person as an entity unless, in the case of any of the events described in clause (i), (ii), (iii) or (iv) above: (1) immediately before and after giving effect to such transaction and treating any Debt Incurred by the Company or a Subsidiary of the Company, as a result of such transaction as having been Incurred by the Company or such Subsidiary at the time of the transaction, no Event of Default or event that with the passing of time or the giving of notice, or both, shall constitute an Event of Default shall have occurred and be continuing; (2) in a transaction in which the Company does not survive or in which the Company transfers, conveys, sells, leases or otherwise disposes of all or substantially all of its properties and assets as an entirety, the successor entity to the Company is a corporation, partnership or trust and organized and validly existing under the laws of the United States of America, any State thereof or the District of Columbia which expressly assumes, by a supplemental indenture executed and delivered to the Trustee in form satisfactory to the Trustee, all of the Company's obligations under the Indenture; (3) immediately after giving effect to any such transaction of the type described in clauses (i) and (ii) above, the Consolidated Net Worth of the Company or the successor entity to the Company is equal to or greater than that of the Company immediately prior to the transaction; (4) if, as a result of any such transaction, property or assets of the Company or any Subsidiary of the Company would become subject to a lien prohibited by the "Limitation on Liens" covenant, the Company or the successor entity to the Company will have secured the Notes as required by such covenant; and (5) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel as specified in the Indenture.

EVENTS OF DEFAULT

The following will be Events of Default under the Indenture: (a) failure to pay any interest on any Note when due, continued for 30 days; (b) failure to pay principal of (or premium, if any, on) any Note when due; (c) failure to perform or comply with the provisions described under "Mergers, Consolidations and Certain Sales and Purchases of Assets"; (d) failure to perform any other covenant or warranty of the Company in the Indenture, continued for 60 days after written notice as provided in the Indenture; (e) failure to pay when due the principal of, or acceleration of, any indebtedness for money borrowed by the Company or any Subsidiary of the Company if the aggregate amount of all such indebtedness shall exceed $5 million, and if such indebtedness is not discharged, or such acceleration is not annulled, within 30 days after written notice to the Trustee by the Holders of at least 25% in aggregate principal amount of the Outstanding Notes as provided in the Indenture; (f) the rendering of a final judgment or judgments (not subject to appeal) against the Company or any of its Subsidiaries in an aggregate amount in excess of $5 million which remains unstayed, undischarged or unbonded for a period of 60 consecutive days thereafter; and (g) certain events of bankruptcy, insolvency or reorganization affecting the Company. Subject to the provisions of the Indenture relating to the duties of the Trustee in case an Event of Default shall occur and be continuing, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request or direction of any of the Holders, unless such Holders shall have offered to the Trustee reasonable indemnity. Subject to such provisions for the indemnification of the Trustee, the Holders of a majority of principal amount of the Outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee.

If an Event of Default (other than an Event of Default of the type described in clause (g) above) shall occur and be continuing, either the Trustee or the Holders of at least 25% in aggregate principal amount of the Outstanding Notes may accelerate the maturity of all Notes, and if an Event of Default of the type described in clause (g) above shall occur, the principal of and any accrued interest on the Notes then Outstanding shall become immediately due and payable; provided, however, that after such acceleration, but before a judgment or decree based on acceleration, the Holders of a majority in aggregate principal amount of Outstanding Notes may, under certain circumstances, rescind and annul such acceleration of all Events of Default, other than an Event of Default in respect of the nonpayment of accelerated principal, if such Events of Default have been cured or waived as provided in the Indenture. For information as to waiver of defaults, see "Modification and Waiver".

No Holder of any Note will have any right to institute any proceeding with respect to the Indenture or for any remedy thereunder, unless such Holder shall have previously given to the Trustee written notice of a continuing Event of Default and unless the Holders of at least 25% in aggregate principal amount of the Outstanding Notes shall have made a written request, and offered reasonable indemnity, to the Trustee to institute such proceeding as trustee, and the Trustee shall not have received from the Holders of a majority in aggregate principal amount of the Outstanding Notes a direction inconsistent with such request and shall have failed to institute such proceeding within 60 days. However, such limitations do not apply to a suit instituted by a Holder of a Note for enforcement of payment of the principal of (and premium, if any) or interest on such Note on or after the respective stated maturities expressed in such Note.

The Company will be required to furnish to the Trustee annually a statement as to the performance by the Company of certain of its obligations under the Indenture and as to any default in such performance.

MODIFICATION AND WAIVER

Modifications and amendments of the Indenture may be made by the Company and the Trustee with the consent of the Holders of a majority in aggregate principal amount of the Outstanding Notes; provided, however, that no such modification or amendment may, without the consent of the Holder of each Outstanding Note affected thereby, (a) change the Stated Maturity of the principal of, or any installment of interest on, any Note, or reduce the principal amount thereof or the rate of interest thereon or any premium payable upon the redemption thereof, (b) change the place or currency of payment of principal of (or premium, if any) or interest on, any Note, (c) impair the right to institute suit for the enforcement of any payment on or with respect to any

Note, (d) reduce the above-stated percentage of aggregate principal amount of Outstanding Notes necessary to modify or amend the Indenture, (e) reduce the percentage of aggregate principal amount of Outstanding Notes necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults, or (f) modify any provisions of the Indenture relating to the modification and amendment of the Indenture or the waiver of past defaults or covenants, except as otherwise specified.

The Holders of a majority in aggregate principal amount of the Outstanding Notes may waive compliance by the Company with certain restrictive provisions of the Indenture. The Holders of a majority in aggregate principal amount of the Outstanding Notes may waive any past default under the Indenture, except a default in the payment of principal (or premium, if any) or interest or in respect of a covenant or provision which cannot be modified or amended without the consent of the Holder of each Outstanding Note affected.

CERTAIN DEFINITIONS

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Attributable Value" means, as to any particular lease under which any Person is at the time liable other than a Capital Lease Obligation, and at any date as of which the amount thereof is to be determined, the total

net amount of rent required to be paid by such Person under such lease during the initial term thereof as determined in accordance with generally accepted accounting principles, discounted from the last date of such initial term to the date of determination at a rate per annum equal to the discount rate which would be applicable to a Capital Lease Obligation with like term in accordance with generally accepted accounting principles. The net amount of rent required to be paid under any such lease for any such period shall be the aggregate amount of rent payable by the lessee with respect to such period after excluding amounts required to be paid on account of insurance, taxes, assessments, utility, operating and labor costs and similar charges. In the case of any lease which is terminable by the lessee upon the payment of a penalty, such net amount shall also include the amount of such penalty, but no rent shall be considered as required to be paid under such lease subsequent to the first date upon which it may be so terminated. "Attributable Value" means, as to a Capital Lease Obligation under which any person is at the time liable and at any date as of which the amount thereof is to be determined, the capitalized amount thereof that would appear on the face of a balance sheet of such person in accordance with generally accepted accounting principles.

"Board of Directors" means either the board of directors of the Company or any duly authorized committee of that board.

"Board Resolution" means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"Business Day" means each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in The Borough of Manhattan, The City of New York, New York, are authorized or obligated by law or executive order to close.

"Capital Lease Obligation" of any Person means the obligation to pay rent or other payment amounts under a lease of (or other Debt arrangements conveying the right to use) real or personal property of such Person which is required to be classified and accounted for as a capital lease or a liability on the face of a balance sheet of such Person in accordance with generally accepted accounting principles. The stated maturity of such obligation shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be terminated by the lessee without payment of a penalty.

"Capital Stock" of any Person means any and all shares, interests,

participations or other equivalents (however designated) of corporate stock of such Person.

"Consolidated Net Tangible Assets" of any Person means the sum of the Tangible Assets of such Person and its Consolidated Subsidiaries after eliminating inter-company items, all determined in accordance with generally accepted accounting principles, including appropriate deductions for any minority interest in Tangible Assets of such Consolidated Subsidiaries.

"Consolidated Net Worth" of any Person means the consolidated stockholders' equity of such Person and its Consolidated Subsidiaries, as determined on a consolidated basis in accordance with generally accepted accounting principles, less amounts attributable to Redeemable Stock of such person.

"Consolidated Subsidiaries" of any person means all other Persons that would be accounted for as consolidated Persons in such Person's financial statements in accordance with generally accepted accounting principles.

"Debt" means (without duplication), with respect to any Person, whether recourse is to all or a portion of the assets of such Person, and whether or not contingent, (i) every obligation of such Person for money borrowed, (ii) every obligation of such Person evidenced by bonds, debentures, notes, guarantees or other similar instruments, including obligations incurred in connection with acquisition of property, assets or businesses, (iii) every reimbursement obligation of such Person with respect to letters of credit, bankers' acceptances or similar facilities issued for the account of such Person, (iv) every obligation of such person issued or assumed as the deferred purchase price of property or services (but excluding trade accounts payable or accrued liabilities arising in the ordinary course of business (x) which are not overdue by more than 90 days

or (y) which are being contested in good faith by appropriate proceedings promptly instituted and diligently conducted and for which a proper reserve or other appropriate provision, if any, as shall be required in accordance with generally accepted accounting principles, shall have been made), (v) every Capital Lease Obligation of such Person, (vi) the maximum fixed redemption or repurchase price of Redeemable Stock of such Person at the time of determination, (vii) every payment obligation of such Person under interest rate swap or similar agreements or foreign currency hedge, exchange or similar agreements at the time of determination, (viii) every obligation to pay rent or other payment amounts of such Person with respect to any Sale and Leaseback Transaction to which such Person is a party and (ix) every obligation of the type referred to in clauses (i) through (viii) of another person and all dividends of another person the payment of which, in either case, such Person has Guaranteed or is responsible or liable, directly or indirectly, as Obligor, Guarantor or otherwise.

"Incur" means, with respect to any Debt or other obligation of any Person, to create, issue, incur (by conversion, exchange or otherwise), assume, Guarantee or otherwise become liable in respect of such Debt or other obligation or the recording, as required pursuant to generally accepted accounting principles or otherwise, of any such Debt or the obligation on the balance sheet of such Person (and "Incurrence", "Incurred", "Incurrable" and "Incurring" shall have meanings correlative to the foregoing); provided, however, that a change in generally accepted accounting principles that results in an obligation of such Person that exists at such time becoming Debt shall not be deemed an Incurrence of such Debt.

"Lien" means, with respect to any property or assets, any mortgage or deed of trust, pledge, hypothecation, assignment, deposit agreement, security interest, lien, charge, easement (other than any easement not materially and adversely affecting the Company's financial position, results of operations, business or prospects), encumbrance, preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever on or with respect to such property or assets (including, without limitation, any conditional sale or other title retention agreement having substantially the same economic effect as any of the foregoing).

"Net Available Proceeds" from any Sale and Leaseback Transaction by any Person means cash or readily marketable cash equivalents received (including by way of sale or discounting of a note, installment receivable or other receivable, but excluding any other consideration received in the form of assumption by the acquisition of Debt or other obligations relating to such properties or assets or received in any other noncash form) therefrom by such

Person, net of (i) all legal, title and recording tax expenses, commissions and other fees and expenses incurred and all federal, state, provincial, foreign and local taxes required to be accrued as a liability as a consequence of such Sale and Leaseback Transaction, (ii) all payments made by such Person or its Subsidiaries on any Debt which is secured by such assets in accordance with the terms of any Lien upon or with respect to such assets or which must by the terms of such Lien, or in order to obtain a necessary consent to such Sale and Leaseback Transaction or by applicable law be repaid out of the proceeds from such Sale and Leaseback Transaction, and (iii) all distributions and other payments made to minority interest holders in Subsidiaries of such Person or joint ventures as a result of such Sale and Leaseback Transaction.

"Opinion of Counsel" means a written opinion of counsel, who may counsel for the Company, and who shall be acceptable to the Trustee.

"pari passu", when used with respect to the ranking of any Debt of any Person in relation to other Debt of such Person, means that each such Debt (a) either (i) is not subordinated in right of payment to any other Debt of such Person or (ii) is subordinate in right or payment to the same Debt of such Person as is the other and is so subordinate to the same extent and (b) is not subordinate in right of payment to the other or to any Debt of such Person as to which the other is not so subordinate.

"Person" means any individual, corporation, partnership, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Pipeline Assets" means all assets used or useful in the gas pipeline business of the Company or its Subsidiaries.

"Redeemable Stock" of any Person means any equity security of such Person that by its terms or otherwise is required to be redeemed prior to the stated maturity of the Notes or is redeemable at the option of the holder thereof at any time prior to the stated maturity of the Notes.

"Related Person" of any Person means, without limitation, any other Person owning 5% or more of the outstanding Common Stock of such Person or 5% or more of the Voting Stock of such Person.

"Sale and Leaseback Transaction" of any Person means an arrangement with any lender or investor or to which such lender or investor is a party providing for the leasing by such Person of any property or asset of such Person which has been or is being sold or transferred by such Person after the acquisition or the completion of construction or commencement of operation thereof to such lender or investor or to any person to whom funds have been or are to be advanced by such lender or investor on the security of such property or asset. The stated maturity of such arrangement shall be the date of the last payment of rent or any other amount due under such arrangement prior to the first date on which such arrangement may be terminated by the lessee without payment of a penalty.

"Subsidiary" of any Person means (i) a corporation more than 50% of the outstanding voting stock of which is owned, directly or indirectly, by such Person or by one or more other Subsidiaries of such Person, or by such Person and one or more other Subsidiaries thereof or (ii) any other Person (other than a corporation) in which such Person, or one or more other Subsidiaries of such Person, or such Person and one or more other Subsidiaries thereof, directly or indirectly, has at least a majority ownership and power to direct the policies, management and affairs thereof.

"Tangible Assets" of any Person means, at any date, the gross book value as shown by the accounting books and records of such Person of all its property both real and personal, less (i) the net book value of all its licenses, patents, patent applications, copyrights, trademarks, trade names, goodwill, noncompete agreements or organizational expenses and other like intangibles, (ii) unamortized Debt discount and expense, (iii) all reserves for depreciation, obsolescence, depletion and amortization of its properties and (iv) all other proper reserves which in accordance with generally accepted accounting principles should be provided in connection with the business conducted by such Person.

"U.S. Government Obligations" means securities that are (x) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (y) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of

America the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof, and shall also include a depository receipt issued by a bank (as defined in Section 3(a)(2) of the Securities Act of 1933, as amended) as custodian with respect to any such U.S. Government Obligation or a specific payment of principal or interest on any such U.S. Government Obligation held by such custodian if such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of principal of or interest on the U.S. Government Obligation evidenced by such depository receipt.

"Voting Stock" of any Person means Capital Stock of such Person which ordinarily has voting power for the election of directors (or persons performing similar functions) of such Person, whether at all times or only as long as no senior class of securities has such voting power by reason of any contingency.

"Wholly owned Subsidiary" of any Person means a Subsidiary of such Person all of the outstanding Capital Stock or other ownership interests of which (other than directors' qualifying shares) shall at the time be owned by such Person or by one or more Wholly owned Subsidiaries of such Person or by such Person and one or more wholly owned Subsidiaries of such Person.

UNDERWRITING

Subject to the terms and conditions set forth in an underwriting agreement (the "Underwriting Agreement") between the Company and Merrill Lynch, Pierce, Fenner & Smith Incorporated and Citicorp Securities, Inc. (the "Underwriters"), the Company has agreed to sell to the Underwriters, and the Underwriters have severally agreed to purchase, the respective principal amounts of the Notes set forth after their names below. The Underwriting Agreement provides that the obligations of the Underwriters are subject to certain conditions precedent and that the Underwriters will be obligated to purchase all of the Notes if any are purchased.

<TABLE>
<CAPTION>

UNDERWRITER	PRINCIPAL AMOUNT
<S>	<C>
Merrill Lynch, Pierce, Fenner & Smith Incorporated.....	
Citicorp Securities, Inc.....	
Total.....	$150,000,000

</TABLE>

The Underwriters have advised the Company that they propose initially to offer the Notes to the public at the public offering price set forth on the cover page of this Prospectus, and to certain dealers at such price less a concession not in excess of % of the principal amount of the Notes. The Underwriters may allow, and such dealers may reallow, a discount of not in excess of % of the principal amount of the Notes to certain other dealers. After the initial public offering, the public offering price, concession and discount may be changed.

The Notes are a new issue of securities with no established trading market. The Underwriters have advised the Company that following the completion of the initial offering of the Notes, the Underwriters presently intend to make a market in the Notes. However, the Underwriters are not obligated to do so, and market making activity with respect to the Notes may be discontinued at any time without notice. There can be no assurance as to the liquidity of the trading market for the Notes or that an active trading market for the Notes will develop. If an active trading market does not develop, the market price and liquidity of the Notes may be adversely affected.

The Company has agreed to indemnify the Underwriters against certain liabilities, including civil liabilities under the Act, or contribute to payments which the Underwriters may be required to make in respect thereof.

The Underwriters have from time to time provided and may in the future

provide investment banking services to Transco, and have received and may in the future receive customary fees for such services. Citibank, N.A., an affiliate of Citicorp Securities, Inc., is the agent bank and a lender to Transco pursuant to the Amended Transco Bank Credit Facility. Citicorp Securities, Inc. and affiliates have also provided and may in the future provide financial advisory and commercial banking services to Transco.

LEGAL MATTERS

The legality of the Notes will be passed upon for the Company by David E. Varner, Esq., Secretary of the Company and Senior Vice President, General Counsel and Secretary of Transco. At March 14, 1994, Mr. Varner owned 25,756 shares of Transco common stock (including stock held in certain Transco benefit plans) and had options to acquire 48,650 shares of Transco common stock. The legality of the Notes will be passed upon for the Underwriters by Shearman & Sterling, 599 Lexington Avenue, New York, New York 10022.

EXPERTS

The financial statements and financial statement schedules included in the Texas Gas 1993 Form 10-K incorporated by reference in this Prospectus have been audited by Arthur Andersen & Co., independent public accountants, as indicated in their reports with respect thereto, and are included herein in reliance upon the authority of said firm as experts in accounting and auditing in giving said reports.

ANNEX A

TEXAS GAS TRANSMISSION CORPORATION

1993 ANNUAL REPORT ON FORM 10-K

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

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (FEE REQUIRED)
For the fiscal year ended December 31, 1993

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)
For the transition period from to to

Commission file number 1-4169

TEXAS GAS TRANSMISSION CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE
(State of other jurisdiction of incorporation or organization)

3800 FREDERICA STREET, OWENSBORO, KENTUCKY
(Address of principal executive offices)

61-0405152
(I.R.S. Employer Identification No.)

42301
(Zip Code)

Registrant's telephone number, including area code: (502) 926-8686

Securities registered pursuant to Section 12(b) of the Act: None

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

State the aggregate market value of the voting stock held by nonaffiliates of the registrant. The aggregate market value shall be computed by reference to the price at which stock was sold, or the average bid and asked prices of such stock, as of a specified date within 60 days prior to the date of filing. None

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. 1,000 shares as of February 28, 1994

REGISTRANT MEETS THE CONDITIONS SET FORTH IN GENERAL INSTRUCTION J(1)(A) AND (B) OF FORM 10-K AND IS THEREFORE FILING THIS FORM WITH THE REDUCED DISCLOSURE FORMAT.

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TEXAS GAS TRANSMISSION CORPORATION

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PART I

ITEM 1. BUSINESS.

GENERAL

Texas Gas Transmission Corporation (the Company) is a wholly owned subsidiary of Transco Gas Company, which is wholly owned by Transco Energy

Company (Transco). As used herein, the term Transco refers to Transco Energy Company together with its wholly owned subsidiary companies unless the context otherwise requires.

The Company is a major interstate natural gas pipeline company primarily engaged in the transportation of natural gas. The Company owns and operates an extensive pipeline system originating in major gas supply areas in the Louisiana Gulf Coast area and in East Texas and running generally north and east through Louisiana, Arkansas, Mississippi, Tennessee, Kentucky, Indiana and into Ohio, with smaller diameter lines extending into Illinois. The Company's system currently consists of approximately 6,050 miles of transmission lines. In conjunction with its pipeline facilities, the Company owns and operates ten underground storage reservoirs having a total capacity of 176.7 Bcf* and a working capacity of 86.5 Bcf.

The Company's direct market area encompasses eight states in the South and Midwest, and includes the Memphis, Tennessee; Louisville, Kentucky; Cincinnati and Dayton, Ohio; and Indianapolis, Indiana metropolitan areas. The Company also has indirect market access to Northeast markets through interconnections with Columbia Gas Transmission Corporation (Columbia), CNG Transmission Corporation (CNG) and Texas Eastern Transmission Corporation (Texas Eastern). A large portion of the gas delivered by the Company to its market area is used for space heating, resulting in substantially higher daily requirements during winter months than summer months.

TRANSPORTATION AND SALES

Traditionally, interstate pipelines, including the Company, served primarily as merchants of natural gas, purchasing gas under long-term contracts with numerous producers in the production area and reselling gas to local utilities in the market area under long-term sales agreements. Such merchant service was known as bundled service.

Regulatory policies under the Natural Gas Act of 1938 (NGA), relating to both pipeline rates and conditions of service, stressed security of gas supplies and service, and the recovery by pipelines of their prudently incurred costs of providing that service.

However, commencing in 1984, the Federal Energy Regulatory Commission (FERC) issued a series of orders which have resulted in a major restructuring of the natural gas pipeline industry and its business practices. With FERC Order 380, issued in 1984, the FERC freed pipeline customers from their contractual obligations to purchase certain minimum levels of gas from their pipeline suppliers. With implementation of "open access" transportation rules contained in FERC Orders 436 and 500, the FERC afforded pipeline customers the opportunity to purchase gas from third parties with pipelines transporting this supply to the customers' markets. These FERC rules, coupled with a nationwide excess of deliverable natural gas, have resulted in increased competition for markets and decreases in natural gas prices.

Faced with these changing conditions and declining sales, the Company altered the manner in which it had traditionally conducted its business. In September 1984, the Company began transporting gas for industrial end-users served by its direct-served local distribution customers. As excess natural gas became available and prices declined, transportation of customer-owned gas increased. In September 1988, the

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* As used in this report, the term "Mcf" means thousand cubic feet, the term "MMcf" means million cubic feet, the term "Bcf" means billion cubic feet and the term "Tcf" means trillion cubic feet. Unless otherwise stated in this report, gas volumes are stated at a pressure base of 14.73 pounds per square inch and at 60 degrees Fahrenheit.

Company accepted a certificate and became a permanent open access pipeline system under FERC Orders 436 and 500.

On April 8, 1992, the FERC issued Order 636 which brought about fundamental changes in the way natural gas pipelines conduct their businesses. The FERC's stated purpose of FERC Order 636 was to improve the competitive structure of the natural gas pipeline industry by, among other things, unbundling a pipeline's merchant role from its transportation services; ensuring "equality" of transportation services; ensuring that shippers and customers have equal access

to all sources of gas; providing "no-notice" firm transportation services that are equal in quality to bundled sales service; and changing rate design methodology from Modified Fixed Variable (MFV) to Straight Fixed Variable (SFV), unless the pipeline and its customers agree to a different form.

FERC Order 636 also set forth methods for recovery by pipelines of costs associated with compliance under FERC Order 636 (transition costs), including unrecovered gas costs, gas supply realignment (GSR) costs, the cost of stranded pipeline investment and the costs of new facilities required.

On August 3, 1992, the FERC issued Order 636-A which modified the original order to include one-part volumetric rates for small customers; the option of unbundled gas sales to small customers at a cost-based rate for a one-year period after the effective date of restructuring; a capacity release program; recovery of certain transition costs through interruptible transportation (IT) rates; and its use of either SFV methodology or other ratemaking techniques to design rates which result in equitable treatment of customers with varying load factors.

On November 27, 1992, the FERC issued Order 636-B which reaffirmed several significant requirements of FERC Order 636-A. FERC Order 636-B marked the end of the restructuring rulemaking. The FERC has stated that it will not accept further rehearing petitions. FERC Orders 636, 636-A and 636-B are presently subject to court appeals.

FERC Order 636 was implemented on the Company's system on November 1, 1993. As a result of FERC Order 636, the Company's gas sales have been fundamentally restructured. Prior to implementation of FERC Order 636, the Company had maximum peak-day sales delivery obligations in excess of 1.7 Bcf per day under individually certificated bundled sales contracts with more than 90 customers. Effective November 1, 1993, all of these bundled sales services ceased and were abandoned pursuant to FERC Order 636. Also as a result of FERC Order 636, the Company entered into a limited number of new unbundled sales contracts under the blanket certificate issued to it pursuant to that order. In compliance with another FERC decision, FERC Order 497, the sales under this unbundled merchant function are separately administered by Transco Gas Marketing Company (TGMC), an affiliate of the Company. TGMC has been appointed the Company's exclusive agent for the purpose of administering all existing and future sales and purchases for the Company after implementation of FERC Order 636, except for the auction transactions discussed below. Through its agent, TGMC, the Company currently sells gas to fewer than ten customers with a total deliverability obligation of substantially less than 0.2 Bcf per day.

The only remaining sales administered by the Company are volumes purchased from a limited number of non-market-responsive gas purchase contracts which are auctioned each month to the highest bidder. The Company may file to recover the price differential, between the cost to buy the gas under these gas purchase contracts and the price realized from the resale of the gas at the auction, as a GSR cost pursuant to FERC Order 636.

The following table sets forth the Company's total system deliveries, which exclude unbundled sales, and the mix of sales and transportation volumes for the periods shown:

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,					
SYSTEMS DELIVERIES (BCF):	1993		1992		1991	
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Sales	51.5	7%	80.4	11%	89.9	13%
Long-haul transportation	519.6	67	402.2	55	382.1	55
Total mainline deliveries	571.1	74	482.6	66	472.0	68
Short-haul transportation	204.0	26	244.2	34	225.6	32
Total system deliveries	775.1	100%	726.8	100%	697.6	100%

</TABLE>

The Company's facilities are divided into five rate zones. Receipts and deliveries are made in four zones to serve sales and long-haul transportation

markets. Receipts and deliveries in the remaining zone are made to serve sales and short-haul transportation markets in southern Louisiana.

The decline in gas sales in 1993 primarily was attributable to the Company's implementation of FERC Order 636. The increase in transportation volumes resulted primarily from the Company's implementation of additional firm service for Transcontinental Gas Pipe Line Corporation (TGPL), an affiliate of the Company, implementation of FERC Order 636 and colder weather during the winter months of 1993 than the winter months of 1992. The revenues associated with short-haul transportation volumes are not material to the Company.

The following table sets forth the names of the Company's five largest customers, along with the related sales and long-haul transportation volumes for the periods shown (expressed in Bcf).

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1993	1992	1991
<S>	<C>	<C>	<C>
Indiana Gas Company, Inc.			
Sales	8.6	13.4	19.6
Long-haul transportation	21.9	19.1	16.3
Louisville Gas and Electric Company			
Sales	5.3	15.3	11.9
Long-haul transportation	43.2	33.4	36.5
Memphis Light, Gas and Water Division			
Sales	7.5	7.9	12.2
Long-haul transportation	18.4	12.5	11.4
Transcontinental Gas Pipe Line Corporation			
Long-haul transportation	52.5	26.8	2.3
Western Kentucky Gas Company			
Sales	8.7	12.3	12.9
Long-haul transportation	21.1	16.0	20.6

</TABLE>

GAS SUPPLY

During 1993, as part of the Company's restructuring under FERC Order 636, the Company has engaged in negotiations with suppliers which have resulted in the successful termination of approximately 90% of the deliverability under its non-market-responsive gas purchase contracts. Pursuant to FERC Order 636, the Company is entitled to file for recovery of up to 100% of its prudently incurred costs of terminating these contracts as GSR costs.

The Company's remaining gas purchase commitments at the end of 1993 consist of both market-responsive and non-market-responsive contracts. Pursuant to FERC Order 636, gas purchased from the Company's non-market-responsive contracts is being resold at a monthly auction. The Company continues to

pay to the supplier the actual contract price and is entitled to file for full recovery of the difference between said contract price and the amount received for sales at auction as GSR costs under FERC Order 636. The Company's market-responsive contracts are being separately managed by its marketing affiliate, TGMC. As a result of the foregoing, it is no longer material to the Company's business to have proved gas reserves committed to the Company.

REGULATION

INTERSTATE GAS PIPELINE OPERATIONS

The Company is subject to regulation by the FERC as a "natural gas company" under the NGA. The NGA grants to the FERC authority over the construction and operation of pipeline and related facilities utilized in the transportation and sale of natural gas in interstate commerce, including the extension, enlargement and abandonment of such facilities. The FERC requires the filing of appropriate applications by natural gas companies showing that the extension, enlargement or abandonment of any facilities, as the case may be, is or will be required by a certificate of public convenience and necessity. The Company holds certificates of public convenience and necessity issued by the FERC authorizing it to construct and operate all pipelines, facilities and properties now in operation

for which certificates are required, except for certain facilities that are not material or with respect to which the FERC has issued temporary certificates.

The NGA also grants to the FERC authority to regulate rates, charges and terms of service for natural gas transported in interstate commerce or sold by a natural gas company in interstate commerce for resale, and to regulate curtailments of sales to customers. The FERC has authorized the Company to charge natural gas sales rates that are market-based. As necessary, the Company files with the FERC changes in its transportation and storage rates and charges designed to allow it to recover fully its costs of providing service to its interstate system customers, including a reasonable rate of return. Regulation of gas curtailment priorities and the importation of gas are, under the Department of Energy Reorganization Act of 1977, vested in the Secretary of Energy.

The Company is also subject to regulation by the Department of Transportation under the Natural Gas Pipeline Safety Act of 1968 with respect to safety requirements in the design, construction, operation and maintenance of its interstate gas transmission facilities.

REGULATORY MATTERS

Pursuant to FERC Order 500, certain other pipelines, from which the Company made gas purchases (upstream pipelines), had received approval from the FERC to bill customers for their producer settlement costs. The Company had, in turn, received FERC approval to flow these costs through to its customers under the FERC Order 500 purchase deficiency-based direct bill methodology. Following the issuance of FERC Order 528, which replaced the purchase deficiency-based recovery methodology, the Company, in 1991, made a series of filings which reallocated these costs among customers pursuant to the provisions of FERC Order 528. Pursuant to these filings, the Company proposed to ultimately flow through to its customers approximately $64.3 million of costs billed from upstream pipelines. The FERC has issued orders accepting these filings subject to the ultimate outcome of the underlying filings of the upstream pipelines and future settlement by the Company. Although the total billings to the Company are unresolved and the Company may be required to refund certain amounts previously collected, the Company believes that it will be entitled to ultimately collect all amounts that are billed by the upstream pipelines.

On September 2, 1993, the Company filed to recover 75% of $3.4 million of its producer settlement costs under FERC Order 528 which have resulted from reimbursements to producers for certain royalty payments. A FERC order, accepting the filing subject to refund and certain conditions, was issued on October 1, 1993, allowing for recovery of $0.9 million through direct bill and $1.7 million through a volumetric surcharge, both to be collected over a 12-month period which began October 3, 1993.

FERC ORDER 94-A

In 1983, the FERC issued FERC Order 94-A, which permitted producers to collect certain production-related gas costs from pipelines on a retroactive basis. The FERC subsequently issued orders allowing pipelines, including the Company, to bill their customers for such production-related costs through fixed monthly charges based on a customer's historical purchases. In February 1990, the D.C. Circuit Court overturned the FERC's authorization for pipelines to bill production-related costs to customers based on gas purchased in prior periods and remanded the matter to the FERC to determine an appropriate recovery mechanism.

On April 28, 1992, the Company filed a settlement with the FERC providing for a reallocation of the FERC Order 94-A payments previously collected from customers. The settlement provided for net refunds of $8.1 million to certain customers and direct bill recovery of $2.7 million from other customers. The remaining $5.4 million would be recovered through the PGA mechanism. On February 11, 1993, the FERC issued an order approving the settlement. Certain parties filed for rehearing of the settlement. On January 12, 1994, the FERC issued its "Order Granting Rehearing" which found that the FERC had committed a legal error in allowing the previously mentioned direct bill of FERC Order 94-A costs. The effect of this order as issued would be to require the Company to make refunds to certain customers of $13.5 million, recover $2.7 million through direct billing of other customers, recover $5.4 million as part of the direct billing of its unrecovered purchase gas costs and absorb the remaining $5.4 million. The Company believes it is entitled to full recovery of these FERC-ordered costs. The Company has filed for rehearing of this order and has received an extension

staying the effectiveness of this order until 30 days after the FERC rules on rehearing. The Company believes that its reserve for regulatory and rate matters is adequate to provide for any costs which the Company may ultimately be required to absorb.

FERC ORDER 636

The Company has restructured its business to implement the provisions of FERC Order 636. On October 1, 1993, the FERC issued its "Order on Compliance Filing and Granting, In Part, and Denying, In Part, Rehearing and Clarification," which essentially approved the major aspects of the Company's FERC Order 636 compliance plan. The Company filed revised tariff sheets and other changes pursuant to the October 1, 1993 order on October 18, 1993, which permitted implementation of FERC Order 636 restructured services on November 1, 1993. On December 16, 1993, the FERC issued another order which required minor tariff modifications. The Company submitted a filing in compliance with this order on January 7, 1994. This filing was accepted by an order issued on February 10, 1994. The Company's analysis of FERC Order 636 indicates that the Company's transition costs are not currently expected to exceed $90 million, primarily related to GSR contract termination costs, GSR pricing differential costs incurred pursuant to the auction transactions, as discussed below, and unrecovered purchased gas costs. As of December 31, 1993, the Company had recorded $38 million of GSR costs.

FERC Order 636 provides that pipelines should be allowed the opportunity to recover all prudently incurred transition costs. Therefore, the Company expects that any transition costs incurred should be recovered from its customers, subject only to the costs and other risks associated with the difference between the time such costs are incurred and the time when those costs may be recovered from customers. On January 28, 1994, the Company submitted its first filing to recover $11.5 million of GSR costs pursuant to the transition cost recovery provisions of FERC Order 636 and the Company's FERC-approved Gas Tariff. This amount represents 90% of the total GSR costs paid through November 30, 1993, which are expected to be recovered over a 12-month period by application of a demand surcharge to its firm transportation rates. The remaining 10% is expected to be recovered from interruptible transportation service. The Company plans to make quarterly filings to allow recovery of its GSR costs as such costs are paid.

