FORM S-3/A

Registration statement for specified transactions by certain issuers [amend]

Filing Date: **1994-01-07**
SEC Accession No. 0000912057-94-000027

FILER

SOUTHERN UNION CO
CIK:**203248**| IRS No.: **750571592** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **S-3/A** | Act: **33** | File No.: **033-51461** | Film No.: **94500607**
SIC: **4924** Natural gas distribution

Business Address
504 LAVACA ST 8TH FL
AUSTIN TX 78701
5124775852

REGISTRATION NO. 33-51461

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 1
TO

FORM S-3

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933
SOUTHERN UNION COMPANY
(Exact name of Registrant as specified in its charter)

<TABLE>
<S> <C>
DELAWARE 75-0571592
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification Number)
</TABLE>

504 Lavaca Street, Eighth Floor
Austin, Texas 78701
(512) 477-5981
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Dennis K. Morgan, Esq.
Vice President-Legal and Secretary
SOUTHERN UNION COMPANY
504 Lavaca Street, Eighth Floor
Austin, Texas 78701
(512) 477-5981
(Name, address, including zip code, and telephone number, including area code, of agent for service)

With copy to:
Stephen A. Bouchard, Esq.
Fleischman and Walsh
1400 Sixteenth Street, N.W., Suite 600
Washington, D.C. 20036
(202) 939-7911

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO PUBLIC:
From time to time after the effective date of this Registration Statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box: / /

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, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box: /X/

CALCULATION OF REGISTRATION FEE

<TABLE>
<CAPTION>

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER UNIT	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE	AMOUNT OF REGISTRATION FEE
<S>	<C>	<C>	<C>	<C>
Senior Debt Securities.....	$475,000,000(a)	100%(b)	$475,000,000(b)	$163,793(c)

<FN>
(a) Or in the event of the issuance of original issue discount securities, such higher principal amount as may be sold for an initial public offering price of up to $475,000,000.
(b) Estimated solely for the purpose of calculating the Registration Fee.
(c) Previously paid.
</TABLE>

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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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 JANUARY 7, 1994

PROSPECTUS

SOUTHERN UNION COMPANY

[LOGO]

SENIOR DEBT SECURITIES

Southern Union Company ("Southern Union" and, together with its subsidiaries, the "Company") will offer from time to time its unsecured senior debt securities (the "Senior Debt Securities") at an aggregate initial offering price of up to $475,000,000 on terms to be determined at the time of sale. The specific designation, aggregate principal amount, maturity, rate and time of payment of any interest, purchase price, any terms relating to mandatory or optional redemption (including any sinking fund), any modification of the covenants and any other specific terms in connection with the sale of the Senior Debt Securities in respect of which this Prospectus is being delivered are set forth in an accompanying Prospectus Supplement. The Prospectus Supplement also includes information concerning any listing of the Senior Debt Securities on a stock exchange.

The Senior Debt Securities may be offered directly, through agents designated from time to time, through dealers or through underwriters that may include Merrill Lynch, Pierce, Fenner & Smith Incorporated and Smith Barney Shearson Inc. See "Plan of Distribution." Any such agents, dealers or underwriters are set forth in the accompanying Prospectus Supplement. If an agent of the company or a dealer or underwriter is involved in the offering of the Senior Debt Securities, the agent's commission, dealer's purchase price, underwriter's discount and net proceeds to the Company will be set forth in the Prospectus Supplement. Any agents, dealers or underwriters participating in the offering may be deemed "underwriters" within the meaning of the Securities Act of 1933, as amended.

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.

The date of this Prospectus is January __, 1994.

NO DEALER, SALESPERSON OR OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS OR IN AN APPLICABLE PROSPECTUS SUPPLEMENT IN CONNECTION WITH ANY OFFER MADE BY THIS PROSPECTUS AND SUCH PROSPECTUS SUPPLEMENT AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR ANY UNDERWRITER, DEALER OR AGENT. NEITHER THE DELIVERY OF THIS PROSPECTUS OR ANY PROSPECTUS SUPPLEMENT NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES CREATE AN IMPLICATION THAT THE INFORMATION CONTAINED HEREIN OR THEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO ITS DATE. THIS PROSPECTUS AND ANY PROSPECTUS SUPPLEMENT DO NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITIES TO WHICH IT RELATES, OR AN OFFER TO OR SOLICITATION OF ANY PERSON IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION WOULD BE UNLAWFUL.

AVAILABLE INFORMATION

This Prospectus constitutes a part of a registration statement on Form S-3 (together with all amendments and exhibits, the "Registration Statement") filed by the Company with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Securities Act"). This Prospectus does not contain all of the information included in the Registration Statement, certain parts of which are omitted in accordance with the rules and regulations of the Commission. Reference is made to the Registration Statement and to the exhibits relating thereto for further information with respect to the Company and the Senior Debt Securities offered hereby.

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "1934 Act"), and, in accordance therewith, files reports, proxy statements and other information with the Commission. The Registration Statement and amendments thereof, and the exhibits thereto, reports, proxy statements and other information filed by the Company with the Commission can be inspected and copied at the public reference facilities maintained by the Commission at Judiciary Plaza, 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, and at the Commission's New York Regional Office, 7 World Trade Center, 13th Floor, Room 1400, New York, New York 10048, and its Chicago Regional Office, Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of such material may be obtained from the Public Reference Section of the Commission, Washington, D.C. 20549, at prescribed rates. In addition such materials may be inspected and copied at the offices of the American Stock Exchange, 86 Trinity Place, New York, New York 10006-1881.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents have been filed by the Company with the Commission (File No. 1-6407) pursuant to the 1934 Act and are incorporated by reference and made a part of this Prospectus.

(1) The Company's Annual Report on Form 10-K for the year ended December 31, 1992 (the "1992 Form 10-K");

(2) The Company's Quarterly Reports on Form 10-Q for the quarters ended March 31, 1993 (the "First Quarter Form 10-Q"), June 30, 1993 (the "Second Quarter Form 10-Q") and September 30, 1993 (the "Third Quarter Form 10-Q"); and

(3) The Company's Current Reports on Form 8-K dated April 15, 1993, July 12, 1993, October 13, 1993 and January 3, 1994.

All documents filed by the Company with the Commission pursuant to Section 13(a), 13(c), 14 or 15(d) of the 1934 Act on or after the date of this Prospectus and prior to the termination of this offering shall be deemed to be incorporated by reference into this Prospectus and to be a part hereof from the date of filing of such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein or contained in this Prospectus shall be deemed to be supplemented, 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 herein supplements, modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed to constitute a part of this Prospectus.

The Company will provide without charge to each person to whom this Prospectus is delivered, on written or oral request of such person, a copy (without exhibits) of any and all documents incorporated herein by reference. Requests for such copies should be directed to Dennis K. Morgan, Vice President-Legal and Secretary, Southern Union Company, 504 Lavaca Street, Eighth Floor, Austin, Texas 78701 (telephone number (512) 479-5981).

THE COMPANY

Southern Union Company ("Southern Union" and, together with its subsidiaries, the "Company") is primarily engaged in various aspects of the natural gas business. The Company's principal line of business is the distribution of natural gas as a public utility through Southern Union Gas Company ("Southern Union Gas"), a division of the Company. Southern Union Gas, which accounts for approximately 88% of the Company's total revenues, serves approximately 475,000 residential, commercial, industrial, agricultural and other customers in the States of Texas (including the cities of Austin, Brownsville, El Paso, Galveston and Port Arthur) and Oklahoma. See "Business -- Southern Union Gas." The Company's subsidiaries, which have been established to support and expand natural gas sales and to capitalize on the Company's gas energy expertise, market natural gas to end-users, sell natural gas as a vehicular fuel, convert vehicles to operate on natural gas, operate intrastate and interstate natural gas pipeline systems, and sell commercial gas air conditioning and other gas-fired engine-driven applications. See "Business -- Other Company Operations." By providing "one-stop shopping," the Company can serve its various customers' particular energy needs, which encompass substantially all of the natural gas distribution and sales businesses from regulated and unregulated natural gas sales to specialized energy consulting services.

The Company is a sales and market-driven energy company whose management is committed to achieving profitable growth of its natural gas energy businesses in an increasingly competitive business environment. Management's strategies for achieving these objectives principally consist of: (i) promoting new sales opportunities and markets for natural gas; (ii) enhancing financial and operating performance; and (iii) expanding the Company through developing existing natural gas distribution systems and selectively acquiring additional natural gas distribution systems. Management developed and continually evaluates these strategies and their implementation by analyzing the energy industry, technological advances, market opportunities and general business trends. Each of these strategies, as implemented throughout the Company's businesses, reflects the Company's commitment to its core natural gas utility business. Central to all of the Company's businesses and strategies is the sale and transportation of natural gas. See "Business -- Business Strategy."

Consistent with this strategy, the Company has actively pursued selected acquisitions in the natural gas distribution, transportation and sales industries where management believes there are opportunities to promote new sales of, and markets for, natural gas and/or synergies that permit enhanced financial and operating performance. Since 1990, Southern Union has acquired seven gas distribution systems in Texas. Collectively, these systems have added nearly 115,000 of Southern Union Gas' present customers representing approximately $47,700,000 of annual sales revenue to the Company. See "Business - -- Business Strategy" and "Acquisitions, Divestiture and Merger" in the Notes to the Company's Consolidated Financial Statements included in the 1992 Form 10-K that is incorporated by reference into this Prospectus. Southern Union's most recent acquisition was on September 30, 1993 when it acquired Rio Grande Valley Gas Company, a subsidiary of Valero Energy Corporation ("Rio Grande"), for approximately $31,050,000 (the "Rio Grande Acquisition"). See the Third Quarter Form 10-Q that is incorporated by reference into this Prospectus. The Company has also agreed to an acquisition that will add approximately 460,000 customers in western Missouri. See "The Missouri Acquisition."

Southern Union was incorporated under the laws of the State of Delaware in 1932. The Company's corporate headquarters are located at 504 Lavaca Street, Eighth Floor, Austin, Texas 78701. The Company's telephone number is (512) 477-5981.

THE MISSOURI ACQUISITION

On July 9, 1993, Southern Union entered into an Agreement for the Purchase of Assets (the "Missouri Asset Purchase Agreement") with Western Resources, Inc. ("Western Resources"), pursuant to which Southern Union has agreed to purchase from Western Resources certain Missouri natural gas operations (the "Missouri Acquisition"). These operations serve approximately 460,000 customers in western Missouri, including the cities of Kansas City, St. Joseph and Joplin, Missouri (the "Missouri Business"). See "Business -- Missouri Business." If the Missouri Acquisition occurs, the Company will nearly double the number of customers served by its natural gas distribution systems and become one of the top 15 gas utilities in the United States, as measured by number of customers. In addition, the Missouri Acquisition will lessen the sensitivity of the Company's operations to weather risk and local economic conditions by diversifying operations into different geographic areas. The incurrence of additional debt and issuance of new equity in connection with the Missouri Acquisition will significantly change the Company's capital structure. See "Capitalization," "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Future Capital Needs and Resources" and "Unaudited Pro Forma Combined Condensed Financial Information." Southern Union intends to operate the Missouri Business as

"Missouri Gas Energy," a separate division of Southern Union to be headquartered in Kansas City, Missouri.

On December 29, 1993 the Missouri Public Service Commission (the "MPSC") issued all MPSC approvals necessary to consummate the Missouri Acquisition, which approvals will become effective January 9, 1994. The MPSC's order is subject to the terms of a stipulation and settlement agreement (the "MPSC Stipulation") among Southern Union, Western Resources, the MPSC staff and all intervenors in the MPSC proceeding. Among other things, the MPSC Stipulation: (i) requires the Company to attain, within three years of the closing of the Missouri Acquisition, a total debt to total capital ratio that does not exceed Standard and Poor's Corporation's Utility Financial Benchmark ratio for the lowest investment grade investor-owned natural gas distribution company (which, at this time, would be approximately 58%) or it will not be able to implement any general rate increase with respect to the Missouri Business; (ii) prohibits Southern Union from implementing a general rate increase in Missouri for at least three years except in certain unusual events; (iii) requires Western Resources to contribute an additional $9,000,000 to the Missouri Business' employees' qualified defined benefit plans to be transferred to the Company; and (iv) requires the Company to contribute, beginning in 1994, an additional $3,000,000 to the Missouri Business' employees' qualified defined benefit plans. See the Company's Current Report on Form 8-K dated January 3, 1994, that is incorporated by reference into this Prospectus.

In addition, Southern Union successfully consummated a rights offering to its existing stockholders to subscribe for and purchase 2,000,000 shares of Southern Union common stock, par value $1.00 per share ("Common Stock"), at $25.00 per share for aggregate proceeds of $50,000,000 (the "Rights Offering"). The proceeds from the Rights Offering, together with proceeds from the sale of Senior Debt Securities, will be used to fund the Missouri Acquisition.

The following summary does not purport to be complete and is qualified in its entirety by reference to the Missouri Asset Purchase Agreement and related agreements described below that are exhibits thereto, copies of which are attached as Exhibit 10.1 to the Company's Current Report on Form 8-K, dated July 12, 1993, that is incorporated by reference into this Prospectus.

PURCHASE PRICE. The purchase price payable by Southern Union to Western Resources for the Missouri Acquisition is $327,940,000 in cash, to be adjusted as of the closing date to reflect permitted capital expenditures and depreciation relating to the Missouri Business since March 31, 1993 and accounts receivable net of accounts payable as of closing. At the closing, Southern Union will pay Western Resources an estimate of this purchase price subject to a final determination of the purchase price and all adjustments within 120 days after the closing. Southern Union presently expects the Missouri Acquisition to close during the first quarter of 1994 and the aggregate purchase price to be approximately $360,000,000.

LIABILITIES ASSUMED. Southern Union has agreed to assume certain liabilities of Western Resources with respect to the assets being acquired, including liabilities arising from certain specified contracts to be assigned to Southern Union at closing, including gas supply and transportation contracts, office equipment leases and real estate leases, liabilities arising from certain contracts entered into by Western Resources in the ordinary course of business, certain liabilities that have arisen or may arise from the operation of the Missouri Business, and liabilities for certain accounts payable of Western Resources pertaining to the Missouri Business.

ENVIRONMENTAL. Southern Union and Western Resources have agreed to enter into an Environmental Liability Agreement at the closing of the Missouri Acquisition. Subject to the accuracy of certain representations made by Western Resources in the Missouri Asset Purchase Agreement, the agreement will provide for a tiered approach to the allocation of substantially all liabilities under environmental laws that may exist or arise with respect to the Missouri Business and the assets Southern Union acquires in the Missouri Acquisition. The agreement contemplates Southern Union first seeking reimbursement from other potentially responsible parties, or recovery of such costs under insurance or through rates charged to customers. To the extent certain environmental liabilities are discovered by Southern Union prior to July 9, 1995, and are not so reimbursed or recovered, Southern Union will be responsible for the first $3,000,000, if any, of out of pocket costs and expenses incurred to respond to and remediate any such environmental claim. Thereafter, Western Resources would share one-half of the next $15,000,000 of any such costs and expenses, and Southern Union would be solely liable for any such costs and expenses in excess of $18,000,000. The Company believes that it will be able to obtain substantial if not complete reimbursement or recovery for any such environmental liabilities from other potentially responsible third parties, under insurance or rates charged to customers. See "Business -- Missouri Business -- Environmental."

EMPLOYEES. Southern Union has agreed, pursuant to the terms of an Employee Agreement with Western Resources entered into on July 9, 1993, to employ after the closing of the Missouri Acquisition certain employees of Western Resources involved in the operation of the Missouri Business ("Continuing Employees"). Under the terms of the Employee Agreement, the assets and liabilities attributable to Continuing Employees, and to retired employees who were necessary to the operation of the Missouri Business ("Retired Employees"), under Western Resources' qualified defined benefit plans, are to be transferred to a qualified defined benefit plan of Southern Union that will provide benefits to Continuing Employees and Retired Employees substantially similar to those provided for under Western Resources' defined benefit plans. Southern Union has also agreed to establish or maintain a defined contribution plan in which Continuing Employees covered by Western Resources' defined contribution plan will be eligible to participate, and to provide Continuing Employees with certain welfare, separation and other benefits and arrangements. See "Business - -- Missouri Business -- Employees."

CONDITIONS TO CLOSING. The Missouri Acquisition is subject to the satisfaction of certain conditions to closing. The Federal Energy Regulatory Commission ("FERC") must approve the Missouri Acquisition with respect to the transportation of de minimis volumes of gas between Western Resources' Kansas operations and the Missouri Business. In addition, Southern Union's ability to consummate the Missouri Acquisition is dependent upon the receipt of proceeds from the sale of Senior Debt Securities. See "Use of Proceeds" and "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Future Capital Needs and Resources."

There can be no assurance that all of the conditions to the closing of the Missouri Acquisition that are contained in the Missouri Asset Purchase Agreement will be satisfied or waived, or that, if all such conditions are satisfied or waived, the Missouri Acquisition will occur.

SOUTHERN UNION FINANCING MATTERS. Southern Union represented in the Missouri Asset Purchase Agreement that, as of closing, it will have available sufficient funds with which to pay the adjusted purchase price and the other costs and expenses of the transactions contemplated by the Missouri Asset Purchase Agreement. Southern Union has agreed, subject to certain conditions, to pay

Western Resources $12,000,000 in cash if the Missouri Asset Purchase Agreement is terminated (i) by Western Resources due to the inability of Southern Union to obtain funds sufficient to pay the adjusted purchase price available to it on the date of closing or (ii) by Southern Union if it fails to satisfy or agree to comply with a condition or provision contained in a final order by the MPSC that pertains either to the nature of Southern Union's financing for the Missouri Acquisition or the Company's capital structure that would result from the Missouri Acquisition.

TERMINATION PROVISIONS. The Missouri Asset Purchase Agreement also may be terminated: (i) by either party if all conditions to such party's obligation to consummate the transactions contemplated by the Missouri Asset Purchase Agreement are not satisfied by July 9, 1994, unless due to the failure of such party to comply fully with its obligations under the Missouri Asset Purchase Agreement; (ii) by either party if a final order or injunction of a governmental authority has been issued restraining or prohibiting consummation of the transactions contemplated by the Missouri Asset Purchase Agreement or any material part thereof; (iii) by either party following a material breach by the other party of any representation, warranty, covenant or agreement of such other party, and such other party's failure to cure the same within 30 days of notice thereof; or (iv) by the mutual consent of both parties.

USE OF PROCEEDS

The net proceeds from the sale of the Senior Debt Securities of any series will be specified in the Prospectus Supplement applicable to such series and are expected to be used to fund the Missouri Acquisition, refinance certain of the Company's existing debt or provide working capital for the Company's operations. See "The Missouri Acquisition."

RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth the ratio of earnings to fixed charges for the Company for each of the five years in the period ended December 31, 1992 and for the nine and twelve months ended September 30, 1993 on an historical basis, and for the year ended December 31, 1992 and the nine and twelve months ended September 30, 1993 on a pro forma basis. For the purpose of calculating such ratio, "earnings" consist of income from continuing operations before income taxes and fixed charges. "Fixed charges" consist of interest, amortization of debt issue costs and the portion of rentals for real and personal properties in

an amount deemed to be representative of the interest factor.

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,					NINE MONTHS ENDED SEPTEMBER 30,	TWELVE MONTHS ENDED SEPTEMBER 30,	PRO FORMA(A)	
								YEAR ENDED DECEMBER 31,	NINE MONTHS ENDED SEPTEMBER 30,
1988(B)	1989	1990	1991	1992		1993	1993	1992	1993
<S>	<C>	<C>	<C>	<C>		<C>	<C>	<C>	<C>
--	1.16	1.11	1.84	1.80		1.44	1.78	1.07	1.04

<CAPTION>

TWELVE MONTHS ENDED SEPTEMBER 30,	
1988(B)	1993
<S>	<C>
--	1.29

<FN>
- ------------------------------
(a) As adjusted to give effect to the increased interest expense related to the issuance of approximately $376.3 million of Senior Debt Securities which, together with the proceeds from the Rights Offering, will be used to fund the Missouri Acquisition and refinance approximately $76.1 million of short-term debt and current maturities of long-term debt outstanding as of September 30, 1993. See "Capitalization." These ratios and the pro forma financial information from which they are derived do not reflect the financial impact, if any, of (i) the rate increases granted to Southern Union Gas and the Missouri Business during 1993 not yet earned and (ii) the pro forma effect of the results of operations of the Rio Grande Acquisition. See "Business -- Regulation" and "The Company."
(b) In 1988 earnings were inadequate to cover fixed charges by approximately $6.9 million.
</TABLE>

CAPITALIZATION

The following table sets forth (i) the capitalization of the Company as of September 30, 1993 and (ii) the adjusted capitalization of the Company as of such date after giving effect to (a) the issuance of 2,000,000 shares of Common Stock in the Rights Offering, (b) the completion of the Missouri Acquisition, including the sale of Senior Debt Securities to fund such Acquisition, and (c) the sale of Senior Debt Securities to refinance certain short-term debt and current maturities of long-term debt outstanding as of September 30, 1993. This capitalization table should be read in conjunction with the Company's Consolidated Financial Statements and notes thereto included in the 1992 Form 10-K and the Third Quarter Form 10-Q that are incorporated by reference into this Prospectus and the Historical Financial Statements of the Missouri Business and notes thereto and the Unaudited Pro Forma Combined Financial Statements and notes thereto that are included elsewhere in this Prospectus.

<TABLE>
<CAPTION>

	AS OF SEPTEMBER 30, 1993				
	HISTORICAL	PRO FORMA ADJUSTMENTS	AS ADJUSTED FOR THE RIGHTS OFFERING	PRO FORMA ADJUSTMENTS	AS ADJUSTED FOR THE RIGHTS OFFERING, THE MISSOURI ACQUISITION AND THE SALE OF SENIOR DEBT SECURITIES
	(DOLLARS IN THOUSANDS)				
<S>	<C>	<C>	<C>	<C>	<C>
Short-term debt, including current maturities of long-term debt	$ 90,947		$ 90,947	$ (76,050 (b)	$ 14,897
Long-term debt:					
First mortgage bonds:					
11.5% due 2000 -- collateralized by utility plant in service	2,700				
Sinking fund debentures:					
10.5% due 2017	50,000				
Other long-term debt:					
9.45% notes due 2004	10,000				

10% notes due 2012	25,000				
Other	1,422				
Total long-term debt	89,122		89,122	376,331(c)	465,453
Common stockholders' equity:					
Common stock, $1 par value; authorized 50,000,000 shares; issued 5,252,110 shares (7,252,110 shares as adjusted for the Rights Offering)	5,304	$ 2,000(a)	7,304		7,304
Premium on capital stock	144,925	47,500(a)	192,425		192,425
Less treasury stock, 51,625 shares at cost	(794)		(794)		(794)
Retained earnings	492		492		492
Total common stockholders' equity	149,927	49,500	199,427		199,427
Total capitalization	$ 329,996	$ 49,500	$ 379,496	$ 300,281	$ 679,777

<FN>
- ------------------------
(a) Reflects the Company's receipt of $50.0 million in gross proceeds from the completion of the Rights Offering, less approximately $0.5 million in estimated stock issuance costs.
(b) Reflects the use of a portion of the proceeds from the sale of Senior Debt Securities to retire approximately $56.1 million of borrowings on the Company's revolving credit facility and to repay the Company's 10 1/8% notes due in 1994.
(c) Reflects the sale of Senior Debt Securities totalling approximately $376.3 million which, together with the proceeds from the Rights Offering, will be used to fund the Missouri Acquisition and refinance approximately $76.1 million of short-term debt and current maturities of long-term debt outstanding as of September 30, 1993. The pro forma capitalization table excludes any sale of additional Senior Debt Securities that may be issued pursuant to this Prospectus.
</TABLE>

UNAUDITED PRO FORMA COMBINED CONDENSED FINANCIAL INFORMATION

The following unaudited pro forma combined condensed financial information consists of the Unaudited Pro Forma Combined Condensed Statements of Operations for the nine months ended September 30, 1993, the twelve months ended September 30, 1993 and the year ended December 31, 1992 (the "Pro Forma Statements of Operations") and the Unaudited Pro Forma Combined Condensed Balance Sheet as of September 30, 1993 (the "Pro Forma Balance Sheet," and together with the Pro Forma Statements of Operations, the "Pro Forma Financial Statements"). The Pro Forma Statements of Operations have been prepared by combining the consolidated statements of operations of the Company with the statements of operations of the Missouri Business for the periods indicated, adjusted to give effect to (i) the issuance of 2,000,000 shares of Common Stock in the Rights Offering and (ii) the completion of the Missouri Acquisition, including the sale of Senior Debt Securities to fund such Acquisition, as if such transactions had been consummated as of the beginning of each such period. The Pro Forma Balance Sheet has been prepared by combining the consolidated balance sheet of the Company as of September 30, 1993 with the balance sheet of the Missouri Business as of September 30, 1993, adjusted to give effect to (i) the issuance of 2,000,000 shares of Common Stock in the Rights Offering, (ii) the completion of the Missouri Acquisition, including the sale of Senior Debt Securities to fund such Acquisition and (iii) the sale of Senior Debt Securities to refinance certain short-term debt and current maturities of long-term debt outstanding as of September 30, 1993, as if such transactions had been consummated on September 30, 1993.

The Pro Forma Financial Statements are based on and should be read in conjunction with the Company's Consolidated Financial Statements and notes thereto, included in the 1992 Form 10-K and the Third Quarter Form 10-Q that are incorporated by reference into this Prospectus, and the Historical Financial Statements of the Missouri Business that are included elsewhere in this Prospectus.

The Pro Forma Statements of Operations are not necessarily indicative of the combined effects on the Company's results of operations that would have resulted if the Rights Offering and the Missouri Acquisition had actually occurred earlier.

The pro forma adjustments are based on preliminary assumptions and estimates made by the Company's management regarding anticipated efficiencies resulting from the combined operations, reductions in costs planned by management, purchase accounting adjustments and the fair market value of certain assets acquired in the Missouri Business. The Pro Forma Statements of Operations do not reflect the financial impact, if any, of (i) the rate increases granted to Southern Union Gas and the Missouri Business during 1993 not yet earned and (ii)

the pro forma effect of the results of operations of the Rio Grande Acquisition. Gas service rates, established by regulatory authorities, are based upon the utility's costs including operating, administrative and finance costs and include a return on equity. As a result, reductions in a utility's costs may have a direct impact on the level of rates it is allowed to collect from its customers in the future. See "Business -- Regulation." The actual allocation of the consideration paid for the Missouri Business may differ from that reflected in the Pro Forma Financial Statements after an appropriate review of the fair market values of the assets acquired and liabilities assumed in the Missouri Acquisition has been completed. Amounts allocated will be based upon the estimated fair values at the time of the Missouri Acquisition, which could vary significantly from the amounts as of September 30, 1993. The Missouri Acquisition will be accounted for using the purchase method of accounting.

The following table sets forth a summary of the sources and uses of funds resulting from (i) the issuance of 2,000,000 shares of Common Stock in the Rights Offering, (ii) the completion of the Missouri Acquisition, including the sale of Senior Debt Securities to fund such Acquisition and (iii) the sale of Senior Debt Securities to refinance certain short-term debt and current maturities of long-term debt outstanding as of September 30, 1993, as if such transactions had been consummated on September 30, 1993 (in thousands):

<TABLE>
<CAPTION>
SOURCES OF FUNDS

<S>	<C>
Gross Proceeds from Rights Offering	$ 50,000
Sale of Senior Debt Securities	376,331
	$ 426,331

<CAPTION>
USES OF FUNDS

<S>	<C>
Acquisition of Missouri Business	$ 342,402
Refinancing of short-term borrowings used to fund the Rio Grande Acquisition	31,050
Refinancing of short-term debt	25,000
Refinancing of current maturities of long-term debt	20,000
Stock and debt issuance costs	7,879
	$ 426,331

</TABLE>

The Pro Forma Financial Statements exclude any sale of additional Senior Debt Securities that may be issued pursuant to this Prospectus.

SOUTHERN UNION COMPANY

PRO FORMA COMBINED CONDENSED STATEMENT OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1993
(UNAUDITED)

<TABLE>
<CAPTION>

	HISTORICAL		PRO FORMA	
	SOUTHERN UNION	MISSOURI BUSINESS	ADJUSTMENTS	COMBINED
	(THOUSANDS OF DOLLARS, EXCEPT SHARES AND PER SHARE AMOUNTS)			
<S>	<C>	<C>	<C>	<C>
Operating revenues	$ 135,868	$ 233,291		$ 369,159
Gas purchase costs	67,866	141,241		209,107
Operating margin	68,002	92,050		160,052
Operating expenses:				
Operating, maintenance and general	35,289	53,117	$ (6,880)(a)	81,526
Taxes, other than on income	9,806	21,470		31,276
Amortization of acquisition adjustment	2,292		1,111(b)	3,403
Depreciation and amortization	7,968	9,347	460(c)	17,775
Total operating expenses	55,355	83,934	(5,309)	133,980

Net operating revenue	12,647	8,116	5,309	26,072
Other income (expenses):				
Interest	(8,691)	(6,799)	7,331(d)	(27,591)
			(19,432)(e)	
Other, net	861	2,268	(231)(f)	2,898
Total other income (expenses), net	(7,830)	(4,531)	(12,332)	(24,693)
Earnings before income taxes (benefit)	4,817	3,585	(7,023)	1,379
Federal and state income taxes (benefit)	1,825	997	(2,691)(g)	131
Earnings from continuing operations before preferred dividends	2,992	2,588	(4,332)	1,248
Preferred dividends	843		(843)(h)	
Earnings from continuing operations available for common stock	$ 2,149	$ 2,588	$ (3,489)	$ 1,248
Earnings from continuing operations per common share	$ .41			$ .17
Weighted average shares outstanding	5,243,934		2,000,000(i)	7,243,934

</TABLE>

See accompanying notes to unaudited pro forma combined condensed statements of operations.

SOUTHERN UNION COMPANY

PRO FORMA COMBINED CONDENSED STATEMENT OF OPERATIONS
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 1993
(UNAUDITED)

<TABLE>
<CAPTION>

	HISTORICAL		PRO FORMA	
	SOUTHERN UNION	MISSOURI BUSINESS	ADJUSTMENTS	COMBINED
	(THOUSANDS OF DOLLARS, EXCEPT SHARES AND PER SHARE AMOUNTS)			
<S>	<C>	<C>	<C>	<C>
Operating revenues	$ 201,408	$ 330,240		$ 531,648
Gas purchase costs	107,943	203,112		311,055
Operating margin	93,465	127,128		220,593
Operating expenses:				
Operating, maintenance and general	47,206	69,710	$ (9,173)(a)	107,743
Taxes, other than on income	13,231	28,147		41,378
Amortization of acquisition adjustment	3,064		1,481(b)	4,545
Depreciation and amortization	10,169	12,803	614(c)	23,586
Total operating expenses	73,670	110,660	(7,078)	177,252
Net operating revenue	19,795	16,468	7,078	43,341
Other income (expenses):				
Interest	(11,633)	(9,148)	9,680(d)	(37,011)
			(25,910)(e)	
Other, net	3,105	2,764	(308)(f)	5,561
Total other income (expenses), net	(8,528)	(6,384)	(16,538)	(31,450)
Earnings before income taxes (benefit)	11,267	10,084	(9,460)	11,891
Federal and state income taxes (benefit)	4,058	3,119	(3,690)(g)	3,487
Earnings from continuing operations before preferred dividends	7,209	6,965	(5,770)	8,404
Preferred dividends	1,468		(1,468)(h)	
Earnings from continuing operations available for common stock	$ 5,741	$ 6,965	$ (4,302)	$ 8,404
Earnings from continuing operations per common share	$ 1.10			$ 1.16

Weighted average shares outstanding.....	5,242,340	2,000,000(i)	7,242,340

</TABLE>

See accompanying notes to unaudited pro forma combined condensed statements of operations.

SOUTHERN UNION COMPANY

PRO FORMA COMBINED CONDENSED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1992
(UNAUDITED)

<TABLE>
<CAPTION>

	HISTORICAL		PRO FORMA	
	SOUTHERN UNION	MISSOURI BUSINESS	ADJUSTMENTS	COMBINED
	(THOUSANDS OF DOLLARS, EXCEPT SHARES AND PER SHARE AMOUNTS)			
<S>	<C>	<C>	<C>	<C>
Operating revenues.....	$ 192,445	$ 297,956		$ 490,401
Gas purchase costs.....	102,918	183,001		285,919
Operating margin.....	89,527	114,955		204,482
Operating expenses:				
Operating, maintenance and general.....	46,313	66,908	$ (9,173)(a)	104,048
Taxes, other than on income.....	13,115	25,038		38,153
Amortization of acquisition adjustment.....	2,958		1,481(b)	4,439
Depreciation and amortization.....	9,779	13,172	614(c)	23,565
Total operating expenses.....	72,165	105,118	(7,078)	170,205
Net operating revenue.....	17,362	9,837	7,078	34,277
Other income (expenses):				
Interest.....	(12,459)	(8,831)	8,831(d)	(38,369)
			(25,910)(e)	
Other, net.....	5,928	1,214	(308)(f)	6,834
Total other income (expenses), net.....	(6,531)	(7,617)	(17,387)	(31,535)
Earnings before income taxes (benefit).....	10,831	2,220	(10,309)	2,742
Federal and state income taxes (benefit).....	4,440	705	(3,612)(g)	1,533
Earnings from continuing operations before preferred dividends.....	6,391	1,515	(6,697)	1,209
Preferred dividends.....	2,500		(2,500)(h)	
Earnings from continuing operations available for common stock.....	$ 3,891	$ 1,515	$ (4,197)	$ 1,209
Earnings from continuing operations per common share...	$ .74			$ .17
Weighted average shares outstanding.....	5,259,314		2,000,000(i)	7,259,314

</TABLE>

See accompanying notes to unaudited pro forma combined condensed statements of operations.

SOUTHERN UNION COMPANY
NOTES TO PRO FORMA COMBINED CONDENSED STATEMENTS OF OPERATIONS

The following are adjustments to the Pro Forma Statements of Operations to reflect (i) the issuance of 2,000,000 shares of Common Stock in the Rights Offering and (ii) the completion of the Missouri Acquisition, including the sale of Senior Debt Securities to fund such Acquisition.

(a) Reflects the adjustment to operations, maintenance and general for certain anticipated cost savings resulting from the consolidation of operations and corporate functions, the integration of corporate management and the elimination of certain other duplicate administrative functions.

(b) Reflects amortization of the estimated excess purchase price over the historical book carrying value of the assets acquired of the Missouri Business on a straight line basis over a 30 year period.

(c) Reflects depreciation expense related to the purchase of additional equipment over their estimated useful lives. See note (a) of Notes to Pro Forma Balance Sheet.

(d) Reflects the removal of historical interest expense of the Missouri Business and the elimination of interest expense associated with the borrowings on the revolving credit facility used for the purchase and redemption of Southern Union preferred stock.

(e) Reflects interest expense on $314 million of the $376.3 million of Senior Debt Securities at an assumed annual interest rate of 8.25%. The difference of $62.3 million of Senior Debt Securities to be sold and used to refinance short-term borrowings used to fund the Rio Grande Acquisition (which transaction closed on September 30, 1993), purchase estimated net capital expenditures to be incurred by the Missouri Business subsequent to September 30, 1993 and prior to closing, and repay certain current maturities of long-term debt (due May 1994) and related debt issuance costs were assumed to have occurred on September 30, 1993. As a result, interest expense associated with these borrowings is not reflected in the Pro Forma Statements of Operations. To the extent the assumed interest rate on the Senior Debt Securities fluctuates by 1%, interest expense for the nine months ended September 30, 1993, the twelve months ended September 30, 1993 and the year ended December 31, 1992 would be impacted by $2.4 million, $3.1 million and $3.1 million, respectively.

(f) Reflects the amortization of debt issuance costs associated with the sale of $314 million of Senior Debt Securities on a straight line basis over the life of the new debt. See note (e) above.

(g) Reflects the income tax provision (benefit) associated with the pro forma adjustments calculated using the applicable statutory state income tax rates and the statutory federal income tax rate of 35% for the nine months ended September 30, 1993, 34.75% for the twelve months ended September 30, 1993 and 34% for the year ended December 31, 1992. The 34.75% rate for the twelve months ended September 30, 1993 is a weighted average of two statutory rates in effect during the twelve month period.

Income tax expense, on a pro forma combined basis, differs from the amount computed when applying the applicable statutory federal income tax rates to earnings before income taxes. The reasons for the differences are as follows:

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31, 1992	NINE MONTHS ENDED SEPTEMBER 30, 1993	TWELVE MONTHS ENDED SEPTEMBER 30, 1993
		(THOUSANDS OF DOLLARS)	
<S>	<C>	<C>	<C>
Computed "expected" tax expense.....	$ 932	$ 483	$ 4,132
Items for which there are no tax consequences, principally amortization of additional purchase cost assigned to utility plant.....	1,025	576	809
Amortization of excess deferred income taxes.....	(55)	(233)	(300)
Flow through of depreciation expense.....	540	(37)	150
Amortization of investment tax credit.....	(457)	(249)	(332)
Adjustment of tax reserve.....		(409)	(409)
Adjustment of prior year provision.....	(322)		(322)
Tax loss on sale of real estate in excess of book loss.....	(322)		(322)
Other.....	192		81
	$ 1,533	$ 131	$ 3,487

</TABLE>

(h) Reflects the elimination of preferred stock dividends resulting from the purchase and redemption of all outstanding Southern Union preferred stock in

March and June 1993.

(i) Reflects the issuance of 2,000,000 shares of Common Stock in the Rights Offering.

SOUTHERN UNION COMPANY

PRO FORMA COMBINED CONDENSED BALANCE SHEET

SEPTEMBER 30, 1993
(UNAUDITED)

ASSETS

<TABLE>
<CAPTION>

	HISTORICAL		PRO FORMA	
	SOUTHERN UNION	MISSOURI BUSINESS	ADJUSTMENTS	COMBINED
	(THOUSANDS OF DOLLARS)			
<S>	<C>	<C>	<C>	<C>
Property, plant and equipment	$ 372,757	$ 416,703	$ 11,950(a) 10,000(b)	$ 811,410
Less accumulated depreciation and amortization	(141,546)	(125,460)		(267,006)
	231,211	291,243	21,950	544,404
Additional purchase cost assigned to utility plant, net	92,645		44,437(c)	137,082
Net property, plant and equipment	323,856	291,243	66,387	681,486
Current assets	40,440	17,563		58,003
Deferred charges and other assets	34,751	10,398	7,379(d) 41,640(e)	94,168
Total	$ 399,047	$ 319,204	$ 115,406	$ 833,657

<CAPTION>

STOCKHOLDERS' EQUITY AND LIABILITIES				
<S>	<C>	<C>	<C>	<C>
Common stockholders' equity:				
Common stock	$ 5,304		$ 2,000(f)	$ 7,304
Premium on capital stock	144,925		47,500(f)	192,425
Retained earnings	492			492
Less treasury stock, at cost	(794)			(794)
Equity in net assets acquired		$ 288,181	(288,181)(g)	
Total common stockholders' equity	149,927	288,181	(238,681)	199,427
Long-term debt	89,122		376,331(h)	465,453
Current liabilities and current maturities of long-term debt	128,399	25,174	15,166(i) (25,000)(j) (31,050)(j) (20,000)(k)	92,689
Deferred credits and other liabilities	10,384	5,849	38,640(l)	54,873
Accumulated deferred income taxes	21,215			21,215
Commitments and contingencies	--	--		--
Total	$ 399,047	$ 319,204	$ 115,406	$ 833,657

</TABLE>

See accompanying notes to unaudited pro forma combined condensed balance sheet.

SOUTHERN UNION COMPANY

NOTES TO UNAUDITED PRO FORMA COMBINED CONDENSED BALANCE SHEET

The following are adjustments to the Pro Forma Balance Sheet as of September 30, 1993 to reflect (i) the issuance of 2,000,000 shares of Common Stock in the Rights Offering, (ii) the completion of the Missouri Acquisition, including the sale of Senior Debt Securities to fund such Acquisition, and (iii) the sale of Senior Debt Securities to refinance certain short-term debt and current maturities of long-term debt outstanding as of September 30, 1993:

(a) Reflects the purchase accounting adjustments of $4.4 million to record

acquired assets at their estimated fair market value, and estimated additional expenditures to purchase non-transferable leases on automobiles of $4.3 million and data processing equipment and software of $3.3 million.

(b) Reflects the recording of the purchase of estimated net capital expenditures to be incurred by the Missouri Business subsequent to September 30, 1993 and prior to closing as per the Missouri Asset Purchase Agreement.

(c) Reflects the estimated excess of the purchase price over the historical book carrying value of the assets acquired of the Missouri Business of $44.4 million.

(d) Reflects the capitalization of estimated debt issuance costs associated with the sale of $376.3 million of debt securities to be amortized on a straight line basis over the life of the new debt. See note (h) below.

(e) Reflects the recording of (i) a regulatory asset of $38.6 million representing the deferral of the actuarially calculated accumulated post-retirement benefit obligation assumed in the purchase and (ii) a $3.0 million contribution to the Missouri Business' employees' qualified defined benefit plans in excess of the minimum required contribution under the Internal Revenue Code Section 412, as determined by the plans' actuary, pursuant to the MPSC Stipulation. See note (l) below and the "Accounting Pronouncements" note included in Notes to the Missouri Business' Interim Financial Statements included elsewhere herein.

(f) Reflects Southern Union's receipt of $50.0 million in gross proceeds from the completion of the Rights Offering, less approximately $0.5 million in estimated stock issuance costs, assuming 2,000,000 shares of Common Stock are issued in the Rights Offering at $25.00 per share.

(g) Reflects the elimination of the equity in the Missouri Business net assets acquired.

(h) Reflects the sale of Senior Debt Securities totalling $376.3 million.

(i) Reflects the recording of certain liabilities of $15.2 million resulting from the acquisition transactions including the purchase of non-transferable leases on automobiles of $4.3 million, the purchase of data processing equipment and software of $3.3 million, a $3.0 million contribution to the Missouri Business' employees' qualified defined benefit plans (see note (e) above), and the recording of severance accruals of approximately $2.4 million and other estimated liabilities and contingencies associated with the acquisition of approximately $2.2 million.

(j) Reflects the utilization of a portion of the proceeds from the sale of Senior Debt Securities to retire borrowings on the Company's revolving credit facility, including borrowings for the Rio Grande Acquisition and borrowings used for the purchase and redemption of preferred stock.

(k) Reflects the utilization of a portion of the proceeds from the sale of Senior Debt Securities for the repayment of certain current maturities of long-term debt.

(l) Reflects the recording of the actuarially calculated accumulated post-retirement benefit obligation of $38.6 million. See note (e) above.

SELECTED HISTORICAL FINANCIAL INFORMATION

THE COMPANY

The following table sets forth selected historical financial information with respect to the Company for the periods indicated. This information should be read in conjunction with the Company's Consolidated Financial Statements and notes thereto included in the 1992 Form 10-K and the Third Quarter Form 10-Q that are incorporated by reference into this Prospectus. The selected historical financial information for each of the five years in the period ended December 31, 1992 has been derived from financial statements that have been audited by the Company's independent accountants. The selected historical financial information for the nine-month periods ended September 30, 1993 and 1992 has been derived from financial statements that are unaudited, but which, in the opinion of management, include all adjustments necessary for a fair presentation of the financial position and results of operations for such periods. Results of the nine-month periods ended September 30, 1993 and 1992 are not indicative of

results for the full year due to the seasonal nature of the gas distribution business.

During 1992, the Company acquired the natural gas distribution facilities in Nixon, Texas. During 1991, the Company acquired natural gas distribution and transmission facilities serving: an area in south Texas, including the cities of Lockhart, Luling, Cuero, Shiner, Yoakum and Gonzales; the west Texas city of Andrews; and the north Texas cities of Mineral Wells, Weatherford, Graham, Breckenridge, Millsap, Jacksboro and surrounding communities. In 1991, the Company sold the assets of its Arizona gas utility operations. Because of these acquisitions and the divestiture in 1992 and 1991, the results of operations of the Company for the years ended December 31, 1992 and 1991 are not comparable to prior periods.