As part of its implementation of FERC Order 636, the Company has been allowed to retain its storage gas, in part to meet operational balancing needs on its system, and in part to meet the requirements of the Company's "no-notice" transportation service, which allows customers to temporarily draw from the Company's storage gas to be repaid in-kind during the following summer season.

Although no assurances can be given, the Company does not believe the implementation of FERC Order 636 will have a material adverse effect on its financial position or results of operations.

For further discussion of regulatory matters, see Note C of Notes to Financial Statements contained in Item 8 hereof.

ENVIRONMENTAL MATTERS

The Company is subject to extensive federal, state and local environmental laws and regulations which affect the Company's operations related to the construction and operation of its pipeline facilities. Appropriate governmental authorities may enforce these laws and regulations with a variety of civil and criminal enforcement measures, including monetary penalties, assessment and remediation requirements and injunctions as to future compliance. The Company's use and disposal of hazardous materials are subject to the requirements of the federal Toxic Substances Control Act (TSCA), the federal Resource Conservation and Recovery Act (RCRA) and comparable state statutes. The Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), also known as "Superfund," imposes liability, without regard to fault or the legality of the original act, for release of a "hazardous substance" into the environment. Because these laws and regulations change from time to time, practices which have been acceptable to the industry and to the regulators have to be changed and assessment and monitoring have to be undertaken to determine whether those practices have damaged the environment and whether remediation is required. Since 1989, the Company has had studies underway to test its facilities for the presence of toxic and hazardous substances to determine to what extent, if any, remediation may be necessary. On the basis of the findings to date, the Company estimates that environmental assessment and remediation costs that will be

incurred over the next five years under TSCA, RCRA, CERCLA and comparable state statutes will total approximately $7 million to $11 million. As of December 31, 1993, the Company had a reserve of approximately $7 million for these estimated costs. This estimate depends upon a number of assumptions concerning the scope of remediation that will be required at certain locations and the cost of remedial measures to be undertaken. The Company is continuing to conduct environmental assessments and is implementing a variety of remedial measures that may result in increases or decreases in the total estimated costs.

The Company has used lubricating oils containing polychlorinated biphenyls (PCBs) and, although the use of such oils was discontinued in the 1970s, has discovered residual PCB contamination in equipment and soils at certain gas compressor station sites. The Company continues to work closely with the Environmental Protection Agency (EPA) and state regulatory authorities regarding PCB issues and has programs to assess and remediate such conditions where they exist, the costs of which are a significant portion of the $7 million to $11 million range discussed above. Proposed civil penalties have been assessed by the EPA against another major natural gas pipeline company for the alleged improper use and disposal of PCBs. Although similar penalties have not been asserted against the Company to date, no assurance can be given that the EPA may not seek such penalties in the future.

The Company has either been named as a potentially responsible party (PRP) or received an information request regarding its potential involvement at four federal "Superfund" waste disposal sites and one state waste disposal site. Based on present volumetric estimates, the Company believes its estimated aggregate exposure for remediation of these sites is approximately $500,000. Liability under CERCLA (and applicable state law) can be joint and several with other PRPs. Although volumetric allocation is a factor in assessing liability, it is not necessarily determinative; thus the ultimate liability could be substantially greater than the amount estimated above. The anticipated remediation costs associated with these sites have been included in the $7 million to $11 million range discussed above. Although no assurances can be given, the Company does not believe that its PRP status will have a material adverse effect on its financial position or results of operations.

The Company is currently recovering in its rates amounts approximately equal to its annual expenditures for these environmental matters. The Company considers these expenditures prudent operating and maintenance expenses incurred in the ordinary course of business and anticipates that these costs will continue to be recoverable through its rates.

The Company is also subject to the Federal Clean Air Act and to the Federal Clean Air Act Amendments of 1990 (1990 Amendments), which added significantly to the existing requirements established by the Federal Clean Air Act. The 1990 Amendments required that the EPA issue new regulations, mainly related to mobile sources, air toxics, ozone non-attainment areas and acid rain. In addition, pursuant to the 1990 Amendments, the EPA has issued regulations under which states must implement new air pollution controls to achieve attainment of national ambient air quality standards in areas where they are not currently achieved. The Company has compressor stations in ozone non-attainment areas that could require additional air pollution reduction expenditures, depending on the requirements imposed. Additions to facilities for compliance with currently known Federal Clean Air Act standards and the 1990 Amendments are expected to cost in the range of $2 million to $3 million over the next five years and will be recorded as assets as the facilities are added. The Company considers costs associated with compliance with environmental laws to be prudent costs incurred in the ordinary course of business and, therefore, recoverable through its rates.

RATES

GENERAL

The Company's rates are established primarily through the FERC ratemaking process. Key determinants in the ratemaking process are (i) volume throughput assumptions, (ii) costs of providing service and (iii) allowed rate of return. The allowed rate of return is determined by the FERC in each rate case. Rate design and the allocation of costs between the demand and commodity rates also impact profitability.

RATE ISSUES

In April 1990, the Company filed a general rate case (Docket No. RP90-104),

which became effective in November 1990, subject to refund. A settlement agreement was filed on July 22, 1991, and approved by the FERC's "Order Granting Reconsideration," on October 21, 1992. Refunds, including interest, of $36.3 million were made to customers on January 19, 1993.

On April 29, 1993, the Company filed a general rate case (Docket No. RP93-106) which, pursuant to the FERC's Suspension Order issued May 28, 1993, became effective on November 1, 1993, subject to refund. The new rate case was filed to satisfy the three-year filing requirements of the FERC's regulations, to recover increased operating costs, to provide a return on increased capital investment in pipeline facilities, to implement the SFV rate design methodology and to facilitate resolution of various rate-related issues in the Company's FERC Order 636 restructuring proceeding. The Company is currently engaged in settlement proceedings regarding this case. The Company has established a reserve, which it believes to be adequate, to reflect the difference between the rates currently being charged and the rates expected to ultimately be effective upon settlement of the case.

During 1993, the Company made several filings under the provisions of its approved tariff and FERC Orders 483 and 483-A to reflect changes in its purchased gas costs. The Company also made filings to reflect changes in costs of transportation by others, pursuant to the Transport Cost Adjustment (TCA) tracker provisions of the approved tariff. Pursuant to that tariff, on December 30, 1993, the Company refunded $14.9 million of overcollected transportation costs. The Annual PGA filing for gas costs incurred through August 1992 (Docket No. TA93-1-18) was accepted by FERC Letter Order dated January 29, 1993, with no purchasing practice issues being raised.

On November 1, 1993, the Company implemented the provisions of FERC Order 636 (see discussion on FERC Order 636). Pursuant to FERC Order 636, the Company terminated its PGA clause on that date. On January 31, 1994, the Company filed a limited Section 4(e) filing pursuant to its approved FERC Gas Tariff to direct bill the balance of its unrecovered purchase gas costs at October 31, 1993, to its former sales customers. This filing is necessary to recover $3.0 million of deferred gas costs applicable to the period September 1992 through October 1993. The Company has no outstanding deferred gas cost issues pending in any other proceeding.

COMPETITION

The Company and its primary market area competitors (ANR Pipeline Company, Panhandle Eastern Pipe Line Company, Trunkline Gas Company, Texas Eastern, Columbia, Tennessee Gas Pipeline Company and Midwestern Gas Transmission Company) implemented FERC Order 636 on their respective systems during the period May 1993 to November 1993. The Company and its major competitors all employ SFV rate design for firm transportation as mandated by FERC Order 636.

Future utilization of the Company's pipeline capacity will depend on competition from other pipelines and alternative fuels, the general level of natural gas demand and weather conditions. Although some of the Company's major competitors implemented FERC Order 636 and SFV rates prior to the Company's implementation, the impact on the Company's throughput was minimal. The Company believes that under FERC Order 636, with SFV rates, its rate structure will remain competitive and surcharges for recovery of its total transition costs will not make its rates noncompetitive in its market as competitor pipelines are believed to have transition costs also to be recovered in their rates.

The end-use markets of several of the Company's customers have the ability to switch to alternative fuels. To date, however, losses from fuel switching have not been significant.

PIPELINE PROJECTS

The Company is involved in expanding its markets through the following projects:

LIBERTY PIPELINE COMPANY

In 1992, Liberty Pipeline Company (Liberty Pipeline), a partnership of interstate pipelines and local distribution companies, filed for FERC approval to construct and operate a natural gas pipeline to provide up to 500 MMcf per day in firm transportation service to the greater New York City area. The partnership is comprised of subsidiaries of Transco, two other interstate pipelines and subsidiaries of three of Transco's customers in New York,

collectively known as The New York Facilities Group.

The pipeline is expected to cost approximately $162 million and is proposed to be in service by the 1995-1996 winter heating season, subject to timely FERC approval. Liberty Operating Company, a subsidiary of Transco, will construct and operate the pipeline for the partnership.

The Company has filed two separate applications with the FERC requesting authority to expand its pipeline facilities to provide upstream transportation service in connection with the Liberty Pipeline project. One application requests authority to construct facilities at an estimated cost of $59.4 million to provide an incremental 100 MMcf per day of firm service for The New York Facilities Group and KIAC Partners, a cogeneration affiliate of The Brooklyn Union Gas Company. The Company plans, subject to FERC approval, to construct $16 million of facilities to implement 30.3 MMcf per day of this incremental firm service for the 1995-1996 winter heating season with the remaining $43.4 million of facilities being constructed during 1996 to provide the remaining 69.7 MMcf per day of incremental service for the 1996-1997 winter heating season. This volume of gas will ultimately be transported by TGPL for redelivery to Liberty Pipeline. The second application requests authority to expand the Company's facilities to provide an incremental 35 MMcf per day of firm service for The Power Authority of the State of New York at an estimated cost of $20.9 million. The Company plans, subject to FERC approval, to construct the $20.9 million of facilities during 1995 in order to implement the incremental firm transportation service for The Power Authority of New York in time for the 1995-1996 winter heating season.

WEST TENNESSEE PIPELINE EXPANSION

In January 1994, the Company received approval from the FERC to expand its Jackson-Ripley pipeline system located in northwest Tennessee to provide 4.6 MMcf per day of additional firm deliveries to three West Tennessee customers and to construct additional pipeline looping providing system security on that part of the Company's system. Construction is anticipated to commence during the first quarter of 1994. Total cost for

this system expansion is expected to be $3.2 million, which the Company anticipates it will incur during the first half of 1994.

EMPLOYEE RELATIONS

The Company had 1,155 employees as of December 31, 1993. Certain of those employees were covered by a collective bargaining agreement. A favorable relationship existed between management and labor during the period.

The International Chemical Workers Local 187 represents 199 of the Company's 494 field operating employees. The current collective bargaining agreement between the Company and Local 187 expires on April 30, 1995.

The Company has a non-contributory pension plan and various other plans which provide regular active employees with group life, hospital and medical benefits as well as disability benefits and savings benefits. Officers and directors who are full-time employees may participate in these plans.

ITEM 2. PROPERTIES.

See "Item 1. Business."

ITEM 3. LEGAL PROCEEDINGS.

For a discussion of the Company's current legal proceedings, see Note D of Notes to Financial Statements contained in Item 8 hereof.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

(a) and (b) As of December 31, 1993, all of the outstanding shares of the Company's common stock are owned by Transco Gas Company, a wholly owned subsidiary of Transco. The Company's common stock is not publicly traded and there exists no market for such common stock.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

1993 COMPARED TO 1992

As discussed in Note C of Notes to Financial Statements contained in Item 8 hereof, FERC Order 636 required pipelines to "unbundle" services; transportation and storage services must be offered separately from the sale of gas. As a result, effective November 1, 1993, the Company's remaining gas sales result primarily from requirements to meet its remaining gas purchase commitments. The Company's monthly gas purchases under non-market-responsive commitments are sold at auction with any underrecovery of such costs deferred as a regulatory asset for future recovery as a transition cost. All other gas purchase and sales commitments are being managed by the Company's marketing affiliate as agent for the Company. The Company's gas sales currently have no impact on its results of operations.

As part of its implementation of FERC Order 636, the Company has been allowed to retain its storage gas, in part to meet operational balancing needs on its system, and in part to meet the requirements of the Company's "no-notice" transportation service, which allows customers to temporarily draw from the Company's storage gas to be repaid in-kind during the following summer season. As a result, the Company's gas stored underground has been reclassified as an other noncurrent asset.

The Company's November 1, 1993 implementation of FERC Order 636 also included a change in its rate design method from MFV to SFV. Under the MFV method, all fixed costs, with the exception of equity return and income taxes, were included in the demand component of the charge to customers; the equity return and income tax components of cost of service were included as part of the volumetric charge to customers. Under the SFV method, all fixed costs, including equity return and income taxes, are included in the demand charge to customers. Accordingly, overall throughput has a less significant impact on the Company's operating income than under the MFV method.

Effective November 1, 1993, the Company placed rates into effect, subject to refund, under a new general rate case (see discussion in Note C of Notes to Financial Statements contained in Item 8 hereof). Certain parties to the rate case proceedings are seeking to change the capital structure and reduce the Company's return on equity included in rates.

The Company's earnings may be impacted by competition from other pipelines, its rate design structure, cost management, and, to a lesser extent, fluctuations in its throughput which may result from a number of factors, including weather. The Company believes that under FERC Order 636, with SFV rates and its anticipated transition cost recovery, its rate structure will remain competitive. However, the resolution of pending rate case issues discussed above could negatively impact the Company's results of operations under the pending rate case. Furthermore, while the use of SFV rate design limits the Company's opportunity to earn incremental revenues through increased throughput, it also minimizes the Company's risk associated with fluctuations in throughput.

Operating and Net Income

Operating income was $7 million higher for the year ended December 31, 1993 than for the year ended December 31, 1992. The increase in operating income was primarily due to higher gas transportation revenues, partially offset by lower net gas sales revenues and increased other operating costs and expenses. Each of these factors is discussed below.

Excluding the Company's $4 million after-tax gain on the sale of its subsidiary in 1992, net income was $3 million higher than 1992 for the same reasons that resulted in higher operating income.

Operating Revenues

Operating revenues increased $2 million, primarily as a result of $48 million higher gas transportation revenues, partially offset by $45 million lower gas sales revenues. The increase in gas transportation revenues was primarily due to higher firm transportation demand revenues primarily as a result of the conversion of customer's firm sales service to firm transportation service due to the implementation of FERC Order 636 and higher long-haul transportation volumes. Gas sales revenues decreased primarily as a result of

the conversion of customer's sales service and decreased commodity volumes.

Operating Costs and Expenses

Costs of gas sold decreased $22 million from the prior year. This decrease was primarily due to the implementation of FERC Order 636 and the resultant decrease in gas sales volumes.

The Company's administrative and general expenses increased $16 million. The increase was primarily due to $6 million higher labor and employee benefits costs, a $5 million provision for uncollectible accounts, which includes $2 million in claims filed under customer bankruptcy proceedings, and $3 million in higher management services fees allocated from Transco.

System Deliveries

As shown in the table below, the Company's total mainline deliveries for the year ended December 31, 1993 increased 88.5 Bcf, or 18.3%, as compared to the year ended December 31, 1992, primarily as a result of increased throughput in connection with the Company's 1992 mainline expansion project, and, during the winter months of 1993, 13% colder weather on a degree-day basis in the Company's primary market area

compared to the winter months of 1992. The revenues associated with short-haul transportation volumes are not material to the Company.

<TABLE>
<CAPTION>

SYSTEM DELIVERIES (BCF):	YEAR ENDED DECEMBER 31, 1993	1992
<S>	<C>	<C>
Sales	51.5	80.4
Long-haul transportation	519.6	402.2
Total mainline deliveries	571.1	482.6
Short-haul transportation	204.0	244.2
Total system deliveries	775.1	726.8

</TABLE>

The Company's facilities are divided into five rate zones. Receipts and deliveries are made in four rate zones to service sales and long-haul transportation markets. Receipts and deliveries in the remaining zone are made to serve sales and short-haul transportation markets in southern Louisiana.

1992 COMPARED TO 1991

The table below shows the net income of the Company for the years ended December 31, 1992 and 1991 and the effects of certain selected items that have impacted those results (expressed in millions):

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31, 1992	1991
<S>	<C>	<C>
Net income before selected items	$36.5	$23.5
Gain on sale of subsidiary	4.4	--
Benefits of resolution of certain rate issues	--	2.5
Provision for severance costs	--	(3.9)
Loss on proposed capital project	--	(0.7)
Net Income	$40.9	$21.4

</TABLE>

Operating and Net Income

Excluding the pre-tax effects of the selected items shown in the table above, operating income was $25 million higher for the year ended December 31, 1992 than for the year ended December 31, 1991. The increase in operating income was primarily due to higher mainline revenues, net of cost of natural gas sold and transported ($17 million) primarily attributable to increased transportation revenues discussed below, and lower labor and related benefits costs as a result of the Company's early retirement program offered during the fourth quarter of 1991 ($9 million). Excluding the net income impact of the selected items shown in the table above net income was $13 million greater than 1991 for the same reasons that resulted in higher operating income, partially offset by lower interest income due to lower interest rates on advances to affiliates.

Operating Revenues

Excluding the pre-tax effects of the selected items shown in the table above, operating revenues decreased $4 million or 1%, primarily as a result of $40 million lower gas sales revenues, partly offset by $36 million higher gas transportation revenues. Gas sales decreased as a result of lower demand revenues, decreased sales volumes and lower average rates. The increase in gas transportation revenues was primarily due to higher firm transportation demand revenues, primarily attributable to customers switching from firm sales to firm transportation contracts and higher rate realization and increased long-haul transportation volumes.

Operating Costs and Expenses

Costs of gas sold and transportation of gas by others decreased $15 million from the prior year. This decrease was primarily the result of lower cost of gas sold due to lower gas sales volumes, partially offset by an increase in expense for transportation of gas by others.

Excluding costs of gas sold and transportation of gas by others and the pre-tax effect of the selected items, the Company's operating expenses decreased $14 million. The decrease in other operating expenses was primarily due to lower labor and related benefits costs in 1992 as a result of the Company's early retirement program offered during the fourth quarter of 1991.

System Deliveries

As shown in the table below, the Company's total mainline deliveries for the year ended December 31, 1992 increased 10.6 Bcf, or 2%, as compared to the year ended December 31, 1991, primarily as a result of increased throughput in connection with the Company's 1992 mainline expansion project, tariff rate competitiveness relative to spot market prices, and discounting. Total system deliveries for the year ended December 31, 1992 were greater than those for 1991, mainly due to an increase in short-haul transportation. The revenues associated with these short-haul volumes were not significant.

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,	
SYSTEM DELIVERIES (BCF):	1992	1991
<S>	<C>	<C>
Sales	80.4	89.9
Long-haul transportation	402.2	382.1
Total mainline deliveries	482.6	472.0
Short-haul transportation	244.2	225.6
Total system deliveries	726.8	697.6

</TABLE>

The Company's throughput is impacted by seasonal changes in weather, as well as competition from other gas pipelines. The weather in the Company's primary market area during the winter months of 1992 was 14% warmer than normal. During 1992, the Company continued to discount certain of its transportation

rates in response to competitive pressures and/or to gain incremental markets for the purpose of increasing system throughput and associated revenues. The discounted rates were provided on both a generic and selective basis after analyzing the competitive and economic factors of each specific situation.

COMPETITION

The Company and its primary market area competitors (ANR Pipeline Company, Panhandle Eastern Pipe Line Company, Trunkline Gas Company, Texas Eastern, Columbia, Tennessee Gas Pipeline Company and Midwestern Gas Transmission Company) implemented FERC Order 636 on their respective systems during the period May 1993 to November 1993. The Company and its major competitors all employ SFV rate design for firm transportation as mandated by FERC Order 636.

Future utilization of the Company's pipeline capacity will depend on competition from other pipelines and alternative fuels, the general level of natural gas demand and weather conditions. Although some of the Company's major competitors implemented FERC Order 636 and SFV rates prior to the Company's implementation, the impact on the Company's throughput was minimal. The Company believes that under FERC Order 636, with SFV rates, its rate structure will remain competitive and surcharges for recovery of its total transition costs will not make its rates noncompetitive in its market as competitor pipelines are believed to have transition costs also to be recovered in their rates.

The end-use markets of several of the Company's customers have the ability to switch to alternative fuels. To date, however, losses from fuel switching have not been significant.

CAPITAL RESOURCES AND LIQUIDITY

INTRODUCTION

Through the years, the Company has consistently maintained its financial strength and experienced strong operational results. Since its 1989 acquisition by Transco, the Company has continued to enjoy financial and operational strength. As an indirect wholly owned subsidiary of Transco, the Company may be affected by the financial position and performance of Transco and its other subsidiaries. The Company does not currently anticipate that such relationship will have a material adverse effect on its financial position or results of operations.

In October 1991, Transco's Board of Directors approved a comprehensive strategic and financial plan (Plan) designed to stabilize Transco's financial position, improve financial flexibility and restore earnings. Since the Plan's adoption, Transco has made significant progress in its implementation, including the sale of certain non-core and non-strategic businesses, reduction in capital expenditures, resolution of certain material litigation and improvement in its results of operations and financial flexibility.

Transco remains committed to deleveraging its balance sheet, further eliminating or mitigating the potentially adverse impact from resolution of remaining litigation and contingencies and improving financial results.

FINANCING

As a subsidiary of Transco, the Company engages in transactions with Transco and other Transco subsidiaries characteristic of group operations. The Company meets its working capital requirements by participation in the Transco consolidated cash management program, pursuant to which the Company, for investment purposes, both makes advances to and receives repayments of advances from Transco, and by accessing capital markets to fund its long-term debt maturities. As general corporate policy, the interest rate on intercompany demand notes is 1 1/2% below the prime rate of Citibank, N.A.

At December 31, 1993, the Company had outstanding current and non-current advances to Transco of $66 million and $137 million, respectively. Those amounts that the Company anticipates Transco will repay in the next twelve months are classified as current assets, while the remainder are classified as non-current.

The Company and Transco's other subsidiaries pay dividends, based on the level of their earnings and net cash flows, to provide funds to Transco for debt service and dividend payments.

To meet the working capital requirements of Transco and its subsidiaries,

Transco has in place a $450 million working capital line with a group of fifteen banks. The Company is guarantor of up to $180 million of this working capital line. At December 31, 1993, Transco had no outstanding borrowings under this facility.

Transco also has in place a $50 million reimbursement facility, dated as of December 31, 1993, between Transco and a group of five banks. This facility provides Transco the opportunity to obtain standby letters of credit under certain circumstances from the banks. The Company is guarantor of up to $20 million of the obligations that arise under this facility. At December 31, 1993, Transco had no amounts outstanding under this facility.

These credit facilities prohibit the Company from, among other things, incurring or guaranteeing any additional indebtedness (except for indebtedness incurred to refinance existing indebtedness), issuing preferred stock or advancing cash to affiliates other than Transco. Further, these credit facilities and Transco's indentures contain restrictive covenants which could limit Transco's ability to make additional borrowings and, therefore, under certain circumstances, its ability to repay advances or make capital contributions to the Company.

CASH FLOWS AND CAPITALIZATION

Net cash inflows from operating activities for the year ended December 31, 1993 were approximately $38 million lower than for the year ended December 31, 1992, primarily as a result of the payment of the RP90-104 rate refunds in the amount of $36.3 million. Net cash inflows from operating activities for the year ended December 31, 1992 were approximately $14 million higher than for the year ended December 31, 1991, primarily as a result of an increase in payables due to higher gas volumes being purchased at higher prices on the spot market in the last quarter of 1992 than in the last quarter of 1991 and increased net income, partially offset by higher net gas storage injections.

Net cash outflows from financing activities for the year ended December 31, 1993 were comparable to the year ended December 31, 1992. Net cash outflows from financing activities for the year ended December 31, 1992 were $15 million higher than the year ended December 31, 1991, primarily as a result of increased dividends paid to Transco and the net effect of the debt repayment and proceeds from the Company's 1992 debt issue.

Net cash outflows from investing activities for the year ended December 31, 1993 were $35 million lower than the year ended December 31, 1992, mainly due to a decrease in cash advanced to Transco under Transco's cash management program, partially offset by the prior year proceeds from the sale of the Company's subsidiary. Net cash outflows from investing activities for the year ended December 31, 1992 were $3 million lower than the year ended December 31, 1991, mainly due to a decrease in capital additions, partially offset by an increase in cash advanced to Transco under Transco's cash management program and a decrease in recoveries of producer settlements. The decrease in capital additions was primarily due to lower expenditures for market expansion projects and maintenance of current facilities.

The Company's 1993 capital expenditures of $33 million included $27 million for maintenance of existing facilities and $6 million for market and supply expansion projects.

The Company's debt, less current maturities, as a percentage of total capitalization for the years ended December 31, 1993 and 1992 was 14% and 29%, respectively. The Company intends to issue long-term public debt in the second quarter of 1994 to refinance the maturities of its 10% debentures, which will restore the above ratio to 29%.

In September 1993, the Company entered into a new program to sell monthly trade receivables, which replaced the Company's previous program. The new trade receivables program, which expires in September 1995, provides for the sale of up to $40 million of trade receivables without recourse. As of December 31, 1993, $34 million in trade receivables were held by the investor.

GAS SUPPLY REALIGNMENT COST RECOVERIES

On January 28, 1994, the Company submitted its first filing to recover $11.5 million of GSR costs pursuant to the transition costs recovery provisions of FERC Order 636 and the Company's approved FERC Gas Tariff. This amount represents 90% of the total GSR costs paid through November 30, 1993, which are

expected to be recovered over a 12-month period by application of a demand surcharge to its firm transportation rates. The remaining 10% is expected to be recovered from interruptible transportation service. The Company plans to make quarterly filings to allow recovery of its GSR costs as such costs are paid.

FUTURE CAPITAL EXPENDITURES

The Company's budgeted capital expenditures for 1994 of $41 million include $36 million for maintenance of current facilities, $3 million for market expansion in connection with the West Tennessee pipeline expansion project, $1 million for market expansion in connection with the Liberty Pipeline expansion project and $1 million for other market expansion projects.

If the Liberty Pipeline and The Power Authority of the State of New York projects are constructed, the Company expects to expand its pipeline facilities at a cost currently estimated to be $80 million, the majority of which, subject to FERC approval, will be spent in 1995 and 1996 (see "Business -- Pipeline Projects").

OTHER FUTURE CAPITAL REQUIREMENTS AND CONTINGENCIES

FERC Order 636 Transition Costs

As discussed in Note C of Notes to Financial Statements contained in Item 8 hereof, the Company's analysis of FERC Order 636 indicates that the Company's transition costs are not currently expected to exceed $90 million, primarily related to GSR contract termination costs, GSR pricing differential costs incurred pursuant to the auction process, as discussed below, and unrecovered purchased gas costs. FERC Order 636 provides that pipelines should be allowed the opportunity to recover all prudently incurred transition costs. Therefore, the Company expects that any transition costs incurred should be recovered from its customers, subject only to the costs and other risks associated with the difference between the time such costs are incurred and the time when those costs may be recovered from customers.

Although no assurances can be given, the Company does not believe that transition costs will have a material adverse effect on its financial position or results of operations.

Long-term Gas Purchase Contracts

Gas purchased under the Company's remaining non-market responsive contracts is being resold at a monthly auction pursuant to FERC Order 636. The Company continues to pay to the supplier the actual contract price and is entitled to file for full recovery of the difference between said contract price and the amount received for sales at auction as GSR costs under FERC Order 636. As discussed in Note C of Notes to Financial Statements contained in Item 8 hereof, through December 31, 1993, the Company had paid or committed to pay a total of $38 million for GSR costs, primarily as a result of contract terminations. Pursuant to FERC Order 636, the Company is entitled to file to recover 100% of these costs as GSR costs.

The Company does not believe that financial risks associated with its long-term gas purchase contracts are material to the Company's financial position or results of operations.

Rate Matters

As discussed in Note C of Notes to Financial Statements contained in Item 8 hereof, the Company has a pending rate case that may require refunds, including interest, during 1994. The Company has established a reserve for various regulatory and rate issues which it believes is adequate to provide for the refunds that will ultimately be required.

FERC Order 94-A

As discussed in Note C of Notes to Financial Statements contained in Item 8 hereof, the FERC has issued an order that would require the Company to make refunds to certain customers of $13 million, recover $3 million through direct billing of other customers, recover $5 million as part of the direct billing of its unrecovered purchase gas costs and absorb the remaining $5 million. The Company believes it is entitled to full recovery of these FERC-ordered costs. The Company has filed for rehearing of this order and has received an extension staying the effectiveness of this order until 30 days after the FERC rules on

rehearing. The Company believes that its reserve for regulatory and rate matters is adequate to provide for any costs the Company may ultimately be required to absorb.

Environmental Matters

The Company is subject to extensive federal, state and local environmental laws and regulations which affect the Company's operations related to the construction and operation of its pipeline facilities. See Note C of Notes to Financial Statements contained in Item 8 hereof for further discussion.

FERC Orders 500 and 528

See Note C of Notes to Financial Statements contained in Item 8 hereof for a description of the status of the Company's filings pursuant to FERC Order 528.

Royalty Claims

As discussed in Note D of Notes to Financial Statements contained in Item 8 hereof, the Company has been named as defendant in two lawsuits involving claims by royalty owners for additional royalties. Although no assurances can be given, the Company believes that the final resolution of its royalty claims and litigation will not have a material adverse effect on its financial position or results of operations.

CONCLUSION

Although no assurances can be given, the Company currently believes that the aggregate of cash flows from operating activities, supplemented by refinancing of maturing debt and, if necessary, by repayments of funds advanced to Transco, will provide the Company with sufficient liquidity to meet its capital requirements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Texas Gas Transmission Corporation:

We have audited the accompanying balance sheets of Texas Gas Transmission Corporation (a Delaware corporation and an indirect wholly owned subsidiary of Transco Energy Company) as of December 31, 1993 and 1992, and the related statements of income, retained earnings and paid-in capital and cash flows for each of the three years in the period ended December 31, 1993. These financial statements and the schedules referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Texas Gas Transmission Corporation as of December 31, 1993 and 1992, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1993, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The financial statement schedules listed in the index to Part IV, Item 14(a)2 are presented for purposes of complying with the Securities and Exchange Commission's rules and are not part of the basic financial statements. These financial statement schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly state in all material respects

the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN & CO.

Houston, Texas
February 18, 1994

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MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements have been prepared by the management of Texas Gas Transmission Corporation (the Company) in conformity with generally accepted accounting principles. Management is responsible for the fairness and reliability of the financial statements and other financial data included in this report. In the preparation of the financial statements, it is necessary to make informed estimates and judgments of the effects of certain events and transactions based on currently available information.

The Company maintains accounting and other controls that management believes provide reasonable assurance that financial records are reliable, assets are safeguarded and that transactions are properly recorded in accordance with management's authorizations. However, limitations exist in any system of internal control based upon the recognition that the cost of the system should not exceed benefits derived.

The Company's independent auditors, Arthur Andersen & Co., are engaged to audit the financial statements and to express an opinion thereon. Their audit is conducted in accordance with generally accepted auditing standards to enable them to report that the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the Company in conformity with generally accepted accounting principles.

The Audit Committee of the Board of Directors of Transco Energy Company (Transco), composed of three directors who are not employees of Transco, meets regularly with the independent auditors and management. The independent auditors have full and free access to the Audit Committee and meet with them, with and without management being present, to discuss the results of their audits and the quality of financial reporting.

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TEXAS GAS TRANSMISSION CORPORATION

BALANCE SHEETS
(THOUSANDS OF DOLLARS)

<TABLE>
<CAPTION>

	DECEMBER 31, 1993	DECEMBER 31, 1992
<S>	<C>	<C>
ASSETS		
Current Assets:		
Cash and temporary cash investments	$ 292	$ 560
Receivables:		
Trade	16,441	12,997
Affiliates	4,761	10,605
Other	1,934	829
Advances to affiliates	65,667	75,493
Transportation and exchange gas receivable	25,112	48,587
Costs recoverable from customers:		
Gas purchase	5,590	--
Producer settlement	1,067	2,397
Gas supply realignment	19,231	--
Inventories	14,724	14,369
Gas stored underground -- LIFO	--	85,240
Deferred income tax benefits	17,680	15,140
Other	5,751	6,267

Total current assets	178,250	272,484
Advances to Affiliates	137,000	145,165
Investments, at Cost	2,635	3,731
Property, Plant and Equipment, at Cost:		
Natural gas transmission plant	706,668	679,802
Other natural gas plant	128,376	126,221
	835,044	806,023
Less -- Accumulated depreciation and amortization	173,201	131,642
Property, plant and equipment, net	661,843	674,381
Other Assets:		
Gas stored underground	92,103	--
Other	60,515	44,203
Total other assets	152,618	44,203
Total Assets	$1,132,346	$1,139,964

LIABILITIES AND STOCKHOLDER'S EQUITY

Current Liabilities:		
Current maturities of long-term debt	$ 150,000	$ --
Payables:		
Trade	13,821	40,303
Affiliates	13,274	4
Other	30,714	12,858
Advances from affiliates	1,576	1,088
Transportation and exchange gas payable	17,109	36,536
Accrued liabilities	45,659	69,765
Accrued gas supply realignment costs	24,750	--
Costs refundable to customers	4,643	12,959
Reserve for regulatory and rate matters	23,063	15,215
Other	676	1,517
Total current liabilities	325,285	190,245
Long-Term Debt	98,678	248,305
Other Liabilities and Deferred Credits:		
Income taxes refundable to customers	7,243	13,698
Deferred income taxes	35,348	28,246
Other	58,556	56,566
Total other liabilities and deferred credits	101,147	98,510
Stockholder's Equity:		
Common stock, $1.00 par value, 1,000 shares authorized, issued and outstanding	1	1
Premium on capital stock and other paid-in capital	584,712	584,712
Retained earnings	22,523	18,191
Total stockholder's equity	607,236	602,904
Total Liabilities and Stockholder's Equity	$1,132,346	$1,139,964

</TABLE>

The accompanying notes are an integral part of these financial statements.

TEXAS GAS TRANSMISSION CORPORATION

STATEMENTS OF INCOME
(THOUSANDS OF DOLLARS)

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1993	1992	1991
<S>	<C>	<C>	<C>
Operating Revenues:			
Gas sales	$247,946	$292,978	$332,780
Gas transportation	215,210	167,133	131,063
Other	2,303	3,754	4,266
Total operating revenues	465,459	463,865	468,109
Operating Costs and Expenses:			
Cost of gas sold	158,890	181,047	201,972
Cost of transportation of gas by others	54,622	55,813	49,789
Operation and maintenance	54,803	53,898	57,126
Administrative and general	62,702	46,267	58,907
Depreciation and amortization	38,330	37,637	36,959
Taxes other than income taxes	13,075	13,265	12,743
Provision for severance costs	--	--	6,259
Provision for producer settlements	--	--	(3,473)
Total operating costs and expenses	382,422	387,927	420,282
Operating Income	83,037	75,938	47,827
Other (Income) Deductions:			
Interest expense	25,578	26,684	26,580
Interest income	(10,616)	(12,107)	(14,237)
Equity in earnings of unconsolidated affiliate	--	(563)	(1,985)
Gain on sale of subsidiary	--	(6,948)	--
Miscellaneous other deductions	2,463	1,491	1,126
Total other (income) deductions	17,425	8,557	11,484
Income Before Income Taxes	65,612	67,381	36,343
Provision for Income Taxes	26,555	26,463	14,894
Net Income	$ 39,057	$ 40,918	$ 21,449

</TABLE>

The accompanying notes are an integral part of these financial statements.

TEXAS GAS TRANSMISSION CORPORATION

STATEMENTS OF RETAINED EARNINGS AND PAID-IN CAPITAL
(THOUSANDS OF DOLLARS)

<TABLE>
<CAPTION>

	RETAINED EARNINGS	PAID-IN CAPITAL
<S>	<C>	<C>
Balance, December 31, 1990	$ 13,091	$584,712
Add (deduct):		
Net income	21,449	--
Cash dividends on common stock	(22,404)	--
Balance, December 31, 1991	12,136	584,712
Add (deduct):		
Net income	40,918	--
Cash dividends on common stock	(34,863)	--
Balance, December 31, 1992	18,191	584,712
Add (deduct):		
Net income	39,057	--
Cash dividends on common stock	(34,725)	--
Balance, December 31, 1993	$ 22,523	$584,712

</TABLE>

The accompanying notes are an integral part of these financial statements.

TEXAS GAS TRANSMISSION CORPORATION

STATEMENTS OF CASH FLOWS
(THOUSANDS OF DOLLARS)

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1993	1992	1991
<S>	<C>	<C>	<C>
Cash Flows From Operating Activities:			
Net income	$ 39,057	$ 40,918	$ 21,449
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation and amortization	39,783	39,150	38,543
Deferred income taxes	4,563	19,319	(4,650)
Provision for severance costs	--	--	6,259
Provision for producer settlements	--	--	(3,473)
Nonrecoverable producer settlements	(1,914)	--	--
Equity in undistributed earnings of unconsolidated affiliate	--	(563)	(1,985)
Distributions from unconsolidated affiliate	--	--	3,600
Gain on sale of subsidiary	--	(6,948)	--
Decrease (increase) in:			
Receivables	1,319	(8,120)	13,194
Transportation and exchange gas receivable	23,475	(12,164)	(7,281)
Inventories	(355)	(17,367)	3,614
Deferred gas costs	(9,161)	(15,854)	(11,574)
Other current assets	(12,986)	13,578	12,127
Increase (decrease) in:			
Payables	4,644	7,987	(21,398)
Transportation and exchange gas payable	(19,426)	16,515	1,130
Accrued liabilities	(24,036)	(13,165)	(2,581)
Reserve for regulatory and rate matters	15,506	7,023	26,937
Other current liabilities	(5,585)	7,124	1,201
Other, net	(11,907)	3,843	(7,411)
Net cash from operating activities	42,977	81,276	67,701
Cash Flows From Financing Activities:			
Advances from affiliates, net	150	101	(12)
Dividends and returns of capital on common stock	(34,725)	(34,863)	(22,404)
Long-term debt -- repayment	--	(100,000)	--
-- borrowing, net	(1)	97,693	--
Net cash from financing activities	(34,576)	(37,069)	(22,416)
Cash Flows From Investing Activities:			
Property, plant and equipment, net of equity AFUDC	(33,014)	(38,236)	(57,238)
Recoverable producer settlements	(5,743)	--	--
Recovery of producer settlements	3,831	16,115	32,621
Advances to affiliates, net	18,336	(32,025)	(21,962)
Other, net	7,921	10,230	(39)
Net cash from investing activities	(8,669)	(43,916)	(46,618)
Net Increase (Decrease) in Cash and Cash Equivalents	(268)	291	(1,333)
Cash and Cash Equivalents at Beginning of Period	560	269	1,602
Cash and Cash Equivalents at end of Period	$ 292	$ 560	$ 269
Supplemental Disclosures of Cash Flow Information:			
Cash paid during the period for:			
Interest (net of amount capitalized)	$ 28,654	$ 23,924	$ 25,965
Income taxes, net	6,433	16,149	23,723

</TABLE>

The accompanying notes are an integral part of these financial statements.

TEXAS GAS TRANSMISSION CORPORATION

NOTES TO FINANCIAL STATEMENTS

A. CORPORATE STRUCTURE AND CONTROL AND BASIS OF PRESENTATION

Corporate Structure and Control

Texas Gas Transmission Corporation (the Company) is a wholly owned subsidiary of Transco Gas Company (TGC), which is a wholly owned subsidiary of Transco Energy Company (Transco). As used herein, the term Transco refers to Transco Energy Company and its wholly owned subsidiary companies; the term TGMC refers to Transco Gas Marketing Company, a wholly owned subsidiary of Transco, and its wholly owned subsidiary companies; and the term TGPL refers to Transcontinental Gas Pipe Line Corporation, a wholly owned subsidiary of TGC, unless the context otherwise requires.

The Company's sole subsidiary, Texam Offshore Gas Transmission, Inc. (Texam), was sold on July 20, 1992 (see Note H). The financial information presented for periods prior to the date of sale represents the Company's consolidated financial position and results of operations.

Basis of Presentation

The acquisition of the Company was accounted for using the purchase method of accounting. Accordingly, the acquisition debt and the purchase price were "pushed down" and recorded in the Company's financial statements. Retained earnings, deferred taxes and accumulated depreciation and amortization were eliminated at the date of acquisition.

Included in property, plant and equipment as of the date of Transco's acquisition of the Company in 1989 is an aggregate of $226 million related to amounts in excess of the original cost of the regulated facilities. This amount is amortized over the estimated life of the assets acquired at approximately $9 million per year. Current Federal Energy Regulatory Commission (FERC) policy does not permit the Company to recover through its rates amounts in excess of original cost.

Related Parties

As a subsidiary of Transco, the Company engages in transactions with Transco and other Transco subsidiaries characteristic of group operations. For consolidated cash management purposes, the Company makes interest-bearing advances to Transco. These advances are represented by demand notes payable to the Company. Those amounts that the Company anticipates Transco will repay in the next twelve months are classified as current assets, while the remainder are classified as noncurrent. As general corporate policy, the interest rate on intercompany demand notes is 1 1/2% below the prime rate of Citibank, N.A. Net interest income on advances to or from associated companies was $9.4 million, $9.6 million and $11.5 million for the years ended December 31, 1993, December 31, 1992 and December 31, 1991, respectively. See Note F for a discussion of Transco's credit facilities and indentures as they relate to the Company.

Transco has a policy of charging subsidiary companies for management services provided by the parent company and other affiliated companies. During the years ended December 31, 1993, December 31, 1992 and December 31, 1991, the Company was charged $6.7 million, $4.2 million and $4.4 million, respectively, for Transco management services. Management considers the cost of these services reasonable.

Effective November 1, 1993, the Company contracted with TGMC to become the Company's agent for the purpose of administering all existing and future gas sales and market-responsive purchase obligations, except for its auction gas transactions. Sales and purchases under this agreement do not impact the Company's results of operations. For the two months ended December 31, 1993, the Company paid TGMC agency fees of $0.7 million for these services.

Included in the Company's gas sales revenues for the year ended December 31, 1993 is $4.2 million applicable to gas sales to the Company's affiliate, TGMC. There were no intercompany gas sales for the years ended December 31, 1992 and December 31, 1991.

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Included in the Company's gas transportation revenues for the years 1993, 1992 and 1991 are amounts applicable to transportation for affiliates as follows (expressed in thousands):

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1993	1992	1991
<S>	<C>	<C>	<C>
TGMC	$ 2,609	$ 3,635	$4,436
TGPL	33,913	20,380	1,614
	$36,522	$24,015	$6,050

</TABLE>

Included in the Company's cost of gas sold for the years ended December 31, 1993 and December 31, 1992, is $11.1 million and $4.2 million, respectively, applicable to gas purchases from the Company's affiliate, TGMC. There were no intercompany gas purchases for the year ended December 31, 1991.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

The Company recognizes revenues for the sale and transportation of natural gas in the period of sale and in the period service is provided, respectively. Pursuant to FERC regulations, a portion of the revenues being collected may be subject to possible refunds upon final orders in pending rate cases. The Company has established reserves, where required, for such cases (see Note C for a summary of pending rate cases before the FERC).

Costs Recoverable from/Refundable to Customers

The Company has various mechanisms whereby rates or surcharges are established and revenues are collected and recognized based on estimated costs. Costs incurred over or under approved levels are deferred and recovered or refunded through future rate or surcharge adjustments (see Note C for a discussion of the Company's rate matters).

Depreciation and Amortization

The Company's depreciation rates are principally mandated by the FERC. Depreciation rates used for regulated gas plant facilities at year end 1993, 1992 and 1991 are as follows:

<TABLE>
<CAPTION>

	DEPRECIATION RATES		
	1993	1992	1991
<S>	<C>	<C>	<C>
Transmission -- Onshore	2.00%	2.00%	2.00%
Transmission -- Offshore	6.00%	6.00%	6.00%
Storage Plant	2.30%	2.30%	2.30%
Other	0.75% - 15.0%	0.75 - 15.0%	0.75 - 15.0%

</TABLE>

Tax Policy

Transco and its wholly owned subsidiaries file a consolidated federal income tax return. It is Transco's policy to charge or credit each subsidiary with an amount equivalent to its federal income tax expense or benefit computed as if each subsidiary had a separate return, but including benefits from each subsidiary's losses and tax credits that may be utilized only on a consolidated basis.

Accounting for Income Taxes

The Company uses the liability method of accounting for deferred taxes which requires, among other things, adjustments to the existing deferred tax balances for changes in tax rates, whereby such balances will more closely approximate the actual taxes to be paid.

Liabilities to customers of $7.9 million and $15.2 million at December 31, 1993 and December 31, 1992, respectively, resulting from net tax rate reductions related to regulated operations and to be refunded to customers over the average remaining life of natural gas transmission plant, have been shown in the accompanying balance sheets as income taxes refundable to customers, the current portion of which is included in other current liabilities.

In the first quarter of 1993, the Company adopted Statement of Financial Accounting Standards (SFAS) 109, "Accounting for Income Taxes," which superseded SFAS 96, "Accounting for Income Taxes." Due to the Company's prior adoption of SFAS 96 in 1987, the adoption of SFAS 109 did not have a material effect on its financial position or results of operations.

Capitalized Interest

The allowance for funds used during construction represents the cost of funds applicable to regulated natural gas transmission plant under construction as permitted by FERC regulatory practices. The allowance for borrowed funds used during construction and capitalized interest for the years ended December 31, 1993, December 31, 1992 and December 31, 1991, was $0.2 million, $0.6 million and $0.7 million, respectively. The allowance for equity funds for the years ended December 31, 1993, December 31, 1992 and December 31, 1991, was $0.5 million, $1.2 million and $1.3 million, respectively.

Gas in Storage

As part of its implementation of FERC Order 636, the Company has been allowed to retain its storage gas, in part to meet operational balancing needs on its system, and in part to meet the requirements of the Company's "no-notice" transportation service, which allows customers to temporarily draw from the Company's storage gas to be repaid in-kind during the following summer season. As a result, the Company's gas stored underground has been reclassified from current assets to other noncurrent assets.

Gas Imbalances

In the course of providing transportation services to customers, the Company may receive different quantities of gas from shippers than the quantities delivered on behalf of those shippers. These transactions result in imbalances which are repaid or recovered in cash or through the receipt or delivery of gas in the future. Customer imbalances to be repaid or recovered in-kind are recorded as transportation and exchange gas receivable or payable on the accompanying balance sheet. Settlement of imbalances requires agreement between the pipelines and shippers as to allocations of volumes to specific transportation contracts and timing of delivery of gas based on operational conditions.

The Company's tariff includes a provision whereby imbalances generated after November 1, 1993 are settled on a monthly basis. The Company anticipates filing for a mechanism whereby imbalances pre-dating November 1, 1993 will be recovered or repaid in cash or through the future receipt or delivery of gas upon agreements for allocation and as permitted by operating conditions.

Cash Flows from Operating Activities

The Company uses the indirect method to report cash flows from operating activities, which requires adjustments to net income to reconcile to net cash flows from operating activities. The Company includes short-term highly-liquid investments that have a maturity of three months or less in cash equivalents.

Postemployment Benefits

The Financial Accounting Standards Board has issued SFAS 112, "Employers' Accounting for Post employment Benefits," which requires the Company, effective January 1994, to accrue the estimated cost of providing postemployment benefits to former or inactive employees after employment but before retirement if the obligation is attributable to employees' services previously rendered, employees' rights to

those benefits accumulate or vest, payment of the benefits is probable and the amount of the benefits can be reasonably estimated. The Company does not expect adoption of SFAS 112 to have a material effect on its financial position or results of operations.

Reclassifications

Certain reclassifications have been made in the 1992 and 1991 financial statements to conform to the 1993 presentation.

C. REGULATORY AND RATE MATTERS

FERC Order 636

In 1992, the FERC issued Order 636 which brought about fundamental changes in the way natural gas pipelines conduct their businesses. The FERC's stated purpose of Order 636 was to improve the competitive structure of the natural gas pipeline industry by, among other things, unbundling a pipeline's merchant role from its transportation services; ensuring "equality" of transportation services; ensuring that shippers and customers have equal access to all sources of gas; providing "no-notice" firm transportation service that is equal in quality to bundled sales service; and changing rate design methodology from Modified Fixed Variable (MFV) to Straight Fixed Variable (SFV), unless the pipeline company and its customers agree to a different form.

FERC Order 636 also set forth methods for recovery by pipelines of costs associated with compliance under FERC Order 636 (transition costs), including unrecovered gas costs, GSR costs, the cost of stranded pipeline investment and costs of new facilities required.

The Company has restructured its business to implement the provisions of FERC Order 636. On October 1, 1993, the FERC issued its "Order on Compliance Filing and Granting, In Part, and Denying, In Part, Rehearing and Clarification," which essentially approved the major aspects of the Company's FERC Order 636 compliance plan. The Company filed revised tariff sheets and other changes pursuant to the October 1, 1993 order on October 18, 1993, which permitted implementation of FERC Order 636 restructured services on November 1, 1993. On December 16, 1993, the FERC issued another order which required minor tariff modifications. The Company submitted a filing in compliance with this order on January 7, 1994. This filing was accepted by an order issued on February 10, 1994. The Company's analysis of FERC Order 636 indicates that the Company's transition costs are not currently expected to exceed $90 million, primarily related to GSR contract termination costs, GSR pricing differential costs incurred pursuant to the auction process and unrecovered purchased gas costs. As of December 31, 1993, the Company had paid or committed to pay $38 million of GSR costs, as discussed below in "Long-term Gas Purchase Contracts." FERC Order 636 provides that pipelines should be allowed the opportunity to recover all prudently incurred transition costs. Therefore, the Company expects that any transition costs incurred should be recovered from its customers, subject only to the costs and other risks associated with the difference between the time such costs are incurred and the time when those costs may be recovered from customers.

As part of its implementation of FERC Order 636, the Company has been allowed to retain its storage gas, in part to meet operational balancing needs on its system, and in part to meet the requirements of the Company's "no-notice" transportation service, which allows customers to temporarily draw from the Company's storage gas to be repaid in-kind during the following summer season.

Although no assurances can be given, the Company does not believe the implementation of FERC Order 636 will have a material adverse effect on its financial position or results of operations.

General Rate Issues

In April 1990, the Company filed a general rate case (Docket No. RP90-104), which became effective in November 1990, subject to refund. A settlement agreement was filed on July 22, 1991, and approved by the FERC's "Order Granting Reconsideration," on October 21, 1992. The refunds, including interest, of $36.3 million were distributed to customers on January 19, 1993.

On April 29, 1993, the Company filed a general rate case (Docket No. RP93-106) which, pursuant to the FERC's Suspension Order issued May 28, 1993, became effective on November 1, 1993, subject to refund. The new rate case was filed to satisfy the three-year filing requirement of the FERC's regulations, to recover increased operating costs, to provide a return on increased capital investment in pipeline facilities, to implement the SFV rate design methodology and to facilitate resolution of various rate-related issues in the Company's FERC Order 636 restructuring proceeding. The Company is currently engaged in settlement proceedings regarding this case. The Company has established a reserve, which it believes to be adequate, to reflect the difference between the rates currently being collected and the rates expected to ultimately be effective upon settlement of the rate case.

During 1993, the Company made several filings under the provisions of its approved tariff and FERC Orders 483 and 483-A to reflect changes in its purchased gas costs. The Company also made a filing to reflect changes in costs of transportation by others, pursuant to the Transport Cost Adjustment (TCA) tracker provisions of the approved tariff. Pursuant to that tariff, on December 30, 1993, the Company refunded $14.9 million of overcollected transportation costs. The Annual PGA filing for gas costs incurred through August 1991 (Docket No. TA92-2-18) was accepted by FERC Letter Orders dated January 31, 1992 and May 22, 1992, with no purchasing practice issues being raised. The Annual PGA filing for gas costs incurred through August 1992 (Docket No. TA93-1-18) was accepted by FERC Letter Order dated January 29, 1993, with no purchasing practice issues being raised.

On November 1, 1993, the Company implemented the provisions of FERC Order 636 (see discussion on FERC Order 636). Pursuant to FERC Order 636, the Company terminated its PGA clause on that date. On January 31, 1994, the Company filed a limited Section 4(e) filing, pursuant to its FERC-approved FERC Gas Tariff, to direct bill the balance of its unrecovered purchase gas costs at October 31, 1993 to its former sales customers. This filing is necessary to recover $3.0 million of deferred gas costs applicable to the period September 1992 through October 1993. The Company has no outstanding deferred gas cost issues pending in any other proceeding.

FERC Orders 500 and 528

Pursuant to FERC Order 500, certain other pipelines, from which the Company made gas purchases (upstream pipelines), had received approval from the FERC to bill customers for their producer settlement costs. The Company had, in turn, received FERC approval to flow these costs through to its customers under the FERC Order 500 purchase deficiency-based direct bill methodology. Following the issuance of FERC Order 528, which replaced the purchase deficiency-based recovery methodology, the Company, in 1991, made a series of filings which reallocated these costs among customers. Pursuant to these filings, the Company proposed to ultimately flow through to its customers approximately $64.3 million of costs billed from upstream pipelines. The FERC has issued orders accepting these filings subject to the ultimate outcome of the underlying filings of the upstream pipelines and future settlement by the Company. Although the total billings to the Company are unresolved and the Company may be required to refund certain amounts previously collected, the Company believes that it will be entitled to ultimately collect all amounts that are billed by the upstream pipelines.

On September 2, 1993, the Company filed to recover 75% of $3.4 million of its producer settlement costs under FERC Order 528 which have resulted from reimbursements to producers for certain royalty payments. A FERC order, accepting the filing subject to refund and certain conditions, was issued on October 1, 1993, allowing for recovery of $0.9 million through direct bill and $1.7 million through a volumetric surcharge, both to be collected over a 12-month period which began October 3, 1993.

FERC Order 94-A

In 1983, the FERC issued FERC Order 94-A, which permitted producers to collect certain production-related gas costs from pipelines on a retroactive basis. The FERC subsequently issued orders allowing pipelines, including the Company, to direct bill their customers for such production-related costs through fixed monthly charges based on a customer's historical purchases. In February 1990, the D. C. Circuit Court

overturned the FERC's authorization for pipelines to bill production-related costs to customers based on gas purchased in prior periods and remanded the matter to the FERC to determine an appropriate recovery mechanism.

On April 28, 1992, the Company filed a settlement with the FERC providing for a reallocation of the FERC Order 94-A payments previously collected from customers. The settlement provided for net refunds of $8.1 million to certain customers and direct bill recovery of $2.7 million from other customers. The remaining $5.4 million would be recovered through the PGA mechanism. On February 11, 1993, the FERC issued an order approving the settlement. Certain parties filed for rehearing of the settlement. On January 12, 1994, the FERC issued its "Order Granting Rehearing" which found that the FERC had committed a legal error in allowing the previously mentioned direct bill of FERC Order 94-A costs. The effect of this order as issued would be to require the Company to make refunds to certain customers of $13.5 million, recover $2.7 million through direct billing of other customers, recover $5.4 million as part of the direct billing of its unrecovered purchase gas costs and absorb the remaining $5.4 million. The Company believes it is entitled to full recovery of these FERC-ordered costs. The Company has filed for rehearing of this order and has received an extension staying the effectiveness of this order until 30 days after the FERC rules on rehearing. The Company believes that its reserve for regulatory and rate matters is adequate to provide for any costs which the Company may ultimately be required to absorb.

Reserve for Regulatory and Rate Matters

The Company has established reserves for its outstanding regulatory and rate matters which it believes are adequate to provide for any costs incurred or refunds to be made in regard to the resolution of its regulatory and rate issues, including general rate matters and the royalty claims discussed in Note D. Although no assurances can be given, the Company believes that the resolution of these matters will not have a material adverse effect on its financial position or results of operations.

Long-term Gas Purchase Contracts

During 1993, as part of the Company's restructuring under FERC Order 636, the Company engaged in negotiations which have resulted in the successful termination of approximately 90% of the Company's deliverability under its non-market responsive gas purchase contracts. Gas purchased under its remaining non-market responsive contracts is being resold at a monthly auction pursuant to FERC Order 636. The Company continues to pay to the supplier the actual contract price and is entitled to file for full recovery of the difference between said contract price and the amount received for sales at auction as GSR costs under FERC Order 636.

Through December 31, 1993, the Company had paid or committed to pay a total of $38.2 million for GSR costs, primarily as a result of the contract terminations. As of December 31, 1993, the Company had paid $13.4 million of such costs; the remaining $24.8 million is recorded as a current liability in the accompanying balance sheet. Pursuant to FERC Order 636, the Company may file to recover 100% of these costs as GSR costs.

On January 28, 1994, the Company submitted its first filing to recover $11.5 million of GSR costs pursuant to the transition costs recovery provisions of FERC Order 636 and the Company's approved FERC Gas Tariff.

This amount represents 90% of the total GSR costs paid through November 30, 1993, which are expected to be recovered over a 12-month period by application of a surcharge to its firm transportation demand rates. The remaining 10% is expected to be recovered from interruptible transportation service. The Company plans to make quarterly filings to allow recovery of its GSR costs as such costs are paid.

The Company's market-responsive gas purchase contracts are being separately managed by its marketing affiliate, TGMC.

Environmental Matters

The Company is subject to extensive federal, state and local environmental laws and regulations which affect the Company's operations related to the construction and operation of its pipeline facilities. Appropriate governmental authorities may enforce these laws and regulations with a variety of civil and criminal enforcement measures, including monetary penalties, assessment and

remediation requirements and injunctions as to future compliance. The Company's use and disposal of hazardous materials are subject to the requirements of the federal Toxic Substances Control Act (TSCA), the federal Resource Conservation and Recovery Act (RCRA) and comparable state statutes. The Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), also known as "Superfund," imposes liability, without regard to fault or the legality of the original act, for release of a "hazardous substance" into the environment. Because these laws and regulations change from time to time, practices which have been acceptable to the industry and to the regulators have to be changed and assessment and monitoring have to be undertaken to determine whether those practices have damaged the environment and whether remediation is required. Since 1989, the Company has had studies underway to test its facilities for the presence of toxic and hazardous substances to determine to what extent, if any, remediation may be necessary. On the basis of the findings to date, the Company estimates that environmental assessment and remediation costs that will be incurred over the next five years under TSCA, RCRA, CERCLA and comparable state statutes will total approximately $7 million to $11 million. As of December 31, 1993, the Company had a reserve of approximately $7 million for these estimated costs. This estimate depends upon a number of assumptions concerning the scope of remediation that will be required at certain locations and the cost of remedial measures to be undertaken. The Company is continuing to conduct environmental assessments and is implementing a variety of remedial measures that may result in increases or decreases in the total estimated costs.

The Company is currently recovering in its rates amounts approximately equal to its annual expenditures for these environmental matters. The Company considers these expenditures prudent operating and maintenance expenses incurred in the ordinary course of business and anticipates that these costs will continue to be recoverable through its rates.

The Company has used lubricating oils containing polychlorinated biphenyls (PCBs) and, although the use of such oils was discontinued in the 1970's, has discovered residual PCB contamination in equipment and soils at certain gas compressor station sites. The Company continues to work closely with the Environmental Protection Agency (EPA) and state regulatory authorities regarding PCB issues and has programs to assess and remediate such conditions where they exist, the costs of which are a significant portion of the $7 million to $11 million range discussed above. Proposed civil penalties have been assessed by the EPA against another major natural gas pipeline company for the alleged improper use and disposal of PCBs. Although similar penalties have not been asserted against the Company to date, no assurance can be given that the EPA may not seek such penalties in the future.

The Company has either been named as a potentially responsible party (PRP) or received an information request regarding its potential involvement at four federal "Superfund" waste disposal sites and one state waste disposal site. Based on present volumetric estimates, the Company believes its estimated aggregate exposure for remediation of these sites is approximately $500,000. Liability under CERCLA (and applicable state law) can be joint and several with other PRPs. Although volumetric allocation is a factor in assessing liability, it is not necessarily determinative; thus the ultimate liability could be substantially greater than the amount estimated above. The anticipated remediation costs associated with these sites have been included in the $7 million to $11 million range discussed above. Although no assurances can be given, the Company does not believe that its PRP status will have a material adverse effect on its operations.

The Company is also subject to the Federal Clean Air Act and to the Federal Clean Air Act Amendments of 1990 (1990 Amendments), which added significantly to the existing requirements established by the Federal Clean Air Act. The 1990 Amendments required that the EPA issue new regulations, mainly related to mobile sources, air toxics, ozone non-attainment areas and acid rain. In addition, pursuant to the 1990 Amendments, the EPA has issued regulations under which states must implement new air pollution controls to achieve attainment of national ambient air quality standards in areas where they are not currently

achieved. The Company has compressor stations in ozone non-attainment areas that could require additional air pollution reduction expenditures, depending on the requirements imposed. Additions to facilities for compliance with currently known Federal Clean Air Act standards and the 1990 Amendments are expected to cost in the range of $2 million to $3 million over the next five years and will be recorded as assets as the facilities are added.

D. ROYALTY CLAIMS AND LEGAL PROCEEDINGS

In connection with the Company's renegotiations of supply contracts with producers to resolve take-or-pay and other contract claims, the Company has entered into certain settlements which may require the indemnification by the Company of certain claims for royalties which a producer may be required to pay as a result of such settlements. On October 15, 1992, the United States Court of Appeals for the Fifth Circuit and the Louisiana Supreme Court, with respect to the same litigation in applying Louisiana law, determined that royalties are due on take-or-pay payments under the royalty clauses of the specific mineral leases reviewed by the Courts. Furthermore, the State Mineral Board of Louisiana has passed a resolution directing the State's lessees to pay to the State royalties on gas contract settlement payments. As a result of these and related developments, the Company has been made aware of demands on producers for additional royalties and may receive other demands which could result in claims against the Company pursuant to the indemnification provisions in its settlements. Indemnification for royalties will depend on, among other things, the specific lease provisions between the producer and the lessor and the terms of the settlement between the producer and the Company. The Company may file to recover 75% of any such amounts it may be required to pay pursuant to indemnifications for royalties.

As discussed in Note C (see discussion on FERC Orders 500 and 528), on September 2, 1993, the Company made a filing pursuant to FERC Order 528 to recover 75% of approximately $3.4 million in additional take-or-pay settlement payments made by the Company as a result of certain obligations to indemnify a producer against additional royalty obligations arising out of the producer's prior take-or-pay settlement with the Company. Some additional indemnity payments may also be required with respect to such royalties.

In addition, two lawsuits have been filed against the Company in Louisiana, seeking reimbursement of certain royalties allegedly incurred by the producers on amounts previously paid the producers by the Company to settle past take-or-pay disputes and to reform the gas purchase contract pursuant to an "excess royalty" clause in a gas purchase contract. The amount in dispute is estimated to be less than $10 million. The Company disputes the application of the "excess royalty" clause to the particular royalties in question; however, to the extent any obligation to reimburse the producers exists, it is subject to the Company's ability to include such payments in its rates or cost of service.

Although no assurances can be given, the Company believes it has provided reserves which are adequate for the final resolution of its royalty claims and litigation and that the final resolution of these matters will not have a material adverse effect on its financial position or results of operations.

E. INCOME TAXES

Following is a summary of the provision for income taxes for 1993, 1992 and 1991 (expressed in thousands):

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1993	1992	1993
<S>	<C>	<C>	<C>
Current:			
Federal	$18,330	$ 5,106	$15,528
State	3,662	2,038	4,016
	21,992	7,144	19,544
Deferred:			
Federal	3,753	16,359	(3,946)
State	810	2,960	(704)
	4,563	19,319	(4,650)
Provision for income taxes	$26,555	$26,463	$14,894

</TABLE>

On August 10, 1993, the Omnibus Budget Reconciliation Act of 1993 was signed into law. Among its provisions was an overall increase in corporate federal income tax rates from 34% to 35%, effective January 1, 1993. The Company recorded in the third quarter of 1993 an adjustment to its existing deferred tax balances and current tax accruals subsequent to January 1, 1993 to reflect the effects of the increase in corporate federal income tax rates. The adjustment, which included a reduction to income taxes refundable to customers, did not have a material adverse effect on the Company's financial position or results of operations.

There are no material differences between the Company's effective tax rate and the statutory federal income tax rate for all periods presented.

Deferred income taxes result from temporary differences between the tax basis of an asset or liability and its reported amount in the financial statements that will result in taxable or deductible amounts in future years, or temporary differences resulting from events that have been recognized in the financial statements that will result in taxable or deductible amounts in future years. The tax effect of each type of temporary difference and carryforward reflected in deferred income tax benefits and liabilities as of December 31, 1993 and 1992 are as follows (expressed in thousands):

<TABLE>
<CAPTION>

	1993	1992
	DEBIT/(CREDIT)	
<S>	<C>	<C>
Deferred Income Tax Benefits, Net:		
Current:		
Unrecovered purchased gas costs	$ (2,180)	$ (2,027)
Gas supply realignment costs	(2,534)	--
Employee benefits	4,071	2,114
Additional inventory tax basis	3,205	2,564
Transportation cost adjustments	1,811	7,324
Reserve for regulatory and rate matters	8,296	2,012
Other	5,011	3,153
Total Current	17,680	15,140
Deferred Income Tax Liabilities, Net:		
Noncurrent:		
Tax depreciation in excess of books	(33,867)	(27,136)
Reserve for regulatory and rate matters	6,559	5,430
Book and tax basis differences	(2,952)	(2,162)
Allowance for funds used during construction	(2,344)	(2,096)
Gas supply realignment costs	(2,738)	--
Other	(6)	(2,282)
Total Noncurrent	(35,348)	(28,246)
Total deferred income taxes	$(17,668)	$(13,106)

</TABLE>

F. FINANCING

Long-term debt

At December 31, 1993 and 1992, long-term debt issues were outstanding as follows (expressed in thousands):

<TABLE>
<CAPTION>

	1993	1992
<S>	<C>	<C>
Debentures:		
10% due 1994	$150,000	$150,000
Notes:		
9 5/8% due 1997	100,000	100,000
	250,000	250,000

</TABLE>

Less: Unamortized debt discount	1,322	1,695
Total long-term debt issues	248,678	248,305
Less: Amounts due within one year	150,000	--
Total long-term debt, less current maturities	$ 98,678	$248,305

</TABLE>

On July 8, 1992, the Company sold $100 million of 9 5/8% Notes due July 15, 1997. Proceeds from the sale of the Notes were used to retire the Company's 9.25% Debentures that matured July 15, 1992.

The Company's debentures and notes have restrictive covenants which provide that neither the Company nor any subsidiary may create, assume or suffer to exist any lien upon any principal property, as defined, to secure any indebtedness unless the debentures and notes shall be equally and ratably secured.

Transco has in place a $450 million working capital line with a group of fifteen banks. The Company is guarantor of up to $180 million of this working capital line. At December 31, 1993, Transco had no outstanding borrowings under this facility.

Transco also has in place a $50 million reimbursement facility dated as of December 31, 1993 between Transco and a group of five banks. This facility provides Transco the opportunity to obtain standby letters of credit under certain circumstances from the banks. The Company is guarantor of up to $20 million of the obligations that arise under this facility. At December 31, 1993, Transco had no amounts outstanding under this facility.

These credit facilities prohibit the Company from, among other things, incurring or guaranteeing any additional indebtedness (except for indebtedness incurred to refinance existing indebtedness), issuing preferred stock or advancing cash to affiliates other than Transco. Further, these credit facilities and Transco's indentures contain restrictive covenants which could limit Transco's ability to make additional borrowings and, therefore, under certain circumstances, its ability to repay advances or make capital contributions to the Company.

Sale of Receivables

In September 1993, the Company entered into a new program to sell monthly trade receivables, which replaced the Company's previous program. The new trade receivables program, which expires in September 1995, provides for the sale of up to $40 million of trade receivables without recourse. As of December 31, 1993 and December 31, 1992, $33.6 million and $43.3 million, respectively, of trade receivables were held by the investor.

Significant Group Concentrations of Credit Risk

As of December 31, 1993, the Company had trade receivables of $16.4 million. These trade receivables are primarily due from local distribution companies and other pipeline companies predominantly located in the Midwestern United States. The Company's credit risk exposure in the event of nonperformance by the other parties is limited to the face value of the receivables. No collateral is required on these receivables.