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,					NINE MONTHS ENDED SEPTEMBER 30, (A)	
	1988	1989	1990	1991	1992	1992	1993
<S>	(PRE-MERGER) <C>	<C>	(DOLLARS IN THOUSANDS) <C>	<C>	<C>	<C>	<C>
Income statement data:							
Operating revenues	$ 191,428	$ 197,460	$ 199,865	$ 200,261	$ 192,445	$ 126,904	$ 135,868
Gas purchase costs	110,076	115,921	118,551	109,238	102,918	62,840	67,866
Operating margin	81,352	81,539	81,314	91,023	89,527	64,064	68,002
Total operating expenses	78,524	65,381	70,242	77,179	72,165	53,849	55,355
Net operating revenues	$ 2,828	$ 16,158	$ 11,072	$ 13,844	$ 17,362	$ 10,215	$ 12,647
Earnings (loss) before income taxes and discontinued operation	$ (9,427)	$ 2,379	$ 1,413	$ 11,308	$ 10,831	$ 4,380	$ 4,817
Earnings (loss) from continuing operations available for common stock	$ (8,266)	$ (1,649)	$ (3,668)	$ 2,173	$ 3,891	$ 298	$ 2,149
Net earnings (loss) available for common stock	$ (12,564)	$ (1,649)	$ (3,668)	$ 987	$ 1,445	$ 1,686	$ 2,149

</TABLE>

<TABLE>
<CAPTION>

	DECEMBER 31,					SEPTEMBER 30, (B)	
	1988	1989	1990	1991	1992	1992	1993
<S>	(PRE-MERGER) <C>	<C>	(DOLLARS IN THOUSANDS) <C>	<C>	<C>	<C>	<C>
Balance sheet data:							
Property, plant and equipment, net	$ 213,207	$ 219,027	$ 323,187	$ 278,881	$ 285,505	$ 281,498	$ 323,856
Total assets	341,108	316,186	379,856	369,783	377,167	360,116	399,047
Short-term debt and current maturities of long-term debt	32,172	9,239	10,098	2,385	14,360	9,672	90,947
Long-term debt, less current maturities	106,061	104,922	103,783	110,482	109,464	109,743	89,122
Preferred stock	25,000	25,000	25,000	25,000	24,900	25,000	--
Common stockholders' equity	85,452	83,207	146,332	147,356	148,003	148,249	149,927

<FN>
- ------------------------------

(a) The Company's operations are seasonal in nature, with a significant percentage of its annual revenues and earnings occurring during the traditional heating-load months. Results of operations historically are most favorable in the first quarter (the three months ended March 31) of the Company's fiscal year with results of operations being next most favorable in the fourth quarter. Results for the second and third quarters are typically less favorable. Accordingly, the results of operations of an interim period are not necessarily indicative of results of operations for an annual period. Earnings from continuing operations for the nine-month periods ended September 30, 1993 and 1992 reflect certain non-recurring income items. In addition, earnings from continuing operations for the nine months ended September 30, 1993 were negatively impacted by warmer than normal weather during the 1993 winter months in those areas served by Southern Union Gas.

(b) The balance sheet information at September 30, 1993 reflects the Rio Grande Acquisition. Rio Grande was acquired for approximately $31,050,000 on September 30, 1993. See the Third Quarter Form 10-Q that is incorporated by reference into this Prospectus.

</TABLE>

MISSOURI BUSINESS

The following table sets forth selected historical financial information with respect to the Missouri Business for the periods indicated. This information should be read in conjunction with the Historical Financial Statements of the Missouri Business and notes thereto included elsewhere in this Prospectus. The selected historical financial information for each of the three years in the period ended December 31, 1992 has been derived from financial statements that have been audited by the Company's independent accountants. The selected historical financial information for the nine-month periods ended September 30, 1993 and 1992 has been derived from financial statements that are unaudited, but which, in the opinion of management of the Company, include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the financial position and operations for such periods. Results for the nine-month periods ended September 30, 1993 and 1992 are not indicative of results for the full year due to the seasonal nature of the gas distribution business.

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,			NINE MONTHS ENDED SEPTEMBER 30, (A)	
	1990	1991	1992	1992	1993
	(DOLLARS IN THOUSANDS)				
<S>	<C>	<C>	<C>	<C>	<C>
Income statement data:					
Operating revenues	$ 302,163	$ 307,667	$ 297,956	$ 201,007	$ 233,291
Gas purchase costs	202,229	193,510	183,001	121,130	141,241
Operating margin	99,934	114,157	114,955	79,877	92,050
Total operating expenses	94,639	102,334	105,118	78,392	83,934
Net operating revenues	$ 5,295	$ 11,823	$ 9,837	$ 1,485	$ 8,116
Earnings (loss) before income taxes	$ (2,543)	$ 1,833	$ 2,220	$ (4,279)	$ 3,585
Net earnings (loss)	$ (950)	$ 1,310	$ 1,515	$ (2,862)	$ 2,588

</TABLE>

<TABLE>
<CAPTION>

	DECEMBER 31,			SEPTEMBER 30,	
	1990	1991	1992	1992	1993
	(DOLLARS IN THOUSANDS)				
<S>	<C>	<C>	<C>	<C>	<C>
Balance sheet data:					
Acquired assets	$ 299,777	$ 311,635	$ 344,136	$ 290,013	$ 319,204
Assumed liabilities	85,934	76,129	68,635	40,589	31,023

<FN>
- ------------------------
(a) The operations of the Missouri Business are seasonal in nature, with a significant percentage of its annual revenues and earnings occurring during the traditional heating-load months. Accordingly, the operations of an interim period are not necessarily indicative of operations for an annual period. Net earnings for the nine months ended September 30, 1993 were positively impacted by the colder than normal weather during the 1993 winter heading-load months in those areas served by the Missouri Business.
</TABLE>

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

BACKGROUND

The Company is primarily engaged in various aspects of the natural gas business. The Company's principal line of business is the distribution of natural gas as a public utility through Southern Union Gas, a division of the Company. Southern Union Gas, which accounts for approximately 88% of the Company's total revenues, presently serves approximately 475,000 residential, commercial, industrial, agricultural and other customers in the States of Texas (including the cities of Austin, Brownsville, El Paso, Galveston and Port Arthur) and Oklahoma. See "Business -- Southern Union Gas." The Missouri Acquisition will add approximately 460,000 customers in 147 communities in

western Missouri. See "The Missouri Acquisition" and "Business -- Missouri Business." The Company (through the Southern Union subsidiaries indicated) also markets natural gas to end-users through Mercado Gas Services, Inc. ("Mercado"), sells natural gas as a vehicular fuel and converts vehicles to operate on natural gas through Southern Union Econofuel Company ("Econofuel"), operates natural gas pipeline systems through Southern Transmission Company ("Southern") and Western Gas Interstate Company ("WGI") and sells commercial gas air conditioning and other gas-fired engine-driven applications through Southern Union Energy Products and Services Company ("SUEPASCO"). Southern Union's subsidiary, Lavaca Realty Company ("Lavaca"), holds investments in real estate that primarily relate to the Company's energy business. See "Business -- Other Company Operations."

The Company's revenues and earnings are primarily dependent upon gas sales volumes and gas service rates. Gas purchase costs generally do not affect the Company's earnings because such costs are passed through to customers pursuant to purchase gas adjustment clauses. Accordingly, while changes in the cost of gas may cause the Company's operating revenues to fluctuate, operating margin (defined as operating revenues less gas purchase costs) is generally not affected by gas purchase cost increases or decreases. See "Business -- Regulation."

Gas sales volumes fluctuate as a function of seasonal weather impact and the size of the Company's customer base, which is affected by competitive factors in the industry as well as economic development and residential growth in its service areas. Gas service rates, which consist of a monthly fixed charge and a gas usage charge, are established by regulatory authorities and are intended to permit utilities to recover operating, administrative and finance costs, and to earn a return on equity. The monthly fixed charge provides a base revenue stream while the usage charge increases the Company's revenues and earnings in colder weather when natural gas usage increases. See "Business -- Regulation."

In recent years weather variances have significantly impacted the Company's results of operations. Average temperatures in the Company's service areas have remained above the 30 year normal temperature during the peak heating season. To mitigate the impact of these seasonal variances, Southern Union Gas has requested and received approval for weather normalization clauses in jurisdictions amounting to approximately half of its present utility investment in Texas and Oklahoma. These clauses allow for rate adjustments that help stabilize the utility's customers' monthly bill and the Company's earnings from the varying effects of weather.

The following table summarizes the weather conditions as a percentage of normal, based on a 30-year average, during the last three years and for the nine months ended September 30, 1993.

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,			NINE MONTHS ENDED SEPTEMBER 30,
	1990	1991	1992	1993
<S>	<C>	<C>	<C>	<C>
Southern Union Gas	87%	95%	91%	83%
Missouri Business	89%	95%	90%	108%

- ------------------------
Information with respect to weather conditions is provided by the National Oceanic and Atmospheric Administration. Percentages of normal are based on the weighted averages (based on number of customers) of the weather conditions in the service areas indicated.
</TABLE>

Revenues from residential customers are stable. Over the last three years, an average of 59% of Southern Union Gas' revenues came from sales to its residential customers while an average of 70% of Missouri Business' revenues came from sales to its residential customers. The Company's revenues from residential customers have grown as a result of its acquisitions. The growth of its residential base combined with marketing efforts aimed at large volume users have provided overall gains in sales volumes in recent years. The Company plans to continue these marketing efforts.

THE COMPANY -- RESULTS OF OPERATIONS

The following discussion of the Company's results of operations should be read in conjunction with the Company's Consolidated Financial Statements and notes thereto included in the 1992 Form 10-K and the Third Quarter Form 10-Q that are incorporated by reference into this Prospectus.

NINE MONTHS ENDED SEPTEMBER 30, 1993 AND 1992

NET EARNINGS AVAILABLE FOR COMMON STOCK

The Company recorded net earnings available for common stock of $2,149,000 for the nine months ended September 30, 1993 compared to net earnings of $1,686,000 for the nine months ended September 30, 1992, an increase of $463,000 or 27%. The increase in net earnings is due principally to the receipt of several rate increases during the past year including a $372,000 annualized increase in Galveston effective August 12, 1992, a $777,000 annualized increase in the Company's South Texas service area effective February 10, 1993, and a $1,700,000 annualized increase in Austin effective July 1, 1993.

The Company also recorded a non-recurring accounting adjustment, net of tax, in the third quarter of 1993 of approximately $1,168,000 to reverse a tax reserve upon the final settlement of prior period federal income tax audits. In July 1993, the Company paid the Internal Revenue Service ("IRS") approximately $1,266,000 in settlement for federal income taxes and interest related to the tax years 1984 through 1989. The Company had previously estimated and accrued an amount for the tax deficiencies and related interest and, as a result of the settlement with the IRS for a lesser amount, a non-recurring adjustment was recorded to reverse the tax reserve in excess of the payment made.

Net earnings for the nine months ended September 30, 1993 were also positively impacted by the reduction of payroll expenses of approximately $762,000 resulting from the Company's 1993 early retirement program which was finalized during the second quarter of 1993 and the reduction of approximately $1,032,000 of preferred dividends due to the retirement of the Company's Series A 10% Cumulative Preferred Stock in March and June 1993. The net earnings for the nine months ended September 30, 1993 were negatively impacted by warmer than normal weather during the 1993 winter heating season, which was 83% of normal, and by an increase in operating, maintenance and general expense reflecting severance costs of $597,000 from the Company's early retirement program described above. Net earnings for the nine months ended September 30, 1992 were positively impacted by a nonrecurring gain of $950,000 resulting from a litigation settlement.

Earnings from continuing operations available for common stock were $2,149,000 for the nine months ended September 30, 1993 compared to $298,000 for the nine months ended September 30, 1992. Earnings from Southern Union Exploration Company, a discontinued operation sold effective January 1, 1993, was $1,388,000 for the nine months ended September 30, 1992 compared to nil in 1993.

OPERATING REVENUES

Operating revenues were $135,868,000 for the nine months ended September 30, 1993, an increase of 7% compared to operating revenues of $126,904,000 in 1992. Gas purchase costs for the nine months ended September 30, 1993 were $67,866,000, an increase of 8%, compared to $62,840,000 in 1992. Operating margin increased approximately $3,938,000 or 6% in 1993. Both operating revenues and gas purchase costs increased in the nine months ended September 30, 1993 primarily as a result of a 26% increase in the average cost of gas from $2.04 per Mcf in 1992 to $2.58 in 1993 which was partially offset by a 16% decrease in gas sales volumes from 35,007 MMcf in 1992 to 29,360 MMcf in 1993. The decline in gas sales volumes reflected a decline of 5,270 MMcf in gas sales by Mercado, the Company's marketing subsidiary, as a result of the Company's decision to reduce sales to off system markets because of low margins.

YEARS ENDED DECEMBER 31, 1992, 1991 AND 1990

NET EARNINGS AVAILABLE FOR COMMON STOCK

The Company's net earnings available for common stock for the year ended December 31, 1992 increased 46% to $1,445,000 compared to $987,000 in 1991 and a net loss of $2,150,000 in 1990. The Company's 1992 increase in net earnings available for common stock was primarily due to reductions in operating costs, which significantly impacted net operating revenues. Other positive factors affecting net earnings included approximately $6,900,000 of increases in rates and changes in rate designs effected during 1992 and subsequent to the winter heating season of 1991, the reversal of certain contingency accruals of $2,200,000 recorded in 1990 at the time of the merger, and the recognition of a gain of approximately $950,000 resulting from a litigation settlement. These increases in earnings were partially offset by warmer weather in 1992, approximately 4% warmer than 1991 and 9% warmer than normal. In addition, the Company recorded a loss from a discontinued operation of $2,446,000 for the year ended December 31, 1992, which included net earnings from oil and gas operations of $1,954,000 offset by an estimated loss on disposal of $4,400,000. See "Business Held for Sale" in the Notes to the Company's Consolidated Financial Statements included in the 1992 Form 10-K that is incorporated by reference into

this Prospectus.

The Company's net earnings available for common stock in 1991 increased $3,137,000 compared to 1990. This increase was due principally to improved operating margins resulting from the impact of increases in rates and changes in rate design effected during 1991 and subsequent to the winter heating season in 1990; colder weather in 1991, which was approximately 7% colder than 1990 but approximately 5% warmer than normal; and the recognition of a tax benefit on the sale of real estate of approximately $1,300,000. These positive factors were partially offset by increased depreciation and operating, maintenance and general expenses resulting from the acquisition of several distribution systems. In 1991 the Company also recorded a loss from a discontinued operation of $1,186,000, which included net earnings from operations of $1,064,000 offset by a valuation adjustment of $2,250,000.

OPERATING REVENUES

Total operating revenues in 1992, 1991 and 1990 were $192,445,000, $200,261,000 and $199,865,000, respectively. Revenues are affected by the level of Southern Union Gas' sales volumes and by the pass-through of increases or decreases in gas purchase costs through Southern Union Gas' purchased gas adjustment clauses, as well as through rate increases. Revenues decreased in 1992 due to the sale of the Arizona system in November 1991, warmer than normal weather in 1992, and a 19% decrease in the gas cost billed to residential customers. These negative factors were partially offset by an increase in sales in 1992 of approximately $16,400,000 due to Mercado's expanding markets, an

increase in rates of approximately $6,900,000, both described above, and the first full year of operations provided by the acquisition of the Brazos River Gas Company and the Andrews Gas Company which increased revenues by approximately $6,400,000. The sale of the Arizona system decreased operating revenues by approximately $29,000,000 in 1992 as compared to 1991. Weather during the winter heating season of 1992 was 81% of normal and was also one of the warmest winter seasons in the Company's history.

The increase in operating revenues in 1991 as compared to 1990 was negligible after consideration of the impact of several offsetting factors. Operating revenues increased due to changes in rate design and rate increases in the Austin, Texas and Arizona service areas, colder weather experienced in 1991 and an increase in the average customer base. In addition, the effect of the acquisition of the South Texas properties, Andrews Gas Company and Brazos River Gas Company during 1991 contributed an additional $7,400,000 to operating revenues during the year ended December 31, 1991. Offsetting factors included a decrease of approximately $5,700,000 in operating revenues as compared to 1990 as a result of the sale of the Arizona system and a decrease in the average price per Mcf of gas sales billed.

GAS SALES AND TRANSPORTATION VOLUMES

Gas sales volumes billed in 1992, 1991, and 1990 totaled 51,147 MMcf, 44,942 MMcf and 43,599 MMcf at an average Mcf sales price of $3.58, $4.39 and $4.41, respectively. Gas sales volumes fluctuate as a function of weather and customer base. The increase in gas sales volumes was due in part to the expanding markets of Mercado to off-system customers during 1992. This increase was partially offset by the weather patterns in Southern Union Gas' service areas which averaged 9% warmer than normal in 1992, 5% warmer than normal in 1991, and 13% warmer than normal in 1990. The average customer bases served in 1992, 1991 and 1990 were approximately 394,000, 428,000 and 407,000, respectively.

Gas transportation volumes in 1992, 1991 and 1990 totaled 25,438 MMcf, 8,608 MMcf and 5,592 MMcf at an average transportation rate per Mcf of $.23, $.66 and $.80, respectively. Transportation volumes increased significantly in 1992 as compared to 1991 as a result of WGI's transported volumes into Mexico of approximately 15,000 MMcf during 1992. Volumes also increased in response to a decrease in the average transportation rate per Mcf in 1992 and 1991 as compared to 1990 as the Company increased sales to existing customers and attracted new customers. The Company's transportation rate per Mcf decreased due to increased competition in pipeline transportation services.

GAS PURCHASE COSTS

Gas purchase costs in 1992, 1991 and 1990 were $102,918,000, $109,238,000 and $118,551,000, respectively. The decrease in costs in 1992 was due to a decrease in the average spot market price of natural gas, a decrease in the customer base resulting from the sale of the Arizona system in November, 1991 and gas sales customers switching to transportation service, thereby essentially reducing the cost of gas. The average gas purchase cost incurred by Southern Union Gas was $2.01 per Mcf in 1992, $2.43 in 1991 and $2.72 in 1990. The impact of the decrease in 1992 and 1991 gas prices was partially offset by an increase in volumes described above.

OPERATING, MAINTENANCE AND GENERAL EXPENSES

Operating, maintenance and general expenses were $46,313,000, $49,022,000

and $45,683,000 in 1992, 1991 and 1990, respectively. During 1992 these expenses decreased $2,709,000 compared to 1991 due to the cost containment efforts implemented by the Company throughout 1992 as well as the sale of the Arizona system in November 1991. See "Business -- Business Strategy -- Enhancing Financial and Operating Performance." These factors were partially offset by increases in medical and hospitalization expenses. During 1991, operating, maintenance and general expenses increased $3,339,000 compared to 1990 due to the acquisition of gas distribution systems and increases in employee and insurance costs.

TAXES

Taxes other than income taxes reflect various state and local business and payroll related taxes. The state and local business taxes are generally based on gross receipts and investments in property, plant and equipment and fluctuate accordingly.

Federal and state income tax expense in 1992, 1991 and 1990 was $4,440,000, $6,635,000 and $1,026,000, respectively. The decrease in taxes in 1992 as compared to 1991 is due principally to the sale of the Arizona system which occurred in 1991. This decrease was partially offset by the achievement of better overall operating results in 1992. The increase in tax expense in 1991 as compared to 1990 was, likewise, due to the $4,800,000 tax expense incurred in the sale of the Arizona system for which a corresponding gain on the sale was also recognized. See "Taxes on Income" in the Notes to Consolidated Financial Statements included in the 1992 Form 10-K that is incorporated by reference into this Prospectus.

DEPRECIATION AND AMORTIZATION EXPENSE

Depreciation and amortization expense in 1992, 1991 and 1990 was $12,737,000, $13,317,000 and $10,502,000, respectively. The decrease in depreciation expense of $580,000 in 1992 compared to 1991 was due principally to the sale of the Arizona system in November 1991 and was partially offset by a full year of depreciation on the acquired gas distribution systems. The increase of $2,815,000 in depreciation and amortization expense in 1991 compared to 1990 was due primarily to the increase in amortization expense of approximately $1,400,000 resulting from a full year of amortization of the amount of additional purchase cost assigned to utility plant, approximately $450,000 resulting from the acquisition of several gas distribution and transmission facilities, and approximately $500,000 resulting from a regulatory increase in the depreciation rate. Amortization of the additional purchase cost assigned to utility plant has not been included in rates in the Company's major rate jurisdictions.

NET OPERATING REVENUES

Net operating revenues in 1992, 1991, and 1990 totaled $17,362,000, $13,844,000 and $11,072,000 respectively. The increase of $3,518,000 or 25% in 1992 compared to 1991 is due to increases in rates and changes in rate design effected during 1992 and 1991, described above, as well as decreases in each of operating, maintenance and general expenses, taxes other than income taxes and depreciation and amortization. The increase of $2,772,000 or 25% in 1991 compared to 1990 is due to the increase in operating margins resulting from an increase in revenues and a decrease in gas purchase costs, also described above.

OTHER INCOME (EXPENSES), NET

Other income (expenses), net in 1992, 1991 and 1990 were ($6,531,000), ($2,536,000) and ($9,659,000), respectively. Other income (expenses), net consists principally of interest expense on the Company's consolidated indebtedness. The increase in other expenses in 1992 compared to 1991 of $3,995,000 as well as the decrease in expenses from 1991 compared to 1990 is due principally to the recognition of the gain of $4,800,000 from the sale of the Arizona system in 1991.

Other income items recorded in 1992 included a $2,200,000 reversal of certain contingency accruals recorded at the time of the 1990 merger that were subsequently resolved or settled and a $950,000 gain resulting from a litigation settlement. Other income items recorded in 1991 included the recognition of a pre-tax gain on the sale of the Arizona system of $4,800,000.

Interest expense on short-term debt was $384,000, $697,000, and $594,000 in 1992, 1991 and 1990, respectively. Average short-term debt outstanding during 1992, 1991 and 1990 of $5,912,000, $9,184,000 and $4,898,000, respectively, was at an average interest rate of 6.3%, 8.1% and 10.3%, respectively. The variance in the average amounts outstanding coupled with reduced interest rates resulted in the fluctuation in other interest expense in each of the years.

THE MISSOURI BUSINESS -- RESULTS OF OPERATIONS

NINE MONTHS ENDED SEPTEMBER 30, 1993 AND 1992

NET EARNINGS

The Missouri Business recorded net earnings of $2,588,000 for the nine month period ended September 30, 1993 compared to a net loss of $2,862,000 for the nine month period ended September 30, 1992. Net earnings in 1993 improved compared to 1992 primarily as a result of significantly colder weather during the 1993 winter heating season (January through April), which was 108% of normal compared to 81% of normal in 1992.

OPERATING REVENUES

Revenues were $233,291,000 for the nine months ended September 30, 1993, an increase of 16% compared to revenues of $201,007,000 in 1992. Gas purchase costs for the nine months ended September 30, 1993 were $141,241,000, an increase of 17% compared to $121,130,000 in 1992. Both revenues and gas purchase costs increased in the nine months ended September 30, 1993 primarily as a result of a 21% increase in gas sales volumes due to the significantly colder winter weather in 1993 described above. The impact of the increase in volumes was partially offset by a decrease in average purchase gas costs which were $2.93 per Mcf in the first nine months of 1993 compared to $3.09 in 1992. Gas purchase costs are passed through to the customers through the Missouri Business' purchased gas adjustment ("PGA") clauses.

YEARS ENDED DECEMBER 31, 1992, 1991 AND 1990

NET EARNINGS

Missouri Business' net earnings for the year ended December 31, 1992 increased 16% to $1,515,000 compared to $1,310,000 in 1991 and a net loss of $950,000 in 1990. Net earnings in 1992 improved compared to 1991 primarily due to the effects of a $7,300,000 annualized rate increase effected in February 1992 in the Missouri Business' service areas. Increased earnings were partially offset by warmer weather in 1992, which was 90% of normal and approximately 3% warmer than 1991.

Net earnings in 1991 increased $2,260,000 compared to 1990 due principally to colder weather in 1991 which was 95% of normal and approximately 7% colder than 1990. Increased earnings in 1991 were partially offset by increases in interest expense allocated to the Missouri Business by Western Resources and increases in operating, maintenance and general and depreciation and amortization expenses.

OPERATING REVENUES

Revenues in 1992, 1991 and 1990 were $297,956,000, $307,667,000 and $302,163,000, respectively. Revenues are affected by the level of sales volumes and by the pass-through of increases or decreases in gas purchase costs through the Missouri Business' PGA clauses. Revenues decreased 3% in 1992 compared to 1991 due to a reduction in sales volumes of approximately 4% resulting from the warmer than normal weather in 1992 described above. The effect of the sales volume decrease in 1992 was partially offset by the rate increase effected in February 1992, also described above.

Revenues increased approximately 2% in 1991 compared to 1990 due to an increase in sales volumes of approximately 7% resulting from the colder weather in 1991 described above. The effect of the sales volume increase in 1991 was partially offset by an 11% decrease in the average gas purchase cost per Mcf.

GAS PURCHASE COSTS

Gas purchases in 1992, 1991 and 1990 were $183,001,000, $193,510,000 and $202,229,000, respectively. Gas purchase costs are a function of weather related volumes and the average purchase gas cost per Mcf incurred. Average purchase gas costs incurred by the Missouri Business was $2.97 per Mcf in 1992, $3.00 in 1991 and $3.39 in 1990. Gas purchases decreased in 1992 due principally to the effects of warmer than normal weather, described above, and as a result of the decrease in average gas

costs per Mcf. Gas purchase costs also decreased in 1991 as compared to 1990 as a result of an 11% decrease in the average purchase gas cost per Mcf. This decrease was partially offset by a weather related increase in sales volumes described above.

OPERATING, MAINTENANCE AND GENERAL EXPENSES

Operating, maintenance and general expenses were $66,908,000, $64,829,000 and $59,311,000 in 1992, 1991 and 1990, respectively. Expenses increased in 1992 compared to 1991 by approximately 3% due mainly to inflationary increases in operating costs and salaries. Expenses increased in 1991 compared to 1990 by approximately 9% due to increases in rental expenses as a result of added office space, cast iron main line repairs, and employee benefits.

DEPRECIATION AND AMORTIZATION EXPENSES

Depreciation and amortization expense in 1992, 1991 and 1990 was $13,172,000, $11,628,000 and $9,730,000, respectively. The increase in depreciation expense of $1,544,000 or 13% in 1992 compared to 1991 and the increase of $1,898,000 or 20% in 1991 compared to 1990 was due to increases in plant resulting from the effects of capital expenditures including the capital expenditures incurred for the service line replacement program initiated in 1989. Service line replacement capital expenditures in 1992, 1991 and 1990 were approximately $22,200,000, $19,000,000, and $14,200,000, respectively.

OTHER INCOME (EXPENSES), NET

Other income (expenses), net in 1992, 1991 and 1990 were ($7,617,000), ($9,990,000) and ($7,838,000), respectively. Other income (expenses) consists principally of interest expense allocated by Western Resources to the Missouri Business based on its consolidated interest expense. The variance in Western Resources average debt balance outstanding coupled with fluctuations in average interest rates resulted in fluctuations in interest expense incurred by Western Resources and ultimately allocated to the Missouri Business. Western Resources' weighted average interest rate was 7.6% in 1992, 8.0% in 1991 and 8.4% in 1990.

Other, net includes the deferral and amortization of interest costs associated with the service line replacement program. Pursuant to accounting orders issued by the MPSC, the Missouri Business was authorized to defer service line replacement program costs including depreciation expense, property taxes, and related interest charges for subsequent recovery in future rates. Costs incurred from November 1989 through May 1990 were deferred and amortized over a three year period from May 1990 through April 1993. Additionally, costs incurred from July 1991 through September 1993 were also deferred and will be included in rate base and amortized in the cost of service beginning October 1993 for a period of 20 years. Other, net in 1992, 1991 and 1990 includes the net deferral (amortization) of interest costs incurred in connection with this program of approximately $1,388,000, ($630,000), and $604,000, respectively. The accounting treatment described above, in effect, matches the costs incurred in connection with the service line replacement program with related revenues collected from customers as a result of approved increases in rates.

FUTURE CAPITAL NEEDS AND RESOURCES

The Company has needs for new funds beyond those required to fund the pending Missouri Acquisition and desires to refinance certain short-term debt. The Company also intends to refinance certain of its outstanding debt securities which mature in June 1994 in order to extend the maturity date. While management's decision not to pay cash dividends is a significant source of capital for the Company's present and future operations, the Company may require additional financing to fund the seasonal nature of the Company's gas utility operations and the future growth of its businesses.

The Company has used its revolving credit facility, internally generated funds, and long-term debt to provide funding for its seasonal working capital, continuing construction programs, operational requirements, preferred dividend requirements, and periodic acquisitions. During the three years ended December 31, 1992, Southern Union spent approximately $77,000,000 on capital projects. Of that total, approximately $59,000,000 was incurred on normal expansion of its distribution system as well as relocation and replacement and approximately $18,000,000 was incurred for the acquisition

of distribution operations. In addition, approximately $6,500,000 was incurred for the purchase of real estate. For the year ended December 31, 1993, the Company spent approximately $16,000,000 for capital expenditures, exclusive of any acquisitions of other natural gas distribution properties, which primarily has been used to fund normal distribution system replacement and expansion. For the year ended December 31, 1993, capital expenditures for the Missouri Business were approximately $38,000,000. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Investing Activities" in the 1992 Form 10-K that is incorporated by reference in this Prospectus.

On September 30, 1993, Southern Union entered into a new revolving credit facility with a three year term (the "Revolving Credit Facility") initially underwritten by Texas Commerce Bank, N.A. for $80,000,000. On November 15, 1993, the Revolving Credit Facility was syndicated to five additional banks and the aggregate amount available to be borrowed was increased to $100,000,000. Borrowings under the Revolving Credit Facility are available for Southern Union's working capital and letter of credit requirements. The Revolving Credit Facility can also be used in part, but not to exceed $40,000,000, to fund acquisitions and capital expenditures and it provided the funds to complete the Rio Grande Acquisition. The Revolving Credit Facility contains certain financial covenants that, among other things, restrict cash and asset dividends, share

repurchases, certain investments and additional debt. The Revolving Credit Facility is currently unsecured. Under certain conditions involving the issuance of secured debt of Southern Union, the Revolving Credit Facility automatically would become collateralized by a first priority lien on substantially all of the accounts receivable, inventory and certain related contract rights of the Company.

On July 9, 1993 the Company entered into the Missouri Asset Purchase Agreement with Western Resources, pursuant to which the Company has agreed to purchase certain Missouri natural gas distribution operations. The purchase price payable at closing is $327,940,000 in cash, to be adjusted as of the closing date to reflect permitted capital expenditures and depreciation relating to the Missouri Business since March 31, 1993 and accounts receivable net of accounts payable as of closing. The actual purchase price will be based upon Western Resources' books and records as of the closing date of the Missouri Acquisition. Pursuant to the MPSC Stipulation, the additional purchase cost assigned to utility plant totalling approximately $44,000,000 may not be included in rate base nor its amortization in cost of service. In addition, the Missouri Business' rate base included in any filing for an increase in non-gas rates completed in the next ten years will be reduced initially by $30,000,000. This rate base adjustment will be reduced annually by $3,000,000 over this ten-year period. Based on the March 31, 1993 unaudited financial information provided to the Company prior to the signing of the Agreement, the adjusted purchase price for the Missouri Acquisition would have been approximately $360,000,000. The Company presently expects the Missouri Acquisition to close during the first quarter of 1994. See "The Missouri Acquisition."

On December 31, 1993 the Company completed the sale of $50,000,000 of Common Stock in the Rights Offering. The net proceeds from the sale of Common Stock in the Rights Offering were used to repay borrowings from the Company's Revolving Credit Facility used to purchase Rio Grande and subsequently will be used to partially fund the Missouri Acquisition and provide working capital for operations. Proceeds from the sale of Senior Debt Securities, when added to the proceeds of the Rights Offering, will be sufficient to fund the Missouri Acquisition, refinance a portion of the Company's outstanding balance on its Revolving Credit Facility, and refinance the $20,000,000 balance of the Company's 10 1/8% notes due in 1994.

FINANCIAL CONDITION

The discussions of the Company's financial condition, liquidity and capital resources contained in the 1992 Form 10-K and the Third Quarter Form 10-Q, that are incorporated by reference into this Prospectus, do not reflect the significant impact that the Missouri Acquisition will have on the Company (see "The Missouri Acquisition" and "Business -- Missouri Business") and should be read only in light of the information contained in this Prospectus.

BUSINESS

The Company is primarily engaged in various aspects of the natural gas business. The Company's principal line of business is the distribution of natural gas as a public utility through Southern Union Gas, a division of the Company. Southern Union Gas, which accounts for approximately 88% of the Company's total revenues, serves approximately 475,000 residential, commercial, industrial, agricultural and other customers in the states of Texas (including the cities of Austin, Brownsville, El Paso, Galveston and Port Arthur) and Oklahoma. The Company's subsidiaries, which have been established to support and expand natural gas sales and to capitalize on the Company's gas energy expertise, market natural gas to end-users, sell natural gas as a vehicular fuel, convert vehicles to operate on natural gas, operate intrastate and interstate natural gas pipeline systems and sell commercial gas air conditioning and other gas-fired engine-driven applications. The primary factors that affect the distribution and sale of natural gas are the seasonal nature of gas use, adequate and timely rate relief from regulatory authorities, competition from alternative fuels, competition within the gas business for industrial customers and volatility in the supply and price of natural gas. Southern Union has agreed to purchase certain Missouri natural gas operations that will nearly double the number of customers served by the Company's natural gas distribution systems and make the Company one of the top 15 gas utilities in the United States, as measured by number of customers. See "The Missouri Acquisition."

BUSINESS STRATEGY

The Company is a sales and market-driven energy company whose management is committed to achieving profitable growth of its natural gas energy businesses in an increasingly competitive business environment. Management's strategies for achieving these objectives principally consist of: (i) promoting new sales opportunities and markets for natural gas; (ii) enhancing financial and operating performance; and (iii) expanding the Company through developing existing natural gas distribution systems and selectively acquiring additional natural gas distribution systems. Management developed and continually evaluates

these strategies and their implementation by analyzing the energy industry, technological advances, market opportunities and general business trends.

PROMOTING NEW SALES OPPORTUNITIES AND MARKETS FOR NATURAL GAS. The sales profile for a typical natural gas distribution system displays peak utilization in the winter months and relatively low utilization during the rest of the year. The Company has identified natural gas uses that should diminish these utilization gaps, as well as improve operational and financial efficiencies of the gas distribution system. Technologies such as natural gas driven chillers, air conditioners, water pumps, electric power co-generators and compressed natural gas fueled vehicles provide the Company with sales opportunities in and beyond its utility service areas without requiring substantial infrastructure investments.

The benefits to the Company of successful execution of this strategy are beginning to be realized in increased natural gas sales in its existing service areas. Through shared savings and direct sales programs, the Company has assisted customers in the replacement of electric powered air conditioners with new gas driven air conditioners in six commercial sites. The superior performance demonstrated by these applications is providing additional data for use in marketing new sales and installations.

Some states, including Texas and Oklahoma, have clean air legislation requiring alternative fuel usage in public fleets. Natural gas as a vehicular fuel is a viable ecological solution to attain the clean air standards mandated by such legislation. The Company is a 50% partner in the "Natural Gas Vehicle Technology Center" in Austin, Texas, which opened in 1991. Since opening, the center has converted approximately 1,300 vehicles, including those of government fleets, public transportation systems and private commercial fleets, which add approximately $850,000 in gas sales revenue on an annualized basis. Through its Econofuel subsidiary, the Company has opened eight public refueling stations and five private refueling stations throughout its Texas service areas.

Water pumping for crop irrigation provides spring, summer and fall loads for the gas system and unregulated sales opportunities in and beyond the Company's regulated service areas in Texas and additional regulated sales in Oklahoma. Since the beginning of 1991, the Company has increased its annual sales revenue by more than $600,000 as a result of unregulated natural gas sales to over 278 newly connected water wells. The Company expects this market to continue to increase, particularly when approximately 140,000 acres of farmland throughout Texas, 460,000 acres throughout Oklahoma and 500,000 acres throughout Missouri begin to be systematically removed from the Conservation Reserve Program (CRP) in 1995.

These developing markets for natural gas use offer additional sales opportunities that can result in profitable growth for the Company. This strategy will be continued in the Company's existing service areas and will be initiated in the service areas of systems acquired by the Company.

ENHANCING FINANCIAL AND OPERATING PERFORMANCE. Rather than relying solely on rate increases to enhance their financial performance, Southern Union seeks to enhance its financial performance through improved and more cost effective ways to serve the customer and through increases in its sales base. In an effort to reduce costs and increase customer service, the Company has eliminated management layers through early retirement programs, computerized the dispatching of its customer service personnel, reduced overhead, lowered the cost of its maintenance and capital improvement programs through the use of outside contractors and reduced post-retirement and other employee benefits. In addition, since 1990, the Company has pushed decision-making down into the organization. Empowered employee teams examine the total process of their work and change or eliminate those steps that are inefficient or do not add value. The Company has developed recognition programs to reward employee innovation. The B.E.S.T. program (Building Employee Strategic Thinking) combines with programs for top performers, community service and safety to provide incentives to employees to enhance the Company's performance.

Southern Union has worked with its regulators to implement progressive rate tariffs and has successfully implemented sales and transportation rate tariffs that provide the flexibility needed to compete by allowing it to negotiate rates to attract new load or to retain large customers. Southern Union has also received approval for weather normalization tariffs in service areas representing almost half of the Company's investment. These progressive tariffs help stabilize the customer's bill and the Company's earnings from the varying effects of weather. Southern Union's local utility service areas have also approved cost of service indexing tariffs that are designed to adjust billing rates for annual changes in operating and administrative expenses without the high costs associated with a full regulatory hearing.

Through the Company's acquisitions, management believes the Company has been, and expects it to continue to be, able to realize benefits from the Company's expanded operations. Management believes that further opportunities

for overhead and operational savings with respect to the combined operations are achievable.

The Company works with local Chambers of Commerce and public officials, helps cities obtain state and federal projects, and strives to provide safe, environmentally clean natural gas at competitive prices in order to financially enhance both the community and the Company. Attracting new businesses to and promoting expansion of existing businesses in the Company's service areas can strengthen the local economy and create new sales opportunities for the Company. Employees are also encouraged to actively participate in community work. Company sponsorship of local charities, city projects and community causes are objectively evaluated and pursued.

EXPANDING THE COMPANY THROUGH DEVELOPING EXISTING SYSTEMS AND SELECTIVELY ACQUIRING ADDITIONAL SYSTEMS. The Company has experienced steady annual growth in the residential utility customer base in each of its existing service areas. The stability of this market segment and increasingly active marketing in the commercial and industrial market segments in the communities it presently serves have permitted the Company to expand its systems through normal mainline extensions and programs designed to increase large volume sales load on existing mainlines.

To complement this system development strategy, the Company has actively pursued acquisitions that management believes could profitably contribute to the Company's growth. Since 1990, the Company has acquired seven gas distribution systems in Texas. Collectively, these systems have added nearly 115,000 of Southern Union Gas' present customers representing approximately $47,700,000 of annual sales revenue to the Company. See "Acquisitions, Divestitures and Merger" in the Notes to the Company's Consolidated Financial Statements included in the 1992 Form 10-K that is incorporated by reference into this Prospectus. Southern Union's most recent acquisition was on September 30, 1993 when it acquired Rio Grande for approximately $31,050,000. Rio Grande presently serves approximately 75,000 customers in the south Texas counties of Willacy, Cameron and Hidalgo. Rio Grande's service areas include 32 towns and cities along the Mexican border, including Brownsville, Harlingen and McAllen, Texas. See the Third Quarter Form 10-Q that is incorporated by reference into this Prospectus.

On July 9, 1993, Southern Union agreed to acquire the Missouri Business. The Missouri Business will add approximately 460,000 customers in western Missouri. If the Missouri Acquisition occurs, the Company will nearly double the number of customers served by its natural gas distribution systems and become one of the top 15 gas utilities in the United States, as measured by number of customers. In addition, the Missouri Acquisition will lessen the sensitivity of the Company's operations to weather risk and local economic conditions by diversifying operations into different geographic areas. See "The Missouri Acquisition." The incurrence of additional debt and issuance of new equity in connection with the Missouri Acquisition will significantly change the Company's capital structure. See "Capitalization" and "Unaudited Pro Forma Combined Condensed Financial Information."

REGULATION

The Company's rates and operations, as well as those of the Missouri Business, are subject to regulation by federal, state and local authorities. In Texas, municipalities have primary jurisdiction over rates within their respective incorporated areas. Rates in adjacent environs areas and appellate matters are the responsibility of the Railroad Commission of Texas. Rates in Oklahoma are subject to regulation by the Oklahoma Corporation Commission. The FERC and the Texas Railroad Commission have jurisdiction over rates, facilities and services of WGI and Southern, respectively. In Missouri, rates are established by the MPSC on a system wide basis. The Missouri Business has non-exclusive franchises granted by the cities it serves and certificates of public convenience granted by the MPSC. The MPSC also must approve encumbrance of any assets necessary or useful in the performance of the Missouri Business.

Gas service rates are established by regulatory authorities to collectively permit utilities to recover operating, administrative and finance costs, and to earn a return on equity. Gas costs are billed to customers through purchase gas adjustment clauses which permit the Company and the Missouri Business to adjust its sales price as the cost of purchased gas changes. The appropriate regulatory authority must receive notice of, and in Missouri approve, such adjustments prior to billing implementation. This is important because the cost of natural gas accounts for a significant portion of the Company's total expenses.

The monthly customer bill contains a fixed service charge, a usage charge for service to deliver gas, and a charge for the amount of natural gas used. While the monthly fixed charge provides an even revenue stream, the usage charge increases the Company's annual revenue and earnings in the traditional heating load months when usage of natural gas increases. The majority of the Company's rate increases in Texas and Oklahoma in recent years have been reflected in

increased monthly fixed charges which help stabilize earnings.

The Company and the Missouri Business must support any service rate changes to its regulators using an historic test year of operating results adjusted to normal conditions and for any known and measurable revenue or expense changes. Because the rate regulatory process has certain inherent time delays, rate orders may not reflect the operating costs at the time new rates are put into effect.

On February 10, 1993 the Company's South Texas service area received an annualized rate increase of $777,000. On June 10, 1993 the Austin City Council approved an ordinance reflecting (i) an approximate $1,700,000 base revenue increase, (ii) new and increased fees that will add approximately $250,000 annually, and (iii) weather normalization clause revisions. The Austin rate increase became effective as of July 1, 1993. On October 12, 1993 the El Paso City Council approved an ordinance reflecting an approximate revenue increase of $463,000. The El Paso rate increase became effective November 1, 1993. These rate increases should contribute significantly to Southern Union Gas' earnings in 1994. On October 5, 1993 the MPSC issued a rate order increasing the Missouri Business' natural gas rates by $9,750,000 annually. The MPSC rate order became effective on October 15, 1993.

The following table summarizes the rate increases that have been granted over the last three years:

<TABLE>
<CAPTION>

	1991	1992	1993
	(THOUSANDS OF DOLLARS)		
<S>	<C>	<C>	<C>
Southern Union Gas			
Austin, Texas	$ 3,311		$ 1,948
El Paso, Texas		$ 1,741	463
All other	244	1,001	981
	3,555	2,742	3,392
Missouri Business		7,300	9,750
	$ 3,555	$ 10,042	$ 13,142

</TABLE>

The Missouri Business is required, pursuant to an MPSC order, to replace certain service and main lines. This has amounted to an annual capital expenditure of approximately $20,000,000. The MPSC has issued accounting orders in the past to allow the deferral for future recovery in rates of financing costs, depreciation and taxes. The Company believes the MPSC will allow the Company to continue such deferral and recovery.

SOUTHERN UNION GAS

STATISTICS OF GAS UTILITY AND RELATED OPERATIONS. The following table shows certain operating statistics of Southern Union Gas for the periods indicated:

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31, (A)			NINE MONTHS ENDED SEPTEMBER 30,
	1990	1991	1992	1993 (B)
<S>	<C>	<C>	<C>	<C>
Average number of gas sales customers served:				
Residential	374,990	394,508	365,187	372,350
Commercial	28,784	30,132	25,853	26,050
Industrial and irrigation	895	861	796	767
Public authorities and other	2,415	2,521	2,206	2,213
Pipeline and marketing	55	55	157	184
Total average customers served	407,139	428,077	394,199	401,564
Gas sales in millions of cubic feet (MMcf):				
Residential	22,147	23,102	21,356	15,642
Commercial	10,294	10,466	9,059	6,855
Industrial and irrigation	4,692	2,880	2,881	1,960
Public authorities and other	3,838	3,545	3,002	2,040
Pipeline and marketing	2,628	4,949	14,849	4,987

Gas sales billed	43,599	44,942	51,147	31,484
Net change in unbilled gas sales	(304)	(1,263)	(43)	(2,124)
Total gas sales	43,295	43,679	51,104	29,360
Gas sales revenues (thousands of dollars):				
Residential	$ 113,432	$ 119,604	$ 102,028	$ 81,319
Commercial	43,329	44,011	34,261	28,885
Industrial and irrigation	14,473	9,519	8,655	6,770
Public authorities and other	13,674	12,409	9,437	7,265
Pipeline and marketing	7,515	11,817	28,793	11,630
Gas revenues billed	192,423	197,360	183,174	135,869
Net change in unbilled gas sales revenues	482	(7,499)	214	(8,000)
Total gas sales revenues	$ 192,905	$ 189,861	$ 183,388	$ 127,869
Gas sales margin (thousands of dollars)(c)	$ 74,354	$ 80,623	$ 80,470	$ 60,003
Gas sales revenue per thousand cubic feet (Mcf) billed:(d)				
Residential	$ 5.121	$ 5.177	$ 4.777	$ 5.199
Commercial	4.209	4.205	3.782	4.214
Industrial and irrigation	3.084	3.305	3.004	3.454
Public authorities and other	3.563	3.500	3.144	3.561
Pipeline and marketing	2.860	2.388	1.939	2.332
Weather effect:				
Degree days(e)	2,348	2,439	2,020	1,108
Percent of normal, based on 30-year average	87%	95%	91%	83 %
Gas transported in millions of cubic feet (MMcf)	5,592	8,608	25,438	17,728
Gas transportation revenues (thousands of dollars)	$ 4,460	$ 5,686	$ 5,943	$ 4,623

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(a) Includes the Andrews, South Texas, Nixon and Brazos River operations that were acquired since 1990 and the Arizona operations that were sold in 1991, for the time periods they were owned.