G. EMPLOYEE BENEFIT PLANS

Retirement Plan

Substantially all of the Company's employees are covered under a retirement plan (Retirement Plan) offered by the Company. The benefits under the Retirement Plan are determined by a formula based upon years of service and the employee's highest average base compensation during any five consecutive years within the last ten years of employment. The Retirement Plan provides for vesting of employees' benefits after five years of credited service. The Company's general funding policy is to contribute amounts deductible for federal income tax purposes. Due to its overfunded status, the Company has not been required to fund the Retirement Plan since 1986. The Retirement Plan's assets, which are managed by external investment organizations, include cash and cash equivalents, corporate and government debt instruments, preferred and common stocks,

commingled funds, international equity funds and venture capital limited partnership interests.

The Retirement Plan was amended effective November 15, 1991, to provide a Voluntary Window Retirement Program with special retirement benefits for those eligible members who elected to retire during the Window Period. The net cost of the program to the Retirement Plan was approximately $5.1 million.

The following table sets forth the funded status of the Retirement Plan at September 30, 1993 and September 30, 1992, and the amount of prepaid pension costs as of December 31, 1993 and 1992 (expressed in thousands):

<TABLE>
<CAPTION>

	1993	1992
<S>	<C>	<C>
Actuarial present value of accumulated benefit obligation, including vested benefits of $46,750 at October 1, 1993 and $35,748 at October 1, 1992	$(47,542)	$(36,319)
Actuarial present value of projected benefit obligation	$(83,557)	$(63,269)
Plan assets at fair value	101,089	88,517
Projected benefit obligation less plan assets	17,532	25,248
Unrecognized net loss	15,254	7,317
Unrecognized net asset at January 1, 1986 being recognized over 19 years	(12,733)	(13,883)
Unrecognized prior service cost	4,369	4,652
Prepaid pension costs	$ 24,422	$ 23,334

</TABLE>

Prepaid pension costs related to the Retirement Plan have been classified as other assets in the accompanying balance sheets.

The following table sets forth the components of net pension cost for the Retirement Plan, which is included in the accompanying financial statements, for the years ended December 31, 1993, 1992 and 1991 (expressed in thousands):

<TABLE>
<CAPTION>

	1993	1992	1991
<S>	<C>	<C>	<C>
Service cost-benefits earned during the period	$ 3,867	$ 4,116	$ 3,806
Interest cost on projected benefit obligation	4,687	6,420	6,257
Actual return on plan assets	(13,595)	(12,766)	(29,345)
Net amortization and deferral	3,953	(687)	18,313
Early retirement termination benefits	--	--	5,104
Net Pension Expense (Income)	$ (1,088)	$ (2,917)	$ 4,135

</TABLE>

The projected unit credit method is used to determine the actuarial present value of the accumulated benefit obligation and the projected benefit obligation. The following table summarizes the various interest rate assumptions used to determine the projected benefit obligation for the years 1993, 1992 and 1991:

<TABLE>
<CAPTION>

	1993	1992	1991
<S>	<C>	<C>	<C>
Discount rate	7.25%	7.50%	7.75%
Rate of increase in future compensation levels	5.00%	5.00%	5.00%
Expected long-term rate of return on assets	10.00%	10.00%	10.00%

</TABLE>

Pension costs are determined using the assumptions as of the beginning of the Retirement Plan year. The funded status is determined using the assumptions as of the end of the Retirement Plan year.

Postretirement Benefits Other than Pensions

The Company's Employee Welfare Benefit Plan provides medical and life insurance benefits to Company employees who retire under the Company's Retirement Plan with at least five years of service. The Employee Welfare Benefit Plan is contributory for medical benefits and for life insurance benefits in excess of specified limits.

In the first quarter of 1993, the Company adopted SFAS 106, "Employer's Accounting for Postretirement Benefits Other Than Pensions," which requires the Company to accrue, during the years that employees render the necessary service, the estimated cost of providing postretirement benefits other than pensions to those employees. At the January 1, 1993 date of adoption of SFAS 106, the Company's postretirement benefits obligation (transition obligation) was $68 million which is being amortized over the remaining life of active participants.

The medical benefits are currently funded for all retired Company employees at a specified amount per quarter through a trust established under the provisions of section 501(c)(9) of the Internal Revenue Code.

The following table sets forth the Employee Welfare Benefit Plan's funded status at December 31, 1993, reconciled with the accrued postretirement benefits cost included in the accompanying balance sheet at December 31, 1993 (in thousands):

<TABLE>
<CAPTION>

	1993
<S>	<C>
Accumulated postretirement benefit obligation:	
Retirees	$(53,552)
Fully eligible active plan participants	(3,977)
Other active plan participants	(35,474)
	(93,003)
Plan assets at fair value	22,638
Accumulated postretirement benefit obligation in excess of plan assets	(70,365)
Unrecognized net loss	1,189
Unrecognized transition obligation	64,753
Accrued postretirement benefit cost	$ (4,423)

</TABLE>

The following table sets forth the components of the net periodic postretirement benefit cost, net of deferred costs, which is included in the accompanying financial statements for the year ended December 31, 1993 (in thousands):

<TABLE>
<CAPTION>

	1993
<S>	<C>
Service cost-benefits earned during the period	$ 2,430
Interest cost on accumulated postretirement benefit obligation	6,325
Actual return on plan assets	(2,548)
Amortization of transition obligation	3,238
Net amortization and deferral	1,356
Net periodic postretirement benefit cost	10,801
Less deferral of costs not included in jurisdictional rates	5,013
Net periodic postretirement benefit cost net of deferred costs	$ 5,788

</TABLE>

The annual expense is subject to change in future periods as a result of, among other things, the passage of time, changes in participants, changes in Employee Welfare Benefit Plan benefits and changes in assumptions upon which the estimates are made.

For measurement purposes as of December 31, 1993, the initial annual rate of increase in the per capita cost of covered health care benefits was assumed to be 12%. The rate was assumed to decrease gradually to 6% for the year 2005 and remain at that level thereafter. The health care cost trend rate assumption has a significant effect on the amounts reported. To illustrate, increasing the assumed health care cost trend rate by one percentage point in each year would increase the accumulated postretirement benefit obligation for health care benefits as of January 1, 1994 by 16% and the aggregate of the service and interest cost components of the net periodic postretirement health care benefit cost for 1994 by 19%.

To determine the accumulated postretirement benefit obligation, the Employee Welfare Benefit Plan used a discount rate of 7.25% and a salary growth assumption of 5.0% per annum. Employee Welfare Benefit Plan assets are managed by external investment organizations and include cash and cash equivalents, commingled funds, preferred and common stocks and government and corporate debt instruments. The expected long-term rate of return on Employee Welfare Benefit Plan assets was 7% after taxes. Realized returns on Employee Welfare Benefit Plan assets are subject to federal income taxes at a sliding scale that increases up to a 39.6% tax rate.

In November 1993, the Company placed into effect a general rate case that provides for the increase in postretirement benefits costs pursuant to SFAS 106 to be collected in rates. Prior to November 1, 1993 the Company deferred the difference between its postretirement benefits expense accrued in 1993 under SFAS 106 and the amount it collected in rates and recorded a regulatory asset of approximately $5 million as of November 1, 1993. Pursuant to its rate case filing, the Company proposes to recover the regulatory asset in rates over a 36-month period beginning November 1, 1993.

The Company believes that all costs of providing postretirement benefits to its employees are necessary and prudent operating expenses and that such costs will continue to be recoverable in rates. Adoption of SFAS 106 did not have a material adverse effect on the Company's financial position or results of operations.

H. SALE OF SUBSIDIARY

On June 8, 1992, Transco and certain of its subsidiaries (including the Company) entered into a definitive agreement to sell their interests in certain gas gathering and related facilities for $65 million in cash, subject to certain adjustments. The sale, which was closed on July 20, 1992, included the stock of the Company's subsidiary, Texam. Of the total sales price, $12.5 million was allocated to the sale of Texam. The Company recognized a $6.9 million gain ($4.4 million after-tax) in connection with this sale.

I. FAIR VALUE OF FINANCIAL INSTRUMENTS

Cash and Short-Term Financial Assets and Liabilities

For short-term instruments, the carrying amount is a reasonable estimate of fair value due to the short maturity of those instruments, except for the Company's current maturities of long-term debt which is publicly traded. Therefore, the fair value of these maturities is estimated based on quoted market prices, less accrued interest, at December 31, 1993.

Long-Term Notes Receivable

The carrying amount for the long-term notes receivable, which are shown as advances to affiliates on the balance sheet, is a reasonable estimate of fair value. As discussed in Note A, the notes earn a variable rate of interest which is adjusted regularly to reflect current market conditions.

Long-Term Debt

All of the Company's debt is publicly traded; therefore, fair value is estimated based on quoted market prices, less accrued interest, at December 31,

1993 and 1992.

The carrying amount and estimated fair values of the Company's financial instruments as of December 31, 1993 and 1992 are as follows (in thousands):

	CARRYING AMOUNT		FAIR VALUE	
	1993	1992	1993	1992
Financial Assets:				
Cash and short-term financial assets.....	$ 92,261	$ 86,346	$ 92,261	$ 86,346
Long-term notes receivable.....	137,000	145,165	137,000	145,165
Financial Liabilities:				
Short-term financial liabilities.....	224,953	70,287	223,563	70,287
Long-term debt.....	100,000	250,000	102,252	245,015

J. SUPPLEMENTARY PROFIT AND LOSS INFORMATION

Major Customers

Listed below are sales and transportation revenues received from the Company's major customers in 1993, 1992 and 1991, portions of which are included in the refund reserve discussed in Note C (expressed in thousands):

	YEAR ENDED DECEMBER 31,		
	1993	1992	1991
Indiana Gas Company, Inc.....	$49,825	$57,304	$72,165
Louisville Gas and Electric Company.....	45,176	63,485	56,764
Western Kentucky Gas Company.....	41,314	45,144	47,607

Expenditures for Maintenance and Repairs

Expenditures for maintenance and repairs for the years ended December 31, 1993, December 31, 1992 and December 31, 1991, were $16.8 million, $14.1 million and $14.6 million, respectively.

K. QUARTERLY INFORMATION (UNAUDITED)

The following summarizes selected quarterly financial data for 1993 and 1992 (expressed in thousands):

	1993			
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
Operating revenues.....	$160,700	$95,711	$92,262	$116,786
Operating expenses.....	131,798	77,752	76,822	96,050
Operating income.....	28,902	17,959	15,440	20,736
Other deductions (income):				
Interest expense.....	6,215	6,229	6,250	6,393
Other (income), net.....	(1,775)	(1,935)	(1,968)	(1,984)
Total other deductions (income).....	4,440	4,294	4,282	4,409
Income before income taxes.....	24,462	13,665	11,158	16,327
Provision for income taxes.....	9,594	5,289	5,175	6,497

Net income	$ 14,868	$ 8,376	$ 5,983	$ 9,830

</TABLE>

<TABLE>
<CAPTION>

	1992			
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
<S>	<C>	<C>	<C>	<C>
Operating revenues	$124,158	$98,731	$94,545	$146,431
Operating expenses	101,117	86,451	79,381	120,978
Operating income	23,041	12,280	15,164	25,453
Other deductions (income):				
Interest expense	6,674	6,889	7,018	5,867
Other (income), net	(3,006)	(8,918)(1)	(2,193)	(3,774)
Total other deductions (income)	3,668	(2,029)	4,825	2,093
Income before income taxes	19,373	14,309	10,339	23,360
Provision for income taxes	7,631	5,582	4,118	9,132
Net income	$ 11,742	$ 8,727	$ 6,221	$ 14,228

</TABLE>

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(1) Includes $6,948 gain on sale of subsidiary.

ITEM 9. DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

Not Applicable.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

(a) 1.* Financial Statements

Included in Item 8, Part II of this Report

Report of Independent Public Accountants on Financial Statements and Schedules

Report of Management Responsibility for Financial Statements

Balance Sheets at December 31, 1993 and December 31, 1992

Statements of Income for the years ended December 31, 1993, December 31, 1992 and December 31, 1991.

Statements of Retained Earnings and Paid-In Capital for the years ended December 31, 1993, December 31, 1992 and December 31, 1991.

Statements of Cash Flows for the years ended December 31, 1993, December 31, 1992 and December 31, 1991.

Notes to Financial Statements

(a) 2.* Financial Statement Schedules

Included in Item 14, Part IV of this Report

Financial Statement Schedules for the years ended December 31, 1993, December 31, 1992 and December 31, 1991.

<TABLE>
<S> <C>
Schedule V -- Property, Plant and Equipment
Schedule VI -- Accumulated Depreciation, Depletion and Amortization of Property, Plant and Equipment
</TABLE>

Other schedules are omitted because of the absence of conditions under which they are required or because the required information is given in the financial statements or notes thereto.

(a) 3. Exhibits

<TABLE>
<S> <C>
3.1 -- Copy of Certificate of Incorporation of the Corporation (incorporated by reference to Exhibit 3.1 of the 1987 Form 10-K -- File No. 1-4169).
3.2 -- Copy of Bylaws of the Corporation (incorporated by reference to Exhibit 3.2 of the 1991 Form 10-K -- File No. 1-4169).
4.1 -- Indenture dated November 1, 1987, securing 10% Debentures due November 1, 1994. (incorporated by reference to Exhibit 4.1 of the 1987 Form 10-K -- File No. 1-4169).
4.2 -- Indenture dated July 8, 1992, securing 9 5/8% Notes due July 15, 1997 (incorporated by reference to Form 8-K dated July 16, 1992 -- File No. 1-4169).
</TABLE>

(b) Reports on Form 8-K

None.

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* Filed herewith

TEXAS GAS TRANSMISSION CORPORATION

SCHEDULE V -- PROPERTY, PLANT AND EQUIPMENT
(THOUSANDS OF DOLLARS)

<TABLE>
<CAPTION>

DESCRIPTION	BEGINNING BALANCE	ADDITIONS AT COST	RETIREMENTS OR SALES	TRANSFERS AND OTHER CHANGES	BALANCE, END OF PERIOD
<S>	<C>	<C>	<C>	<C>	<C>
For the Year Ended December 31, 1993:					
Natural Gas Transmission Facilities	$ 679,802	$33,014	$(3,185)	$(2,963)	$706,668
Other Natural Gas Plant	126,221	--	(1,284)	3,439	128,376
	$ 806,023	$33,014	$(4,469)	$ 476	$835,044
For the Year Ended December 31, 1992:					
Natural Gas Transmission Facilities	$ 647,729	$38,236	$(3,638)	$(2,525)	$679,802
Other Natural Gas Plant	123,563	--	(1,342)	4,000	126,221
	$ 771,292	$38,236	$(4,980)	$ 1,475	$806,023
For the Year Ended December 31, 1991:					
Natural Gas Transmission Facilities	$ 598,306	$57,238	$(2,352)	$(5,463)	$647,729
Other Natural Gas Plant	83,803	--	(1,458)	41,218(1)	123,563
	$ 682,109	$57,238	$(3,810)	$35,755	$771,292

</TABLE>

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(1) Included in Transfers and Other Changes for Other Natural Gas Plant, for the year ended December 31, 1991, is $33.8 million related to transfers of gas stored underground-noncurrent.

TEXAS GAS TRANSMISSION CORPORATION

SCHEDULE VI -- ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT (THOUSANDS OF DOLLARS)

<TABLE>
<CAPTION>

DESCRIPTION	BEGINNING BALANCE	DEPRECIATION EXPENSE	CLEARING ACCOUNTS AND OTHERS	SALVAGE LESS REMOVAL COSTS	RETIREMENTS OF SALES	TRANSFERS AND OTHER CHANGES	BALANCE, END OF PERIOD
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
For the Year Ended December 31, 1993:							
Natural Gas Transmission Facilities	$ 118,892	$ 35,021	$ --	$3,834	$(3,185)	$ 1,935	$156,497
Other Natural Gas Plant	12,750	2,709	1,453	385	(1,284)	691	16,704
	$ 131,642	$ 37,730(1)	$1,453	$4,219	$(4,469)	$ 2,626	$173,201
For the Year Ended December 31, 1992:							
Natural Gas Transmission Facilities	$ 86,328	$ 34,248	$ --	$ (496)	$(3,630)	$ 2,442	$118,892
Other Natural Gas Plant	8,979	2,789	1,514	401	(1,316)	383	12,750
	$ 95,307	$ 37,037(1)	$1,514	$ (95)	$(4,946)	$ 2,825	$131,642
For the Year Ended December 31, 1991:							
Natural Gas Transmission Facilities	$ 54,870	$ 33,219	$ --	$ 128	$(2,352)	$ 463	$ 86,328
Other Natural Gas Plant	5,000	3,140	1,583	668	(1,458)	46	8,979
	$ 59,870	$ 36,359(1)	$1,583	$ 796	$(3,810)	$ 509	$ 95,307

</TABLE>

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(1) Does not include amortization of intangible assets which are not classified as property, plant and equipment.

SIGNATURES

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

TEXAS GAS TRANSMISSION CORPORATION

BY /s/ E. J. RALPH
E. J. Ralph,
Vice President and Controller

DATE March 16, 1994

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

<TABLE>

<S>	<C>
/s/ JOHN P. DESBARRES John P. DesBarres	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)
/s/ ROBERT W. BEST Robert W. Best	Director, President and Chief Operating Officer
/s/ LARRY J. DAGLEY Larry J. Dagley	Director, Senior Vice President and Chief Financial Officer (Principal Financial Officer)
/s/ E. JACK RALPH E. Jack Ralph	Vice President and Controller
March 16, 1994 Date of all Signatures	

</TABLE>

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NO DEALER, SALESPERSON OR OTHER INDIVIDUAL HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS NOT CONTAINED IN THIS PROSPECTUS IN CONNECTION WITH THE OFFERING COVERED BY THIS PROSPECTUS. IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR THE UNDERWRITERS. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, THE NOTES IN ANY JURISDICTION WHERE, OR TO ANY PERSON TO WHOM, IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE AN IMPLICATION THAT THERE HAS NOT BEEN ANY CHANGE IN THE FACTS SET FORTH IN THIS PROSPECTUS OR IN THE AFFAIRS OF THE COMPANY SINCE THE DATE HEREOF.

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<TABLE>
<CAPTION>

</TABLE>

$150,000,000

TEXAS GAS
TRANSMISSION
CORPORATION

% NOTES DUE 2004

PROSPECTUS

MERRILL LYNCH & CO.
CITICORP SECURITIES, INC.

MARCH , 1994

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- ---

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The expenses, other than underwriting discounts, to be borne by the Company in connection with the issuance and distribution of the Notes are as follows:

Securities and Exchange Commission Registration Fee	$ 51,724
NASD Fees	15,500
Trustee's Fees	22,000
Printing and Engraving Expenses	200,000
Rating Agency Fees	40,000
Accounting Fees and Expenses	100,000
Legal Fees and Expenses	100,000
Blue Sky Fees and Expenses	23,000
Miscellaneous Expenses	15,000
Total Expenses	$567,224

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Section 145 of the Delaware General Corporation Law gives corporations the power to indemnify officers and directors under certain circumstances.

Article VIII of the Company's Articles of Incorporation provides that the Company shall indemnify directors or officers or former directors or officers of the Company and any person who may have served or who may serve at its request as a director or officer of another corporation in which the Company owns shares of capital stock or of which it is a creditor against expenses actually and necessarily incurred by them in connection with the defense of any action, suit, or proceeding in which they or any of them are made a party or parties by reason of being or having been directors or officers or a director or officer of the Company or of such other corporation, except in relation to matters as to which any director or officer or former director or officer or person shall be adjudged in such action, suit, or proceeding to be liable for negligence or misconduct in the performance of duty.

In addition, Article VII of the Company's By-laws provides that the Company shall indemnify any person who was or is made, or is threatened to be made, a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "proceeding") by reason of the fact that he, or a person for whom he is the legal representative, is or was a director, officer or employee of the Company or is or was serving at the request of the Company as director, officer, employee or fiduciary of another corporation or of a partnership, joint venture, trust, enterprise or non-profit entity, including service with respect to employee benefit plans, against all liability and loss suffered and expenses reasonably incurred by such person. The Company shall indemnify such person in connection with a proceeding initiated by such person only if the proceeding was authorized by the Board of Directors of the Company.

Transco has entered into indemnification agreements with 17 persons who are either directors, officers or employees of the Company. The agreements provide that the Company will pay certain expenses incurred by a director, officer or employee in connection with any threatened, pending or completed action, suit, arbitration or proceeding whether civil, criminal, administrative or investigative where the individual's involvement is by reason of the fact that he or she is or was a director, officer, employee or agent of the Company or serving at the request of the Company. Such amounts include attorney's fees and other expenses customarily incurred in connection with legal proceedings and in the case of proceedings other than actions by or in the name of the Company, judgments, fines or amounts paid in settlement. A director, officer or employee will not receive indemnification if the individual is found not to have acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Company.

The Company has provided liability insurance for its directors and officers for certain losses arising from claims or charges made against them while acting in their capacities as directors or officers of the Company. For a statement of the Company's undertaking with respect to indemnification of officers and directors, see Item 17 below.

ITEM 16. EXHIBITS.

<TABLE>

<S>	<C>
(1)	-- Form of Underwriting Agreement.
(4) (a)	-- Form of Indenture between the Company and Chase Manhattan Bank, N.A., as Trustee.
(5)	-- Opinion of David E. Varner, Esq.
(12)	-- Computation of Ratio of Earnings to Fixed Charges.
(23) (a)	-- Consent of Arthur Andersen & Co.
(23) (b)	-- Consent of Counsel (included in Exhibit 5).
(24)	-- Power of Attorney is set forth on the signature pages of the Registration Statement.
(25)	-- Statement of Eligibility on Form T-1 of Chase Manhattan Bank, N.A., as Trustee under the Indenture is bound separately on Form T-1.

</TABLE>

ITEM 17. UNDERTAKINGS.

The undersigned Registrant hereby undertakes:

1. that, for purposes of determining any liability under the Act, each filing of the Registrant's annual report pursuant to Section 13(a) or Section 15(d) of the 1934 Act that is incorporated by reference in the Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof;

2. insofar as indemnification for liabilities arising under the Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the provisions described in Item 15 above, or otherwise, the Registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether or not such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue; and

3. The undersigned Registrant hereby undertakes that:

(i) For purposes of determining any liability under the Act, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Act shall be deemed to be a part of this

Registration Statement as of the time it was declared effective.

(ii) For purposes of determining any liability under the Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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SIGNATURES

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, THE REGISTRANT CERTIFIES THAT IT HAS REASONABLE GROUNDS TO BELIEVE THAT IT MEETS ALL OF THE REQUIREMENTS FOR FILING ON FORM S-2 AND HAS DULY CAUSED THIS REGISTRATION STATEMENT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED, ON THE 16TH DAY OF MARCH, 1994.

TEXAS GAS TRANSMISSION CORPORATION

By: /s/ LARRY J. DAGLEY
Larry J. Dagley
Senior Vice President and
Chief Financial Officer

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Larry J. Dagley and David E. Varner, and each or any of them, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution for him and in his place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Registration Statement, and to file the same, with all exhibits thereto and all other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their substitutes, may lawfully do or cause to be done by virtue hereof.

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, THIS REGISTRATION STATEMENT HAS BEEN SIGNED BELOW BY THE FOLLOWING PERSONS IN THE CAPACITIES AND ON THE DATE INDICATED.

<TABLE>
<CAPTION>

SIGNATURE	TITLE	DATE
<C>	<S>	<C>
/s/ ROBERT W. BEST (Robert W. Best)	Director, President and Chief Operating Officer	March 16, 1994
/s/ LARRY J. DAGLEY (Larry J. Dagley)	Director, Senior Vice President and Chief Financial Officer (Principal Financial Officer)	March 16, 1994
/s/ J. P. DESBARRES (J. P. DesBarres)	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	March 16, 1994
/s/ E. J. RALPH (E. J. Ralph)	Vice President and Controller	March 16, 1994

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EXHIBIT INDEX

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EXHIBIT	PAGE

NUMBER		DESCRIPTION OF EXHIBITS	NUMBER
<S>		<C>	<C>
(1)		-- Form of Underwriting Agreement.	
(4)	(a)	-- Form of Indenture between the Company and Chase Manhattan Bank, N.A., as Trustee.	
(5)		-- Opinion of David E. Varner, Esq.	
(12)		-- Computation of Ratio of Earnings to Fixed Charges.	
(23)	(a)	-- Consent of Arthur Andersen & Co.	
(23)	(c)	-- Consent of Counsel (included in Exhibit 5).	
(24)		-- Power of Attorney is set forth on the signature pages of the Registration Statement.	
(25)		-- Statement of Eligibility on Form T-1 of Chase Manhattan Bank, N.A., as Trustee under the Indenture is bound separately on Form T-1.	

</TABLE>

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EXHIBIT 1

4361_2

TEXAS GAS TRANSMISSION CORPORATION
(a Delaware corporation)

$150,000,000

_____% Notes Due ____

PURCHASE AGREEMENT

March __, 1994

MERRILL LYNCH & CO.
CITICORP SECURITIES, INC.
c/o MERRILL LYNCH & CO.
Merrill Lynch, Pierce, Fenner & Smith Incorporated,
As Representative of the several Underwriters
Merrill Lynch World Headquarters
North Tower
World Financial Center
New York, New York 10281-1201

Dear Ladies & Gentlemen:

TEXAS GAS TRANSMISSION CORPORATION, a Delaware corporation (the "Company"), proposes to issue and sell to the underwriters named in Schedule A (the "Underwriters"), for whom you are acting as representative (the "Representative"), $150,000,000 aggregate principal amount of its _____% Notes due ____ (the "Notes"). The Notes are to be sold to each Underwriter, acting severally and not jointly, in the respective principal amounts set forth in Schedule A opposite the name of such Underwriter. The Notes are to be issued pursuant to an indenture dated as of March __, 1994 (the "Indenture") between the Company and _____ (the "Trustee"). The Notes and the Indenture are more fully described in the Prospectus referred to below.

You have advised us that you and the other Underwriters, acting severally and not jointly, desire to purchase the Notes and that you have been authorized by the other Underwriters to execute this Agreement on their behalf.

The Company has prepared and filed with the Securities and Exchange

Commission (the "Commission") a registration statement on Form S-2 (File No. 33-_____) covering the

registration of the Notes under the Securities Act of 1933, as amended (the "1933 Act"), including the related preliminary prospectus, or prospectuses, and either (A) has prepared and proposes to file, prior to the effective date of such registration statement, an amendment to such registration statement, including a final prospectus or (B) if the Company has elected to rely upon Rule 430A of the rules and regulations of the Commission under the 1933 Act (the "1933 Act Regulations"), will prepare and file a prospectus in accordance with the provisions of Rule 430A and Rule 424(b) of the 1933 Act Regulations. The information, if any, included in such prospectus that was omitted from the prospectus included in such registration statement at the time it becomes effective but that is deemed, pursuant to Rule 430A(b), to be part of the registration statement at the time it becomes effective is referred to herein as the "Rule 430A Information". Each prospectus before the time such registration statement becomes effective, and any prospectus that omits the Rule 430A Information that is used after such effectiveness and prior to the execution and delivery of this Agreement, is hereinafter referred to as the "Preliminary Prospectus". Such registration statement, including the exhibits thereto and the documents incorporated by reference therein pursuant to Item 12 of Form S-2 under the 1933 Act, as amended at the time it becomes effective and including, if applicable, the Rule 430A Information, is herein called the "Registration Statement", and the prospectus, including the documents incorporated by reference therein pursuant to Item 12 of Form S-2 under the 1933 Act, included in the Registration Statement at the time it becomes effective, is hereinafter referred to as the "Prospectus", except that, if the final prospectus furnished to the Underwriters after the execution of this Agreement for use in connection with the offering of the Notes differs from the prospectus included in the Registration Statement at the time it becomes effective (whether or not such prospectus is required to be filed pursuant to Rule 424(b)), the term "Prospectus" shall refer to the final prospectus furnished to the Underwriters for such use.

The Company understands that the Underwriters propose to make a public offering of the Notes as soon as you deem advisable after the Registration Statement becomes effective, this Agreement has been executed and delivered and the Indenture has been qualified under the Trust Indenture Act of 1939, as amended (the "1939 Act").

SECTION 1. Representations and Warranties. (a) The Company represents and warrants to and agrees with each of the Underwriters that:

(i) The Company meets the requirements for use of Form S-2 under the 1933 Act.

(ii) When the Registration Statement shall become effective and at all times subsequent thereto up to the Closing Time referred to below: (A) the Registration Statement and any amendments and supplements thereto will comply

in all material respects with the requirements of the 1933 Act and the 1933 Act Regulations and the Indenture will comply in all material respects with the requirements of the 1939 Act and the rules and regulations of the Commission under the 1939 Act (the "1939 Act

Regulations"); (B) neither the Registration Statement nor any amendment nor supplement thereto will contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; and (C) neither the Prospectus nor any amendment or supplement thereto will include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that this representation and warranty does not apply to statements or omissions made in reliance upon and in conformity with information furnished in writing to the Company by or on behalf of any Underwriter through you expressly for use in the Registration Statement or the Prospectus.

(iii) The documents incorporated by reference in the Prospectus pursuant to Item 12 of Form S-2 under the 1933 Act, at the time they were filed with the Commission, complied in all material respects with the requirements of the Securities Exchange Act of 1934, as amended (the "1934 Act"), and the rules and regulations of the Commission thereunder (the "1934 Act Regulations") and, when read together and with the other information in the Prospectus, at the time the Registration Statement becomes effective and at all times subsequent thereto up to the Closing Time, will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading.

(iv) This Agreement has been duly authorized, executed and delivered by the Company.

(v) Arthur Andersen & Co., who are reporting upon the audited financial statements and schedules included or incorporated by reference in the Registration Statement, are independent public accountants as required by the 1933 Act and the 1933 Act Regulations.

(vi) The consolidated financial statements included or incorporated by reference in the Registration Statement present fairly the consolidated financial position of the Company and its subsidiary as of the dates indicated and the consolidated results of operations and cash flows of the Company and its subsidiary for the periods specified. Such financial statements have been prepared in conformity with generally accepted accounting principles applied on a consistent basis throughout the periods involved. The financial statement schedules, if any, included in the Registration Statement present fairly the information required to be stated therein. The selected financial data included in the Prospectus present fairly the information shown therein and have been compiled on a basis consistent with that of the audited consolidated financial statements included or incorporated by reference in the Registration

Statement. The pro forma financial statements, if any, and other pro forma financial information included or incorporated by reference in the Registration Statement, if any, present fairly the information shown

therein, have been prepared in accordance with the Commission's rules and guidelines with respect to pro forrna financial statements, have been properly compiled on the pro forma basis described therein, and, in the opinion of the Company, the assumptions used in the preparation thereof are reasonable and the adjustments used therein are appropriate to give effect to the transactions or circumstances referred to therein. Since the respective dates of such financial statement, there has been no material adverse change in the condition (financial or otherwise), earnings, business affairs or business prospects of the Company or of the Company and its subsidiary, considered as one enterprise, other than as disclosed in the Prospectus.

(vii) The Company is a corporation validly existing and in good standing under the laws of the State of Delaware with corporate power and authority under such laws to own, lease and operate its properties and conduct its business as described in the Prospectus; and the Company is duly qualified to transact business as a foreign corporation and is in good standing in each other jurisdiction in which it owns or leases property of a nature, or transacts business of a type, that would make such qualification necessary, except to the extent that the failure to so qualify or be in good standing would not have a material adverse effect on the Company and its subsidiary, considered as one enterprise.

(viii) The Company has no subsidiaries.

(ix) Transco Energy Company, a Delaware corporation ("Transco"), is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware with corporate power and authority under such laws to own, lease and operate its properties and conduct its business as described in the Prospectus; and the Company is duly qualified to transact business as a foreign corporation and is in good standing in each other jurisdiction in which it owns or leases property of a nature, or transacts business of a type, that would make such qualification necessary, except to the extent that the failure to so qualify or be in good standing would not have a material adverse effect on Transco and its subsidiaries, considered as one enterprise.

(x) The Indenture has been duly authorized by the Company. The Indenture as executed is or will be substantially in the form filed as an exhibit to the Registration Statement. The Indenture, when duly executed and delivered (to the extent required by the Indenture) by the Company and the Trustee, will constitute a valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization or other similar laws affecting enforcement of creditors' rights generally and except as enforcement thereof is subject to

general principles of equity (regardless of whether enforcement is considered in a proceeding in

equity or at law); and the Indenture conforms to the description thereof contained in the Prospectus.

(xi) The Notes have been duly authorized by the Company. When executed, authenticated, issued and delivered in the manner provided for in the Indenture and sold and paid for as provided herein, the Notes will constitute valid and binding obligations of the Company entitled to the benefits of the Indenture and enforceable against the Company in accordance with their terms, except as enforcement thereof may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization or other similar laws affecting enforcement of creditors' rights generally and except as enforcement thereof is subject to general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law). The Notes conform to the description thereof contained or incorporated by reference in the Prospectus and such description conforms to the rights set forth in the instruments defining the same.

(xii) The Company had at the date indicated a duly authorized and outstanding capitalization as set forth in the Prospectus under the caption "Capitalization".

(xiii) All of the outstanding shares of capital stock of the Company have been duly authorized and validly issued and are fully paid and nonassessable; no holder thereof is or will be subject to personal liability by reason of being such a holder; and none of the outstanding shares of common stock of the Company ("Common Stock") was issued in violation of the preemptive rights of any stockholder of the Company.

(xiv) Since the respective dates as of which information is given in the Registration Statement and the Prospectus, except as otherwise stated therein or contemplated thereby, there has not been (A) any material adverse change in the condition (financial or otherwise), earnings, business affairs or business prospects of the Company, whether or not arising in the ordinary course of business, or (B) any transaction entered into by the Company or its subsidiary, other than in the ordinary course of business, that is material to the Company.

(xv) Neither Transco or a subsidiary of Transco which is a significant subsidiary (each a "Significant Subsidiary") as defined in Rule 405 of Regulation C of the 1933 Act Regulations, nor the Company is in default in the performance or observance of any obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, loan agreement, note, lease or other agreement or instrument to which it is a party or by which it may be bound or to which any of its properties may be subject, except for such defaults that would not have a material adverse effect on the condition

(financial or otherwise), earnings, business affairs or business prospects of Transco and its subsidiaries, considered as one enterprise, or the Company. The execution and delivery by the Company of this Agreement and the Indenture, the issuance and delivery

of the Notes, the consummation by the Company of the transactions contemplated in this Agreement and in the Registration Statement and compliance by the Company with the terms of this Agreement and the Indenture have been duly authorized by all necessary corporate action on the part of the Company and do not and will not result in any violation of the charter or by-laws of Transco, its Significant Subsidiaries or the Company and do not and will not conflict with, or result in a breach of any of the terms or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of Transco, its Significant Subsidiaries or the Company under (A) any indenture, mortgage, loan agreement, note, lease or other agreement or instrument to which Transco, its Significant Subsidiaries or the Company is a party or by which they may be bound or to which any of their respective properties may be subject (except for such conflicts, breaches or defaults or liens, charges or encumbrances that would not have a material adverse effect on the condition (financial or otherwise), earnings, business affairs or business prospects of Transco and its subsidiaries, considered as one enterprise, or the Company or (B) any existing applicable law, rule, regulation, judgment, order or decree of any government, governmental instrumentality or court, domestic or foreign, having jurisdiction over Transco, its Significant Subsidiaries or the Company or any of their respective properties.

(xvi) Except as disclosed in the Prospectus, there is no action, suit or proceeding before or by any government, governmental instrumentality or court, domestic or foreign, now pending or, to the knowledge of the Company, threatened against or affecting the Company that is required to be disclosed in the Prospectus or that reasonably could be expected to result in any material adverse change in the condition (financial or otherwise), earnings, business affairs or business prospects of the Company, or that reasonably could be expected to materially adversely effect the properties or assets of the Company, or that could adversely affect the consummation of the transactions contemplated in this Agreement; the aggregate of all pending legal or governmental proceedings to which the Company is a party or which affect any of its properties that are not described in the Prospectus, including ordinary routine litigation incidental to its business, would not have a material adverse effect on the condition (financial or otherwise), earnings, business affairs or business prospects of the Company.

(xvii) There are no contracts or documents of a character required to be described in the Registration Statement or the Prospectus or to be filed or incorporated as exhibits to the Registration Statement that are not described and filed or incorporated as required.

- - (xviii) The Company has good and marketable title to all properties

and assets described in the Prospectus as owned by them, free and clear of all liens, charges, encumbrances or restrictions, except such as (A) are described in the Prospectus or (B)

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are neither material in amount nor materially significant in relation to the business of the Company; except as described in the Prospectus, all of the leases and subleases material to the business of the Company, and under which the Company holds properties described in the Prospectus, are in full force and effect, and the Company does not have any notice of any material claim of any sort that has been asserted by anyone adverse to the rights of the Company under any of the leases or subleases mentioned above, or affecting or questioning the rights of such corporation to the continued possession of the leased or subleased premises under any such lease or sublease.

(xix) The Company owns, possesses or has obtained all material governmental licenses, permits, certificates, consents, orders, approvals and other authorizations necessary to own or lease, as the case may be, and to operate its properties and to carry on its business as presently conducted, and, except as disclosed in the Prospectus, the Company has not received any notice of proceedings relating to revocation or modification of any such licenses, permits, certificates, consents, orders, approvals or authorizations.

(xx) The Company owns or possesses, or can acquire on reasonable terms, adequate patents, patent licenses, trademarks, service marks and trade names necessary to carry on its businesses as presently conducted, and the Company has not received any notice of infringement of or conflict with asserted rights of others with respect to any patents, patent licenses, trademarks, service marks or trade names that in the aggregate, if the subject of an unfavorable decision, ruling or finding, could materially adversely affect the condition (financial or otherwise), earnings, business affairs or business prospects of the Company.

(xxi) To the best knowledge of the Company, no labor problem exists with its employees or is imminent that could adversely affect the Company, and the Company is not aware of any existing or imminent labor disturbance by the employees of any of its principal suppliers, contractors or customers that could be expected to materially adversely affect the condition (financial or otherwise), earnings, business affairs or business prospects of the Company.

(xxii) The Company has not taken and will not take, directly or indirectly, any action designed to, or that might be reasonably expected to, cause or result in stabilization or manipulation of the price of the Notes.

(xxiii) The Company is not a "holding company" as defined in Section 2(a)(7) of the Public Utility Holding Company Act of 1935.

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(xxiv) No authorization, approval, consent, permit or license of any government, governmental instrumentality or court, domestic or foreign (other

than under the 1933 Act, the 1939 Act or the securities or Blue Sky laws of the various states) is required for the valid authorization, issuance, sale and delivery of the Notes or for the execution, delivery or performance of the Indenture by the Company.

(b) Any certificate signed by any officer of the Company or its subsidiary and delivered to you or to counsel for the Underwriters in connection with the offering of the Notes shall be deemed a representation and warranty by the Company to each Underwriter as to the matters covered thereby.

SECTION 2. Purchase, Sale and Delivery to the Underwriters; Closing. (a) On the basis of the representations and warranties herein contained, and subject to the terms and conditions herein set forth, the Company agrees to sell to each Underwriter, and each Underwriter agrees, severally and not jointly, to purchase from the Company, at a purchase price of _____% of the principal amount thereof plus accrued interest, if any, from _____, 1994 to the Closing Time (as defined below), the principal amount of Notes set forth opposite the name of such Underwriter in Schedule A hereto.

(b) Payment of the purchase price for, and delivery of, the Notes shall be made at the offices of Shearman & Sterling, 599 Lexington Avenue, New York, New York 10022, or at such other place as shall be agreed upon by the Company and you, at either (i) 10:00 A.M. on the fifth full business day after the effective date of the Registration Statement, or (ii) if the Company has elected to rely upon Rule 430A, the fifth full business day after execution of this Agreement (unless, in either case, postponed pursuant to Section 14), or at such other time not more than seven full business days thereafter as you and the Company shall determine (such date and time of payment and delivery being herein called the "Closing Time"). Payment shall be made to the Company by certified or official bank check or checks in New York Clearing House or similar next day funds payable to the order of the Company, against delivery to you for the respective accounts of the several Underwriters of the Notes to be purchased by them.

(c) The Notes to be purchased by the Underwriters shall be in such denominations and registered in such names as you may request in writing at least two full business days before the Closing Time. The certificates for the Notes will be made available in New York City for examination and packaging by you not later than 10:00 A.M. on the business day prior to the Closing Time.

(d) It is understood that each Underwriter has authorized you, for its account, to accept delivery of, receipt for, and make payment of the purchase price for, the Notes that it has agreed to purchase. You, individually and not as Representative, may (but shall not be

obligated to) make payment of the purchase price for the Notes to be purchased by any Underwriter whose check or checks shall not have been received by the Closing Time.

SECTION 3. Certain Covenants of the Company. The Company covenants with each Underwriter as follows:

(a) The Company will use its best efforts to cause the Registration Statement to become effective (and, if the Company elects to rely upon Rule 430A and subject to Section 3(b) hereof, will comply with the requirements of Rule 430A) and will notify you immediately, and confirm the notice in writing, (i) when the Registration Statement, or any post-effective amendment to the Registration Statement, shall have become effective, or any supplement to the Prospectus, or any amended Prospectus, shall have been filed, (ii) of the receipt of any comments from the Commission, (ii) of any request of the Commission to amend the Registration Statement or amend or supplement the Prospectus or for additional information and (iv) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or of any order preventing or suspending the use of any preliminary prospectus, or of the suspension of the qualification of the Notes for offering or sale in any jurisdiction, or of the institution or threatening of any proceedings for any of such purposes. The Company will use every reasonable effort to prevent the issuance of any such stop order or of any order preventing or suspending such use and, if any such order is issued, to obtain the lifting thereof at the earliest possible moment.

(b) The Company will not at any time file or make any amendment to the Registration Statement, or any amendment of or supplement (i) if the Company has not elected to rely upon Rule 430A, to the Prospectus or (ii) if the Company has elected to rely upon Rule 430A, to the prospectus included in the Registration Statement at the time it becomes effective (including, in each case, amendments of the documents incorporated by reference therein), of which you shall not have previously been advised and furnished a copy or to which you or counsel for the Underwriters shall object.

(c) The Company has furnished or will furnish to you as many signed copies of the Registration Statement as originally filed and of all amendments thereto, whether filed before or after the Registration Statement becomes effective, copies of all exhibits and documents filed therewith (including documents incorporated by reference into the Prospectus pursuant to Item 12 of Form S-2 under the 1933 Act) and signed copies of all consents and certificates of experts as you may reasonably request and has furnished or will furnish to you, for each other Underwriter, one conformed copy of the Registration Statement as originally filed and of each amendment thereto (including documents incorporated by reference into the Prospectus but without exhibits).

(d) The Company will deliver to each Underwriter, without charge, from time to time until the effective date of the Registration Statement (or, if the Company has elected to rely upon Rule 430A, until the time this Agreement is executed and delivered), as many copies of each preliminary practice as such Underwriter may reasonably request, and the Company hereby consents to the use of such copies for purposes permitted by the 1933 Act. The

Company will deliver to each Underwriter, without charge, as soon as the Registration shall have become effective (or, if the Company has elected to rely upon Rule 430A, as soon as practicable after this Agreement has been executed and delivered) and thereafter from time to time as requested during the period when the Prospectus is required to be delivered under the 1933 Act, such number of copies of the Prospectus (as supplemented or amended) as such Underwriter may reasonably request.

(e) The Company will comply to the best of its ability with the 1933 Act Regulations and the 1939 Act and the 1939 Act Regulations so as to permit the completion of the distribution of the Notes as contemplated herein and in the Prospectus. If at any time when a prospectus is required by the 1933 Act to be delivered in connection with sales of the Notes any event shall occur or condition exist as a result of which it is necessary, in the opinion of counsel for the Underwriters or counsel for the Company, to amend the Registration Statement or amend or supplement the Prospectus in order that the Prospectus will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein not misleading in the light of the circumstances existing at the time it is delivered to a purchaser, or if it shall be necessary, in the opinion of either such counsel, at any such time to amend the Registration Statement or amend or supplement the Prospectus in order to comply with the requirements of the 1933 Act or the 1933 Act Regulations, the Company will promptly prepare and file with the Commission, subject to Section 3(b), such amendment or supplement as may be necessary to correct such untrue statement or omission or to make the Registration Statement or the Prospectus comply with such requirements. Neither the Underwriters' consent to, nor the Underwriters' delivery of, any such amendment or supplement shall constitute a waiver of any of the conditions set forth in Section 5.

(f) The Company will use its best efforts, in cooperation with the Underwriters, to qualify the Notes for offering and sale under the applicable securities laws of such states and other jurisdictions as you may reasonably request and to maintain such qualifications in effect for a period of not less than one year from the effective date of the Registration Statement; provided, however, that the Company shall not be obligated to file any general consent to service of process or to qualify as a foreign corporation or as a dealer in securities in any jurisdiction in which it is not so qualified or to subject itself to taxation in respect of doing business in any jurisdiction in which it is not otherwise so subject. The Company will file such statements and reports as may be required by the

laws of each jurisdiction in which the Notes have been qualified as above provided. The Company will also supply you with such information as is necessary for the determination of the legality of the Notes for investment under the laws of such jurisdictions as you may request.

(g) The Company will make generally available to its security holders as soon as practicable, but not later than 45 days after the close of

the period covered thereby, an earnings statement of the Company (in form complying with the provisions of Rule 158 of the 1933 Act Regulations) covering a period of 12 months beginning after the effective date of the Registration Statement but not later than the first day of the Company's fiscal quarter next following such effective date.

(h) The Company will use the net proceeds received by it from the sale of the Notes in the manner specified in the Prospectus under the caption "Use of Proceeds".

(i) For a period of five years after the Closing Time, the Company will furnish to each Underwriter, upon request, copies of all annual reports, quarterly reports and current reports filed with the Commission on Forms 10-K, 10-Q and 8-K, or such other similar forms as may be designated by the Commission, and such other documents, reports and information as shall be furnished by the Company to its stockholders generally.

(j) For a period of 90 days from the date of this Agreement, the Company will not, without the prior written consent of Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith, offer or sell, or enter into any agreement to sell, any debt securities issued or guaranteed by the Company with a maturity of more than one year in any public offering (other than the Notes).

(k) If the Company has elected to rely upon Rule 430A, it will take such steps as it deems necessary to ascertain promptly whether the form of prospectus transmitted for filing under Rule 424(b) was received for filing by the Commission and, in the event it was not so received, the Company will promptly file such prospectus with the Commission.

(l) The Company has complied and will comply with all the provisions of Florida H.B. 1771, codified as Section 517.075 of the Florida statutes, and all regulations promulgated thereunder relating to issuers doing business in Cuba.

SECTION 4. Payment of Expenses. The Company will pay and bear all costs and expenses incident to the performance of its obligations under this Agreement, including (a) the preparation, printing and filing of the Registration Statement (including financial statements and exhibits), as originally filed and as amended, the preliminary prospectuses and

the Prospectus and any amendments or supplements thereto, and the cost of furnishing copies thereof to the Underwriters, (b) the preparation, printing and distribution of this Agreement, the Indenture, the Notes and the Blue Sky Survey, (c) the issue and delivery of the Notes to the Underwriters, (d) the fees and disbursements of the Company's counsel and accountants, (e) the qualification of the Notes under the applicable securities laws in accordance with Section 3(f) and any filing for review of the offering with the National Association of Securities Dealers, Inc., including filing fees and fees and disbursements of counsel for the Underwriters in connection therewith and in

connection with the Blue Sky Survey, (f) any fees charged by rating agencies for rating the Notes and (g) the fees and expenses of the Trustee, including the fees and disbursements of counsel for the Trustee, in connection with the Indenture and the Notes.

If this Agreement is terminated by you, in accordance with the provisions of Section 5 or 9(a)(i), the Company shall reimburse the Underwriters for all their out-of-pocket expenses, including the fees and disbursements of counsel for the Underwriters.

SECTION 5. Conditions of Underwriters' Obligations. The obligations of the several Underwriters to purchase and pay for the Notes that they have respectively agreed to purchase hereunder are subject to the accuracy of the representations and warranties of the Company contained herein, or in certificates of any officer of the Company delivered pursuant to the provisions hereof, to the performance by the Company of its obligations hereunder, and to the following conditions:

(a) The Registration Statement shall have become effective not later than 5:30 P.M. on the date of this Agreement or, with your consent, at a later time and date not later, however, than 5:30 P.M. on the first business day following the date hereof, or at such later time or on such later date as you may agree to in writing with the approval of a majority in interest of the several Underwriters; and, at the Closing Time, no stop order suspending the effectiveness of the Registration Statement shall have been issued under the 1933 Act and no proceedings for that purpose shall have been instituted or shall be pending or, to your knowledge or the knowledge of the Company, shall be contemplated by the Commission, and any request on the part of the Commission for additional information shall have been complied with to the satisfaction of counsel for the Underwriters. If the Company has elected to rely upon Rule 430A, a prospectus containing the Rule 430A Information shall have been filed with the Commission in accordance with Rule 424(b) (or a post-effective amendment providing such information shall have been filed and declared effective in accordance with the requirements of Rule 430A).

(b) At the Closing Time, you shall have received a signed opinion of: (I) David E. Varner, Esq., Senior Vice President, Secretary and General Counsel of Transco and Secretary of the Company, dated as of the Closing Time, together with signed or

reproduced copies of such opinion for each of the other Underwriters, in form and substance satisfactory to counsel for the Underwriters, to the effect that:

(i) The Company is a corporation validly existing and in good standing under the laws of the State of Delaware with corporate power and authority under such laws to own, lease and operate its properties and conduct its business as described in the Prospectus.

(ii) The Company is duly qualified to transact business as a

foregoing corporation and is in good standing in each other jurisdiction in which it owns or leases property of a nature, or transacts business of a type, that would make such qualification necessary, except to the extent that the failure to so qualify or be in good standing would not have a material adverse effect on the Company.

(iii) The Indenture has been duly authorized, executed and delivered by the Company and, assuming the due authorization, execution and delivery by the Trustee, constitutes a valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization or other similar laws affecting enforcement of creditors' rights generally and except as enforcement thereof is subject to general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law).

(iv) All of the outstanding shares of Common Stock have been duly authorized and validly issued and are fully paid and nonassessable; no holder thereof is or will be subject to personal liability by reason of being such a holder; and none of the outstanding shares of Common Stock were issued in violation of the preemptive rights of any stockholder of the Company.

(v) The authorized, issued and outstanding capital stock of the Company is as set forth in the Prospectus under the heading "Capitalization".

(vi) The Notes have been duly authorized by the Company and, assuming that the Notes have been duly authenticated by the Trustee in the manner described in its certificate delivered to you today (which fact such counsel need not determine by an inspection of the Notes), the Notes have been duly executed, issued and delivered by the Company and constitute valid and binding obligations of the Company entitled to the benefits of the Indenture and enforceable against the Company in accordance with their terms, except as enforcement thereof may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization or other similar laws affecting enforcement of creditors' rights generally and except as enforcement thereof is subject

to general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law).

(vii) No authorization, approval, consent or license of any government, governmental instrumentality or court, domestic or foreign body or authority (other than under the 1933 Act, 1939 Act and the securities or Blue Sky laws of the various states) is required for the valid authorization, issuance, sale and delivery of the Notes to be sold by the Company.

(viii) The descriptions in the Registration Statement and the Prospectus of the statutes, regulations, legal or governmental proceedings, contracts and other documents therein described are accurate and fairly present

the information required to be shown.

(ix) The Indenture has been duly qualified under the 1939 Act.

(x) The Notes and the Indenture conform in all material respects as to legal matters to the descriptions thereof contained in the Prospectus.

(xi) [The statements made in the Prospectus under the caption "Description of Notes", to the extent that they constitute matters of law or legal conclusions, have been reviewed by such counsel and fairly present the information disclosed therein in all material respects.]

(xii) Such counsel does not know of any statutes or regulations or any pending or threatened legal or governmental proceedings required to be described in the Prospectus which are not described as required, or of any material contracts or documents of a character required to be described or referred to in the Registration Statement or the Prospectus or to be filed or incorporated as exhibits to the Registration Statement which are not described, referred to, filed or incorporated as required.

(xiii) This Agreement has been duly authorized, executed and delivered by the Company.

(xiv) To the knowledge of such counsel, no default exists in the performance or observance of any material obligation, agreement, covenant or condition contained in any contract, indenture, loan agreement, note, lease or other agreement or instrument that is described or referred to in the Registration Statement or the Prospectus or filed or incorporated as an exhibit to the Registration Statement.

(xv) The execution and delivery by the Company of this Agreement, the Indenture, the issuance and delivery of the Notes, the consummation by the Company of the transactions contemplated herein and in the Registration Statement and compliance by the Company with the terms of this Agreement and the Indenture have been duly authorized by all necessary corporate action on the part of the Company and do not and will not result in any violation of the charter or by-laws of Transco, its Significant Subsidiaries or the Company, and do not and will not conflict with, or result in a breach of any of the terms or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of Transco, its Significant Subsidiaries or the Company under (A) any indenture, mortgage, loan agreement, note, lease or other agreement or instrument known to such counsel, to which Transco, its Significant Subsidiaries or the Company is a party or by which they may be bound or to which any of their respective properties may be subject (except for such conflicts, breaches or defaults or liens, charges or encumbrances that would not have a material adverse effect on the condition

(financial or otherwise), earnings, business affairs or business prospects of Transco and its subsidiaries, considered as one enterprise, or the Company), (B) any existing applicable law, rule or regulation (other than the securities or Blue Sky laws of the various states, as to which such counsel need express no opinion), or (C) any judgment, order or decree of any government, governmental instrumentality or court, domestic or foreign, having jurisdiction over Transco, its Significant Subsidiaries or the Company or any of their respective properties.

(xvi) Except as disclosed in the Prospectus, there is no action, suit or proceeding before or by any governmental instrumentality or court, domestic or foreign, now pending or, to the knowledge of such counsel, threatened against or affecting the Company that is required to be disclosed in the Prospectus or that reasonably could be expected to result in any material adverse change in the condition (financial or otherwise), earnings, business affairs or business prospects of the Company, or that reasonably could be expected to materially and adversely affect the properties or assets of the Company, or that could adversely affect the consummation of the transactions contemplated in this Agreement; the aggregate of all pending legal or governmental proceedings to which the Company is a party or which affect any of its properties that are not described in the Prospectus, including ordinary routine litigation incidental to its business, would not have a material adverse effect on the condition (financial or otherwise) earnings, business affairs or business prospects of the Company.

(xvii) The Company is not a "holding company" as defined in Section 2(a)(7) of the Public Utility Holding Company Act of 1935.

(xviii) The Registration Statement is effective under the 1933 Act; any required filing of the Prospectus or any supplement thereto pursuant to Rule 424(b) has been made in the manner and within the time period required by Rule 424(b); and, to the best of the knowledge of such counsel, no stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for that purpose have been instituted or are pending or are contemplated under the 1933 Act.

(xix) The Registration Statement (including the Rule 430A information, if applicable) and the Prospectus, excluding the documents incorporated by reference therein, and each amendment or supplement thereto (except for the financial statements and other financial or statistical data included therein or omitted therefrom, as to which such counsel need express no opinion), as of their respective effective or issue dates, appear on their face to have been appropriately responsive in all material respects to the requirements of the 1933 Act and the 1933 Act Regulations, and the Indenture and the Statement of Eligibility of the Trustee on Form T-1 filed with the Commission as part of the Registration Statement appear on their face to have been appropriately responsive in all material respects to the requirements of the 1939 Act and the 1939 Act Regulations.

(xx) The documents incorporated by reference in the Prospectus (except for the financial statements and other financial or statistical data included therein or omitted therefrom, as to which such counsel need express no opinion, and except to the extent that any statement therein is modified or superseded in the Prospectus), as of the dates they were filed with the Commission, appear on their face to have been appropriately responsive in all material respects to the requirements of the 1934 Act and the 1934 Act Regulations.

(xxi) Such counsel has participated in the preparation of the Registration Statement and the Prospectus and has participated in the preparation of the documents incorporated by reference therein and no facts have come to the attention of such counsel to lead him to believe (A) that the Registration Statement (including the Rule 430A information, if applicable) or any amendment thereto (except for the financial statements and other financial or statistical data included therein or omitted therefrom and the Statement of Eligibility of the Trustee on Form T-1, as to which such counsel need express no opinion), on the effective date of the Registration Statement, on the date of this Agreement, or on the date any such amendment became effective after the date of this Agreement, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, (B) that the Prospectus or any amendment or supplement thereto (except for the financial statements and other financial or statistical data included therein or omitted therefrom, as to which such counsel need express no opinion), at the time the Prospectus was issued, at the time any such amended or

supplemented Prospectus was issued or at the Closing Time, included or includes an untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading or (C) that the documents incorporated by reference in the Prospectus (except for the financial statements and other financial or statistical data included therein or omitted therefrom, as to which such counsel need express no opinion), as of the dates they were filed with the Commission, contained an untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein not misleading.

(II) Skadden, Arps, Slate, Meagher, & Flom, dated as of the Closing Time, together with signed or reproduced copies of such opinion for each of the other Underwriters, in form and substance satisfactory to counsel for the Underwriters, to the effect that:

(i) The Registration Statement is effective under the 1933 Act, any required filing of the Prospectus or any supplement thereto pursuant to Rule 424(b) has been made in the manner and within the time period by Rule 424(b); and to the best of the knowledge of such counsel, no stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for the purpose have been instituted or are pending or are

contemplated under the 1933 Act.

(ii) The Registration Statement (including the Rule 430A information, if applicable) and the Prospectus, excluding the documents incorporated by reference therein (except for the financial statements and other financial or statistical data included therein or omitted therefrom, as to which such counsel need express no opinion), as of their respective effective or issue dates, appear on their face to have been appropriately responsive in all material respects to the requirements of the 1933 Act and the 1933 Act Regulations, and the Indenture and the Statement of Eligibility of the Trustee on Form T-1 filed with the Commission as part of the Registration Statement appear on their face to have been appropriately responsive in all material respects to the requirements of the 1939 Act and the 1939 Act Regulations.

(iii) The documents incorporated by reference in the Prospectus (except for the financial statements and other financial or statistical data included therein or omitted therefrom, as to which such counsel need express no opinion, and except to the extent that any statement therein is modified or suspended in the Prospectus), as of the dates they were filed with the Commission, appear on their face to have been appropriately responsive in all material respects to the requirements of the 1934 Act and the 1934 Act Regulations.

(iv) Such counsel has participated in the preparation of the Registration Statement and the Prospectus and no facts have come to the attention of such counsel to lead them to believe (A) that the Registration Statement (including the Rule 430A Information, if applicable) or any amendment thereto (except for the financial statements and other financial or statistical data included therein or omitted therefrom and the Statement of Eligibility of the Trustee on Form T-1, as to which such counsel need express no opinion), on the effective date of the Registration Statement, on the date of this Agreement or on the date any such amendment became effective after the date of this Agreement, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading or (B) that the Prospectus or any amendment or supplement thereto (except for the financial statements and other financial or statistical data included therein or omitted therefrom, as to which such counsel need express no opinion), at the time the Prospectus was issued, at the time any such amendment or supplemented Prospectus was issued or at the Closing Time, included or includes an untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

Such opinions shall be to such further effect with respect to other legal matters relating to this Agreement and the sale of the Notes hereunder as counsel for the Underwriters may reasonably request. In giving such opinions, each such counsel may state that, insofar as such opinion involves factual

matters, such counsel has relied, to the extent such counsel deems proper, upon certificates of officers of the Company and its subsidiary and certificates of public officials; provided that such certificates have been delivered to the Underwriters.

(c) At the Closing Time, you shall have received the favorable opinion of Shearman & Sterling, counsel for the Underwriters, dated as of the Closing Time, together with signed or reproduced copies of such opinion for each of the other Underwriters, to the effect that the opinions delivered pursuant to Section 5(b) hereof appear on their face to be appropriately responsive to the requirements of this Agreement except, specifying the same, to the extent waived by you, and with respect to the incorporation and legal existence of the Company, the Notes, this Agreement, the Indenture, the Registration Statement, the Prospectus, the documents incorporated by reference and such other related matters as you may require. In giving such opinion such counsel may rely, as to all matters governed by the laws of jurisdictions other than the law of the State of New York, the federal law of the United States and the General Corporation Law of the State of Delaware, upon the opinions of counsel satisfactory to you. Such counsel may also state that, insofar as such opinion involves factual matters, they have relied, to the extent they deem proper, upon certificates of officers of the Company and its subsidiaries and

certificates of public officials; provided that such certificates have been delivered to the Underwriters.

(d) At the Closing Time, (i) the Registration Statement and the Prospectus, as they may then be amended or supplemented, shall contain all statements that are required to be stated therein under the 1933 Act and the 1933 Act Regulations and in all material respects shall conform to the requirements of the 1933 Act and the 1933 Act Regulations and the Indenture shall conform in all material respects to the 1939 Act and the 1939 Act Regulations, the Company, if it shall have elected to rely upon Rule 430A, shall have complied in all material respects therewith and neither the Registration Statement nor the Prospectus, as they may then be amended or supplemented, shall contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, (ii) then shall not have been, since the respective dates as of which information is given in the Registration Statement, any material adverse change in the condition (financial or otherwise), earnings, business affairs or business prospects of Transco, Transco and its Significant Subsidiaries, considered as one enterprise, or the Company, whether or not arising in the ordinary course of business, (iii) no action, suit or proceeding at law or in equity shall be pending or, to the knowledge of the Company, threatened against the Company that would be required to be set forth in the Prospectus other than as set forth therein and no proceedings shall be pending or, to the knowledge of the Company, threatened against the Company before or by any federal, state or other commission, board or administrative agency wherein an unfavorable decision, ruling or finding

could materially adversely affect the condition (financial or otherwise), earnings, business affairs or business prospects of the Company, other than as set forth in the Prospectus, (iv) the Company shall have complied with all agreements and satisfied all conditions on its part to be performed or satisfied at or prior to the Closing Time and (v) the other representations and warranties of the Company set forth in Section 1(a) shall be accurate as though expressly made at and as of the Closing Time. At the Closing Time, you shall have received a certificate of the Senior Vice President and Chief Financial Officer and the Vice President and Controller, of the Company dated as of the Closing Time, to such effect.

(e) At the time that this Agreement is executed by the Company, you shall have received from Arthur Andersen & Co. a letter, dated such date, in form and substance satisfactory to you, together with signed or reproduced copies of such letter for each of the other Underwriters, confirming that they are independent public accountants with respect to the Company within the meaning of the 1933 Act and applicable published 1933 Act Regulations, and stating in effect that:

(i) in their opinion, the audited consolidated financial statements and the related financial statement schedules included or incorporated by reference in the

Registration Statement and the Prospectus comply as to form in all material respects with the applicable accounting requirements of the 1933 Act and the 1934 Act and the respective published rules and regulations thereunder;

(ii) on the basis of procedures (but not an audit in accordance with generally accepted auditing standards) consisting of a reading of the latest available unaudited interim consolidated financial statements of the Company, a reading of the minutes of all meetings of the stockholders and directors of the Company from the date of the latest audited financial statements of the Company, inquiries of certain officials of the Company responsible for financial and accounting matters and such other inquiries and procedures as may be specified in such letter, nothing came to their attention that caused them to believe that:

(A) at a specified date not more than five business days prior to the date of this Agreement, there was any change in the consolidated capital stock or any increase in the consolidated long-term debt of the Company and its subsidiary or any decrease in the consolidated net assets or shareholder's equity of the Company and its subsidiary, in each case as compared with amounts shown in the latest unaudited balance sheet included or incorporated by reference in the Registration Statement, except in each case for changes or decreases that the Registration Statement discloses have occurred or may occur; or

(B) for the period from _____ to a specified date not more than five business days prior to the date of this Agreement, there was any

decrease in consolidated operating revenues or in the total amount of consolidated net income (loss), in each case as compared with the comparable period in the preceding year, except in each case for any decreases that the Registration Statement discloses have occurred or may occur;

(iii) in addition to the procedures referred to in clause (ii) above, they have performed other specified procedures, not constituting an audit, with respect to certain amounts, percentages, numerical data and financial information appearing in the Registration Statement, which have previously been specified by you and which shall be specified in such letter, and have compared certain of such items with, and have found such items to be in agreement with, the accounting and financial records of the Company.

(f) At the Closing Time, you shall have received from Arthur Andersen & Co., a letter, in form and substance satisfactory to you and dated as of the Closing Time, to the effect that they reaffirm the statements made in the letter furnished pursuant to Section 5(e), except that the specified date referred to shall be a date not more than five business days prior to the Closing Time.

(g) At the Closing Time, counsel for the Underwriters shall have been furnished with all such documents, certificates and opinions as they may request for the purpose of enabling them to pass upon the issuance and sale of the Notes as herein contemplated and the matters referred to in Section 5(e) and in order to evidence the accuracy and completeness of any of the representations, warranties or statements of the Company, the performance of any of the covenants of the Company, or the fulfillment of any of the conditions herein contained; and all proceedings taken by the Company at or prior to the Closing Time in connection with the authorization, issuance and sale of the Notes as contemplated in this Agreement shall be satisfactory in form and substance to you and to counsel for the Underwriters.

(h) Between the date of this Agreement and the Closing Time, there shall not have occurred any downgrading in the rating of any of Transco's, its Significant Subsidiaries' or the Company's debt securities by any "nationally recognized statistical rating organization" (as defined for purposes of Rule 436(g) under the Act), or any public announcement that any such organization has under surveillance or review its rating of any debt securities of Transco, its Significant Subsidiaries or the Company (other than an announcement with positive implications of a possible upgrading, and no implication of a possible downgrading, of such rating).

If any of the conditions specified in this Section 5 shall not have been fulfilled when and as required by this Agreement or the Indenture to be fulfilled, this Agreement may be terminated by you, on notice to the Company at any time at or prior to the Closing Time, and such termination shall be without liability of any party to any other party, except as provided in Section 4. Notwithstanding any such termination, the provisions of Sections 6, 7 and 8 shall remain in effect.

SECTION 6. Indemnification. (a) The Company agrees to indemnify and hold harmless each Underwriter and each person, if any, who controls any Underwriter within the meaning of Section 15 of the 1933 Act as follows:

(i) against any and all loss, liability, claim, damage and expense whatsoever, as incurred; arising out of an untrue statement or alleged untrue statement of a material fact contained in the Registration Statement (or any amendment thereto), including the Rule 430A Information, if applicable, and all documents incorporated therein by reference, or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading or arising out of an untrue statement or alleged untrue statement of a material fact contained in any preliminary prospectus or the Prospectus (or any amendment or supplement thereto) or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(ii) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, to the extent of the aggregate amount paid in settlement of any litigation, or investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission, if such settlement is effected with the written consent of the Company; and

(iii) against any and all expense whatsoever, as incurred (including fees and disbursements of counsel chosen by you), reasonably incurred in investigating, preparing or defending against any litigation, or investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission, to the extent that any such expense is not paid under subparagraph (i) or (ii) above;

provided, however, that this indemnity agreement does not apply to any loss, liability, claim, damage or expense to the extent arising out of an untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with written information furnished to the Company by any Underwriter through you expressly for use in the Registration Statement (or any amendment thereto), including the Rule 430A Information, if applicable, or any preliminary prospectus or the Prospectus (or any amendment or supplement thereto).

(b) Each Underwriter severally agrees to indemnify and hold harmless the Company, its directors, each of its officers who signed the Registration Statement, and each person, if any, who controls the Company within the meaning of Section 15 of the 1933 Act, against any and all loss, liability, claim, damage and expense described in the indemnity contained in Section 6(a), as incurred, but only with respect to untrue statements or

omissions, or alleged untrue statements or omissions, made in the Registration Statement (or any amendment thereto), including the Rule 430A Information, if applicable, or any preliminary prospectus or the Prospectus (or any amendment or supplement thereto) in reliance upon and in conformity with written information furnished to the Company by such Underwriter through you expressly for use in the Registration Statement (or any amendment thereto), including the Rule 430A Information, if applicable, or such preliminary prospectus or the Prospectus (or any amendment or supplement thereto).