(b) The Company's operations are seasonal in nature, with a significant percentage of its annual revenues and earnings occurring during the traditional heating-load months. Results of operations historically are more favorable in the first quarter (the three months ended March 31) of the Company's fiscal year with results of operations being next most favorable in the fourth quarter. Results for the second and third quarters are typically less favorable. Accordingly, the results of operations of an interim period are not necessarily indicative of results of operations for an annual period.

(c) Gas sales revenues less purchased gas costs is equal to gas sales margin.

(d) Gas price billed in 1992 was lower than amounts billed in 1991 and 1990 due to lower gas costs.

(e) "Degree days" are a measure of the coldness of the weather experienced. A Degree day is equivalent to each degree that the daily mean temperature for a day falls below 65 degrees Fahrenheit.

</TABLE>

COMPETITION. Southern Union Gas is not currently in significant direct competition with any other distributors of natural gas to residential and small commercial customers within its service areas. In recent years, certain large volume customers, primarily industrial and significant commercial customers, have had opportunities to access alternative natural gas supplies and, in some instances, delivery service from pipeline systems. The Company has offered transportation arrangements to customers who secure their own gas supplies. These transportation arrangements, coupled with the efforts of the Company's marketing subsidiary, Mercado, enable the Company to provide competitively priced gas service to these large volume customers. See "Business -- Other Company Operations." In addition, the Company has successfully used flexible rate provisions, when needed, to prevent by-pass of the Company's distribution system.

As an energy provider, Southern Union Gas also competes with alternative energy sources, particularly electricity and also propane, coal, natural gas liquids and other refined products available in the Company's service areas. At present rates, the cost of electricity to residential and commercial customers in Southern Union Gas' service areas generally is higher than the effective cost of Southern Union Gas' natural gas service. There can be no assurances, however, that future fluctuations in gas and electric costs will not reduce the cost advantage of natural gas service.

The following operating cost analysis provides a comparison of annual gas and electric costs for two typical residential energy applications in the two largest cities (which represent approximately 62% of Southern Union Gas' present customers) served by Southern Union Gas:

<TABLE>
<CAPTION>

APPLICATION	AUSTIN, TEXAS GAS (A)	AUSTIN, TEXAS ELECTRIC (B)	EL PASO, TEXAS GAS (A)	EL PASO, TEXAS ELECTRIC (B)
<S>	<C>	<C>	<C>	<C>
Water Heater (c)	$ 102	$ 280	$ 76	$ 292
Furnace				
Gas	$ 105	--	$ 124	--
Electric Heat Pump	--	$ 261	--	$ 492
Electric Resistance	--	$ 480	--	$ 904

<FN>
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(a) Gas prices contain the (i) cost of service rates effective since July 1993 for Austin, Texas and since January 1992 for El Paso, Texas and (ii) cost of gas rates based on average area prices for the twelve months ended September 1993. The combined service and gas rates amount to $.4110 per hundred cubic feet (CCF) of gas in Austin, Texas and $.3071 per CCF of gas in El Paso, Texas.

(b) Annual average electric rates were used to calculate electric water heater costs. Winter average electric rates were used to calculate furnace costs. The Austin annual average electric rate was $.0933 per kilowatt hour (KWH), and the winter average rate was $.0833 per KWH. The El Paso annual average electric rate was $.09744 per KWH, and the winter average rate was $.09952 per KWH.

(c) Based on Department of Energy first hour rating test procedure, an average family uses 64.3 gallons of hot water per day.

</TABLE>

Although commercial and industrial customers typically pay lower prices for gas and electric services, the Company believes that similar gas price advantages exist for commercial and industrial applications. In addition, the cost of expansion for peak load requirements of electricity in some of Southern Union Gas' service areas has provided opportunities to allow energy switching to natural gas pursuant to integrated resource planning techniques. Electric competition has responded by offering equipment rebates and incentive rates.

Competition between the use of fuel oil and natural gas, particularly by industrial, electric generation and agricultural customers, has increased as oil prices have decreased. While competition between such fuels is generally more intense outside Southern Union Gas' service areas, this competition affects the nationwide market for natural gas. Additionally, the general economic conditions in its service areas continue to affect certain customers and market areas, thus impacting the results of Southern Union Gas' operations.

GAS SUPPLY. The low cost for natural gas service is attributable to efficient operations and the Company's ability to contract for natural gas using favorable mixes of long-term and short-term supply arrangements and favorable transportation contracts. The Company has been directly acquiring its gas supplies since the mid 1980s when interstate pipeline systems opened their systems for transportation service. The Company has the organization, personnel and equipment necessary to dispatch and monitor gas volumes on a daily and even hourly basis to ensure reliable service to customers.

This experience will be of major significance in the post FERC Order 636 procurement environment. FERC Order 636 promotes the "unbundling" of services offered by interstate pipeline companies and allows them to sell gas at market based rates. As a result, gas purchase decisions and associated risks now shift from the pipeline companies to the gas distributors. The increased demands on distributors to manage effectively their gas supply in an environment of volatile gas prices will provide an advantage to distribution companies such as Southern Union Gas that have demonstrated a history of contracting favorable and efficient gas supply arrangements in an open market system.

The majority of Southern Union Gas' 1992 gas requirements for utility operations were delivered under long-term transportation contracts through five major pipeline companies. These contracts have various expiration dates ranging from 1995 through 2011. Southern Union Gas also purchases significant volumes of gas under long-term and short-term arrangements with suppliers. The amounts of such short-term purchases are contingent upon price. Southern Union Gas has firm supply commitments for all areas that are supplied with gas purchased under short-term arrangements.

CURTAILMENT EXPERIENCE. Gas sales and/or transportation contracts with interruption provisions, whereby large volume users purchase gas with the understanding that they may be forced to shut down or switch to alternate sources of energy at times when the gas is needed for higher priority customers, have been utilized for load management by Southern Union Gas and the gas

industry as a whole for many years. In addition, during times of special supply problems, curtailments of deliveries to customers with firm contracts may be made in accordance with guidelines established by appropriate federal and state regulatory agencies. There have been no supply-related curtailments of deliveries to any of Southern Union Gas' utility customers during the last ten years.

The following table shows, for each Southern Union Gas principal service area, the percentage of gas utility revenues and sales volume for 1992, the average cost per Mcf of gas in 1992, and the primary delivery systems:

<TABLE>
<CAPTION>

SERVICE AREA	PERCENT OF GAS UTILITY REVENUES IN 1992	PERCENT OF GAS UTILITY SALES VOLUME IN 1992	1992 AVERAGE COST PER MCF	PRIMARY DELIVERY SYSTEMS - MAJOR PIPELINES
<S>	<C>	<C>	<C>	<C>
El Paso, Texas	32%	32%	$1.89	El Paso Natural Gas Company
Austin, Texas	27	20	1.99	Valero Transmission Company
Port Arthur, Texas	6	4	2.56	Midcon Texas Pipeline Company
Galveston, Texas	4	3	2.33	Houston Pipeline Company
	69	59		

<CAPTION>

				LOCAL PIPELINES
<S>	<C>	<C>	<C>	<C>
Pipeline and marketing	16	29	1.80	Various
Panhandle	10	9	2.49	Various
West Texas	3	2	2.05	Various
South Texas	2	1	3.28	Valero Transmission Company
	31	41		
	100%	100%		

</TABLE>

MISSOURI BUSINESS

STATISTICAL INFORMATION. The Missouri Business that Southern Union has agreed to acquire serves approximately 460,000 residential, commercial, industrial and public authority customers in western Missouri. These customers are located in approximately 147 communities, including the cities of Kansas City, St. Joseph and Joplin, Missouri. See "The Missouri Acquisition."

The following table shows certain operating statistics of the Missouri Business for the periods indicated:

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,			NINE MONTHS ENDED SEPTEMBER 30,
	1990	1991	1992	1993 (A)
<S>	<C>	<C>	<C>	<C>
Average number of gas sales customers served:				
Residential	404,542	397,447	399,421	393,489
Commercial	38,200	50,609	57,615	57,093
Industrial	234	238	249	259
Total average customers served	442,976	448,294	457,285	450,841
Gas sales in millions of cubic feet (MMcf):				
Residential	41,763	43,506	39,839	35,197
Commercial	17,731	20,962	19,450	17,080
Industrial	1,577	1,062	1,254	295
Gas sales billed	61,071	65,530	60,543	52,572
Net change in unbilled gas sales	(1,271)	(1,688)	1,043	(4,838)
Total gas sales	59,800	63,842	61,586	47,734
Gas sales revenues (thousands of dollars):				
Residential	$ 211,052	$ 207,448	$ 195,073	$ 167,002

Commercial	79,370	88,267	84,995	75,795
Industrial	7,214	4,479	4,406	1,773
Gas revenues billed	297,636	300,194	284,474	244,570
Net change in unbilled gas sales revenues	(6,216)	(5,668)	3,618	(16,612)
Total gas sales revenues	$ 291,420	$ 294,526	$ 288,092	$ 227,958
Gas sales margin (thousands of dollars) (b)	$ 89,191	$ 101,016	$ 105,091	$ 86,717
Gas sales revenue per thousand cubic feet (Mcf) billed:				
Residential	$ 5.054	$ 4.768	$ 4.897	$ 4.745
Commercial	4.476	4.211	4.369	4.438
Industrial	4.575	4.218	3.514	6.009
Weather effect:				
Degree days (c)	4,686	5,017	4,852	3,656
Percent of normal, based on 30-year average	89%	95%	90%	108 %
Gas transported in millions of cubic feet (MMcf)	25,094	27,720	26,381	20,227
Gas transportation revenues (thousands of dollars)	$ 8,908	$ 11,063	$ 7,888	$ 4,757

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(a) The operations of the Missouri Business are seasonal in nature, with a significant percentage of its annual revenues and earnings occurring during the traditional heating-load months. Accordingly, the operations of an interim period are not necessarily indicative of operations for an annual period. Net earnings for the nine months ended September 30, 1993 were positively impacted by the colder than normal weather during the 1993 winter heating-load months.

(b) Gas sales revenues less purchased gas costs is equal to gas sales margin.

(c) "Degree days" are a measure of the coldness of the weather experienced. A Degree day is equivalent to each degree that the daily mean temperature for a day falls below 65 degrees Fahrenheit.

</TABLE>

GAS SUPPLY. Natural gas is delivered under long-term contracts through three pipeline companies. These contracts have various expiration dates ranging from 1995 through 2009. Natural gas supplies are purchased under long-term and short-term arrangements with suppliers. The amounts purchased under short-term arrangements are contingent upon price. The Missouri Business has firm supply commitments for all areas that are supplied with gas purchased under short-term arrangements. Recent curtailments in Missouri have been the result of the 1993 flooding of the Missouri River.

The average cost per Mcf of gas in 1992 was $2.79 in the areas served by the Missouri Business. The primary source of gas supply during 1992 was Williams Natural Gas Company ("WNG"), which provided approximately 37% of the gas supply requirements. Effective October 1, 1993, pursuant to FERC Order 636, WNG will provide transportation services only. Gas supply services previously provided by WNG are provided by other suppliers including Amoco Production Company, Occidental Petroleum Corporation and GPM Gas Services Company.

COMPETITION. The Missouri Business is not currently in significant competition with any other distributors of natural gas to residential and small commercial customers within its service areas. In recent years, certain large volume customers, primarily industrial and significant commercial customers, have had opportunities to access alternative natural gas supplies and, in some instances, delivery from pipeline systems. As an energy provider, the Missouri Business also competes with alternative energy sources, particularly electricity and also propane, coal, natural gas liquids and other refined products available in the Company's service areas. At present rates, the cost of electricity to residential and commercial customers in the Missouri Business's service areas generally is higher than the effective cost of the Missouri Business's natural gas service.

The following operating cost analysis provides a comparison of annual gas and electric costs for two typical residential energy applications in Kansas City, Missouri, the largest city served by the Missouri Business (which represents approximately 85% of the Missouri Business' present customers):

<TABLE>
<CAPTION>

	KANSAS CITY, MISSOURI	
APPLICATION	GAS (A)	ELECTRIC(A)
<S>	<C>	<C>
Water Heater (b)	$ 97	$ 225
Furnace		

Gas	$ 275	--
Electric Heat Pump	--	$ 604
Electric Resistance	--	$ 1,110

<FN>
- ------------------------

(a) Gas prices are based on the average gas bills for the last twelve month period. This amounts to $.39239 per CCF of gas in Missouri. Average annual electric rates (used to calculate water heater costs) were $.075 per KWH. Winter average electric rates (used to calculate furnace costs) were $.070 per KWH. Furnace consumption is based on normal heating loads for Kansas City, Missouri.

(b) Based on Department of Energy first hour rating test procedure, an average family uses 64.3 gallons of hot water per day.

</TABLE>

EMPLOYEES. Southern Union has agreed to employ certain employees of Western Resources involved in the Missouri Business. See "The Missouri Acquisition." The Company presently expects that the number of such employees will not exceed 1,144, of which presently 842 are paid on an hourly basis and 302 are paid on a salary basis. Approximately 80% of the hourly paid employees of the Missouri Business are represented by unions. If the Missouri Acquisition occurs, then Southern Union will become subject to the collective bargaining agreements relating to those employees. The Company believes that the relations that Western Resources has had with these employees are good. Although there have been and may be disputes with such collective bargaining units, no such disputes have disrupted the Missouri Business for at least 20 years.

PROPERTIES. The Missouri Business' system consists of approximately 6,900 miles of mains and approximately 3,100 miles of service lines. The Company considers this system to be in good condition and to be well maintained.

LEGAL PROCEEDINGS. The Missouri Business is subject to various legal proceedings that management of the Company considers to be the normal kinds of actions to which an enterprise of its size and nature might be subject, and which management considers not to be material to the operations or financial condition either to the Missouri Business or the Company as a whole.

ENVIRONMENTAL. The Missouri Business owns or is otherwise associated with a number of sites where manufactured gas plants were previously operated. These plants were commonly used to supply gas service in the late 19th and early 20th centuries, in certain cases by corporate predecessors to Western Resources. By-products and residues from manufactured gas could be located at these sites and at some time in the future may require remediation by the U.S. Environmental Protection Agency ("EPA") or delegated state regulatory authority. By virtue of notice under the Missouri Asset Purchase Agreement and its preliminary, non-invasive review, the Company is aware of eleven such sites in the service territory of the Missouri Business. Based on information reviewed thus far, it appears that neither Western Resources nor any predecessor in interest ever owned or operated at least three of those sites. Western Resources has informed the Company that it was notified in 1991 by the EPA that the EPA was evaluating one of the sites (in St. Joseph, Missouri) for any potential threat to human health and the environment. Western Resources has also advised the Company that to date, the EPA has not notified it that any further action may be required. Evaluation of the remainder of the sites by appropriate federal and state regulatory authorities may occur in the future. At the present time and based upon the preliminary information available to it, the Company believes that the costs of any remediation efforts that may be required for these sites for which it may ultimately have responsibility will not exceed the aggregate amount subject to substantial sharing by Western Resources pursuant to the Environmental Liability Agreement to be entered into at the closing of the Missouri Acquisition. See "The Missouri Acquisition -- Environmental." In addition, the Company is aware of the existence of other significant potentially responsible parties from whom contribution for remediation would be sought, and would expect to make claims upon its insurers (Western Resources has already done so on its own behalf) and institute appropriate requests for rate relief. The Company is not presently aware of any other environmental matters in the Missouri Business which could reasonably be expected to have a material impact on its operations or financial position.

OTHER COMPANY OPERATIONS

Southern Union's subsidiaries, which have been established to support and expand natural gas sales and to capitalize on the Company's gas energy expertise, market natural gas to end-users, sell natural gas as a vehicular fuel, convert vehicles to operate on natural gas, operate intrastate and interstate natural gas pipeline systems and sell commercial gas air conditioning and other gas-fired engine-driven applications.

WGI, a wholly owned subsidiary of Southern Union, operates interstate pipeline systems principally serving the Company's gas distribution properties in the El Paso, Texas area and in the Texas and Oklahoma panhandles. During 1992, the FERC implemented new regulations under Order 636 that provided for a restructuring of the pipeline industry. Pursuant to these regulations, WGI will provide unbundled transportation service for those gas volumes which enter the

pipeline's transmission system. The new regulations provide the opportunity for WGI to move toward being a pure transporter, to eliminate gas gathering functions, and to depreciate investments in production and gathering plant on an accelerated basis. In November 1991, WGI commenced transportation service into Juarez, Mexico via the Company's Del Norte interconnect with Petroleos Mexicanos ("PEMEX"). This service is authorized pursuant to a Presidential Permit issued by the FERC. Total volumes transported into Mexico during 1992 were approximately 15,000 MMcf.

Southern, a wholly owned subsidiary of Southern Union, owns and operates an intrastate pipeline that connects the cities of Lockhart, Luling, Cuero, Shiner, Yoakum and Gonzales, Texas as well as an industrial customer in Port Arthur, Texas. Southern also owns a transmission line which supplies gas to the community of Sabine Pass, Texas.

Mercado, a wholly owned subsidiary of Southern Union, markets natural gas to various large volume customers. Mercado's sales and purchase activities are made through short-term contracts. These contracts and business activities are not subject to direct rate regulation.

Econofuel, a wholly owned subsidiary of Southern Union, was formed in 1990 to market and sell natural gas for natural gas vehicles ("NGVs") as an alternative fuel to gasoline. Econofuel owns fuel dispensing equipment in Austin, El Paso, Port Arthur and Galveston, Texas located at independent retail fuel stations for NGVs. These stations serve fleet and other public vehicles which have been converted to operate on natural gas. In 1991, Econofuel together with Natural Gas Development Company, Inc. formed a joint venture and, in 1992, opened the Natural Gas Vehicle Technology Centers, L.L.P. in Austin, Texas which converts gasoline-driven vehicles to operate using natural gas.

SUEPASCO, a wholly owned subsidiary of Southern Union, was formed during 1992 to market and sell commercial gas air conditioning, irrigation pumps and other gas-fired engine driven applications and related services.

Southern Union Energy International, Inc., a wholly owned subsidiary of Southern Union, was also formed during 1992 to participate in energy related projects internationally.

The Company also holds investments in commercially developed real estate as well as undeveloped tracts of land through its wholly owned subsidiary, Lavaca Realty Company. Most of these properties are related primarily to the Company's energy business operations. The Company intends to sell the properties not primarily related to the Company's energy business if and when commercially reasonable and practicable.

DESCRIPTION OF THE SENIOR DEBT SECURITIES

The Senior Debt Securities are to be issued under an indenture as supplemented from time to time (the "Indenture"), to be executed by Southern Union and The Chase Manhattan Bank (National Association), as trustee (the "Trustee"), as shall be set forth in the Prospectus Supplement relating to Senior Debt Securities being offered thereby. The form of the Indenture is filed as an exhibit to the Registration Statement. The statements made under this heading relating to the Senior Debt Securities and the Indenture are summaries of the provisions thereof and do not purport to be complete. Parenthetical references below are to the Indenture or to sections of the Trust Indenture Act of 1939, as amended (the "TIA") (certain provisions of which govern the terms of the Indenture), and, whenever any particular provision of the Indenture or the TIA or any defined term used therein is referred to, such provision or defined term is incorporated by reference as a part of the statement in connection with which such reference is made, and the statement in connection with which such reference is made is qualified in its entirety by such reference. Capitalized terms used herein but not otherwise defined shall have the meaning assigned to them in the Indenture.

GENERAL

The Senior Debt Securities will be direct, unsecured obligations of Southern Union and will rank equally with all other unsecured and unsubordinated indebtedness of Southern Union. The Senior Debt Securities may be issued in one or more series. The particular terms of each series of Senior Debt Securities, as well as any modifications of or additions to the general terms of the Senior Debt Securities as described herein that may be applicable in the case of a particular series of Senior Debt Securities, will be described in the Prospectus Supplement relating to such series of Senior Debt Securities. Accordingly, for a description of the terms of a particular series of Senior Debt Securities, reference must be made to both the Prospectus Supplement relating thereto and

the description of Senior Debt Securities set forth in this Prospectus.

Reference is made to the Prospectus Supplement for the following terms of the Senior Debt Securities being offered thereby: (1) the title of such Senior Debt Securities; (2) any limit on the aggregate principal amount of such Senior Debt Securities; (3) the percentage of the principal amount at which such Senior Debt Securities will be issued and, if other than the principal amount thereof, the portion of the principal amount thereof payable upon declaration of acceleration of the maturity thereof or the method by which such portion shall be determined; (4) the date or dates, or the method by which such date or dates will be determined or extended, on which the principal of such Senior Debt Securities will be payable; (5) the rate or rates at which such Senior Debt Securities will bear interest, if any, or the method by which such rate or rates shall be determined; (6) the date or dates from which interest, if any, on such Senior Debt Securities shall accrue or the method by which such date or dates shall be determined, the dates on which such interest, if any, will be payable and the Regular Record Date, if any, for the interest payable on any Registered Security of the series on any Interest Payment Date, or the method by which any such date shall be determined, and the basis on which interest shall be calculated if other than on the basis of a 360-day year of twelve 30-day months; (7) the period or periods within which, the price or prices at which, the Currency in which, and the other terms and conditions upon which, such Senior Debt Securities may be redeemed in whole or in part, at the option of Southern Union; (8) the obligation, if any, of Southern Union to redeem, repay or purchase such Senior Debt Securities pursuant to any sinking fund or analogous provision or at the option of a Holder thereof and the period or periods within which or the date or dates on which, the price or prices at which, the Currency in which, and the other terms and conditions upon which, such Senior Debt Securities shall be redeemed, repaid or purchased, in whole or in part, pursuant to such obligation; (9) whether such Senior Debt Securities are to be issuable as Registered Securities or Bearer Securities or both, and whether such Senior Debt Securities are to be issuable, either temporarily or permanently, in global form and, if so, whether beneficial owners of interests in any such permanent global security may exchange such interests for Senior Debt Securities of such series and of like tenor of any authorized form and denomination and the circumstances under which any such exchanges may occur, if other than in the manner provided in the Indenture, and, if Registered Securities of the

series are to be issuable as a global security, the identity of the depository for such series; (10) if other than U.S. dollars, the Currency in which such Senior Debt Securities will be denominated and in which the principal of (and premium, if any) and any interest on such Senior Debt Securities will be payable; (11) whether the amount of payments of principal of (and premium, if any) or interest, if any, on such Senior Debt Securities may be determined with reference to an index, formula or other method (which index, formula or method may be based on one or more Currencies, commodities, equity indices or other indices) and the manner in which such amounts shall be determined; (12) whether Southern Union or Holder may elect payment of the principal of (and premium, if any) or interest, if any, on such Senior Debt Securities in one or more Currencies other than that in which such Senior Debt Securities are denominated or stated to be payable, the period or periods within which, and the terms and conditions upon which, such election may be made, and the time and manner of determining the exchange rate between the Currency in which such Senior Debt Securities are denominated or stated to be payable and the Currency in which such Senior Debt Securities are to be so payable; (13) the place or places, if any, other than or in addition to New York, New York where the principal of (and premium, if any) and any interest on such Senior Debt Securities shall be payable, any Registered Securities of the series may be surrendered for registration of transfer, such Senior Debt Securities may be surrendered for exchange and notice or demands to or upon Southern Union in respect of such Senior Debt Securities and the Indenture may be served; (14) if other than denominations of $1,000 and any integral multiple thereof, the denominations in which any Registered Securities of the series shall be issuable and, if other than the denomination of $5,000, the denomination or denominations in which any Bearer Securities of the series shall be issuable; (15) the identity of the Trustee for such Senior Debt Securities and, if other than the Trustee, the Security Registrar and/or the Paying Agent; (16) the applicability, if at all, to such Senior Debt Securities of the provisions of Article Fourteen of the Indenture described under "Defeasance and Covenant Defeasance" and any provisions in modification of, in addition to or in lieu of any of the provisions of such Article; (17) the Person to whom any interest on any Registered Security of the series shall be payable, if other than the Person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest, the manner in which, or the Person to whom, any interest on any Bearer Security of the series shall be payable, if otherwise than upon presentation and surrender of the coupons appertaining thereto as they severally mature, and the extent to which, or the manner in which, any interest payable on a temporary global security on an Interest Payment Date will be paid if other than in the manner provided in the Indenture; (18) whether and under what circumstances Southern

Union will pay Additional Amounts as contemplated by Section 1005 of the Indenture on such Senior Debt Securities to any Holder who is not a United States person (including any modification to the definition of such term as contained in the Indenture as originally executed) in respect of any tax, assessment or governmental charge and, if so, whether Southern Union will have the option to redeem such Senior Debt Securities rather than pay such Additional Amounts (and the terms of any such option); (19) provisions, if any, granting special rights to the Holders of such Senior Debt Securities upon the occurrence of such events as may be specified; (20) any deletions from, modifications of or additions to the Events of Default or covenants of Southern Union with respect to such Senior Debt Securities, whether or not such Events of Default or covenants are consistent with the Events of Default or covenants set forth herein; (21) the date as of which any Bearer Securities of the series and any temporary global security shall be dated if other than the date of original issuance of the first of such Senior Debt Securities; (22) if such Senior Debt Securities are to be issuable in definitive form (whether upon original issue or upon exchange of a temporary security of such series) only upon receipt of certain certificates or other documents or satisfaction of other conditions, then the form and/or terms of such certificates, documents or conditions; (23) the designation of the initial Exchange Rate Agent, if any; and (24) any other terms of such Senior Debt Securities.