(c) Each indemnified party shall give prompt notice to each indemnifying party of any action commenced against it in respect of which indemnity may be sought hereunder, but failure to so notify an indemnifying party shall not relieve it from any liability which it may have otherwise than on account of this indemnity agreement. An indemnifying party may participate at its own expense in the defense of such action. In no event shall the indemnifying parties be liable for the fees and expenses of more than one counsel for all

indemnified parties in connection with any one action or separate but similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances.

SECTION 7. Contribution. In order to provide for just and equitable contributions in circumstances under which the indemnity provided for in Section 6 is for any reason held to be unenforceable by the indemnified parties although applicable in accordance with its terms, the Company and the Underwriters shall contribute to the aggregate losses, liabilities, claims, damages and expenses of the nature contemplated by such indemnity agreement incurred by the Company and one or more of the Underwriters, as incurred, in such proportions that the Underwriters are responsible for that portion represented by the percentage that the underwriting discount bears to the initial public offering price of the Notes and the Company is responsible for the balance; provided, however, that no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. Notwithstanding the provisions of this Section 7, no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Notes underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. For purposes of this Section, each person, if any, who controls an Underwriter within the meaning of Section 15 of the 1933 Act shall have the same rights to contribution as such Underwriter, and each director of the Company, each officer of the Company who signed the Registration Statement, and each person, if any, who controls the Company within the meaning of Section 15 of the 1933 Act shall have the same rights to contribution as the Company.

SECTION 8. Representations, Warranties and Agreements to Survive

Delivery. The representations, warranties, indemnities, agreements and other statements of the Company or its officers set forth in or made pursuant to this Agreement will remain operative and in full force and effect regardless of any investigation made by or on behalf of the Company or any Underwriter or controlling person and will survive delivery of and payment for the Notes.

SECTION 9. Termination of Agreement. (a) You may also terminate this Agreement, by notice to the Company, at any time at or prior to the Closing Time (i) if there has been, since the respective dates as of which information is given in the Registration Statement, any material adverse change in the condition (financial or otherwise), earnings, business affairs or business prospects of the Company, whether or not arising in the ordinary course of business or (ii) if there has occurred any material adverse change in the financial markets in the United States or any new outbreak of hostilities or the escalation of hostilities or other calamity or crisis the effect of which on the financial markets of the United States is such as to make it, in your judgment, impracticable to market the Notes or enforce contracts for the sale of the Notes or (iii) if trading in any securities of the Company has been suspended by the Commission or the National Association of Securities Dealers, Inc., or if trading

generally on the New York Stock Exchange or in the over-the-counter market has been suspended, or minimum or maximum prices for trading have been fixed, or maximum ranges for prices for securities have been required, by such exchange or by order of the Commission, the National Association of Securities Dealers, Inc. or any other governmental authority or (iv) if a banking moratorium has been declared by either federal, New York or Texas authorities.

(b) If this Agreement is terminated pursuant to this Section, such termination shall be without liability of any party to any other party, except to the extent provided in Section 4. Notwithstanding any such termination, the provisions of Sections 6, 7 and 8 shall remain in effect.

(c) This Agreement may also terminate pursuant to the provisions of Section 2 or Section 10 hereof, with the effect stated in each such Section.

SECTION 10. Default by One or More of the Underwriters. If one or more of the Underwriters shall fail at the Closing Time to purchase the Notes that it or they are obligated to purchase hereunder (the "Defaulted Notes"), you shall have the right, within 24 hours thereafter, to make arrangements for one or more of the non-defaulting Underwriters, or any other underwriters, to purchase all, but not less than all, of the Defaulted Notes in such amounts as may be agreed upon and upon the terms herein set forth; if, however, you have not completed such arrangements within such 24-hour period, then:

(a) if the number of Defaulted Notes does not exceed 10% of the aggregate principal of Notes, the non-defaulting Underwriters shall be obligated to purchase the full amount thereof in the proportions that their respective Notes underwriting obligation proportions bear to the underwriting

obligations of all non-defaulting Underwriters; or

(b) if the number of Defaulted Notes exceeds 10% of the aggregate principal of Notes, this Agreement shall terminate without liability on the part of any non-defaulting Underwriter.

No action taken pursuant to this Section shall relieve any defaulting Underwriter from liability in respect of its default.

In the event of any such default that does not result in a termination of this Agreement, either you or the Company shall have the right to postpone the Closing Time for a period not exceeding seven days in order to effect any required changes in the Registration Statement or Prospectus or in any other documents or arrangements. As used herein, the term "Underwriter" includes any person substituted for an Underwriter under this Section 10.

SECTION 11. Notices. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if delivered, mailed or transmitted by any standard form of telecommunication. Notices to the Underwriters shall be directed to you, c/o Merrill Lynch, Pierce, Fenner & Smith Incorporated, at Merrill Lynch World Headquarters, North Tower, World Financial Center, New York, New York 10281-1201, Attention: _____, and notices to the Company shall be directed to it c/o Transco Energy Company, 2800 Post Oak Boulevard, P.O. Box 1396, Houston, Texas 77251, Attention: Corporate Secretary.

SECTION 12. Parties. The agreement herein set forth is made solely for the benefit of the several Underwriters, the Company and, to the extent expressed, any person controlling the Company or any of the Underwriters, and the directors of the Company, its officers who have signed the Registration Statement, and their respective executors, administrators, successors and assigns and, subject to the provisions of Section 10, no other person shall acquire or have any right under or by virtue of this Agreement. The term "successors and assigns" shall not include any purchaser, as such purchaser, from any of the several Underwriters of the Securities. All of the obligations of the Underwriters hereunder are several and not joint.

SECTION 13. Representative of Underwriters. You will act for the several Underwriters in connection with this financing, and any action under or in respect of this Agreement taken by you as Representative will be binding upon all Underwriters.

SECTION 14. Governing Law and Time. This Agreement shall be governed by the laws of the State of New York. Specified times of the day refer to New York City time.

SECTION 15. Counterparts. This Agreement may be executed in one or more counterparts, and when a counterpart has been executed by each party, all

such counterparts taken together shall constitute one and the same agreement.

If the foregoing is in accordance with your understanding of our agreement, please sign and return to us a counterpart hereof, whereupon this instrument will become a binding agreement between the Company and the several Underwriters in accordance with its terms.

Very truly yours,

TEXAS GAS TRANSMISSION CORPORATION

By:
Name:
Title:

Confirmed and accepted as of the date
first above written:

MERRILL LYNCH & CO.
CITICORP SECURITIES, INC.

By: MERRILL LYNCH & CO.
Merrill Lynch, Pierce, Fenner & Smith Incorporated

By:
Name:

SCHEDULE A

Underwriters	Principal Amount of Notes to be Purchased
Merrill Lynch & Co.	$
Citicorp Securities, Inc.	
Total	$150,000,000

TEXAS GAS TRANSMISSION CORPORATION

(A Delaware corporation)

$150,000,000

_____% Notes Due ____

PURCHASE AGREEMENT

Dated: March __, 1994

EXHIBIT (4)(a)

DRAFT: March 14, 1994SS_NYL3Document No. 4403_2

TEXAS GAS TRANSMISSION CORPORATION,
Issuer

TO

THE CHASE MANHATTAN BANK (NATIONAL ASSOCIATION),
Trustee

INDENTURE

Dated as of March __, 1994

- --------------

of

___% Notes
Due ____

TEXAS GAS TRANSMISSION CORPORATION

Certain Sections of this Indenture relating to Sections 310 through 318, inclusive, of the Trust Indenture Act of 1939:

Trust Indenture Act Section	Indenture Section
310(a)(1)	609
(a)(2)	609
(a)(3)	Not Applicable
(a)(4)	Not Applicable
(b)	608

		610
311(a)	613	
	(b)	613
312(a)	701	
		702(a)
	(b)	702(b)
	(c)	702(c)
313(a)	703(a)	
	(b)	703(a)
	(c)	703(a)
	(d)	703(b)
314(a)	704	
	(a)(4)	101
		102
		1004
	(b)	Not Applicable
	(c)(1)	102
	(c)(2)	102
	(c)(3)	Not Applicable
	(d)	Not Applicable
	(e)	102

(continued on following page)

NOTE:This reconciliation and tie shall not, for any purpose, be deemed to be a part of the Indenture.

(continued from previous page)

315(a)	601	
	(b)	602
	(c)	601
	(d)	601
	(e)	514
316(a)	101	
	(a)(1)(A)	502
		512
	(a)(1)(B)	513
	(a)(2)	Not Applicable
	(b)	508
	(c)	104(c)
317(a)(1)		503
	(a)(2)	504
	(b)	1003
318(a)	107	

NOTE:This reconciliation and tie shall not, for any purpose, be deemed to be a part of the Indenture.

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INDENTURE, dated as of March __, 1994, between TEXAS GAS TRANSMISSION CORPORATION, a corporation duly organized and existing under the laws of the State of Delaware (herein called the "Company"), having its principal office in Houston, Texas, and THE CHASE MANHATTAN BANK (NATIONAL ASSOCIATION), a national banking association duly organized and existing under the laws of the United States of America, as Trustee (herein called the "Trustee").

RECITALS OF THE COMPANY

The Company has duly authorized the execution and delivery of this Indenture to provide for the issuance of its ___% Notes due ____ (herein called the "Notes"), to be issued in one series as provided in this Indenture.

All things necessary to make this Indenture a valid agreement of the Company, in accordance with its terms, have been done.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

For and in consideration of the premises and the purchase of the Notes by the Holders thereof, it is mutually agreed, for the equal and proportionate benefit of all Holders of the Notes, as follows:

ARTICLE ONE

DEFINITIONS AND OTHER PROVISIONS
OF GENERAL APPLICATION

Section 101. Definitions.

For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(1) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular;

(2) all other terms used herein which are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;

(3) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with GAAP; and

(4) the words "herein", "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

"Act", when used with respect to any Holder, has the meaning specified in Section 104.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Attributable Value" means, as to any particular lease under which any Person is at the time liable other than a Capital Lease Obligation, and at any date as of which the amount thereof is to be determined, the total net amount of rent required to be paid by such Person under such lease during the initial term thereof as determined in accordance with GAAP, discounted from the last date of such initial term to the date of determination at a rate per annum equal to the discount rate which would be applicable to a Capital Lease Obligation with like term in accordance with GAAP. The net amount of rent required to be paid under any such lease for any such period shall be the aggregate amount of rent payable by the lessee with respect to such period after excluding amounts required to be paid on account of insurance, taxes, assessments, utility, operating and labor costs and similar charges. In the case of any lease which is terminable by the lessee upon the payment of a

penalty, such net amount shall also include the amount of such penalty, but no rent shall be considered as required to be paid under such lease subsequent to the first date upon which it may be so terminated. "Attributable Value" means, as to a Capital Lease Obligation under which any person is at the time liable and at any date as of which the amount thereof is to be determined, the capitalized amount thereof that would appear on the face of a balance sheet of such person in accordance with GAAP.

"Authenticating Agent" means any Person authorized by the Trustee pursuant to Section 614 to act on behalf of the Trustee to authenticate Notes.

"Board of Directors" means either the board of directors of the Company or any duly authorized committee of that board.

"Board Resolution" means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors

and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"Business Day" means each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in The City of New York, New York, are authorized or obligated by law or executive order to close.

"Capital Lease Obligation" of any Person means the obligation to pay rent or other payment amounts under a lease of (or other Debt arrangements conveying the right to use) real or personal property of such Person which is required to be classified and accounted for as a capital lease or a liability on the face of a balance sheet of such Person in accordance with GAAP. The stated maturity of such obligation shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be terminated by the lessee without payment of a penalty.

"Capital Stock" of any Person means any and all shares, interests, participations or other equivalents (however designated) of corporate stock of such Person.

"Commission" means the Securities and Exchange Commission, as from time to time constituted, created under the Exchange Act, or, if at any time after the execution of this instrument such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties at such time.

"Company" means the Person named as the "Company" in the first paragraph of this instrument until a successor Person shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Company" shall mean such successor Person.

"Company Request" or "Company Order" means a written request or order signed in the name of the Company by its Chairman of the Board, its Vice Chairman of the Board, its President or a Vice President, and by its Treasurer, an Assistant Treasurer, its Secretary or an Assistant Secretary, and delivered to the Trustee.

"Consolidated Net Tangible Assets" of any Person means the sum of the Tangible Assets of such Person and its Consolidated Subsidiaries after eliminating intercompany items, all determined in accordance with GAAP, including appropriate deductions for any minority interest in Tangible Assets of such Consolidated Subsidiaries.

"Consolidated Net Worth" of any Person means the consolidated stockholders' equity of such Person and its Consolidated Subsidiaries, as determined on a consolidated basis in accordance with GAAP, less amounts attributable to Redeemable Stock of such person.

"Consolidated Subsidiaries" of any person means all other Persons that would be accounted for as consolidated Persons in such Person's financial statements in accordance with GAAP.

"Corporate Trust Office" means the corporate trust office of the Trustee at [4 Chase MetroTech Center, Brooklyn, New York], or at any other location in The City of New York at which at any particular time its corporate trust business shall be administered.

"corporation" means a corporation, association, company, joint-stock company or business trust.

"Debt" means (without duplication), with respect to any Person, whether recourse is to all or a portion of the assets of such Person, and whether or not contingent, (i) every obligation of such Person for money borrowed, (ii) every obligation of such Person evidenced by bonds, debentures, notes, guarantees or other similar instruments, including obligations incurred in connection with acquisition of property, assets or businesses, (iii) every reimbursement obligation of such Person with respect to letters of credit, bankers' acceptances or similar facilities issued for the account of such Person, (iv) every obligation of such person issued or assumed as the deferred purchase price of property or services (but excluding trade accounts payable or accrued liabilities arising in the ordinary course of business (x) which are not overdue by more than 90 days or (y) which are being contested in good faith by appropriate proceedings promptly instituted and diligently conducted and for which a proper reserve or other appropriate provision, if any, as shall be required in accordance with GAAP, shall have been made), (v) every Capital Lease Obligation of such Person, (vi) the maximum fixed redemption or repurchase price of Redeemable Stock of such Person at the time of determination, (vii) every payment obligation of such Person under interest rate swap or similar agreements or foreign currency hedge, exchange or similar agreements at the time of determination, (viii) every obligation to pay rent or other payment amounts of such Person with respect to any Sale and Leaseback

Transaction to which such Person is a party and (ix) every obligation of the type referred to in clauses (i) through (viii) of another person and all dividends of another person the payment of which, in either case, such Person has guaranteed or is responsible or liable, directly or indirectly, as obligor, guarantor or otherwise.

"Defaulted Interest" has the meaning specified in Section 307.

"Event of Default" has the meaning specified in Section 501.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, including the rules and regulations promulgated thereunder.

"GAAP" means generally accepted accounting principles in the United States, consistently applied, that are in effect from time to time.

"Holder" means a Person in whose name a Note is registered in the Note Register.

"Incur" means, with respect to any Debt or other obligation of any Person, to create, issue, incur (by conversion, exchange or otherwise), assume, guarantee or otherwise become liable in respect of such Debt or other obligation or the recording, as required pursuant to GAAP or otherwise, of any such Debt or the obligation on the balance sheet of such Person (and "Incurrence", "Incurred", "Incurrable" and "Incurring" shall have meanings correlative to the foregoing); provided, however, that a change in GAAP that results in an obligation of such Person that exists at such time becoming Debt shall not be deemed an Incurrence of such Debt.

"Indenture" means this instrument as originally executed or as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof, including, for all purposes of this instrument and any such supplemental indenture, the provisions of the Trust Indenture Act that are deemed to be a part of and govern this instrument and any such supplemental indenture, respectively.

"Interest Payment Date", when used with respect to any Note, means the Stated Maturity of an installment of interest on such Note.

"Lien" means, with respect to any property or assets, any mortgage or deed of trust, pledge, hypothecation, assignment, deposit agreement, security interest, lien, charge, easement (other than any easement not materially and adversely affecting the Company's financial position, results of operations, business or prospects), encumbrance, preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever on or with respect to such property or assets (including, without limitation, any conditional sale or other title retention agreement having substantially the same economic effect as any of the foregoing).

"Maturity", when used with respect to any Note, means the date on which the principal of such Note or an installment of principal becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration of acceleration, call for redemption or otherwise.

"Net Available Proceeds" from any Sale and Leaseback Transaction by any Person means cash or readily marketable cash equivalents received (including by way of sale or discounting of a note, installment receivable or other receivable, but excluding any other

consideration received in the form of assumption by the acquisition of Debt or other obligations relating to such properties or assets or received in any other non-cash form) therefrom by such Person, net of (i) all legal, title and recording tax expenses, commissions and other fees and expenses incurred and all federal, state, provincial, foreign and local taxes required to be accrued as a liability as a consequence of such Sale and Leaseback Transaction, (ii) all payments made by such Person or its Subsidiaries on any Debt which is secured by such assets in accordance with the terms of any Lien upon or with respect to such assets or which must by the terms of such Lien, or in order to obtain a necessary consent to such Sale and Leaseback Transaction or by applicable law be repaid out of the proceeds from such Sale and Leaseback Transaction and (iii) all distributions and other payments made to minority interest holders in Subsidiaries of such Person or joint ventures as a result of such Sale and Leaseback Transaction.

"Notes" has the meaning stated in the first recital of this Indenture and more particularly means any Notes authenticated and delivered under this Indenture.

"Note Register" and "Note Registrar" have the respective meanings specified in Section 305.

"Officers' Certificate" means a certificate signed by the Chairman of the Board, a Vice Chairman of the Board, the President or a Vice President, and by the Chief Financial Officer, the Treasurer, an Assistant Treasurer, the Secretary or an Assistant Secretary, of the Company, and delivered to the Trustee.

"Opinion of Counsel" means a written opinion of counsel, who may be counsel for the Company, and who shall be acceptable to the Trustee.

"Outstanding", when used with respect to Notes, means, as of the date of determination, all Notes theretofore authenticated and delivered under this Indenture, except:

(i) Notes theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;

(ii) Notes for whose payment or redemption money in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent

(other than the Company) in trust or set aside and segregated in trust by the Company (if the Company shall act as its own Paying Agent) for the Holders of such Notes; provided that, if such Notes are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provision therefor satisfactory to the Trustee has been made; and

(iii) Notes which have been paid pursuant to Section 306 or in exchange for or in lieu of which other Notes have been authenticated and delivered pursuant to this Indenture, other than any such Notes in respect of which there shall have been presented to the Trustee proof satisfactory to it that such Notes are held by a bonafide purchaser in whose hands such Notes are valid obligations of the Company;

provided, however, that in determining whether the Holders of the requisite principal amount of the Outstanding Notes have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Notes owned by the Company or any other obligor upon the Notes or any Affiliate of the Company or of such other obligor shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Notes which the Trustee knows to be so owned shall be so disregarded. Notes so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Notes and that the pledgee is not the Company or any other obligor upon the Notes or any Affiliate of the Company or of such other obligor.

"pari passu", when used with respect to the ranking of any Debt of any Person in relation to other Debt of such Person, means that each such Debt (a) either (i) is not subordinated in right of payment to any other Debt of such Person or (ii) is subordinate in right of payment to the same Debt of such Person as is the other and is so subordinate to the same extent and (b) is not subordinate in right of payment to the other or to any Debt of such Person as to which the other is not so subordinate.

"Paying Agent" means any Person authorized by the Company to pay the principal of or any premium or interest on any Notes on behalf of the Company.

"Person" means any individual, corporation, partnership, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Pipeline Assets" means all assets used or useful in the gas pipeline business of the Company or its Subsidiaries.

"Place of Payment" means the place or places where the principal of and any premium and interest on the Notes are payable as contemplated by Section 301.

"Predecessor Note" of any particular Note means every previous Note evidencing all or a portion of the same debt as that evidenced by such particular Note; and, for the purposes of this definition, any Note authenticated and delivered under Section 306 in exchange for or in lieu of a mutilated, destroyed, lost or stolen Note shall be deemed to evidence the same debt as the mutilated, destroyed, lost or stolen Note.

"Redeemable Stock" of any Person means any equity security of such Person that by its terms or otherwise is required to be redeemed prior to the Stated Maturity of the Notes or is redeemable at the option of the holder thereof at any time prior to the Stated Maturity of the Notes.

"Regular Record Date" for the interest payable on any Interest Payment Date on the Notes means the date specified for that purpose as contemplated by Section 202.

"Related Person" of any Person means, without limitation, any other Person owning 5% or more of the outstanding Common Stock of such Person or 5% or more of the Voting Stock of such Person.

"Sale and Leaseback Transaction" of any Person means an arrangement with any lender or investor or to which such lender or investor is a party providing for the leasing by such Person of any property or asset of such Person which has been or is being sold or transferred by such Person after the acquisition or the completion of construction or commencement of operation thereof to such lender or investor or to any person to whom funds have been or are to be advanced by such lender or investor on the security of such property or asset. The stated maturity of such arrangement shall be the date of the last payment of rent or any other amount due under such arrangement prior to the first date on which such arrangement may be terminated by the lessee without payment of a penalty.

"Special Record Date" for the payment of any Defaulted Interest means a date fixed by the Trustee pursuant to Section 307.

"Stated Maturity", when used with respect to any Note or any installment of principal thereof or interest thereon, means the date specified in such Note as the fixed date on which the principal of such Note or such installment of principal or interest is due and payable.

"Subsidiary" of any Person means (i) a corporation more than 50% of the outstanding voting stock of which is owned, directly or indirectly, by such Person or by one or more other Subsidiaries of such Person, or by such Person and one or more other Subsidiaries thereof or (ii) any other Person (other than a corporation) in which such Person, or one or more other Subsidiaries of such Person, or such Person and one or more other Subsidiaries thereof, directly or indirectly, has at least a majority ownership and power to direct the policies, management and affairs thereof.

"Tangible Assets" of any Person means, at any date, the gross

book value as shown by the accounting books and records of such Person of all its property both real and personal, less (i) the net book value of all its licenses, patents, patent applications,

copyrights, trademarks, trade names, goodwill, noncompete agreements or organizational expenses and other like intangibles, (ii) unamortized Debt discount and expense, (iii) all reserves for depreciation, obsolescence, depletion and amortization of its properties and (iv) all other proper reserves which in accordance with GAAP should be provided in connection with the business conducted by such Person.

"Transco" means Transco Energy Company, a Delaware company.

"Transco Bank Credit Facility" means the $600,000,000 Credit Agreement dated as of December 31, 1991 among Transco, as borrower, the banks named therein and Citibank, N.A., as agent and Bank of Montreal, as co-agent.

"Trustee" means the Person named as the "Trustee" in the first paragraph of this instrument until a successor Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Trustee" shall mean or include each Person who is then a Trustee hereunder.

"Trust Indenture Act" means the Trust Indenture Act of 1939 as in force at the date as of which this instrument was executed; provided, however, that in the event the Trust Indenture Act of 1939 is amended after such date, "Trust Indenture Act" means, to the extent required by any such amendment, the Trust Indenture Act of 1939 as so amended.

"U.S. Government Obligations" means securities that are (x) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (y) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof, and shall also include a depository receipt issued by a bank (as defined in Section 3(a)(2) of the Securities Act of 1933, as amended) as custodian with respect to any such U.S. Government Obligation or a specific payment of principal or interest on any such U.S. Government Obligation held by such custodian if such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of principal of or interest on the U.S. Government Obligation evidenced by such depository receipt.

"Vice President", when used with respect to the Company or the Trustee, means any vice president, whether or not designated by a number or a word or words added before or after the title "vice president".

"Voting Stock" of any Person means Capital Stock of such Person

which ordinarily has voting power for the election of directors (or persons performing similar

functions) of such Person, whether at all times or only as long as no senior class of securities has such voting power by reason of any contingency.

"Wholly owned Subsidiary" of any Person means a Subsidiary of such Person all of the outstanding Capital Stock or other ownership interests of which (other than directors' qualifying shares) shall at the time be owned by such Person or by one or more Wholly owned Subsidiaries of such Person or by such Person and one or more Wholly owned Subsidiaries of such Person.

Section 102. Compliance Certificates and Opinions.

Upon any application or request by the Company to the Trustee to take any action under any provision of this Indenture, the Company shall furnish to the Trustee such certificates and opinions as may be required under the Trust Indenture Act. Each such certificate or opinion shall be given in the form of an Officers' Certificate, if to be given by an officer of the Company, or an Opinion of Counsel, if to be given by counsel, and shall comply with the requirements of the Trust Indenture Act and any other requirements set forth in this Indenture.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture shall include

(1) a statement that each individual signing such certificate or opinion has read such covenant or condition and the definitions herein relating thereto;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of each such individual, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(4) a statement as to whether, in the opinion of each such individual, such condition or covenant has been complied with.

Section 103. Form of Documents Delivered to Trustee.

In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or

covered by only one document, but one such Person may certify or give an

opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an officer of the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any such certificate or opinion of counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Company stating that the information with respect to such factual matters is in the possession of the Company, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

Section 104. Acts of Holders; Record Dates.

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee and, where it is hereby expressly required, to the Company. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and (subject to Section 601) conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by a certificate of a notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by a signer acting in a capacity other than his individual capacity, such certificate or affidavit shall also constitute sufficient proof of his authority. The fact and date of the execution of any such instrument or writing, or the

authority of the Person executing the same, may also be proved in any other manner which the Trustee deems sufficient.

(c) The Company may, in the circumstances permitted by the Trust Indenture Act, fix any day as the record date for the purpose of determining the Holders of Notes entitled to give or take any request, demand, authorization, direction, notice, consent, waiver or other action, or to vote on any action, authorized or permitted to be given or taken by Holders of Notes. If not set by the Company prior to the first solicitation of a Holder of Notes made by any Person in respect of any such action, or, in the case of any such vote, prior to such vote, the record date for any such action or vote shall be the 30th day (or, if later, the date of the most recent list of Holders required to be provided pursuant to Section 701) prior to such first solicitation or vote, as the case may be. With regard to any record date for action to be taken by the Holders of Notes, only the Holders of Notes on such date (or their duly designated proxies) shall be entitled to give or take, or vote on, the relevant action.

(d) The ownership of Notes shall be proved by the Note Register.

(e) Any request, demand, authorization, direction, notice, consent, waiver or other Act of the Holder of any Note shall bind every future Holder of the same Note and the Holder of every Note issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Trustee or the Company in reliance thereon, whether or not notation of such action is made upon such Note.

Section 105.Notices, Etc., to Trustee and Company.

Any request, demand, authorization, direction, notice, consent, waiver or Act of Holders or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with:

(1) the Trustee by any Holder or by the Company shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing to or with the Trustee at its Corporate Trust Office, Attention: Corporate Trust Administration; or

(2) the Company by the Trustee or by any Holder shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to the Company addressed to it c/o Transco Energy Company, 2800 Post Oak Boulevard, P.O. Box 1396, Houston, Texas 77251, Attention: Secretary, or at any other address previously furnished in writing to the Trustee by the Company.

Section 106.Notice to Holders; Waiver.

Where this Indenture provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to each Holder affected by such event, at his address as it appears in the Note

Register, not later than the latest date (if any), and not earlier than the earliest date (if any), prescribed for the giving of such notice. In any case where notice to Holders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders. Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

In case by reason of the suspension of regular mail service or by reason of any other cause it shall be impracticable to give such notice by mail, then such notification as shall be made with the approval of the Trustee shall constitute a sufficient notification for every purpose hereunder.

Section 107.Conflict with Trust Indenture Act.

If any provision hereof limits, qualifies or conflicts with a provision of the Trust Indenture Act that is required under such Act to be a part of and govern this Indenture, the latter provision shall control. If any provision of this Indenture modifies or excludes any provision of the Trust Indenture Act that may be so modified or excluded, the latter provision shall be deemed to apply to this Indenture as so modified or to be excluded, as the case may be.

Section 108.Effect of Headings and Table of Contents.

The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

Section 109.Successors and Assigns.

All covenants and agreements in this Indenture by the Company shall bind its successors and assigns, whether so expressed or not.

Section 110.Separability Clause.

In case any provision in this Indenture or in the Notes shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 111.Benefits of Indenture.

Nothing in this Indenture or in the Notes, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder and the Holders, any benefit or any legal or equitable right, remedy or claim under this Indenture.

Section 112.Governing Law.

This Indenture and the Notes shall be governed by and construed in accordance with the laws of the State of New York.

Section 113.Legal Holidays.

In any case where any Interest Payment Date or Stated Maturity of any Note shall not be a Business Day at any Place of Payment, then (notwithstanding any other provision of this Indenture or of the Notes) payment of interest or principal (and premium, if any) need not be made at such Place of Payment on such date, but may be made on the next succeeding Business Day at such Place of Payment with the same force and effect as if made on the Interest Payment Date or at the Stated Maturity, provided that no interest shall accrue for the period from and after such Interest Payment Date or Stated Maturity, as the case may be, to the date of such payment.

ARTICLE TWO

NOTES FORMS

Section 201.Forms Generally.

The Notes shall be in substantially the form set forth in this Article, with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any securities exchange or as may, consistently herewith, be determined by the officers executing such Notes, as evidenced by their execution of the Notes.

The definitive Notes shall be printed, lithographed or engraved on steel engraved borders or may be produced in any other manner, all as determined by the officers executing such Notes, as evidenced by their execution of such Notes.

Section 202.Form of Face of Note.

TEXAS GAS TRANSMISSION CORPORATION

____% Notes due ____

No. $
CUSIP No.

TEXAS GAS TRANSMISSION CORPORATION, a corporation duly organized and existing under the laws of the State of Delaware (herein called the "Company", which term includes any successor Person under the Indenture hereinafter referred to), for value received, hereby promises to pay to, or

registered assigns, the principal sum of Dollars on _____, and to pay interest thereon from _____, 1994 or from the most recent Interest Payment Date to which interest has been paid or duly provided for, semiannually on _____ and _____ in each year, commencing _____, at the rate of ____% per annum, until the principal hereof is paid or made available for payment, and (to the extent that the payment of such interest shall be legally enforceable) at the rate of ____% per annum on any overdue principal and premium and on any overdue instalment of interest. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this Note (or one or more Predecessor Notes) is registered at the close of business on the Regular Record Date for such interest, which shall be the _____ or _____ (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date. Any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Note (or one or more Predecessor Notes) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Notes not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Notes may be listed, and upon such notice as may be required by such exchange, all as more fully provided in said Indenture.

Payment of the principal of (and premium, if any) and interest on this Note will be made at the office or agency of the Company maintained for that purpose in The City of New York, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that at

the option of the Company payment of interest may be made by check mailed to the address of the Person entitled thereto as such address shall appear in the Note Register.

Interest on this Note shall be computed on the basis of a 360-day year of twelve 30-day months.

Reference is hereby made to the further provisions of this Note set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its corporate seal.

TEXAS GAS TRANSMISSION

CORPORATION

By:
Name:
Title:

ATTEST:

Section 203.Form of Reverse of Note.

This Note is one of a duly authorized issue of unsecured securities of the Company (herein called the "Notes"), issued and to be issued in one series under an Indenture, dated as of March __, 1994 (herein called the "Indenture"), between the Company and _____, as Trustee (herein called the "Trustee", which term includes any successor trustee under the Indenture), to which Indenture and all indentures

supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Notes and of the terms upon which the Notes are, and are to be, authenticated and delivered. This Note is one of a single series, limited in aggregate principal amount to $___ million.

The Indenture contains provisions for defeasance at any time of (i) the entire indebtedness of this Note or (ii) certain restrictive covenants and Events of Default with respect to this Note, in each case upon compliance with certain conditions set forth therein.

If an Event of Default with respect to Notes shall occur and be continuing, the principal of the Notes may be declared due and payable in the manner and with the effect provided in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Notes to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of a majority in principal amount of the Notes at the time Outstanding. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Notes at the time Outstanding, on behalf of the Holders of all Notes, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Note shall be conclusive and binding upon such Holder and upon

all future Holders of this Note and of any Note issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Note.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and any premium and interest on this Note at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Note is registerable in the Note Register, upon surrender of this Note for registration of transfer at the office or agency of the Company in any place where the principal of and any premium and interest on this Note are payable, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Note Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Notes of like tenor, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

The Notes are issuable only in registered form without coupons in denominations of $1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, Notes are exchangeable for a like aggregate principal amount of Notes of like tenor of a different authorized denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Note for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Note is registered as the owner hereof for all purposes, whether or not this Note be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

All terms used in this Note which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

Section 204.Form of Trustee's Certificate of Authentication.

The Trustee's certificates of authentication shall be in substantially the following form:

"This is one of the Notes referred to in the within-mentioned Indenture.

Dated:

THE CHASE MANHATTAN BANK
(NATIONAL ASSOCIATION),
As Trustee

By
Authorized Officer"

ARTICLE THREE

THE NOTES

Section 301.Title and Terms.

The aggregate principal amount of Notes which may be authenticated and delivered under this Indenture is limited to $___ million, except for Notes authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Notes.

The Notes shall be known as the "____% Notes Due ____" of the Company. The Stated Maturity of the principal thereof shall be _____, ____ and they shall bear interest at the rate of ____% per annum from _____ __, 1994, or the most recent Interest Payment Date to which interest has been paid or duly provided for, payable on _____ __, 1994 and semiannually thereafter on _____ and _____ in each year and at the Stated Maturity, until the principal thereof is paid or duly provided for.

The principal of (and premium, if any) and interest on the Notes shall be payable at the office or agency of the Company maintained for such purpose in The City of New York, or at such other office or agency of the Company as may be maintained for such purpose; provided, however, that at the option of the Company, interest may be paid by check mailed to addresses of the Persons entitled thereto as such addresses shall appear on the Note Register.

Section 302.Denominations.

The Notes shall be issuable in registered form without coupons in denominations of $1,000 and any integral multiple thereof.

Section 303.Execution, Authentication, Delivery and Dating.

The Notes shall be executed on behalf of the Company by its Chairman of the Board, its Vice Chairman of the Board, its President or one of its Vice Presidents, under its corporate seal reproduced thereon attested by its Secretary or one of its Assistant Secretaries. The signature of any of these officers on the Notes may be manual or facsimile.

Notes bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Notes or did not hold such offices at the date of such Notes.

The Trustee shall, upon Company Order, authenticate and deliver Notes for original issue in an aggregate principal amount of up to $____ million.

Each Note shall be dated the date of its authentication.

No Note shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose unless there appears on such Note a certificate of authentication substantially in the form provided for herein executed by the Trustee by manual signature, and such certificate upon any Note shall be conclusive evidence, and the only evidence, that such Note has been duly authenticated and delivered hereunder. Notwithstanding the foregoing, if any Note shall have been authenticated and delivered hereunder but never issued and sold by the Company, and the Company shall deliver such Note to the Trustee for cancellation as provided in Section 309, for all purposes of this Indenture such Note shall be deemed never to have been authenticated and delivered hereunder and shall never be entitled to the benefits of this Indenture.

Section 304.Temporary Notes.

Pending the preparation of definitive Notes, the Company may execute, and upon Company Order the Trustee shall authenticate and deliver, temporary Notes which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any authorized denomination, substantially of the tenor of the definitive Notes in lieu of which they are issued and with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Notes may determine, as evidenced by their execution of such Notes.

If temporary Notes are issued, the Company will cause definitive Notes to be prepared without unreasonable delay. After the preparation of definitive Notes, the temporary Notes shall be exchangeable for definitive Notes upon surrender of the temporary Notes at the office or agency of the Company in a Place of Payment, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Notes, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor one or more definitive Notes of any authorized denominations and of a like aggregate principal amount and tenor. Until so exchanged the temporary Notes shall in all respects be entitled to the same benefits under this Indenture as definitive Notes.

Section 305.Registration, Registration of Transfer and Exchange.

The Company shall cause to be kept at the Corporate Trust Office

of the Trustee a register (the register maintained in such office and in any other office or agency of the Company in a Place of Payment being herein sometimes collectively referred to as the "Note Register") in which, subject to such reasonable regulations as it may prescribe, the

Company shall provide for the registration of Notes and of transfers of Notes. The Trustee is hereby appointed "Note Registrar" for the purpose of registering Notes and transfers of Notes as herein provided.

Upon surrender for registration of transfer of any Note at the office or agency in a Place of Payment, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Notes of any authorized denominations and of a like aggregate principal amount and tenor.

At the option of the Holder, Notes may be exchanged for other Notes of any authorized denominations and of a like aggregate principal amount and tenor, upon surrender of the Notes to be exchanged at such office or agency. Whenever any Notes are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Notes which the Holder making the exchange is entitled to receive.

All Notes issued upon any registration of transfer or exchange of Notes shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Notes surrendered upon such registration of transfer or exchange.

Every Note presented or surrendered for registration of transfer or for exchange shall (if so required by the Company or the Trustee) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Company and the Note Registrar duly executed, by the Holder thereof or his attorney duly authorized in writing.

No service charge shall be made for any registration of transfer or exchange of Notes, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Notes, other than exchanges pursuant to Section 304 or 906.

Section 306.Mutilated, Destroyed, Lost and Stolen Notes.

If any mutilated Note is surrendered to the Trustee, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a new Note of like tenor and principal amount and bearing a number not contemporaneously outstanding.

If there shall be delivered to the Company and the Trustee (i) evidence to their satisfaction of the destruction, loss or theft of any Note and (ii) such security or indemnity as may be required by them to save each of them and any agent of either of them harmless, then, in the absence of notice

to the Company or the Trustee that such Note has been acquired by a bona fide purchaser, the Company shall execute and the Trustee shall

authenticate and deliver, in lieu of any such destroyed, lost or stolen Note, a new Note of like tenor and principal amount and bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost or stolen Note has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Note, pay such Note.

Upon the issuance of any new Note under this Section, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

Every new Note issued pursuant to this Section in lieu of any mutilated, destroyed, lost or stolen Note shall constitute an original additional contractual obligation of the Company, whether or not the mutilated, destroyed, lost or stolen Note shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Notes duly issued hereunder.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Notes.

Section 307.Payment of Interest; Interest Rights Preserved.

Interest on any Note which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name that Note (or one or more Predecessor Notes) is registered at the close of business on the Regular Record Date for such interest.

Any interest on any Note which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date (herein called "Defaulted Interest") shall forthwith cease to be payable to the Holder on the relevant Regular Record Date by virtue of having been such Holder, and such Defaulted Interest may be paid by the Company, at its election in each case, as provided in Clause (1) or (2) below:

(1) The Company may elect to make payment of any Defaulted Interest to the Persons in whose names the Notes (or their respective Predecessor Notes) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Note and the date of the proposed payment, and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate

amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this clause provided. Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Holder of Notes at his address as it appears in the Note Register, not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been so mailed, such Defaulted Interest shall be paid to the Persons in whose names the Notes (or their respective Predecessor Notes) are registered at the close of business on such Special Record Date and shall no longer be payable pursuant to the following Clause (2).

(2) The Company may make payment of any Defaulted Interest on the Notes in any other lawful manner not inconsistent with the requirements of any securities exchange on which such Notes may be listed, and upon such notice as may be required by such exchange, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this Clause, such manner of payment shall be deemed practicable by the Trustee.

Subject to the foregoing provisions of this Section, each Note delivered under this Indenture upon registration of transfer of or in exchange for or in lieu of any other Note shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Note.

Section 308.Persons Deemed Owners.

Prior to due presentment of a Note for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name such Note is registered as the owner of such Note for the purpose of receiving payment of principal of and any premium and (subject to Section 307) any interest on such Note and for all other purposes whatsoever, whether or not such Note be overdue, and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary.

Section 309.Cancellation.

All Notes surrendered for payment, redemption, registration of transfer or exchange or for credit against any sinking fund payment shall, if surrendered to any Person other than the Trustee, be delivered to the Trustee and shall be promptly cancelled by it. The Company may at any time deliver to

the Trustee for cancellation any Notes previously authenticated and delivered hereunder which the Company may have acquired in any manner whatsoever, and may deliver to the Trustee (or to any other Person for delivery to the Trustee) for cancellation any Notes previously authenticated hereunder which the Company has not issued and sold, and all Notes so delivered shall be promptly cancelled by the Trustee. No Notes shall be authenticated in lieu of or in exchange for any Notes cancelled as provided in this Section, except as expressly permitted by this Indenture. All cancelled Notes held by the Trustee shall be disposed of as directed by a Company Order.

Section 310.Computation of Interest.

Interest on the Notes shall be computed on the basis of a 360-day year of twelve 30-day months.

Section 311.CUSIP Numbers.

The Company in issuing the Notes may use "CUSIP" numbers (if then generally in use).

ARTICLE FOUR

DISCHARGE OF INDENTURE

Section 401.Termination of Company's Obligations.

Except as otherwise provided in this Section 401, the Company may terminate its obligations under the Notes and this Indenture if:

(i) all Notes previously authenticated and delivered (other than mutilated, destroyed, lost or stolen Notes that have been replaced or Notes that are paid pursuant to Section 1001 of this Indenture or Notes for whose payment money or securities have theretofore been held in trust and thereafter repaid to the Company, as provided in Section 405 of this Indenture) have been delivered to the Trustee for cancellation and the Company has paid all sums payable by it hereunder; or

(ii) (A) all Outstanding Notes mature within one year or all of them are to be called for redemption within one year under arrangements satisfactory to the Trustee for giving the notice of redemption, (B) the Company irrevocably deposits in trust with the Trustee during such one-year period, under the terms of an irrevocable trust agreement in form and substance satisfactory to the Trustee, as trust funds solely for the benefit of the Holders for that purpose, money or U.S. Government Obligations sufficient (in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee), without consideration of any reinvestment of such interest, to pay principal, premium, if any, and interest on the Notes to maturity or redemption, as the case may be, and to pay all other sums payable by it hereunder, (C) no Event of Default shall have occurred and be continuing (i) on the date of such deposit or (ii) insofar as certain

events of bankruptcy, insolvency or reorganization are concerned, at any time during the period ending on the 91st day after the date of such deposit (it being understood that this condition shall not be deemed satisfied until the expiration of such period), (D) such deposit will not result in a breach or violation of, or constitute a default under, this Indenture or any other agreement or instrument to which the Company is a party or by which it is bound and (E) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, in each case stating that all conditions precedent provided for herein relating to the satisfaction and discharge of this Indenture have been complied with.

With respect to the foregoing clause (i), the Company's obligations under Section 607 shall survive. With respect to the foregoing clause (ii), the Company's obligations contained in Sections 303, 304, 305, 306, 607, 610 and 1002 of this Indenture shall survive until the Notes are no longer Outstanding. Thereafter, only the Company's obligations contained in Section 607 of this Indenture shall survive. After any such irrevocable deposit, the Trustee upon request shall acknowledge in writing the discharge of the Company's obligations under the Notes and this Indenture except for those surviving obligations specified above.

Section 402.Defeasance and Discharge of Indenture.

The Company will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes on the 123rd day after the date of the deposit referred to in clause (D) hereof, and the provisions of this Indenture will no longer be in effect with respect to the Notes, and the Trustee, at the expense of the Company, shall execute proper instruments acknowledging the same, except as to (i) rights of registration of transfer and exchange, (ii) substitution of apparently mutilated, defaced, destroyed, lost or stolen Notes, (iii) rights of Holders to receive payments of principal thereof and interest thereon, (iv) the Company's obligations under Section 1002, (v) the rights, obligations and immunities of the Trustee hereunder and (vi) the rights of the Holders as beneficiaries of this

Indenture with respect to the property so deposited with the Trustee payable to all or any of them; provided that the following conditions shall have been satisfied:

(A) with reference to this Section 402, the Company has irrevocably deposited or caused to be irrevocably deposited with the Trustee (or another trustee satisfying the requirements of Section 609 of this Indenture) and conveyed all right, title and interest to the Trustee for the benefit of the Holders, under the terms of an irrevocable trust agreement in form and substance satisfactory to the Trustee, as trust funds in trust, specifically pledged to the Trustee for the benefit of the Holders as security for payment of the principal of, premium, if any, and interest on the Notes, and dedicated solely to, the benefit of the Holders in and to (1) money in an amount, (2) U.S. Government Obligations that, through the payment of interest, principal and premium, if any, in respect thereof in accordance with their terms, will

provide, not later than one day before the due date of any payment referred to in this clause (A), money in an amount or (3) a combination thereof in an amount sufficient, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, to pay and discharge, without consideration of the reinvestment of such interest and after payment of all federal, state and local taxes or other charges and assessments in respect thereof payable by the Trustee, the principal of, premium, if any, and interest on the Outstanding Notes at the Stated Maturity of such principal or interest; provided that the Trustee shall have been irrevocably instructed to apply such money or the proceeds of such U.S. Government Obligations to the payment of such principal, premium, if any, and interest with respect to the Notes;

(B) such deposit will not, if the Notes are then listed on any securities exchange, cause the Notes to be de-listed or result in a breach or violation of, or constitute a default under, this Indenture or any other agreement or instrument to which the Company is a party or by which it is bound;

(C) no Event of Default shall have occurred and be continuing (i) on the date of such deposit or (ii) insofar as certain events of bankruptcy, insolvency or reorganization are concerned, at any time during the period ending on the 91st day after the date of such deposit (it being understood that this condition shall not be deemed satisfied until the expiration of such period);

(D) the Company shall have delivered to the Trustee (1) either (i) a ruling directed to the Trustee received from the Internal Revenue Service to the effect that the Holders will not recognize income, gains or loss for federal income tax purposes as a result of the Company's exercise of its option under this Section 402 and will be subject to federal income tax on the same amount and in the same manner and at the same times as would have been the case if such option had not been exercised or (ii)

an Opinion of Counsel to the same effect as the ruling described in clause (i) above accompanied by a ruling to that effect published by the Internal Revenue Service, unless there has been a change in the applicable federal income tax law since the date of this Indenture such that a ruling from the Internal Revenue Service is no longer required, and (2) an Opinion of Counsel, subject to such qualifications, exceptions, assumptions and limitations as are reasonably deemed necessary by such counsel and are reasonably satisfactory to counsel for the Trustee, to the effect that (i) the creation of the defeasance trust will not result in the trust arising from such deposit constituting an investment company as defined in the Investment Company Act of l940, as amended and (ii) after the passage of 123 days following the deposit (except, with respect to any trust funds for the benefit of any Person who may be deemed to be an "insider" for purposes of the United States Bankruptcy Code, after one year following the deposit), the trust funds will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15.6-A of the New York Debtor and Creditor Law in a case commenced by or against the Company

under either such statute, and either (I) the trust funds will no longer remain the property of the Company (and therefore will not be subject to the effect of any applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally) or (II) if a court were to rule under any such law in any case or proceeding that the trust funds remained property of the Company, (a) assuming such trust funds remained in the possession of the Trustee prior to such court ruling to the extent not paid to the Holders, the Trustee will hold, for the benefit of the Holders, a valid and perfected security interest in such trust funds that is not avoidable in bankruptcy or otherwise except for the effect of Section 552(b) of the United States Bankruptcy Code on interest on the trust funds accruing after the commencement of a case under such statute and (b) the Holders will be entitled to receive adequate protection of their interests in such trust funds if such trust funds are used in such case or proceeding; and

(E) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, in each case stating that all conditions precedent provided for herein relating to the defeasance contemplated by this Section 402 have been complied with.

Notwithstanding the foregoing clause (A), prior to the end of the 123-day (or one-year) period referred to in clause (D)(2)(ii) above, none of the Company's obligations under this Indenture shall be discharged. Subsequent to the end of such 123-day (or one-year) period with respect to this Section 402, the Company's obligations in Sections 303, 304, 305, 306, 607, 610, 1001 and 1002 of this Indenture shall survive until there are no Notes Outstanding. Thereafter, only the Company's obligations in Section 607 of this Indenture shall survive. If and when a ruling from the Internal Revenue Service or an Opinion of Counsel referred to in clause (D)(1) above is able to be provided specifically

without regard to, and not in reliance upon, the continuance of the Company's obligations under Section 1001 of this Indenture, then the Company's obligations under such Section 1001 of this Indenture shall cease upon delivery to the Trustee of such ruling or Opinion of Counsel and compliance with the other conditions precedent provided for herein relating to the defeasance contemplated by this Section 402.

After any such irrevocable deposit, the Trustee upon request shall acknowledge in writing the discharge of the Company's obligations under the Notes and this Indenture except for those surviving obligations in the immediately preceding paragraph.

Section 403.Defeasance of Certain Obligations.

The Company may omit to comply with any term, provision or condition set forth in clauses (2), (3) and (4) of Section 801 and Sections 1008 through 1012 of this Indenture, and clauses (3), (4), (5), (6), (7) and (8) of Section 501 of this Indenture shall be deemed not to be Events of Default, in each case with respect to the Outstanding Notes if:

(i) with reference to this Section 403, the Company has irrevocably deposited or caused to be irrevocably deposited with the Trustee (or another trustee satisfying the requirements of Section 609 of this Indenture) and conveyed all right, title and interest to the Trustee for the benefit of the Holders, under the terms of an irrevocable trust agreement in form and substance satisfactory to the Trustee, as trust funds in trust, specifically pledged to the Trustee for the benefit of the Holders as security for payment of the principal of, premium, if any, and interest on the Notes, and dedicated solely to, the benefit of the Holders in and to (A) money in an amount, (B) U.S. Government Obligations that, through the payment of interest, principal and premium, if any, in respect thereof in accordance with their terms, will provide, not later than one day before the due date of any payment referred to in this clause (i), money in an amount or (C) a combination thereof in an amount sufficient, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, to pay and discharge, without consideration of the reinvestment of such interest and after payment of all federal, state and local taxes or other charges and assessments in respect thereof payable by the Trustee, the principal of, premium, if any, and interest on the outstanding Notes on the Stated Maturity of such principal or interest; provided that the Trustee shall have been irrevocably instructed to apply such money or the proceeds of such U.S. Government Obligations to the payment of such principal, premium, if any, and interest with respect to the Notes;

(ii) such deposit will not, if the Notes are then listed on any securities exchange, cause the Notes to be de-listed or result in a breach or violation of, or

constitute a default under, this Indenture or any other agreement or instrument to which the Company is a party or by which it is bound;

(iii) no Default or Event of Default shall have occurred and be continuing (A) on the date of such deposit or (B) insofar as certain events of bankruptcy, insolvency or reorganization are concerned, at any time during the period ending on the 91st day after the date of such deposit (it being understood that this condition shall not be deemed satisfied until the expiration of such period);

(iv) the Company has delivered to the Trustee an Opinion of Counsel, subject to such qualifications, exceptions, assumptions and limitations as are reasonably deemed necessary by such counsel and are reasonably satisfactory to counsel for the Trustee, to the effect that (A) the creation of the defeasance trust will not result in the trust arising constituting an investment company as defined in the Investment Company Act of 1940, as amended, (B) the Holders have a valid first-priority security interest in the trust funds, (C) the Holders will not recognize income, gain or loss for federal income tax purposes as a result of such deposit and defeasance of certain obligations and will be subject to federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had

not occurred and (D) after the passage of 123 days following the deposit (except, with respect to any trust funds for the benefit of any Person who may be deemed to be an "insider" for purposes of the United States Bankruptcy Code, after one year following the deposit), the trust funds will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15.6-A of the New York Debtor and Creditor Law in a case commenced by or against the Company under either such statute, and either (1) the trust funds will no longer remain the property of the Company (and therefore will not be subject to the effect of any applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally) or (2) if a court were to rule under any such law in any case or proceeding that the trust funds remained property of the Company, (x) assuming such trust funds remained in the possession of the Trustee prior to such court ruling to the extent not paid to the Holders, the Trustee will hold, for the benefit of the Holders, a valid and perfected security interest in such trust funds that is not avoidable in bankruptcy or otherwise except for the effect of Section 552(b) of the United States Bankruptcy Code on interest on the trust funds accruing after the commencement of a case under such statute and (y) the Holders will be entitled to receive adequate protection of their interests in such trust funds if such trust funds are used in such case or proceeding; and

(v) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, in each case stating that all conditions precedent provided for

herein relating to the defeasance contemplated by this Section 403 have been complied with.

Section 404.Application of Trust Money.

Subject to the last paragraph of Section 1003 of this Indenture, the Trustee or Paying Agent shall hold in trust money or U.S. Government Obligations deposited with it pursuant to Section 401, 402 or 403 of this Indenture, as the case may be, and shall apply the deposited money and the money from U.S. Government Obligations in accordance with the Notes and this Indenture to the payment of principal of and interest on the Notes; but such money need not be segregated from other funds except to the extent required by law.

Section 405.Reinstatement.

If the Trustee or Paying Agent is unable to apply any money or U.S. Government Obligations in accordance with Section 401, 402 or 403 of this Indenture, as the case may be, by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Company's obligations under this Indenture and the Notes shall be revived and reinstated as though no deposit had occurred pursuant to Section 401, 402 or 403 of this Indenture, as the case may be, until such time as the Trustee or Paying Agent is permitted to apply all such money or U.S. Government Obligations in

accordance with Section 401, 402 or 403 of this Indenture, as the case may be; provided that, if the Company has made any payment of principal of or interest on any Notes because of the reinstatement of its obligations, then the Company shall be subrogated to the rights of the Holders of such Notes to receive such payment from the money or U.S. Government Obligations held by the Trustee or Paying Agent.

ARTICLE FIVE

REMEDIES

Section 501.Events of Default.

"Event of Default", wherever used herein with respect to Notes, means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(1) default in the payment of any interest upon any Note when it becomes due and payable, and continuance of such default for a period of 30 days; or

(2) default in the payment of the principal of (or premium, if any, on) any Note at its Maturity; or

(3) default in the performance, or breach, of Section 801; or

(4) default in the performance, or breach, of any covenant or warranty of the Company in this Indenture (other than a covenant or warranty a default in whose performance or whose breach is elsewhere in this Section specifically dealt with), and continuance of such default or breach for a period of 60 days after there has been given, by registered or certified mail, to the Company by the Trustee or to the Company and the Trustee by the Holders of at least 25% in principal amount of the Outstanding Notes a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder; or

(5) default in the payment of any Debt (including this Indenture) of the Company or any of its Subsidiaries in an aggregate principal amount in excess of $5 million, whether such Debt now exists or shall hereafter be created, which default shall constitute a failure to pay any portion of the principal of such Debt when due and payable after the expiration of any applicable grace period with respect thereto or shall have resulted in such Debt becoming or being declared due and payable prior to the date on which it would otherwise have become due and payable, without such indebtedness having been discharged, or such acceleration having been rescinded or annulled, within a period of 30 days after there shall have been given, by registered or certified mail, to the Company by the Trustee or to the Company and the Trustee by the Holders of at least 25% in aggregate principal amount of the Outstanding

Notes a written notice specifying such default and requiring the Company to cause such Debt to be discharged or cause such acceleration to be rescinded or annulled and stating that such notice is a "Notice of Default" hereunder; or

(6) the entering of a final judgment or final judgments for the payment of money against the Company or any Subsidiary of the Company in an aggregate amount in excess of $5 million by a court or courts of competent jurisdiction, which judgments remain undischarged or unbonded for a period (during which execution shall not be effectively stayed) of 60 consecutive days after the right to appeal all such judgments has expired; or

(7) the entry by a court having jurisdiction in the premises of (A) a decree or order for relief in respect of the Company in an involuntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other

similar law or (B) a decree or order adjudging the Company a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Company under any applicable Federal or state law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order for relief or any such other decree or order unstayed and in effect for a period of 60 consecutive days; or

(8) the commencement by the Company of a voluntary case or proceeding under any applicable Federal or state bankruptcy, insolvency, reorganization or other similar law or of any other case or proceeding to be adjudicated a bankrupt or insolvent, or the consent by it to the entry of a decree or order for relief in respect of the Company in an involuntary case or proceeding under any applicable Federal or state bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under any applicable Federal or state law, or the consent by it to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due, or the taking of corporate action by the Company in furtherance of any such action; or

Section 502.Acceleration of Maturity; Rescission and Annulment.

If an Event of Default (other than an Event of Default described in clause (7) or clause (8) of Section 501) occurs and is continuing, then in every such case the Trustee or the Holders of not less than 25% in principal amount of the Outstanding Notes may declare the principal amount of all of the Notes to be due and payable immediately, by a notice in writing to the Company

(and to the Trustee if given by Holders), and upon any such declaration such principal amount (or specified amount) shall become immediately due and payable. If an Event of Default of the type set forth in clause (7) or clause (8) of Section 501 occurs and is continuing, the principal of and any interest on the Notes then Outstanding shall become immediately due and payable.

At any time after a declaration of acceleration with respect to Notes has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter in this Article provided, the Holders of a majority in principal amount of the Outstanding Notes, by written notice to the Company and the Trustee, may

rescind and annul such declaration and its consequences, other than an Event of Default in respect of the nonpayment of accelerated principal, if:

(1) the Company has paid or deposited with the Trustee a sum sufficient to pay

(A) all overdue interest on all Notes,

(B) the principal of (and premium, if any, on) any Notes which have become due otherwise than by such declaration of acceleration and any interest thereon at the rate or rates prescribed therefor in such Notes,

(C) to the extent that payment of such interest is lawful, interest upon overdue interest at the rate or rates prescribed therefor in such Notes, and

(D) all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel;

and

(2) all Events of Default with respect to Notes, other than the non-payment of the principal of Notes which have become due solely by such declaration of acceleration, have been cured or waived as provided in Section 513.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

Section 503.Collection of Indebtedness and Suits for Enforcement by Trustee.

The Company covenants that if:

(1) default is made in the payment of any interest on any Note when such interest becomes due and payable and such default continues for a period of 30 days; or

(2) default is made in the payment of the principal of (or premium, if any, on) any Note at the Maturity thereof;

the Company will, upon demand of the Trustee, pay to it, for the benefit of the Holders of such Notes, the whole amount then due and payable on such Notes for principal and any premium and interest and, to the extent that payment of such interest shall be legally enforceable, interest on any overdue principal and premium and on any overdue interest, at the rate or rates prescribed therefor in such Notes, and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

If an Event of Default with respect to Notes occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders of Notes by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

Section 504.Trustee May File Proofs of Claim.

In case of any judicial proceeding relative to the Company (or any other obligor upon the Notes), its property or its creditors, the Trustee shall be entitled and empowered, by intervention in such proceeding or otherwise, to take any and all actions authorized under the Trust Indenture Act in order to have claims of the Holders and the Trustee allowed in any such proceeding. In particular, the Trustee shall be authorized to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same; and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 607.

No provision of this Indenture shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder thereof or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

Section 505.Trustee May Enforce Claims Without Possession of Notes.

All rights of action and claims under this Indenture or the

Notes may be prosecuted and enforced by the Trustee without the possession of any of the Notes or the production thereof in any proceeding relating thereto, and any such proceeding instituted by

the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Notes in respect of which such judgment has been recovered.

Section 506.Application of Money Collected.

Any money collected by the Trustee pursuant to this Article shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal or any premium or interest, upon presentation of the Notes and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

FIRST: To the payment of all amounts due the Trustee under Section 607; and

SECOND: To the payment of the amounts then due and unpaid for principal of and any premium and interest on the Notes in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on such Notes for principal and any premium and interest, respectively.

Section 507.Limitation on Suits.

No Holder of any Note shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless

(1) such Holder has previously given written notice to the Trustee of a continuing Event of Default with respect to the Notes;

(2) the Holders of not less than 25% in principal amount of the Outstanding Notes shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(3) such Holder or Holders have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(4) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and

(5) no direction inconsistent with such written request has been

given to the Trustee during such 60-day period by the Holders of a majority in principal amount of the Outstanding Notes;

it being understood and intended that no one or more of such Holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other of such Holders, or to obtain or to seek to obtain priority or preference over any other of such Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all of such Holders.

Section 508.Unconditional Right of Holders to Receive Principal, Premium and Interest.

Notwithstanding any other provision in this Indenture, the Holder of any Note shall have the right, which is absolute and unconditional, to receive payment of the principal of and any premium and (subject to Section 307) any interest on such Note on the Stated Maturity or Maturities expressed in such Note (or, in the case of redemption, on the Redemption Date) and to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such Holder.

Section 509.Restoration of Rights and Remedies.

If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every such case, subject to any determination in such proceeding, the Company, the Trustee and the Holders shall be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Trustee and the Holders shall continue as though no such proceeding had been instituted.

Section 510.Rights and Remedies Cumulative.

Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or stolen Notes in the last paragraph of Section 306, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 511.Delay or Omission Not Waiver.

No delay or omission of the Trustee or of any Holder of any Notes to exercise any right or remedy accruing upon any Event of Default shall

impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders, as the case may be.

Section 512.Control by Holders.

The Holders of a majority in principal amount of the Outstanding Notes shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee, with respect to the Notes, provided that

(1) such direction shall not be in conflict with any rule of law or with this Indenture, and

(2) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

Section 513.Waiver of Past Defaults.

The Holders of not less than a majority in aggregate principal amount of the Outstanding Notes may on behalf of the Holders of all the Notes waive any past default hereunder and its consequences, except a default

(1) in the payment of the principal of, or any premium, if any, or interest on, any Note, or

(2) in respect of a covenant or provision hereof which under Article Nine cannot be modified or amended without the consent of the Holder of each Outstanding Note affected.

Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

Section 514.Undertaking for Costs.

In any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken, suffered or omitted by it as Trustee, a court may require any party litigant in such suit to file an undertaking to pay the costs of such suit, and may assess costs against any such party litigant, in the manner and to the extent provided in the Trust Indenture Act; provided that neither this Section nor the Trust Indenture Act shall be deemed to authorize any court to require such an undertaking or to make such an assessment in any suit instituted by the Company.

Section 515.Waiver of Stay or Extension Laws.

The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

ARTICLE SIX

THE TRUSTEE

Section 601.Certain Duties and Responsibilities.

The duties and responsibilities of the Trustee shall be as provided by the Trust Indenture Act. Notwithstanding the foregoing, no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it. Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

Section 602.Notice of Defaults.

If a default occurs hereunder with respect to Notes, the Trustee shall give the Holders of Notes notice of such default as and to the extent provided by the Trust Indenture Act; provided, however, that in the case of any default of the character specified in

Section 501(4), no such notice to Holders shall be given until at least 30 days after the occurrence thereof. For the purpose of this Section, the term "default" means any event which is, or after notice or lapse of time or both would become, an Event of Default.

Section 603.Certain Rights of Trustee.

Subject to the provisions of Section 601:

(a) the Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order and any resolution of the Board of Directors may be sufficiently evidenced by a Board Resolution;

(c) whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officers' Certificate;

(d) the Trustee may consult with counsel and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(e) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders pursuant to this Indenture, unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be

entitled to examine the books, records and premises of the Company, personally or by agent or attorney; and

(g) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

Section 604.Not Responsible for Recitals or Issuance of Notes.

The recitals contained herein and in the Notes, except the Trustee's certificates of authentication, shall be taken as the statements of the Company, and the Trustee or any Authenticating Agent assumes no responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Notes. The Trustee or any Authenticating Agent shall not be accountable for the use or application by the Company of Notes or the proceeds thereof.

Section 605.May Hold Notes.

The Trustee, any Authenticating Agent, any Paying Agent, any Note Registrar or any other agent of the Company, in its individual or any other capacity, may become the owner or pledgee of Notes and, subject to Sections 608 and 613, may otherwise deal with the Company with the same rights it would have if it were not Trustee, Authenticating Agent, Paying Agent, Note Registrar or such other agent.

Section 606.Money Held in Trust.

Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed with the Company.

Section 607.Compensation and Reimbursement.

The Company agrees

(1) to pay to the Trustee from time to time such compensation as may be agreed to in writing from time to time by the Company and the Trustee for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(2) except as otherwise expressly provided herein, to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith; and

(3) to indemnify the Trustee for, and to hold it harmless against, any loss, liability or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of the trust or trusts hereunder, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

Section 608.Disqualification; Conflicting Interests.

If the Trustee has or shall acquire a conflicting interest within the meaning of the Trust Indenture Act, the Trustee shall either eliminate such interest or resign, to the extent and in the manner provided by, and subject to the provisions of, the Trust Indenture Act and this Indenture.

Section 609.Corporate Trustee Required; Eligibility.

There shall at all times be a Trustee hereunder which shall be a Person that is eligible pursuant to the Trust Indenture Act to act as such and has a combined capital and surplus of at least $50,000,000 and its Corporate Trust Office in The City of New York. If such Person publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such Person shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

Section 610.Resignation and Removal; Appointment of Successor.

(a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee in accordance with the applicable requirements of Section 611.

(b) The Trustee may resign at any time with respect to the Notes by giving written notice thereof to the Company. If the instrument of acceptance by a successor

Trustee required by Section 611 shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Notes.

(c) The Trustee may be removed at any time with respect to the Notes by Act of the Holders of a majority in principal amount of the Outstanding Notes, delivered to the Trustee and to the Company.

(d) If at any time:

(1) the Trustee shall fail to comply with Section 608 after written request therefor by the Company or by any Holder who has been a bona fide Holder of a Note for at least six months, or

(2) the Trustee shall cease to be eligible under Section 609 and shall fail to resign after written request therefor by the Company or by any such Holder, or

(3) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, (i) the Company by a Board Resolution may remove the Trustee with respect to all Notes, or (ii) subject to Section 514, any Holder who has been a bona fide Holder of a Note for at least six months may, on

behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee with respect to all Notes and the appointment of a successor Trustee or Trustees.

(e) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause, the Company, by a Board Resolution, shall promptly appoint a successor Trustee and shall comply with the applicable requirements of Section 611. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee shall be appointed by Act of the Holders of a majority in principal amount of the Outstanding Notes delivered to the Company and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment in accordance with the applicable requirements of Section 611, become the successor Trustee and to that extent supersede the successor Trustee appointed by the Company. If no successor Trustee shall have been so appointed by the Company or the Holders and accepted appointment in the manner required by Section 611, any Holder who has been a bona fide Holder of a Note for at least six months may, on

behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee.

(f) The Company shall give notice of each resignation and each removal of the Trustee and each appointment of a successor Trustee to all Holders of Notes in the manner provided in Section 106. Each notice shall include the name of the successor Trustee and the address of its Corporate Trust Office.

Section 611.Acceptance of Appointment by Successor.

(a) In case of the appointment hereunder of a successor Trustee, every such successor Trustee so appointed shall execute, acknowledge and deliver to the Company and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee; but, on the request of the Company or the successor Trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder.

(b) Upon request of any such successor Trustee, the Company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts referred to in paragraph (a) of this Section.

(c) No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and

eligible under this Article.

Section 612.Merger, Conversion, Consolidation or Succession to Business.

Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Notes shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Notes so authenticated with the same effect as if such successor Trustee had itself authenticated such Notes.

Section 613.Preferential Collection of Claims Against Company.

If and when the Trustee shall be or become a creditor of the Company (or any other obligor upon the Notes), the Trustee shall be subject to the provisions of the Trust Indenture Act regarding the collection of claims against the Company (or any such other obligor).

Section 614.Appointment of Authenticating Agent.

The Trustee may appoint an Authenticating Agent or Agents with respect to the Notes which shall be authorized to act on behalf of the Trustee to authenticate Notes issued upon original issue and upon exchange, registration of transfer or partial redemption thereof or pursuant to Section 306, and Notes so authenticated shall be entitled to the benefits of this Indenture and shall be valid and obligatory for all purposes as if authenticated by the Trustee hereunder. Wherever reference is made in this Indenture to the authentication and delivery of Notes by the Trustee or the Trustee's certificate of authentication, such reference shall be deemed to include authentication and delivery on behalf of the Trustee by an Authenticating Agent and a certificate of authentication executed on behalf of the Trustee by an Authenticating Agent. Each Authenticating Agent shall be acceptable to the Company and shall at all times be a corporation organized and doing business under the laws of the United States of America, any State thereof or the District of Columbia, authorized under such laws to act as Authenticating Agent, having a combined capital and surplus of not less than $50,000,000 and subject to supervision or examination by Federal or state authority. If such Authenticating Agent publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such Authenticating Agent shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time an Authenticating Agent shall cease to

be eligible in accordance with the provisions of this Section, such Authenticating Agent shall resign immediately in the manner and with the effect specified in this Section.

Any corporation into which an Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which such Authenticating Agent shall be a party, or any corporation succeeding to the corporate agency or corporate trust business of an Authenticating Agent, shall continue to be an Authenticating Agent, provided such corporation shall be otherwise eligible under this Section, without the execution or filing of any paper or any further act on the part of the Trustee or the Authenticating Agent.