The Indenture does not contain any provisions which may afford the Holders of Senior Debt Securities of any series protection in the event of a highly leveraged transaction or other transaction

which may occur in connection with a takeover attempt resulting in a decline in the credit rating of the Senior Debt Securities. Any provision that does provide such protection, if applicable to the Senior Debt Securities, will be described in the Prospectus Supplement relating thereto.

The Indenture provides that the Senior Debt Securities referred to on the cover page of this Prospectus and additional unsubordinated, unsecured debt securities of Southern Union unlimited as to aggregate principal amount may be issued in one or more series thereunder, in each case as authorized from time to time by the Board of Directors of Southern Union. (Section 301) The Senior Debt Securities referred to on the cover page of this Prospectus and any such additional debt securities so issued under the Indenture are herein collectively referred to, when a single Trustee is acting for all, as the "Indenture Securities." The Indenture also provides that there may be more than one Trustee under the Indenture, each with respect to one or more different series of Indenture Securities. See also "Resignation of Trustee" herein. At a time when two or more Trustees are acting, each with respect to only certain series, the term "Indenture Securities" as used herein shall mean the one or more series with respect to which each respective Trustee is acting. In the event that there is more than one Trustee under the Indenture, the powers and trust obligations of each Trustee as described herein shall extend only to the one or more series of Indenture Securities for which it is Trustee. If more than one Trustee is acting under the Indenture, then the Indenture Securities (whether of one or more than one series) for which each Trustee is acting shall in effect be treated as if issued under separate indentures.

Some or all of the Senior Debt Securities may be issued under the Indenture as original issue discount Senior Debt Securities (bearing no interest or interest at a rate that at the time of issuance is below market rates) to be issued at prices below their stated principal amounts. Federal income tax consequences and other special considerations applicable to any such original issue discount Senior Debt Securities will be described in the Prospectus Supplement relating thereto.

The Indenture does not contain any provisions that would limit the ability of Southern Union to incur indebtedness. Reference is made to the Prospectus Supplement related to the series of Senior Debt Securities offered thereby for information with respect to any deletions from, modifications of or additions to the Events of Default or covenants of Southern Union applicable to such Senior Debt Securities that are described herein.

Under the Indenture, Southern Union will have the ability to issue Senior Debt Securities with terms different from those of Senior Debt Securities previously issued, without the consent of the Holders, to reopen a previous issue of a series of Senior Debt Securities and issue additional Senior Debt Securities of such series, in an aggregate principal amount determined by

Southern Union. (Section 301)

DENOMINATIONS, REGISTRATION AND TRANSFER

Senior Debt Securities of a series may be issuable solely as Registered Securities, solely as Bearer Securities or as both Registered Securities and Bearer Securities. Registered Securities will be issuable in denominations of $1,000 and integral multiples of $1,000 and Bearer Securities will be issuable in the denomination of $5,000 or, in each case, in such other denominations as may be in the terms of the Senior Debt Securities of any particular series. The Indenture also provides that Senior Debt Securities of a series may be issuable in global form. (Section 302) Unless otherwise indicated in the Prospectus Supplement, Bearer Securities will have interest coupons attached. (Section 201)

Registered Securities of any series will be exchangeable for other Registered Securities of the same series and of a like aggregate principal amount and tenor of different authorized denominations. If (but only if) provided in the Prospectus Supplement, Bearer Securities (with all unmatured coupons, except as provided below, and all matured coupons in default) of any series may be exchanged for Registered Securities of the same series of any authorized denominations and of a like aggregate principal amount and tenor. In such event, Bearer Securities surrendered in a permitted exchange for Registered Securities between a Regular Record Date or a Special Record Date and the relevant date

for payment of interest shall be surrendered without the coupon relating to such date for payment of interest, and interest will not be payable on such date for payment of interest in respect of the Registered Security issued in exchange for such Bearer Security, but will be payable only to the holder of such coupon when due in accordance with the terms of the Indenture. Unless otherwise specified in the Prospectus Supplement, Bearer Securities will not be issued in exchange for Registered Securities. (Section 305)

The Senior Debt Securities may be presented for exchange as described above, and Registered Securities may be presented for registration of transfer (duly endorsed or accompanied by a written instrument of transfer), at the corporate trust office of the Trustee in New York, New York or at the office of any transfer agent designated by Southern Union for such purpose with respect to any series of Senior Debt Securities and referred to in the Prospectus Supplement. No service charge will be made for any transfer or exchange of Senior Debt Securities, but Southern Union may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith. (Section 305) If a Prospectus Supplement refers to any transfer agent (in addition to the Trustee) initially designated by Southern Union with respect to any series of Senior Debt Securities, Southern Union may at any time rescind the designation of any such transfer agent or approve a change in the location through which any such transfer agent acts, except that, if Senior Debt Securities of a series are issuable solely as Registered Securities, Southern Union will be required to maintain a transfer agent in each Place of Payment for such series and, if Senior Debt Securities of a series may be issuable both as Registered Securities and as Bearer Securities, Southern Union will be required to maintain (in addition to the Trustee) a transfer agent in a Place of Payment for such series located outside the United States. Southern Union may at any time designate additional transfer agents with respect to any series of Senior Debt Securities. (Section 1002)

Southern Union shall not be required to (i) issue, register the transfer of or exchange Senior Debt Securities of any series during a period beginning at the opening of business 15 days before any selection of Senior Debt Securities of that series to be redeemed and ending at the close of business on (A) if Senior Debt Securities of the series are issuable only as Registered Securities, the day of mailing of the relevant notice of redemption and (B) if Senior Debt Securities of the series are issuable as Bearer Securities, the day of the first publication of the relevant notice of redemption or, if Senior Debt Securities of the series are also issuable as Registered Securities and there is no publication, the mailing of the relevant notice of redemption; (ii) register the transfer of or exchange any Registered Security, or portion thereof, called for redemption, except the unredeemed portion of any Registered Security being redeemed in part; (iii) exchange any Bearer Security selected for redemption, except to exchange such Bearer Security for a Registered Security of that series and like tenor which is simultaneously surrendered for redemption; or (iv) issue, register the transfer of or exchange any Senior Debt Securities which has been surrendered for repayment at the option of the Holder, except the portion, if any, thereof not to be so repaid. (Section 305)

GLOBAL SECURITIES

The registered Senior Debt Securities of a series may be issued in the form of one or more fully registered global Senior Debt Securities (a "Registered Global Security") that will be deposited with a depositary (a "Depositary") or with a nominee for a Depositary identified in the Prospectus Supplement relating to such series and registered in the name of the Depositary or a nominee thereof. In such case, one or more Registered Global Securities will be issued in a denomination or aggregate denominations equal to the portion of the aggregate principal amount of outstanding registered Senior Debt Securities of the series to be represented by such Registered Global Security or Registered Global Securities. Unless and until it is exchanged in whole or in part for Senior Debt Securities in definitive registered form, a Registered Global Security may not be transferred except as a whole by the Depositary for such Registered Global Security to a nominee of such Depositary or by a nominee of such Depositary to such Depositary or another nominee of such Depositary or by such Depositary or any such nominee to a successor of such Depositary or a nominee of such successor. The Depositary currently accepts only Senior Debt Securities that are denominated in U.S. dollars.

The specific terms of the depositary arrangement with respect to any portion of a series of Senior Debt Securities to be represented by a Registered Global Security will be described in the Prospectus Supplement relating to such series. The Company anticipates that the following provisions will apply to all depositary arrangements.

Ownership of beneficial interests in a Registered Global Security will be limited to persons that have accounts with the Depositary for such Registered Global Security ("participants") or persons that may hold interests through participants ("indirect participants"). Upon the issuance of a Registered Global Security, the Depositary for such Registered Global Security will credit, on its book-entry registration and transfer system, the participants' accounts with the respective principal amounts of the Senior Debt Securities represented by such Registered Global Security beneficially owned by such participants. The accounts to be credited will be designated by any dealers, underwriters or agents participating in the distribution of such Senior Debt Securities. Ownership of beneficial interests in such Registered Global Security will be shown on, and the transfer of such ownership interests will be effected only through, records maintained by the Depositary for such Registered Global Security (with respect to interests of participants) and on the records of participants (with respect to indirect participants). The laws of some states may require that certain purchasers of securities take physical delivery of such securities in definitive form. Such limits and such laws may impair the ability to own, transfer or pledge beneficial interest in Registered Global Securities.

So long as the Depositary for a Registered Global Security, or its nominee, is the registered owner of such Registered Global Security, such Depositary or such nominee, as the case may be, will be considered the sole owner or holder of the Senior Debt Securities represented by such Registered Global Security for all purposes under the Indenture. Except as set forth below, owners of beneficial interests in a Registered Global Security will not be entitled to have the Senior Debt Securities represented by such Registered Global Security registered in their names, and will not receive or be entitled to receive physical delivery of such Senior Debt Securities in definitive form and will not be considered the owners or holders thereof under the Indenture. Accordingly, each person owning a beneficial interest in a Registered Global Security must rely on the procedures of the Depositary for such Registered Global Security and, if such person is an indirect participant, on the procedures of the participant through which such person owns its interest, to exercise any rights of a holder under the Indenture. The Company understands that under existing industry practices, if the Company requests any action of holders or if any owner of a beneficial interest in a Registered Global Security desires to give or take any action which a holder is entitled to give or take under the Indenture, the Depositary for such Registered Global Security would authorize the participants holding the relevant beneficial interests to give or take such action, and such participants would authorize beneficial owners owning through such participants to give or take such action or would otherwise act upon the instruction of beneficial owners holding through them.

Payments of principal of, premium, if any, and any interest on Senior Debt Securities represented by a Registered Global Security registered in the name of a Depositary or its nominee will be made to such Depositary or its nominee, as the case may be, as the registered owner of such Registered Global Security. None of the Company, the Trustee or any other agent of the Company or agent of the Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership

interests in such Registered Global Security or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Company expects that the Depositary for any Senior Debt Securities represented by a Registered Global Security, upon receipt of any payment of principal, premium, if any, or any interest in respect of such Registered Global Security, will immediately credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in such Registered Global Security as shown on the records of such Depositary. The Company also expects that payments by participants to owners of beneficial interests in such Registered Global Security held through such

participants will be governed by standing customer instructions and customary practices, as is now the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such participants.

If the Depositary for any Senior Debt Securities represented by a Registered Global Security notifies the Company that it is at any time unwilling or unable to continue as Depositary or ceases to be a clearing agency registered under the Exchange Act, a successor Depositary registered as a clearing agency under the Exchange Act is not appointed by the Company within 90 days, the Company will issue such Senior Debt Securities in definitive form in exchange for such Registered Global Security. In addition, the Company may at any time and in its sole discretion determine not to have any of the Senior Debt Securities of a series represented by one or more Registered Global Securities and, in such event, will issue Senior Debt Securities of such series in definitive form in exchange for all of the Registered Global Security or Registered Global Securities representing such Senior Debt Securities. Any Senior Debt Securities issued in definitive form in exchange for a Registered Global Security will be registered in such name or names as the Depositary shall instruct the Trustee. It is expected that such instructions will be based upon directions received by the Depositary from participants with respect to ownership of beneficial interests in such Registered Global Security.

LIMITATION ON LIENS

Southern Union will not, and will not permit any Subsidiary to, directly or indirectly, create, incur, issue or assume any Debt secured by any Lien on any property or assets owned by Southern Union or any Subsidiary, and Southern Union will not, and will not permit any Subsidiary to, create, incur, issue or assume any Debt secured by any Lien on any shares of stock or Debt of any Subsidiary (such shares of stock or Debt of any Subsidiary being called "Restricted Securities"), unless (i) in the case of Debt which is expressly by its terms subordinate or junior in right of payment to the applicable series of Senior Debt Securities, such Senior Debt Securities (together with, if Southern Union shall so determine, any other Debt of Southern Union or such Subsidiary then existing or thereafter created which is not subordinate to the Senior Debt Securities) are secured by a Lien on such property or assets that is senior to such other Lien with the same relative priority as such subordinated Debt has with respect to the applicable series of Senior Debt Securities or (ii) in the case of Liens securing Debt which is PARI PASSU with the applicable series of Senior Debt Securities, such Senior Debt Securities are secured by a Lien on such property or assets that is equal and ratable with (or prior to) such other Lien, except that any Lien securing such Senior Debt Securities may be junior to any Lien on Southern Union's accounts receivable, inventory and related contract rights securing Debt under Southern Union's revolving credit facility entered into on September 30, 1993 with Texas Commerce Bank, N.A., as amended on November 15, 1993; PROVIDED, HOWEVER, that nothing contained in Section 1009 shall prevent, restrict or apply to, and there shall be excluded from secured Debt in any computation under that Section, Debt secured by:

(a) Liens on any property or assets or Restricted Securities of Southern Union or any Subsidiary existing as of the date of the first issuance by Southern Union of the applicable Senior Debt Securities issued pursuant to the Indenture or such other date as may be specified in a Prospectus Supplement for an applicable series of Senior Debt Securities issued pursuant to the Indenture, subject to the provisions of subsection (h) below;

(b) Liens on any property or assets or Restricted Securities of any corporation existing at the time such corporation becomes a Subsidiary, or arising thereafter (i) otherwise than in connection with the borrowing of

money arranged thereafter and (ii) pursuant to contractual commitments entered into prior to and not in contemplation of such corporation's becoming a Subsidiary;

(c) Liens on any property or assets or Restricted Securities of Southern Union or any Subsidiary existing at the time of acquisition thereof (including acquisition through merger or consolidation or by a sale, lease or other disposition of the properties of a corporation as an entirety or substantially as an entirety to Southern Union or a Subsidiary) or securing the payment of all or any part of the purchase price or construction cost thereof or securing any Debt

incurred prior to, at the time of or within 120 days after, the acquisition of such property or assets or Restricted Securities or the completion of any such construction, whichever is later, for the purpose of financing all or any part of the purchase price or construction cost thereof (PROVIDED such Liens are limited to such property or assets or Restricted Securities, to improvements on such property and to any other property or assets not then owned by Southern Union or any Subsidiary or constituting Restricted Securities);

(d) Liens on any property or assets to secure all or any part of the cost of development, operation, construction, alteration, repair or improvement of all or any part of such property or assets, or to secure Debt incurred by Southern Union or any Subsidiary prior to, at the time of or within 120 days after, the completion of such development, operation, construction, alteration, repair or improvement, whichever is later, for the purpose of financing all or any part of such cost (PROVIDED such Liens are limited to such property or assets, improvements thereon and any other property or assets not then owned by Southern Union or a Subsidiary);

(e) Liens in favor of the Trustee for the benefit of the Holders and subsequent holders of the Senior Debt Securities securing the Senior Debt Securities;

(f) Liens secured by property or assets of Southern Union or any Subsidiary that comprise no more than 20% of Consolidated Net Tangible Assets (as defined below);

(g) Liens which secure Debt owing by a Subsidiary to Southern Union or to another Subsidiary; and

(h) any extension, renewal, substitution or replacement (or successive extensions, renewals, substitutions or replacements), as a whole or in part, of any of the Liens referred to in paragraphs (a) through (g) above or the Debt secured thereby; PROVIDED that (1) such extension, renewal, substitution or replacement Lien shall be limited to all or any part of the same property or assets or Restricted Securities that secured the Lien extended, renewed, substituted or replaced (plus improvements on such property, and plus any other property or assets not then owned by Southern Union or a Subsidiary or constituting Restricted Securities) and (2) in the case of paragraphs (a) through (c) above, the Debt secured by such Lien at such time is not increased.

For the purposes of Section 1009, the giving of a guarantee which is secured by a Lien on any property or assets or Restricted Securities, and the creation of a Lien on any property or assets or Restricted Securities to secure Debt which existed prior to the creation of such Lien, shall be deemed to involve the creation of Debt in an amount equal to the principal amount guaranteed or secured by such Lien; but the amount of Debt secured by Liens on property or assets and Restricted Securities shall be computed without cumulating the underlying indebtedness with any guarantee thereof or Lien securing the same. (Section 1009)

LIMITATION ON SALE AND LEASEBACK TRANSACTIONS

The Company will not, and will not permit any Subsidiary to, enter into any arrangement after the date of the original issuance by the Company of the applicable series of Senior Debt Securities issued pursuant to the Indenture, or such other date as may be specified in a Prospectus Supplement for an applicable series of Senior Debt Securities issued pursuant to the Indenture, with any Person (other than the Company or another Subsidiary) providing for the leasing by the Company or any such Subsidiary of any property (except a lease for a temporary period not to exceed three years by the end of which it is intended that the use of such property by the lessee will be discontinued) that was or is owned or leased by the Company or a Subsidiary and that has been or is to be sold or transferred by the Company or such Subsidiary to such Person (herein referred to as a "sale and leaseback transaction") unless either:

(a) after giving PRO FORMA effect to such transaction, the Attributable Debt (as defined below) of the Company and its Subsidiaries in respect of such sale and leaseback transaction and

all other sale and leaseback transactions entered into after the date of the first issuance by the Company of Senior Debt Securities issued pursuant to the Indenture (other than such sale and leaseback transactions as are permitted by paragraph (b) below) would not exceed 20% of Consolidated Net Tangible Assets, or

(b) the Company, within 180 days after the sale and leaseback transaction, applies or causes a Subsidiary to apply an amount equal to the greater of the net proceeds from the sale of the property subject to the sale and leaseback transaction or the fair market value of the property so sold and leased back at the time of the sale and leaseback transaction (in either case as determined by any two of the following: the Chairman, the President, any Vice President, the Treasurer and the Controller of the Company) to the retirement of Senior Debt Securities of any series or any other Debt of the Company (other than Debt subordinated to the Senior Debt Securities) or Debt of a Subsidiary having a stated maturity more than 12 months from the date of such application or which is extendible at the option of the obligor thereon to a date more than 12 months from the date of such application (and, unless otherwise expressly provided with respect to any one or more series of Senior Debt Securities, any redemption of Senior Debt Securities pursuant to this provision shall not be deemed to constitute a refunding operation or anticipated refunding operation for the purposes of any provision limiting the Company's right to redeem Senior Debt Securities of any one or more such series when such redemption involves a refunding operation or anticipated refunding operation); PROVIDED that the amount to be so applied shall be reduced by (i) the principal amount of Senior Debt Securities delivered within 180 days after such sale or transfer to the Trustee for retirement and cancellation and (ii) the principal amount of any such Debt of the Company or a Subsidiary, other than Senior Debt Securities, voluntarily retired by the Company or a Subsidiary within 180 days after such sale or transfer. Notwithstanding the foregoing, no retirement referred to in this paragraph (b) may be effected by payment at maturity or pursuant to any mandatory sinking fund payment or any mandatory prepayment provision.

Notwithstanding the foregoing, where the Company or any Subsidiary is the lessee in any sale and leaseback transaction, Attributable Debt shall not include any Debt resulting from the guarantee by the Company or any other Subsidiary of the lessee's obligation thereunder.