An Authenticating Agent may resign at any time by giving written notice thereof to the Trustee and to the Company. The Trustee may at any time terminate the agency of an Authenticating Agent by giving written notice thereof to such Authenticating

Agent and to the Company. Upon receiving such a notice of resignation or upon such a termination, or in case at any time such Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, the Trustee may appoint a successor Authenticating Agent which shall be acceptable to the Company and shall mail written notice of such appointment by first-class mail, postage prepaid, to all Holders of Notes with respect to which such Authenticating Agent will serve, as their names and addresses appear in the Note Register. Any successor Authenticating Agent upon acceptance of its appointment hereunder shall become vested with all the rights, powers and duties of its predecessor hereunder, with like effect as if originally named as an Authenticating Agent. No successor Authenticating Agent shall be appointed unless eligible under the provisions of this Section.

The Company agrees to pay to each Authenticating Agent from time to time reasonable compensation for its services under this Section.

If an appointment of an Authenticating Agent is made pursuant to this Section, the Notes may have endorsed thereon an alternative certificate of authentication in the following form:

"This is one of the Notes referred to in the within-mentioned Indenture.

THE CHASE MANHATTAN BANK
(NATIONAL ASSOCIATION),
As Trustee

By
As Authenticating Agent

By

Authorized Officer"

ARTICLE SEVEN

HOLDERS' LISTS AND REPORTS BY TRUSTEE AND COMPANY

Section 701.Company to Furnish to Trustee Names and Addresses of Holders.

The Company will furnish or cause to be furnished to the Trustee:

(a) semiannually, not later than January 5 and July 5 in each year, a list, in such form as the Trustee may reasonably require, of the names and addresses of the Holders as of the preceding January 1 or July 1, as the case may be; and

(b) at such other times as the Trustee may request in writing, within 30 days after the receipt by the Company of any such request, a list of similar form and content as of a date not more than 15 days prior to the time such list is furnished;

excluding from any such list names and addresses received by the Trustee in its capacity as Note Registrar.

Section 702.Preservation of Information; Communications to Holders.

(a) The Trustee shall preserve, in as current a form as is reasonably practicable, the names and addresses of Holders contained in the most recent list furnished to the Trustee as provided in Section 701 and the names and addresses of Holders received by the Trustee in its capacity as Note Registrar. The Trustee may destroy any list furnished to it as provided in Section 701 upon receipt of a new list so furnished.

(b) The rights of the Holders to communicate with other Holders with respect to their rights under this Indenture or under the Notes, and the corresponding rights and privileges of the Trustee, shall be as provided by the Trust Indenture Act.

(c) Every Holder of Notes, by receiving and holding the same, agrees with the Company and the Trustee that neither the Company nor the Trustee nor any agent of either of them shall be held accountable by reason of any disclosure of information as to names and addresses of Holders made pursuant to the Trust Indenture Act.

Section 703.Reports by Trustee.

(a) The term "reporting date" as used in this Section means May

15. Within 60 days after the reporting date in each year, beginning in 199_, the Trustee shall transmit to

Holders such reports concerning the Trustee and its actions under this Indenture as may be required pursuant to the Trust Indenture Act at the times and in the manner provided pursuant thereto.

(b) A copy of each such report shall, at the time of such transmission to Holders, be filed by the Trustee with each stock exchange upon which any Notes are listed, with the Commission and with the Company. The Company will promptly notify the Trustee when any Notes are listed on any stock exchange.

Section 704.Reports by Company.

The Company shall file with the Trustee and the Commission, and transmit to Holders, such information, documents and other reports, and such summaries thereof, as may be required pursuant to the Trust Indenture Act at the times and in the manner provided pursuant to such Act; provided that any such information, documents or reports required to be filed with the Commission pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 shall be filed with the Trustee within 15 days after the same is so required to be filed with the Commission.

ARTICLE EIGHT

CONSOLIDATION, MERGER, CONVEYANCE, TRANSFER OR LEASE

Section 801.Company May Consolidate, Etc., Only on Certain Terms.

The Company may not and may not permit any Subsidiary of the Company created after the date hereof to: (i) consolidate with or merge into any other Person (other than the Company or a Wholly owned Subsidiary of the Company) or permit any other Person to consolidate with or merge into the Company or any Subsidiary of the Company; (ii) directly or indirectly, transfer, convey, sell, lease or otherwise dispose of all or substantially all of its properties and assets as an entirety; (iii) directly or indirectly, acquire Capital Stock or other ownership interests of any other Person such that such Person becomes a Subsidiary of the Company; or (iv) directly or indirectly, purchase, lease or otherwise acquire (x) all or substantially all of the properties and assets or (y) any existing business (whether as a separate entity, subsidiary, division, unit or otherwise) of any Person as an entity unless: (1) immediately before and after giving effect to such transaction and treating any Debt Incurred by the Company or a Subsidiary of the Company as a result of such transaction as having been Incurred by the Company or such Subsidiary at the time of the transaction, no Event of Default or event that with the passing of time or the giving of notice, or both, shall constitute an Event of Default shall have occurred and be continuing; (2) in a transaction in which the Company does not survive or in which the Company

transfers, conveys, sells, leases or otherwise disposes of all or substantially all of its properties and assets as an entirety, the successor entity to the Company is a corporation, partnership or trust and organized and validly existing under the laws of the United States of America, any State thereof or the District of Columbia which expressly assumes, by a supplemental indenture executed and delivered to the Trustee in form satisfactory to the Trustee, all of the Company's obligations under the Indenture; (3) immediately after giving effect to any such transaction of the type described in clauses (i) and (ii) above, the Consolidated Net Worth of the Company or the successor entity to the Company is equal to or greater than that of the Company immediately prior to the transaction; (4) if, as a result of any such transaction, property or assets of the Company or any Subsidiary of the Company would become subject to a lien prohibited by Section 1009, the Company or the successor entity to the Company will have secured the Notes as required by such Section; and (5) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel as specified herein.

Section 802.Successor Substituted.

Upon any consolidation of the Company with, or merger of the Company into, any other Person or any conveyance, transfer or lease of the properties and assets of the Company substantially as an entirety in accordance with Section 801, the successor Person formed by such consolidation or into which the Company is merged or to which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor Person had been named as the Company herein, and thereafter, except in the case of a lease, the predecessor Person shall be relieved of all obligations and covenants under this Indenture and the Notes.

ARTICLE NINE

SUPPLEMENTAL INDENTURES

Section 901.Supplemental Indentures Without Consent of Holders.

Without the consent of any Holders, the Company, when authorized by a Board Resolution, and the Trustee, at any time and from time to time, may enter into one or more indentures supplemental hereto, in form satisfactory to the Trustee, for any of the following purposes:

(1) to evidence the succession of another Person to the Company and the assumption by any such successor of the covenants of the Company herein and in the Notes; or

(2) to add to the covenants of the Company for the benefit of the Holders of Notes or to surrender any right or power herein conferred upon the Company; or

(3) to add any additional Events of Default; or

(4) to add to or change any of the provisions of this Indenture to such extent as shall be necessary to permit or facilitate the issuance of Notes in bearer form, registrable or not registrable as to principal, and with or without interest coupons, or to permit or facilitate the issuance of Notes in uncertificated form; or

(5) to add to, change or eliminate any of the provisions of this Indenture, provided that any such addition, change or elimination (i) shall not modify the rights of the Holder of any such Note with respect to such provision or (ii) shall become effective only when there is no such Note Outstanding; or

(6) to secure the Notes; or

(7) to evidence and provide for the acceptance of appointment hereunder by a successor Trustee; or

(8) to cure any ambiguity, to correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under this Indenture, provided that such action pursuant to this clause (8) shall not adversely affect the interests of the Holders of Notes in any material respect.

Section 902.Supplemental Indentures with Consent of Holders.

With the consent of the Holders of not less than a majority in aggregate principal amount of the Outstanding Notes affected by such supplemental indenture, by Act of said Holders delivered to the Company and the Trustee, the Company, when authorized by a Board Resolution, and the Trustee may enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or modifying in any manner the rights of the Holders of Notes under this Indenture; provided, however, that no such supplemental indenture shall, without the consent of the Holder of each Outstanding Note affected thereby,

(1) change the Stated Maturity of the principal of, or any instalment of principal of or interest on, any Note, or reduce the principal amount thereof or the rate of interest thereon or any premium payable upon the redemption thereof, or

(2) change any Place of Payment where, or the coin or currency in which, any Note or any premium or interest thereon is payable, or

(3) impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the Redemption Date), or

(4) reduce the percentage of aggregate principal amount of the Outstanding Notes, the consent of whose Holders is required for any such supplemental indenture, or the consent of whose Holders is required for any waiver (of compliance with certain provisions of this Indenture or certain defaults hereunder and their consequences) provided for in this Indenture, or

(5) modify any of the provisions of this Section or Section 513, except to increase any such percentage or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Outstanding Note affected thereby, provided, however, that this clause shall not be deemed to require the consent of any Holder with respect to changes in the references to "the Trustee" and concomitant changes in this Section, or the deletion of this proviso, in accordance with the requirements of Section 901(7).

It shall not be necessary for any Act of Holders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

Section 903.Execution of Supplemental Indentures.

In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article or the modifications thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and (subject to Section 601) shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

Section 904.Effect of Supplemental Indentures.

Upon the execution of any supplemental indenture under this Article, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Notes theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

Section 905.Conformity with Trust Indenture Act.

Every supplemental indenture executed pursuant to this Article shall conform to the requirements of the Trust Indenture Act.

Section 906.Reference in Notes to Supplemental Indentures.

Notes authenticated and delivered after the execution of any supplemental indenture pursuant to this Article may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Notes so modified as to conform, in the opinion of the Trustee

and the Company, to any such supplemental indenture may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for Outstanding Notes.

ARTICLE TEN

COVENANTS

Section 1001.Payment of Principal, Premium and Interest.

The Company covenants and agrees that it will duly and punctually pay the principal of and any premium and interest on the Notes in accordance with the terms of the Notes and this Indenture.

Section 1002.Maintenance of Office or Agency.

The Company will maintain in each Place of Payment for Notes an office or agency where Notes may be presented or surrendered for payment, where Notes may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Company in respect of the Notes and this Indenture may be served. The Company will give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee, and the Company hereby appoints the Trustee as its agent to receive all such presentations, surrenders, notices and demands.

The Company may also from time to time designate one or more other offices or agencies where the Notes may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; provided, however, that no such

designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in each Place of Payment for Notes for such purposes. The Company will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

Section 1003.Money for Notes Payments to Be Held in Trust.

If the Company shall at any time act as its own Paying Agent with respect to the Notes, it will, on or before each due date of the principal of or any premium or interest on any of the Notes, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay the principal and any premium and interest so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided and will promptly notify the Trustee of its action or failure so to act.

Whenever the Company shall have one or more Paying Agents with respect to the Notes, it will, prior to each due date of the principal of or any premium or interest on any Notes, deposit with a Paying Agent a sum sufficient to pay such amount, such sum to be held as provided by the Trust Indenture Act, and (unless such Paying Agent is the Trustee) the Company will promptly notify the Trustee of its action or failure so to act.

The Company will cause each Paying Agent for the Notes other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent will (i) comply with the provisions of the Trust Indenture Act applicable to it as a Paying Agent and (ii) during the continuance of any default by the Company (or any other obligor upon the Notes) in the making of any payment in respect of the Notes, and upon the written request of the Trustee, forthwith pay to the Trustee all sums held in trust by such Paying Agent for payment in respect of the Notes.

The Company may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or by Company Order direct any Paying Agent to pay, to the Trustee all sums held in trust by the Company or such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by the Company or such Paying Agent; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of or any premium or interest on any Note and remaining unclaimed for two years after such principal, premium or interest has become due and payable shall be paid to the Company on Company Request, or (if then held by the Company) shall be discharged from such trust; and the Holder of such Note shall

thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease; provided, however, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be published once, in a newspaper published in the English language, customarily published on each Business Day and of general circulation in The Borough of Manhattan, City of New York, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication, any unclaimed balance of such money then remaining will be repaid to the Company.

Section 1004.Statement by Officers as to Default.

The Company will deliver to the Trustee, within 120 days after the end of each fiscal year of the Company ending after the date hereof, a

certificate of the chief executive officer, chief financial officer or chief accounting officer, stating whether or not to the best knowledge of the signer thereof the Company is in default in the performance and observance of any of the terms, provisions and conditions of this Indenture (without regard to any period of grace or requirement of notice provided hereunder) and, if the Company shall be in default, specifying all such defaults and the nature and status thereof of which the signer may have knowledge.

Section 1005.Existence.

Subject to Article Eight, the Company will do or cause to be done all things necessary to preserve and keep in full force and effect its existence, rights (charter and statutory) and franchises; provided, however, that the Company shall not be required to preserve any such right or franchise if the Company shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company and that the loss thereof is not disadvantageous in any material respect to the Holders.

Section 1006.Maintenance of Properties.

The Company will cause all properties used or useful in the conduct of its business or the business of any Subsidiary to be maintained and kept in good condition, repair and working order and supplied with all necessary equipment and will cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of the Company may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times; provided, however, that nothing in this Section shall prevent the Company from discontinuing the operation or maintenance of any of such properties if such discontinuance is, in the judgment

of the Company, desirable in the conduct of its business or the business of any Subsidiary and not disadvantageous in any material respect to the Holders.

Section 1007.Payment of Taxes and Other Claims.

The Company will pay or discharge or cause to be paid or discharged, before the same shall become delinquent, (1) all taxes, assessments and governmental charges levied or imposed upon the Company or any Subsidiary or upon the income, profits or property of the Company or any Subsidiary, and (2) all lawful claims for labor, materials and supplies which, if unpaid, might by law become a lien upon the property of the Company or any Subsidiary; provided, however, that the Company shall not be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim whose amount, applicability or validity is being contested in good faith by appropriate proceedings.

Section 1008.Limitations Concerning Distributions by and Transfers to Subsidiaries.

(a) The Company will not, and will not permit any Subsidiary of the Company to, suffer to exist any encumbrance or restriction (other than pursuant to law or regulation) on the ability of any Subsidiary of the Company (i) to pay, directly or indirectly, dividends or make any other distributions in respect of its Capital Stock or pay any Debt or other obligation owed to the Company or any other Subsidiary of the Company; (ii) to make loans or advances to the Company or any Subsidiary of the Company; or (iii) to transfer any of its property or assets to the Company or any other Subsidiary, except any encumbrance or restrictions (A) pursuant to any agreement in effect on the date of this Indenture (including the Texas Gas guaranty pursuant to the Transco Bank Credit Facility), or (B) pursuant to an agreement relating to any Debt outstanding on the date such subsidiary becomes a Subsidiary of the Company and not Incurred in anticipation of becoming a Subsidiary, or (C) pursuant to an agreement effecting a renewal, extension, refinancing or refunding (or successive renewals, extensions, refinancings or refundings) of Debt Incurred pursuant to an agreement referred to in clause (A) or clause (B) above; provided, however, that the provisions contained in any such agreements be no less favorable to the holders of the Notes than those under such agreements existing on the date of the Indenture, as determined in good faith by the Board of Directors and evidenced by a Board Resolution filed with the Trustee.

(b) The Company may not make any loan, advance, capital contribution to or investment in, or transfer any of its property or assets to, any Wholly owned Subsidiary except (i) in the ordinary course of business and consistent with the past practices of the Company and its Subsidiaries or (ii) for fair value if the Company delivers an Officers' Certificate to the Trustee stating that such transfer will not be adverse to the Holders of the Notes, and in case of this clause (ii) as determined by the Board of Directors and evidenced by a Resolution filed with the Trustee.

Section 1009.Limitation on Liens.

(a) The Company may not, and may not permit any Subsidiary of the Company to, Incur any Lien on property or assets of the Company or such Subsidiary to secure Debt without making, or causing such Subsidiary to make, effective provision for securing the Notes (and, if the Company may so determine, any other Debt of the Company or of such Subsidiary which is not subordinate to the Notes) equally and ratably with such Debt as to such property for so long as such Debt will be so secured or in the event such Debt is Debt of the Company which is subordinate in right of payment to the Notes, prior to such Debt as to such property for so long as such Debt will be so secured.

(b) The restrictions set forth in subsection (a) of this Section will not apply to Liens existing on the date of the Indenture or to: (i) any Liens (A) which secure all or part of the purchase, acquisition or construction price or cost of any property or improvements to property (or secure a loan made to enable the Company or any Subsidiary to acquire or construct the property described in creating such Lien) or (B) upon any

property acquired or constructed by the Company or a Subsidiary and created not later than 180 days after the later of (1) such acquisition or completion of such construction and (2) commencment of full operation of such property, or (C) existing on any property at the time of the acquisition thereof whether or not assumed by the Company or any Subsidiary; provided that in all such cases such Lien will extend to the property so acquired or constructed, fixed improvements thereon, replacements, products and proceeds thereof, the income and profits therefrom and, in the case of construction, the real property on which such property is located; (ii) Liens securing only the Notes; (iii) Liens in favor of the Company or a Wholly owned Subsidiary of the Company; (iv) Liens on property of a Person existing at the time such Person is merged into or consolidated with the Company or any Subsidiary of the Company and not created in anticipation of becoming a Subsidiary; (v) Liens on property existing at the time of acquisition thereof; (vi) Liens on property of the Company or any of its Subsidiaries in favor of the United States of America or any state thereof, or any instrumentality of either, to secure certain payments pursuant to any contract or statute; (vii) Liens for taxes or assessments or other governmental charges or levies; (viii) Liens to secure obligations under workmen's compensation laws or similar legislation, including Liens with respect to judgments which are not currently dischargeable; (ix) Liens Incurred to secure the performance of statutory obligations, surety or appeal bonds, performance or return-of-money bonds or other obligations of a like nature Incurred in the ordinary course of business; (x) Liens to secure industrial revenue or development or pollution control bonds; (xi) any Liens securing Debt owing by a Subsidiary of the Company to one or more Wholly owned Subsidiaries of the Company (but only if such Debt is held by such Wholly owned Subsidiaries); (xii) Liens on inventory and receivables Incurred in the ordinary course of business to secure Debt Incurred for working capital purposes, including the sale of receivables on a limited or non-recourse basis; and (xiii) Liens to secure any extension, renewal, refinancing or refunding (or successive extensions, renewals,

refinancings or refundings), in whole or in part of any Debt secured by Liens referred to in the foregoing clauses (i) to (xii) so long as such Lien does not extend to any other property and the Debt so secured is not increased.

(c) In addition to the foregoing, the Company and its Subsidiaries may Incur a Lien to secure Debt or enter into a Sale and Leaseback Transaction, without equally and ratably securing the Notes, if the sum of (i) the amount of Debt secured by a Lien entered into after the date of the Indenture and otherwise prohibited by the Indenture and (ii) the Attributable Value of all Sale and Leaseback Transactions or Capitalized Lease Obligations in respect thereof entered into after the date of the Indenture and otherwise prohibited by the Indenture does not exceed 10% of Consolidated Net Tangible Assets.

Section 1010.Limitation on Sale and Leaseback Transactions.

The Company will not, and will not permit any Subsidiary of the Company to, enter into any Sale and Leaseback Transaction (except for a period

not exceeding 12 months) unless: (a) the Company or such Subsidiary would be entitled to Incur a Lien to secure Debt or enter into a Sale and Leaseback Transaction by reason of the provisions described in subsection (c) of Section 1009 without equally and ratably securing the Notes; or (b) the Company or such Subsidiary applies or commits to apply within 60 days an amount equal to the Net Available Proceeds of the sale pursuant to the Sale and Leaseback Transaction to (1) the repayment of Company Debt which is pari passu with the Notes or, if no such Debt is outstanding or repayable, in lieu thereof, other Company or Subsidiary Debt or (2) the investment by the Company in Pipeline Assets.

Section 1011.Limitation on Transactions with Affiliates and Related Persons.

The Company will not, and will not permit any Subsidiary of the Company to, directly or indirectly, enter into any transaction after the date of the Indenture with any Affiliate or Related Person (other than the Company or a Wholly owned Subsidiary of the Company) except for transactions in the ordinary course of business of the Company which involve a dollar amount which is less than 5% of the consolidated revenues of the Company and its Subsidiaries for the prior fiscal year, unless the Board of Directors determines in its good faith judgment and evidenced by a Board Resolution describing such transaction and filed with the Trustee that: (a) such transaction is in the best interest of the Company or such Subsidiary and (b) such transaction is on terms no less favorable to the Company or such Subsidiary than those that could be obtained in an arm's-length transaction; provided, however, that the foregoing limitation shall not apply to the cash management program, tax sharing agreements, management service agreements or other arrangements or agreements among Transco and its Subsidiaries in effect on the date hereof or any successor arrangements on comparable terms.

Section 1012.Provision of Financial Information.

So long as the Notes are Outstanding, whether or not the Company is subject to the reporting requirements of Section 13(a) or 15(d) of the Exchange Act, the Company will file with the Commission the annual reports, quarterly reports and other documents which the Company would have been required to file with the Commission pursuant to Section 13(a) or 15(d) if the Company were so required. The Company will also provide to all Holders and file with the Trustee copies of the annual reports, quarterly reports and other documents which the Company would have been required to file with the Commission pursuant to Section 13(a) or 15(d) of the Exchange Act if the Company were subject to the reporting requirements of such Sections and if filing such documents by the Company with the Commission is not permitted under the Exchange Act, and promptly upon written request supply copies of such documents to any prospective Holder.

Section 1013.Waiver of Certain Covenants.

The Company may omit in any particular instance to comply with

any term, provision or condition set forth in Sections 1008 to 1012, inclusive, if before the time for such compliance the Holders of at least a majority in principal amount of the Outstanding Notes shall, by Act of such Holders, either waive such compliance in such instance or generally waive compliance with such term, provision or condition, but no such waiver shall extend to or affect such term, provision or condition except to the extent so expressly waived, and, until such waiver shall become effective, the obligations of the Company and the duties of the Trustee in respect of any such term, provision or condition shall remain in full force and effect.

* * * * *

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

TEXAS GAS TRANSMISSION
CORPORATION

By:
Name:
Title:

ATTEST:

THE CHASE MANHATTAN BANK
(NATIONAL ASSOCIATION),
as Trustee

By:
Name:
Title:

ATTEST:

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On the day of , before me personally came , to me known, who, being by me duly sworn, did depose and say that he is of _____, one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by authority of the Board of Directors of said corporation, and that he signed his name thereto by like authority.

Notary Public

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On the day of , before me personally came , to me known, who, being by me duly sworn, did depose and say that he is of TEXAS GAS TRANSMISSION CORPORATION, one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by authority of the Board of Directors of said corporation, and that he signed his name thereto by like authority.

Notary Public

{TRANSCO ENERGY COMPANY LETTERHEAD}

March 17, 1994

Board of Directors
Texas Gas Transmission Corporation
c/o Transco Energy Company
2800 Post Oak Boulevard
P. O. Box 1396
Houston, Texas 77251

Gentlemen:

I am Senior Vice President, General Counsel and Secretary of Transco Energy Company, and Secretary of Texas Gas Transmission Corporation (the "Company") and have acted as counsel for the Company in connection with its Registration Statement on Form S-2 (the "Registration Statement") relating to the registration under the Securities Act of 1933 of the offering and sale of $150,000,000 principal amount of notes (the "Notes").

As the basis for the opinion hereinafter expressed, I have examined such statutes, regulations, the form of indenture relating to the Notes (the "Indenture"), records and documents, certificates of corporate and public officials and other instruments as I have deemed necessary or advisable for the purposes of this opinion. In such examination I have assumed the authenticity of all documents submitted to me as originals and the conformity with the original documents of all documents submitted to me as copies.

Based on the foregoing and on such legal considerations as I deem relevant, I am of the opinion that the Notes have been duly and validly authorized by all necessary corporate action by the Company and, when executed and authenticated as specified in the Indenture and delivered, against payment therefor, will constitute valid and binding obligations of the Company, enforceable against the Company in accordance with their terms, and be entitled to the benefit of the Indenture, except to the extent the enforceability thereof may be limited by (i) the exercise of judicial discretion in accordance with general equitable principles; (ii) laws relating to the bankruptcy, insolvency, moratorium, reorganization or similar laws affecting creditors' rights generally; and (iii) the extent to which certain equitable remedies, including specific performance, may be unavailable.

I am licensed to practice law in the State of Texas and the opinions set forth above are based upon and limited to the laws of the State of Texas and the United States and a reading of the General Corporation Law of the State of Delaware.

I hereby consent to the use of this opinion as an exhibit to the

Registration Statement.

Very truly yours,

/s/ DAVID E. VARNER, Esq.

David E. Varner, Esq.

EXHIBIT 12

TEXAS GAS TRANSMISSION CORPORATION

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(THOUSANDS OF DOLLARS EXCEPT RATIO)

<TABLE>
<CAPTION>

	POST-ACQUISITION					PRE-ACQUISITION
	FOR THE YEAR ENDED 12/31 1993	FOR THE YEAR ENDED 12/31 1992	FOR THE YEAR ENDED 12/31 1991	FOR THE YEAR ENDED 12/31 1990	FOR THE PERIOD 4/3/89 TO 12/31/89	FOR THE PERIOD 1/1/89 TO 4/2/89
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Earnings Available for Fixed Charges:						
Income (Loss) Before Income Taxes and Extraordinary Loss	$65,612	$67,381	$36,343	$ 73,323	$13,063	$ 8,198
Plus -- Interest expense	25,257	27,037	27,299	30,529	41,007	7,275
-- Portion of rents representative of the interest factor	432	470	342	509	157	173
-- Amortization of debt expense, discount and premium	491	236	--	--	305	94
-- Distributions from less-than-fifty-percent-owned affiliates	--	--	3,600	6,000	2,000	--
Less -- Equity in earnings of less-than-fifty-percent-owned affiliates	--	563	1,985	6,408	477	47
Total	$91,792	$94,561	$65,599	$103,953	$56,055	$15,693
Fixed Charges:						
Interest on long-term debt	$24,625	$24,636	$24,250	$ 24,250	$35,772	$ 6,063
Other interest	632	2,401	3,049	6,279	5,235	1,212
Portion of rents representative of the interest factor	432	470	342	509	157	173
Amortization of debt expense, discount and premium	491	236	--	--	305	94
Total	$26,180	$27,743	$27,641	$ 31,038	$41,469	$ 7,542
Ratio of Earnings to Fixed Charges	3.51	3.41	2.37	3.35	1.35	2.08

</TABLE>

- ----------

For the purposes of calculating the foregoing ratio, earnings available for fixed charges consist of income before income taxes and extraordinary loss, interest expense, the portion of rents representative of the interest factor, amortization of debt expense, discount and premium and dividends and distributions from less-than-fifty-percent-owned affiliates, net of equity in earnings of less-than-fifty-percent-owned affiliates. Fixed charges consist of interest expense, the portion of rents representative of the interest factor and amortization of debt expense, discount and premium.

EXHIBIT (23)(A)

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference in this Registration Statement on Form S-2 of our report dated February 18, 1994 included in Texas Gas Transmission Corporation's Annual Report on Form 10-K for the year ended December 31, 1993 and to all references to our Firm included in this Registration Statement.

ARTHUR ANDERSEN & CO.

Houston, Texas
March 16, 1994

Securities Act of 1933 File No. _____
(If application to determine eligibility
of trustee for delayed offering pursuant
to Section 305 (b) (2))

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM T-1

STATEMENT OF ELIGIBILITY UNDER THE TRUST INDENTURE ACT OF 1939
OF A CORPORATION DESIGNATED TO ACT AS TRUSTEE

CHECK IF AN APPLICATION TO DETERMINE ELIGIBILITY OF A TRUSTEE
PURSUANT TO SECTION 305(b)(2)_____

_____

THE CHASE MANHATTAN BANK
(National Association)
(Exact name of trustee as specified in its charter)

13-2633612
(I.R.S. Employer Identification Number)

1 Chase Manhattan Plaza, New York, New York
(Address of principal executive offices)

10081
(Zip Code)

_____

Texas Gas Transmission Corporation
(Exact name of obligor as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

61-0405152
(I.R.S. Employer Identification No.)

3800 Frederica Street
Owensboro, Kentucy
(Address of principal executive offices)

42301
(Zip Code)

_____

Debt Securities
(Title of the indenture securities)

Item 1. General Information.

Furnish the following information as to the trustee:

(a) Name and address of each examining or supervising authority to which it is subject.

Comptroller of the Currency, Washington, D.C.

Board of Governors of The Federal Reserve System, Washington, D.C.

(b) Whether it is authorized to exercise corporate trust powers.

Yes.

Item 2. Affiliations with the Obligor.

If the obligor is an affiliate of the trustee, describe each such affiliation.

The Trustee is not the obligor, nor is the Trustee directly or indirectly controlling, controlled by, or under common control with the obligor.

(See Note on Page 2.)

Item 16. List of Exhibits.

List below all exhibits filed as a part of this statement of eligibility.

*1. -- A copy of the articles of association of the trustee as now in effect. (See Exhibit T-1 (Item 12), Registration No. 33-55626.)

*2. -- Copies of the respective authorizations of The Chase Manhattan Bank (National Association) and The Chase Bank of New York (National Association) to commence business and a copy of approval of merger of said corporations, all of which documents are still in effect.
(See Exhibit T-1 (Item 12), Registration No. 2-67437.)

*3. -- Copies of authorizations of The Chase Manhattan Bank (National Association) to exercise corporate trust powers, both of which documents are still in effect. (See Exhibit T-1 (Item 12), Registration No. 2-67437).

*4. -- A copy of the existing by-laws of the trustee. (See Exhibit T-1 (Item 12(a)), Registration No. 33-28806.)

*5. -- A copy of each indenture referred to in Item 4, if the obligor is in default. (Not applicable).

*6. -- The consents of United States institutional trustees required by Section 321(b) of the Act. (See Exhibit T-1, (Item 12), Registration No. 22-19019.)

7. -- A copy of the latest report of condition of the trustee published pursuant to law or the requirements of its supervising or examining authority.

*The Exhibits thus designated are incorporated herein by reference. Following the description of such Exhibits is a reference to the copy of the Exhibit heretofore filed with the Securities and Exchange Commission, to which there have been no amendments or changes.

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NOTE

Inasmuch as this Form T-1 is filed prior to the ascertainment by the trustee of all facts on which to base a responsive answer to Item 2 the answer to said Item is based on incomplete information.

Item 2 may, however, be considered as correct unless amended by an amendment to this Form T-1.

SIGNATURE

Pursuant to the requirements of the Trust Indenture Act of 1939, the trustee, The Chase Manhattan Bank (National Association), a corporation organized and existing under the laws of the United States of America, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in the City of New York, and the State of New York, on the 16th day March, 1994.

THE CHASE MANHATTAN BANK
(NATIONAL ASSOCIATION)

By Mary Lewicki
Mary Lewicki, Corporate Trust Officer

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EXHIBIT 7

REPORT OF CONDITION

Consolidating domestic and foreign subsidiaries of

THE CHASE MANHATTAN BANK, N.A.

of New York in the State of New York, at the close of business on December 31, 1993, published in response to call made by Comptroller of the Currency, under title 12, United States Code, Section 161.

Charter Number 02370

Comptroller of the Currency
Northeastern District

Statement of Resources and Liabilities

<TABLE>
<CAPTION>

ASSETS		Thousands of Dollars
<S>	<C>	
Cash and balances due from depository institutions:		
Noninterest-bearing balances and currency and coin		$5,778,428
Interest-bearing balances		5,431,174
Securities		7,439,029
Federal funds sold and securities purchased under agreements to resell in domestic offices of the bank and of its Edge and Agreement subsidiaries, and in IBFs:		
Federal funds sold		3,982,649
Securities purchased under agreements to resell		0
Loans and lease financing receivables:		
Loans and leases. net of unearned income	$48,856,930	
LESS: Allowance for loan and lease losses	1,065,877	
LESS: Allocated transfer risk reserve	0	
Loans and leases, net of unearned income, allowance, and reserve		47,791,053
Assets held in trading accounts		6,244,939
Premises and fixed assets (including capitalized leases)		1,617,111
Other real estate owned		1,189,,024
Investments in unconsolidated subsidiaries and associated companies		67,637
Customers' liability to this bank on acceptances outstanding		774,020
Intangible assets		354,023
Other assets		3,520,283
TOTAL ASSETS		$84,189,415
LIABILITIES		
Deposits:		
In domestic offices		$34,624,513
Noninterest-bearing	$13,739,371	
Interest-bearing	20,885,142	
In foreign offices, Edge and Agreement subsidiaries, and IBFs		30,660,808
Noninterest- bearing	$2,473,222	
Interest- bearing	28,187,586	
Federal funds purchased and securities sold under agreements to repurchase in domestic offices of the bank and of its Edge and Agreement subsidiaries,and in IBF's:		
Federal funds purchased		2,829,219
Securities sold under agreements to repurchase		140,462
Demand notes issued to the U.S. Treasury		25,000
Other borrowed money		2,618,185
Mortgage indebtedness and obligations under capitalized leases		41,366
Bank's liability on acceptances, executed and outstanding		780,289
Subordinated notes and debentures		2,360,000
Other liabilities		3,697,556
TOTAL LIABILITIES		$77,777,398

Limited-life preferred stock and related surplus.....	0
EQUITY CAPITAL	
Perpetual preferred stock and related surplus.....	0
Common stock.....	$910,494
Surplus.....	4,382,506
Undivided profits and capital reserves.....	920,258
Net unrealized gains on available-for-sale securities.....	187,683
Cumulative foreign currency translation adjustments.....	11,076
TOTAL EQUITY CAPITAL.....	6,412,017
TOTAL LIABILITIES, LIMITED-LIFE PREFERRED STOCK, AND EQUITY CAPITAL.....	$84,189,415

</TABLE>

I, Lester J. Stephens, Jr., Senior Vice President and Controller of the above-named bank do hereby declare that this Report of Condition is true and correct to the best of my knowledge and belief.

(Signed) Lester J. Stephens, Jr.

We the undersigned directors, attest to the correctness of this statement of resources and liabilities. We declare that it has been examined by us, and to the best of our knowledge and belief has been prepared in conformance with the instructions and is true and correct.

(Signed) Thomas G. Labrecque
(Signed) Arthur F. Ryan Directors
(Signed) Richard J. Boyle