EVENTS OF DEFAULT

The Indenture provides, with respect to any series of Senior Debt Securities outstanding thereunder, that the following shall constitute Events of Default: (i) default in the payment of any interest upon or any Additional Amounts payable in respect of any Debt Security of that series, or of any coupon appertaining thereto, when the same becomes due and payable, continued for 30 days; (ii) default in the payment of the principal of or any premium on any Debt Security of that series at its Maturity; (iii) default in the deposit of any sinking fund payment, when and as due by the terms of any Senior Debt Securities of that series; (iv) default in the performance, or breach, of any covenant or agreement of Southern Union in the Indenture with respect to any Debt Security of that series, continued for 60 days after written notice to Southern Union; (v) cross-acceleration of other Debt of the Company in excess of 10% of Consolidated Net Worth; (vi) certain events in bankruptcy, insolvency or reorganization; and (vii) any other Event of Default provided with respect to Senior Debt Securities of that series. (Section 501) Southern Union is required to file with the Trustee, annually, an officer's certificate as to Southern Union's compliance with all conditions and covenants under the Indenture. (Section 1004) The Indenture provides that the Trustee may withhold notice to the Holders of Senior Debt Securities of any default (except payment defaults on the Senior Debt Securities) if it considers it in the interest of the Holders of Senior Debt Securities to do so. (Section 601)

If an Event of Default, other than certain events with respect to bankruptcy, insolvency and reorganization of Southern Union or any significant Subsidiary, with respect to Senior Debt Securities of a particular series shall occur and be continuing, the Trustee or the Holders of not less than 25% in

principal amount of Outstanding Senior Debt Securities of that series may declare the Outstanding Senior Debt Securities of that series due and payable immediately. If an Event of Default with respect

to certain events of bankruptcy, insolvency or reorganization of Southern Union or any Significant Subsidiary with respect to Senior Debt Securities of a particular series shall occur and be continuing, then the principal of all the Outstanding Senior Debt Securities of that series, and accrued and unpaid interest thereon, shall automatically be due and payable without any act on the part of the Trustee or any Holders. (Section 502)

Subject to the provisions relating to the duties of the Trustee, in case an Event of Default with respect to Senior Debt Securities of a particular series shall occur and be continuing, the Trustee shall be under no obligation to exercise any of its rights or powers under the Indenture at the request, order or direction of any of the Holders of Senior Debt Securities of such series, unless such Holders shall have offered to the Trustee reasonable indemnity and security against the costs, expenses and liabilities which might be incurred by it in compliance with such request. (Section 507 and TIA Section 315) Subject to such provisions for the indemnification of the Trustee, the Holders of a majority in principal amount of the Outstanding Senior Debt Securities of such series shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee under the Indenture, or exercising any trust or power conferred on the Trustee with respect to the Senior Debt Securities of that series. (Section 512)

The Holders of not less than a majority in principal amount of the Outstanding Senior Debt Securities of any series may on behalf of the Holders of all the Senior Debt Securities of such series and any related coupons waive any past default under the Indenture with respect to such series and its consequences, except a default (i) in the payment of the principal of (or premium, if any) or interest on or Additional Amounts payable in respect of any Debt Security of such series, or (ii) in respect of a covenant or provision that cannot be modified or amended without the consent of the Holder of each Outstanding Debt Security of such series affected thereby. (Section 513)

MERGER OR CONSOLIDATION

The Indenture provides that Southern Union may not consolidate with, merge into any other corporation, or convey, transfer or lease, or permit one or more of its Subsidiaries to convey, transfer or lease, all or substantially all of the properties and assets of the Company, on a consolidated basis to any Person unless either Southern Union is the continuing corporation or such corporation or Person assumes by supplemental indenture all the obligations of Southern Union under the Indenture and the Senior Debt Securities, immediately after the transaction no default or event of default shall exist and the surviving corporation or such Person is a corporation, partnership or trust organized and validly existing under the laws of the United States of America, any state thereof or the District of Columbia. (Section 801)

MODIFICATION OR WAIVER

Modification and amendment of the Indenture may be made by Southern Union and the Trustee with the consent of the Holders of not less than a majority in principal amount of all Outstanding Indenture Securities or any series that are affected by such modification or amendment; PROVIDED that no such modification or amendment may, without the consent of the Holder of each Outstanding Indenture Security of such series, among other things: (i) change the Stated Maturity of the principal of (or premium, if any, on) or any installment of principal of or interest on any Indenture Security of such series; (ii) reduce the principal amount or the rate of interest on or any Additional Amounts payable in respect of, or any premium payable upon the redemption of, any Indenture Security of such series; (iii) change any obligation of Southern Union to pay Additional Amounts in respect of any Indenture Security of such series; (iv) reduce the amount of principal of an original issue discount Indenture Security of such series that would be due and payable upon a declaration of acceleration of the Maturity thereof; (v) adversely affect any right of repayment at the option of the Holder of any Indenture Security of such series; (vi) change the place or currency of payment of principal of, or any premium or interest on, any Indenture Security of such series; (vii) impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof or any Redemption Date or Repayment Date therefor; (viii) reduce the above-stated percentage of Holders of Outstanding Indenture Securities of such series necessary to modify or amend the Indenture or to consent to any

waiver thereunder or reduce the requirements for voting or quorum described below; (ix) modify the change of control provisions, if any; or (x) modify the foregoing requirements or reduce the percentage of Outstanding Indenture Securities of such series necessary to waive any past default. (Section 902)

Modification and amendment of the Indenture may be made by Southern Union and the Trustee without the consent of any Holder, for any of the following purposes: (i) to evidence the succession of another Person to Southern Union as obligor under the Indenture; (ii) to add to the covenants of Southern Union for the benefit of the Holders of all or any series of Indenture Securities; (iii) to add Events of Default for the benefit of the Holders of all or any series of Indenture Securities; (iv) to add or change any provisions of the Indenture to facilitate the issuance of Bearer Securities; (v) to change or eliminate any provisions of the Indenture, provided that any such change or elimination shall become effective only when there are no Indenture Securities Outstanding of any series created prior thereto which is entitled to the benefit of such provision; (vi) to establish the form or terms of Indenture Securities of any series and any related coupons; (vii) to secure the Indenture Securities; (viii) to provide for the acceptance of appointment by a successor Trustee or facilitate the administration of the trusts under the Indenture by more than one Trustee; (ix) to close the Indenture with respect to the authentication and delivery of additional series of Senior Debt Securities, to cure any ambiguity, defect or inconsistency in the Indenture, provided such action does not adversely affect the interest of Holders of Indenture Securities of any series in any material respect; or (x) to supplement any of the provisions of the Indenture to the extent necessary to permit or facilitate defeasance and discharge of any series of Indenture Securities, provided such action shall not adversely affect the interests of the Holders of any Indenture Securities in any material respect. (Section 901)

The Indenture contains provisions for convening meetings of the Holders of Indenture Securities of a series if Indenture Securities of that series are issuable as Bearer Securities. (Section 1501) A meeting may be called at any time by the Trustee, and also, upon request, by Southern Union or the Holders of at least 10% in principal amount of the Indenture Securities of such series Outstanding, in any such case upon notice given as provided in the Indenture. (Section 1502) Except for any consent that must be given by the Holder of each Indenture Security affected thereby, as described above, any resolution presented at a meeting or adjourned meeting at which a quorum is present may be adopted by the affirmative vote of the Holders of a majority in principal amount of the Indenture Securities of that series Outstanding; PROVIDED, HOWEVER, that any resolution with respect to any request, demand, authorization, direction, notice, consent, waiver or other action that may be made, given or taken by the Holders of a specified percentage, which is less than a majority, in principal amount of Indenture Securities of a series Outstanding may be adopted at a meeting or adjourned meeting duly reconvened at which a quorum is present by the affirmative vote of the Holders of such specified percentage in principal amount of the Indenture Securities of that series Outstanding. Any resolution passed or decision taken at any meeting of Holders of Indenture Securities of any series duly held in accordance with the Indenture will be binding on all Holders of Indenture Securities of that series and the related coupons. The quorum at any meeting called to adopt a resolution, and at any reconvened meeting, will be the persons entitled to vote a majority in principal amount of the Indenture Securities of a series Outstanding; PROVIDED, HOWEVER, that if any action is to be taken at such meeting with respect to a consent or waiver which may be given by the Holders of not less than a specified percentage in principal amount of the Indenture Securities of a series Outstanding, the Persons entitled to vote such specified percentage in principal amount of the Indenture Securities of such series Outstanding will constitute a quorum. Notwithstanding the foregoing provisions, if any action is to be taken at a meeting of Holders of Indenture Securities of any series with respect to any request, demand, authorization, direction, notice, consent, waiver or other action that the Indenture expressly provides may be made, given or taken by the Holders of a specified percentage in principal amount of all Outstanding Indenture Securities affected thereby, or of the Holders of such series and one or more additional series: (i) there shall be no minimum quorum requirement for such meeting; and (ii) the principal amount of the Outstanding Indenture Securities of such series that vote in favor of such

request, demand, authorization, direction, notice, consent, waiver or other action shall be taken into account in determining whether such request, demand, authorization, direction, notice, consent, waiver or other action has been made, given or taken under the Indenture. (Section 1504)

DEFEASANCE AND COVENANT DEFEASANCE

The Indenture provides that, if the provisions of Article Fourteen are made applicable to the Senior Debt Securities of or within any series and any related coupons pursuant to Section 301 of the Indenture, Southern Union may elect

either (a) to defease and be discharged from any and all obligations with respect to such Senior Debt Securities and any related coupons (except for the obligation to pay Additional Amounts, if any, upon the occurrence of certain events of tax, assessment or governmental charge with respect to payments on such Senior Debt Securities and the obligations to register the transfer or exchange of such Senior Debt Securities and any related coupons, to replace temporary or mutilated, destroyed, lost or stolen Senior Debt Securities and any related coupons, to maintain an office or agency in respect of such Senior Debt Securities and any related coupons and to hold moneys for payment in trust) ("defeasance") (Section 1402) or (b) to be released from its obligations with respect to such Senior Debt Securities and any related coupons under Section 1006 (being the restriction described under "Limitation on Liens") or, if provided pursuant to Section 301 of the Indenture, its obligations with respect to any other covenant, and any omission to comply with such obligations shall not constitute a default or an Event of Default with respect to such Senior Debt Securities and any related coupons ("covenant defeasance") (Section 1403), in either case upon the irrevocable deposit by Southern Union with the Trustee (or other qualifying trustee), in trust, of an amount, in such Currency in which such Senior Debt Securities and any related coupons are then specified as payable at Stated Maturity, or Government Obligations (as defined below), or both, applicable to such Senior Debt Securities and any related coupons (with such applicability being determined on the basis of the currency, currency unit or composite currency in which such Senior Debt Securities are then specified as payable at Stated Maturity) which through the scheduled payment of principal and interest in accordance with their terms will provide money in an amount sufficient to pay the principal of (and premium, if any) and interest, if any, on such Senior Debt Securities and any related coupons, and any mandatory sinking fund or analogous payments thereon, on the scheduled due dates therefor.

Such a trust may only be established if, among other things, Southern Union has delivered to the Trustee an Opinion of Counsel (as specified in the Indenture) to the effect that the Holders of such Senior Debt Securities and any related coupons will not recognize income, gain or loss for United States federal income tax purposes as a result of such defeasance or covenant defeasance and will be subject to United States federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance or covenant defeasance had not occurred, and such Opinion of Counsel, in the case of defeasance under clause (a) above, must refer to and be based upon a ruling of the Internal Revenue Service or a change in applicable United States federal income tax law occurring after the date of the Indenture. (Section 1404)

"Government Obligations" means securities which are (i) direct obligations of the government which issued the Currency in which the Senior Debt Securities of a particular series are payable, for the payment of which its full faith and credit is pledged, or (ii) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the government which issued the Currency in which the Senior Debt Securities of such series are payable, the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America or such other government, 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 or trust company as custodian with respect to any such Government Obligation or a specific payment of interest on or principal of any such Government Obligation held by such custodian for the account of the holder of a depository receipt, PROVIDED that (except as required by law) 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 Government Obligation or the specific payment of interest on or principal of the Government Obligation evidenced by such depository receipt. (Section 101)

Unless otherwise provided in the Prospectus Supplement, if, after Southern Union has deposited funds and/or Government Obligations to effect defeasance or covenant defeasance with respect to Senior Debt Securities of any series, (a) the Holder of a Debt Security of such series is entitled to, and does, elect pursuant to the terms of such Debt Security to receive payment in a Currency other than that in which such deposit has been made in respect of such Debt Security, or (b) the currency in which such deposit has been made in respect of any Debt Security of such series ceases to be used by its government of issuance, the indebtedness represented by such Debt Security shall be deemed to have been, and will be, fully discharged and satisfied through the payment of the principal of (and premium, if any) and interest, if any, on such Debt Security as they become due out of the proceeds yielded by converting the amount so deposited in respect of such Debt Security into the Currency in which such Debt Security becomes payable as a result of such election or such cessation of usage based on the applicable Market Exchange Rate. (Section 1405) Unless otherwise provided in the Prospectus Supplement, all payments of principal of

(and premium, if any) and interest, if any, and Additional Amounts, if any, on any Debt Security that is payable in a Foreign Currency that ceases to be used by its government of issuance shall be made in U.S. dollars. (Section 312)

In the event Southern Union effects covenant defeasance with respect to any Senior Debt Securities and any related coupons and such Senior Debt Securities and any related coupons are declared due and payable because of the occurrence of any Event of Default other than the Event of Default described in clause (iii) or (vi) under "Events of Default" with respect to any covenant with respect to which there has been defeasance, the Currency and Government Obligations on deposit with the Trustee will be sufficient to pay amounts due on such Senior Debt Securities and any related coupons at the time of their Stated Maturity but may not be sufficient to pay amounts due on such Senior Debt Securities and any related coupons at the time of the acceleration resulting from such Event of Default. However, Southern Union would remain liable to make payment of such amounts due at the time of acceleration.

The Prospectus Supplement may further describe the provisions, if any, permitting such defeasance or covenant defeasance, including any modifications to the provisions described above, with respect to the Senior Debt Securities of or within a particular series and any related coupons.

FINANCIAL INFORMATION

So long as any of the Senior Debt Securities are outstanding, Southern Union will file, to the extent permitted under the 1934 Act, with the Commission the annual reports, quarterly reports and other documents otherwise required to be filed with the Commission pursuant to Section 13(a) or 15(d) of the 1934 Act as if Southern Union were subject to such Sections and will also provide to all Holders and file with the Trustee copies of such reports and documents within 15 days after it files them with the Commission or, if filing such reports and documents by Southern Union with the Commission is not permitted under the 1934 Act, within 15 days after it would otherwise have been required to file such reports and documents if permitted, in each case at Southern Union's cost. (Section 1011)

CERTAIN DEFINITIONS

"Attributable Debt" means, as to any specified lease under which any Person is at the time liable for a term of more than 12 months, 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 remaining term thereof (excluding any subsequent renewal or other extension options held by the lessee), discounted from the respective due dates thereof to such date at a rate equal to the weighted average of the interest rates borne by the Outstanding Senior Debt Securities, compounded monthly. The net amount of rent required to be paid under any such lease for any such period shall be the aggregate amount of the rent payable by the lessee with respect to such period after excluding any amounts

required to be paid on account of maintenance and repairs, services, insurance, taxes, assessments, water rates and similar charges and contingent rents (such as those based on sales). In the case of any lease which is terminable by the lessee upon the payment of a penalty, such net amount of rent shall include the lesser of (i) the total discounted net amount of rent required to be paid from the later of the first date upon which such lease may be so terminated or the date of the determination of such net amount of rent, as the case may be, and (ii) the amount of such penalty (in which event 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).

"Consolidated Net Tangible Assets" means the total amount of assets (less applicable reserves and other properly deductible items) of the Company and its consolidated Subsidiaries after deducting therefrom (i) all current liabilities (excluding any current liabilities which are by their terms extendible or renewable at the option of the obligor thereon to a time more than 12 months after the time as of which the amount thereof is being computed) and (ii) all goodwill, trade names, trademarks, patents, unamortized debt discount and expense and other like intangibles, all as set forth on the most recent balance sheet of the Company and its consolidated Subsidiaries and computed in accordance with generally accepted accounting principles.

RESIGNATION OF TRUSTEE

The Trustee may resign or be removed with respect to one or more series of Indenture Securities and a successor Trustee may be appointed to act with respect to such series. (Section 608) In the event that two or more persons are acting as Trustee with respect to different series of Indenture Securities, each such Trustee shall be a Trustee of a trust under the Indenture separate and apart from the trust administered by any other such Trustee (Section 609), and any action described herein to be taken by the "Trustee" may then be taken by each such Trustee with respect to, and only with respect to, the one or more series of Indenture Securities for which it is Trustee.

THE TRUSTEE

The Company may from time to time maintain bank accounts and have other customary banking relationships with and obtain credit facilities and lines of credit from the Trustee in the ordinary course of business. The Trustee may also serve as trustee under other indentures covering other debt securities of the Company.

PAYMENT AND PAYING AGENTS

Unless otherwise provided in the Prospectus Supplement, principal, premium, if any, and interest, if any, and Additional Amounts, if any, on Bearer Securities will be payable, subject to any applicable laws and regulations, at the offices of such Paying Agents outside the United States as Southern Union may designate from time to time. (Section 1002) Unless otherwise provided in the Prospectus Supplement, payment of interest and certain Additional Amounts on Bearer Securities on any Interest Payment Date will be made only against presentation and surrender of the coupon relating to such Interest Payment Date. (Section 1001) Unless otherwise provided in the Prospectus Supplement, no payment with respect to any Bearer Security will be made at any office or agency of Southern Union in the United States or by check mailed to any address in the United States or by transfer to an account maintained with a bank located in the United States. Notwithstanding the foregoing, payments of principal, premium, if any, and interest, if any, and Additional Amounts, if any, in respect of Bearer Securities payable in U.S. dollars will be made at the office of Southern Union's Paying Agent in New York, New York if (but only if) payment of the full amount thereof in U.S. dollars at all offices or agencies outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions. (Section 1002)

Unless otherwise provided in the Prospectus Supplement, principal, premium, if any, and interest, if any, and Additional Amounts, if any, on Registered Securities will be payable at any office or agency to be maintained by Southern Union in New York, New York, except that at the option of Southern Union, interest (including additional Amounts, if any) may be paid (i) by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register or (ii) by

transfer to an account maintained by the payee located inside the United States. (Sections 307, 1001 and 1002) Unless otherwise provided in the Prospectus Supplement, payment of any installment of interest on Registered Securities will be made to the Person in whose name such Registered Security is registered at the close of business on the Regular Record Date for such interest. (Section 307)

Any Paying Agents outside the United States and any other Paying Agents in the United States initially designated by Southern Union for the Senior Debt Securities will be named in the Prospectus Supplement. Southern Union may at any time designate additional Paying Agents or rescind the designation of any Paying Agent or approve a change in the office through which any Paying Agent acts, except that, if Senior Debt Securities of a series are issuable only as Registered Securities, Southern Union will be required to maintain a Paying Agent in each Place of Payment for such series and, if Senior Debt Securities of a series are also issuable as Bearer Securities, Southern Union will be required to maintain (i) a Paying Agent in New York, New York for payments with respect to any Registered Securities of the series (and for payments with respect to Bearer Securities of the series in the circumstances described above, but not otherwise), and (ii) a Paying Agent in a Place of Payment located outside the United States where Senior Debt Securities of such series and any coupons appertaining thereto may be presented and surrendered for payment; PROVIDED that if the Senior Debt Securities of such series are listed on any stock exchange located outside the United States and such stock exchange shall so require, Southern Union will maintain a Paying Agent in any other required city located outside the United States, as the case may be, for the Senior Debt Securities of such series. (Section 1002)

PLAN OF DISTRIBUTION

Southern Union may sell the Senior Debt Securities to or through underwriters or dealers, and also may sell the Senior Debt Securities directly to one or more other purchasers or through agents.

The Prospectus Supplement sets forth the terms of the offering of the particular series of Senior Debt Securities to which such Prospectus Supplement relates, including (i) the name or names of any underwriters or agents with whom Southern Union has entered into arrangements with respect to the sale of such series of Senior Debt Securities, (ii) the initial public offering or purchase price of such series of Senior Debt Securities, (iii) any underwriting discounts, commissions and other items constituting underwriters' compensation from Southern Union and any other discounts, concessions or commissions allowed or reallowed or paid by any underwriters to other dealers, (iv) any commissions paid to any agents, (v) the net proceeds to Southern Union and (vi) the securities exchange, if any, on which such series of Senior Debt Securities will be listed.

Unless otherwise set forth in the Prospectus Supplement relating to a particular series of Senior Debt Securities, the obligations of the underwriters to purchase such series of Senior Debt Securities will be subject to certain conditions precedent and each of the underwriters with respect to such series of Senior Debt Securities will be obligated to purchase all of the Senior Debt Securities of such series allocated to it if any such Senior Debt Securities are purchased. Any initial public offering price and any discounts or concessions allowed or reallowed or paid to dealers may be changed from time to time.

The Senior Debt Securities may be offered and sold by Southern Union directly or through agents designated by Southern Union from time to time. Unless otherwise indicated in the Prospectus Supplement, any such agent or agents will be acting on a best efforts basis for the period of its or their appointment. Any agent participating in the distribution of Senior Debt Securities may be deemed to be an "underwriter," as that term is defined in the Securities Act, of the Senior Debt Securities so offered and sold. The Senior Debt Securities also may be sold to dealers at the applicable price to the public set forth in the Prospectus Supplement relating to a particular series of Senior Debt Securities who later resell to investors. Such dealers may be deemed to be "underwriters" within the meaning of the Securities Act.

As one of the means of direct issuance, Southern Union may conduct an electronic auction of the Senior Debt Securities to purchasers eligible to participate in such auctions. All participants in any such auction will be required to be parties to agreements containing rules which provide for the manner of conduct of the auction and the obligations of the participants. Certain information concerning the Senior Debt Securities to be offered in any such auction, including the amount of Senior Debt Securities offered therein and any previously undisclosed commercial terms other than price and coupon, may be communicated to participants in such auction at or prior to the time of the conduct thereof through the auction system. An independent agent will act in connection with such auction solely as the provider of the electronic auction system. The independent agent may be deemed an "underwriter" of the Senior Debt Securities offered through the system for the purposes of the Securities Act. If Southern Union elects to conduct any such auction, Southern Union will enter into an agreement with the independent agent for the conduct of such auction.

Purchasers of the Senior Debt Securities through electronic auction that are broker-dealers may purchase the Senior Debt Securities for their own account, for resale to customers or for further distribution (through other broker-dealers or otherwise), and in connection with any such resale or further distribution may receive or pay compensation in an amount determined by the difference between the resale price of the Senior Debt Securities and the price reflected in the Prospectus Supplement. Any such broker-dealer purchaser may be deemed an "underwriter" of the Senior Debt Securities offered through the system for purposes of the Securities Act. Any agreement with the independent agent will contain an indemnification, under certain circumstances, of such broker-dealer purchasers with respect to certain liabilities, including certain liabilities that may arise under the Securities Act.

Underwriters, dealers and agents may be entitled, under agreements entered into with Southern Union, to indemnification by Southern Union against certain civil liabilities, including liabilities under the Securities Act.

If so indicated in the Prospectus Supplement relating to a particular series of Senior Debt Securities, Southern Union will authorize underwriters, dealers or agents to solicit offers by certain institutions to purchase Senior Debt Securities of such series from Southern Union pursuant to delayed delivery contracts providing for payment and delivery at a future date. Such contracts will be subject only to those conditions set forth in the Prospectus Supplement and the Prospectus Supplement will set forth the commission payable for solicitation of such contracts.

LEGAL MATTERS

The validity of the Senior Debt Securities offered hereby will be passed upon for Southern Union by Fleischman and Walsh, Washington, D.C. Aaron I. Fleischman, Senior Partner of Fleischman and Walsh, is a director of Southern Union. Mr. Fleischman and other attorneys in that firm beneficially own shares of Common Stock that, in the aggregate, represent less than one percent (1%) of the shares of Common Stock outstanding.

EXPERTS

The financial statements of the Missouri Business of Gas Service, a division of Western Resources as of December 31, 1992 and 1991 and for each of the three years in the period ended December 31, 1992 that are included elsewhere in this Prospectus, and the financial statements of the Company as of December 31, 1992 and 1991 and for each of the three years in the period ended December 31, 1992 that are incorporated by reference into this Prospectus, have been audited by Coopers & Lybrand, independent public accountants, as indicated in their report with respect thereto, and are included in this Prospectus in reliance upon the authority of said firm as experts in accounting and auditing in giving said report.

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT ACCOUNTANTS

The Board of Directors
Southern Union Company

We have audited the balance sheet of the Missouri Business of Gas Service, a division of Western Resources, Inc., pursuant to the Agreement for Purchase of Assets between Western Resources, Inc. and Southern Union Company, as of December 31, 1992 and 1991 and the related statement of operations for each of the three years in the period ended December 31, 1992. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 audit provides 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 the Missouri Business of Gas Service, a division of Western Resources, Inc., as of December 31, 1992 and 1991, and its operations for each of the three years in the period ended December 31, 1992 in conformity with generally accepted accounting principles.

COOPERS & LYBRAND

Austin, Texas
September 24, 1993

MISSOURI BUSINESS OF GAS SERVICE
(A DIVISION OF WESTERN RESOURCES, INC.)

BALANCE SHEET

ASSETS

<TABLE>
<CAPTION>

	DECEMBER 31,	
	1991	1992
	(THOUSANDS OF DOLLARS)	
<S>	<C>	<C>
Property, plant and equipment	$ 361,849	$ 393,376
Less accumulated depreciation and amortization	(108,225)	(117,925)
	253,624	275,451
Current assets:		
Cash	8	9
Accounts receivable, billed and unbilled	49,117	57,942
Materials and supplies	4,467	4,764
Other current assets	35	35
	53,627	62,750
Deferred charges and other	4,384	5,935
Total assets	$ 311,635	$ 344,136
EQUITY AND LIABILITIES		
Equity in net assets acquired	$ 235,506	$ 275,501
Current liabilities -- accounts payable and accrued liabilities	71,277	64,608
Deferred credits and other	4,852	4,027
Total liabilities	76,129	68,635
Contingencies	--	--
Total equity and liabilities	$ 311,635	$ 344,136

</TABLE>

See accompanying notes to financial statements.

MISSOURI BUSINESS OF GAS SERVICE
(A DIVISION OF WESTERN RESOURCES, INC.)

STATEMENT OF OPERATIONS

<TABLE>
<CAPTION>

	YEARS ENDED DECEMBER 31,		
	1990	1991	1992
	(THOUSANDS OF DOLLARS)		
<S>	<C>	<C>	<C>

Revenues	$ 302,163	$ 307,667	$ 297,956
Cost and expenses:			
Gas purchase costs	202,229	193,510	183,001
Operating, maintenance and general	59,311	64,829	66,908
Taxes, other than on income	25,598	25,877	25,038
Depreciation and amortization	9,730	11,628	13,172
Total costs and expenses	296,868	295,844	288,119
Net operating revenue	5,295	11,823	9,837
Other income (expenses):			
Interest expense	(8,342)	(9,294)	(8,831)
Other, net	504	(696)	1,214
Total other income (expenses), net	(7,838)	(9,990)	(7,617)
Earnings (loss) before income taxes	(2,543)	1,833	2,220
Income tax provision (benefit)	(1,593)	523	705
Net earnings (loss)	$ (950)	$ 1,310	$ 1,515

</TABLE>

See accompanying notes to financial statements.

MISSOURI BUSINESS OF GAS SERVICE
(A DIVISION OF WESTERN RESOURCES, INC.)

NOTES TO FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The Missouri Business of Gas Service (the "Missouri Business"), a division of Western Resources, Inc., ("Western Resources"), is engaged in the distribution and sale of natural gas as a public utility in the state of Missouri. On July 9, 1993, Southern Union Company ("Southern Union" or the "Company") entered into a purchase and sale agreement with Western Resources (the "Agreement") to purchase the Missouri Business subject to certain conditions including the regulatory approval of the Missouri Public Service Commission ("MPSC" or the "Commission").

The Missouri Business has no separate legal status or existence, and its activities are controlled by Western Resources. Historically, the operations of the Missouri Business have been included in the consolidated financial statements of Western Resources and were not accounted for as a separate entity. In the normal course of business, the Missouri Business has various transactions with Western Resources, including various expense allocations, which are material in amount.

The accompanying historical balance sheet and statement of operations consists of the assets acquired and liabilities assumed as set forth in the Agreement and the operations related to the Missouri Business. These financial statements have been prepared from records maintained by Western Resources, and may not necessarily be indicative of the conditions which would have existed if the Missouri Business had been operated as an independent entity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GENERAL. The accounting policies of the Missouri Business are in accordance with generally accepted accounting principles as applied to regulated public utilities. The Missouri Business rates and operations are subject to regulation by the MPSC and the Federal Energy Regulatory Commission ("FERC"). The principal accounting policies used in the preparation of the financial statements of the Missouri Business are described below.

UTILITY PLANT. Utility plant is stated at cost. For constructed plant, costs include contracted services, direct labor and materials, indirect charges for engineering, supervision, general and administrative costs, and an allowance for funds used during construction (AFUDC). The AFUDC rate was 6.07% in 1992, 6.25% in 1991, and 8.25% in 1990. The cost of additions to utility plant and replacement units of property is capitalized. Maintenance costs and replacement of minor items of property are charged to expense as incurred. When units of depreciable property are retired, they are removed from the plant accounts and the original cost plus removal charges less salvage are charged to accumulated depreciation. Significant software development costs are capitalized.

DEPRECIATION. Depreciation is provided on the straight-line method based on the estimated useful lives of property. Composite provisions for Missouri Business' book depreciation approximated 3.38% in 1992, 3.40% in 1991, and 3.37% in 1990 of the average original cost of depreciable property.

REVENUES AND GAS PURCHASE COSTS. Gas utility customers are billed on a monthly-cycle basis. The related cost of gas is matched with cycle billed

revenue through the operation of purchased gas adjustment provisions. An estimate of unbilled revenues is recognized on a monthly-cycle basis which includes sales from the cycle-billing dates to the end of the month, unbilled gas purchase costs and revenue related taxes. The accrual for unbilled revenues is included in revenues in the statement of operations.

TAXES ON INCOME. The Missouri Business is included in Western Resources' consolidated federal and state income tax returns. The Missouri Business' annual provision for income taxes included in the statement of operations was determined as if the Missouri Business had filed a separate federal and state income tax return but may include benefits from deductions and tax credits that are

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
realizable only on a consolidated basis. Deferred income taxes are not presented in the accompanying balance sheet as the pending purchase transaction is taxable and the deferred income taxes pertaining to the Missouri Business will remain with Western Resources.

The Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard ("SFAS") No. 109, ACCOUNTING FOR INCOME TAXES, which is effective for fiscal years beginning after December 15, 1992. The statement provides for the replacement of the "deferred method" of interperiod income tax allocation with the "liability method" which bases the amounts of current and future assets and liabilities on events recognized in the financial statements and on income tax laws and rates existing at the balance sheet date. Western Resources adopted the provisions of SFAS No. 109 as of January 1, 1992 for which there was no material impact on the operations of the Missouri Business.

3. AFFILIATE TRANSACTIONS

The Missouri Business engages in various transactions with Western Resources and its affiliates that are characteristic of a consolidated group under common control. Western Resources has historically provided the Missouri Business with various financial and administrative functions and services for which the Missouri Business is charged associated direct costs and expenses. In addition, certain indirect administrative costs are allocated to the various business divisions of Western Resources, including the Missouri Business, principally based on formulas which consider such proportionate variables as number of customers, number of employees and property balances. The methods utilized are, in the opinion of the management of Western Resources, reasonable.

Direct and indirect corporate administrative costs including employee benefits, information systems support, accounting and office services and other general and administrative costs charged to the Missouri Business by Western Resources approximated $26.9 million in 1992, $23.2 million in 1991 and $19.5 million in 1990. Amounts are included in "operating, maintenance and general" in the statement of operations.

Western Resources provides financing and cash management for the Missouri Business through a centralized treasury system. Western Resources also provides cash needs not generated internally by the Missouri Business operations. Western Resources' consolidated interest expense is, in turn, allocated to its business units, including the Missouri Business, based on a pro rata formula of its net investment in the Missouri Business. Historically, the weighted average interest rate of Western Resources was 7.6% in 1992, 8.0% in 1991 and 8.4% in 1990.

4. RATE MATTERS AND REGULATION

The Missouri Business, pursuant to rate orders from the MPSC, recovers increases in natural gas costs through various purchased gas adjustment clauses (PGA). The annual difference between actual gas cost incurred and cost recovered through the application of the PGA are deferred and amortized through rates in subsequent periods.

MPSC RATE PROCEEDINGS. On February 5, 1993, the Missouri Business filed an application with the MPSC requesting an increase in natural gas rates for the Missouri Business of $20.8 million or seven percent.

On January 22, 1992, the MPSC issued an order authorizing the Missouri Business to increase natural gas rates by $7.3 million annually. On February 5, 1992, the Missouri Business filed an application for the issuance of an accounting order for the Missouri Business to defer service line replacement program costs incurred since July 1, 1991, including depreciation expense, property

4. RATE MATTERS AND REGULATION (CONTINUED)
taxes, and carrying costs for recovery in the next general rate case. The MPSC subsequently issued an accounting order allowing the deferral of service line replacement program costs. At December 31, 1992, approximately $3.1 million of these deferrals have been included in deferred charges and other.

On April 27, 1990, the MPSC approved an agreement among Gas Service, the MPSC staff, and intervenors to increase natural gas rates $18.5 million annually, effective May 1, 1990. The Missouri Business discontinued the deferral of accelerated line surveys and carrying charges on plant investment in new service lines on April 30, 1990, and began amortizing the balance to expense over a three-year period which began May 1, 1990.

FERC ORDER NO. 528. In 1990, the FERC issued Order No. 528 which authorized new methods for the allocation and recovery of take-or-pay settlement costs by natural gas pipelines from their customers. Negotiation and litigation continues between Western Resources and suppliers concerning the amount of such costs to be allocated to the Missouri Business. Due to the present uncertainty of the outcome of the litigation and negotiations, the management of the Missouri Business is unable to estimate any further liability for take-or-pay settlement costs incurred by its pipeline suppliers. The MPSC has approved a mechanism to recover these take-or-pay costs from the Missouri customers.

FERC ORDER NO. 636. On April 8, 1992, the FERC issued Order No. 636 which is intended to complete the deregulation of natural gas production and facilitate competition in the gas transportation industry. Order 636 is expected to affect the Missouri Business in several ways. The rules provide greater protection for pipeline companies by providing for recovery of all fixed costs through contracts with local distribution companies and other customers choosing to transport gas on a firm (non-interruptable) basis. The order also separates the purchase of natural gas from the transportation and storage of natural gas, shifting additional responsibility to distribution companies for the provision of long-term gas supply and transportation to distribution points. The Missouri Business may be liable to one or more of its pipeline suppliers for costs associated with any reduction in firm service demands. However, the management of the Company believes substantially all of these costs will be recovered from its customers and additional transition costs will be immaterial to the results of operations of the Missouri Business. Moreover, the Missouri Business is participating in pipeline restructuring negotiations and management of the Company does not anticipate any material difficulty in it continuing the service provided in the past.

TIGHT SANDS. In December 1991, the MPSC approved an agreement authorizing the Missouri Business to refund to its customers approximately $20.1 million of certain anti-trust litigation settlement proceeds to be collected on behalf of the customers of the Missouri Business. To secure the refund of settlement proceeds, the MPSC authorized the establishment of an independently administered trust to collect and maintain cash receipts received under the Tight Sands settlement agreements, and provide for the refunds made. The trust has a term of 10 years.

5. INTEREST EXPENSE
Allocated interest expense is presented in the accompanying statement of operations net of AFUDC as follows (in thousands of dollars):

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1990	1991	1992
<S>	<C>	<C>	<C>
Interest expense allocated	$ 8,432	$ 9,314	$ 8,864
Less AFUDC	(90)	(20)	(33)
	$ 8,342	$ 9,294	$ 8,831

</TABLE>

6. TAXES ON INCOME
The components of the tax provision (benefit) on income were as follows (in thousands of dollars):

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,			
	1992			
	CURRENT TAX	DEFERRED TAX	INVESTMENT TAX CREDIT	TOTAL
<S>	<C>	<C>	<C>	<C>
Federal	$ (5,762)	$ 6,669	$ (296)	$ 611
State	(589)	683	--	94
	$ (6,351)	$ 7,352	$ (296)	$ 705

</TABLE>

<TABLE>
<CAPTION>

	1991			
	CURRENT TAX	DEFERRED TAX	INVESTMENT TAX CREDIT	TOTAL
<S>	<C>	<C>	<C>	<C>
Federal	$ 2,529	$ (1,815)	$ (299)	$ 415
State	345	(237)	--	108
	$ 2,874	$ (2,052)	$ (299)	$ 523

</TABLE>

<TABLE>
<CAPTION>

	1990			
	CURRENT TAX	DEFERRED TAX	INVESTMENT TAX CREDIT	TOTAL
<S>	<C>	<C>	<C>	<C>
Federal	$ 7,336	$ (8,478)	$ (307)	$ (1,449)
State	989	(1,133)	--	(144)
	$ 8,325	$ (9,611)	$ (307)	$ (1,593)

</TABLE>

The sources of timing differences and the related deferred tax effects were as follows (in thousands of dollars):

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1990	1991	1992
<S>	<C>	<C>	<C>
Difference between book and tax depreciation	$ 989	$ 2,910	$ 2,381
Insurance reserves	(210)	585	601
Pension plan cost accruals and other employee related	(679)	(364)	388
Deferred charges	(2,060)	(2,395)	1,635
Purchased gas costs	(2,786)	(915)	2,344
Unbilled revenues	(5,166)	(3,456)	--
Software development costs	251	1,574	3
Customer deposits	50	9	--
Total	$ (9,611)	$ (2,052)	$ 7,352

</TABLE>

6. TAXES ON INCOME (CONTINUED)

Total income tax expense differed from the amount computed by applying the applicable federal income tax rate of 34% to earnings before taxes on income. The reasons for the differences for each of the years were as follows:

<TABLE>
<CAPTION>

	YEAR END DECEMBER 31,		
	1990	1991	1992
	(IN THOUSANDS OF DOLLARS)		
<S>	<C>	<C>	<C>
Computed "expected" tax expense (benefit)	$ (865)	$ 623	$ 755
Flow-through of depreciation expense	174	146	540
Reduction in excess deferred income taxes	(272)	(3)	(55)
State income taxes	(95)	72	62
Amortization of investment tax credit	(307)	(299)	(296)
Permanent differences	62	27	21
Adjustment of prior year provision	(290)	(43)	(322)
Actual tax expense (benefit)	$ (1,593)	$ 523	$ 705

</TABLE>

7. PROPERTY, PLANT AND EQUIPMENT

The components of property, plant and equipment at December 31, 1991 and 1992 were as follows:

<TABLE>
<CAPTION>

	1991	1992
	(IN THOUSANDS OF DOLLARS)	
<S>	<C>	<C>
Property, plant and equipment:		
Distribution facilities	$ 335,821	$ 364,812
Intangible	5,579	4,865
General	17,922	19,221
Construction work in progress	2,527	4,478
	361,849	393,376
Less accumulated depreciation and amortization	(108,225)	(117,925)
Total property, plant and equipment	$ 253,624	$ 275,451

</TABLE>

8. EMPLOYEE BENEFIT PLANS

PENSION. The employees and retirees of the Missouri Business participate in Western Resources' pension plans (the "Plans"), which are non-contributory defined benefit plans covering substantially all of Western Resources' active and retired employees. The Plans provide benefits based on a participant's years of service and compensation during the last ten years before retirement. Western Resources' policy is to fund pension costs accrued subject to limitations set by the Employee Retirement Income Security Act of 1974 and the Internal Revenue Code.

8. EMPLOYEE BENEFIT PLANS (CONTINUED)

The following table provides information on the components of pension cost, funded status and actuarial assumptions for Western Resources' Plans:

<TABLE>
<CAPTION>

	YEAR END DECEMBER 31,		
	1990	1991	1992
	(IN THOUSANDS OF DOLLARS)		
<S>	<C>	<C>	<C>
Pension Cost:			
Service cost	$ 6,345	$ 6,589	$ 9,847
Interest cost on projected benefit obligations	18,729	20,985	29,457
Return on plan assets	(3,819)	(59,161)	(38,967)
Deferred gain (loss) on plan assets	(15,721)	38,015	7,705
Net amortization	242	(131)	(948)
Net pension cost	$ 5,776	$ 6,297	$ 7,094
Funded Status:			
Actuarial present value of benefit obligations:			
Vested	$ 183,262	$ 200,435	$ 316,100
Non-vested	12,790	13,935	19,331

Total	$ 196,052	$ 214,370	$ 335,431
Plan assets (principally debt and equity securities) at fair value	$ 274,622	$ 324,780	$ 452,372
Projected benefit obligation	262,831	282,062	424,232
Plan assets in excess of projected benefit obligation	11,791	42,718	28,140
Unrecognized transition asset	(1,370)	(1,253)	(3,092)
Unrecognized prior service costs	29,321	27,216	55,886
Unrecognized net gain	(40,198)	(69,494)	(106,486)
Accrued pension costs	$ (456)	$ (813)	$ (25,552)

</TABLE>

<TABLE>
<S> <C> <C> <C>

Actuarial Assumptions:			
Discount rate	8.0%	8.0%	8.0%-8.5%
Annual salary increase rate	6.0%	6.0%	6.0%
Long-term rate of return	8.0%	8.0%	8.0%-8.5%

</TABLE>

The employees and retirees of the Missouri Business comprise approximately 30% of total active employees and retirees of Western Resources at December 31, 1992. As provided in the Agreement, Western Resources will transfer to Southern Union the assets and liabilities of the Western Resources' Plans applicable to the employees and retirees of the Missouri Business, which based on a projected benefit obligation actuarial calculation at December 31, 1992 approximates $100 million.

POST-RETIREMENT. Western Resources provides health care and life insurance benefits to its retired employees. The cost of retiree health care and life insurance benefits is recognized as expense when claims and premiums for life insurance policies are paid. The cost of providing health care and life insurance benefits for active employees and associated retirees of the Missouri Business was approximately $6.1 million in 1992, $5.9 million in 1991 and $5.3 million in 1990. Western Resources' cost of providing benefits for 2,928, 1,911, and 1,886 retirees is not separable from the cost of providing benefits for the 5,138, 4,474, and 4,614 active employees in 1992, 1991 and 1990 respectively.

In December 1990 the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard ("SFAS") No. 106, "EMPLOYERS' ACCOUNTING FOR POST-RETIREMENT BENEFITS

8. EMPLOYEE BENEFIT PLANS (CONTINUED)
OTHER THAN PENSIONS." Western Resources implemented SFAS No. 106 effective January 1, 1993. SFAS 106 requires the accrual of post-retirement benefits other than pensions, primarily medical benefits costs, during the years an employee provides services.

The Missouri Business annual expense under SFAS 106, commencing after adoption is approximately $5.9 million and its total unfunded accumulated post-retirement benefit obligation is approximately $41 million which obligation will be amortized over 20 years. These costs historically have been allowed in rates when paid. To mitigate the impact of SFAS 106 expenses, Western Resources has implemented programs to reduce health care costs and has received approval from the MPSC to permit initial deferral of SFAS 106 expense and include it in the computation of cost of service net of an income stream generated from Western Resources' corporate-owned life insurance (COLI). If the Commission were to recognize post-retirement benefit costs under a different method, earnings could be impacted negatively. The cash surrender value of Western Resources' COLI is not included in the assets acquired pursuant to the Agreement.

POST-EMPLOYMENT. The FASB has issued SFAS 112, "EMPLOYERS' ACCOUNTING FOR POST-EMPLOYMENT BENEFITS." The new statement requires the recognition of the liability to provide post-employment benefits when the liability has been incurred. Adoption of SFAS 112 is required no later than January 1, 1994. Although the effect of adoption has not been determined, the Company does not expect adoption to have a material effect on the Missouri Business operations.

EARLY RETIREMENT AND VOLUNTARY SEPARATION PLANS. In January 1992, Western Resources initiated early retirement plans and voluntary separation programs. The voluntary early retirement plans were offered to all vested participants in Western Resources' pension plan who reached the age of 55 with 10 or more years of service on or before May 1, 1992. Costs associated with the early retirement

plans and voluntary separation programs attributable to the Missouri Business totaled approximately $2.6 million, and are reflected in "operating, maintenance and general" in the accompanying statement of operations for the year ended December 31, 1992.

SAVINGS. Western Resources also maintains savings plans in which substantially all of its employees participate. Western Resources matches employees' contributions up to specified maximum limits. The funds of the plans are deposited with a trustee and invested at each employee's option in one or more investment funds, including holding stock in a Western Resources, Inc. fund. Western Resources's contributions on behalf of employees of the Missouri Business were $0.9 million in 1992, $0.9 million in 1991 and $0.8 million in 1990.

9. COMMITMENTS AND CONTINGENCIES

GAS PURCHASE COMMITMENTS. The Missouri Business has commitments under gas purchase contracts which contain certain minimum purchase provisions for the firm supply of quantities of natural gas. In general, these gas purchase contracts provide for the make-up of volumes which are not purchased by the Missouri Business and take requirements that are substantially lower than the total end use demand serviced by the Missouri Business. In addition, the Missouri Business has contractual access to substantial pipeline storage capacity which significantly minimizes the risk that the Missouri Business would be susceptible to take-or-pay provisions contained in certain of its contracts.

LEASE COMMITMENTS. At December 31, 1992, the Missouri Business had operating leases covering various property and equipment. Rent expense under those leases was $1.2 million in 1992, $1.3 million in 1991 and $0.8 million in 1990. Future estimated rental commitments are $0.3 million in 1993, $0.3 million in 1994, $0.2 million in 1995, $0.1 million in 1996 and $0.1 million in 1997. In

9. COMMITMENTS AND CONTINGENCIES (CONTINUED)

addition, the Missouri Business entered into a building lease commencing July 1993 which includes a rent holiday through November 1995. Lease commitments are $0.03 million in 1995, $0.4 million in 1996 and $0.4 million in 1997.

ENVIRONMENTAL. The Missouri Business owns or is otherwise associated with a number of sites where manufactured gas plants were previously operated. These plants were commonly used to supply gas service in the late 19th and early 20th centuries, in certain cases by corporate predecessors to Western Resources. By-products and residues from manufactured gas could be located at these sites and at some time in the future may require remediation by the U.S. Environmental Protection Agency ("EPA") or delegated state regulatory authority. By virtue of notice under the Purchase and Sale Agreement and its preliminary, non-invasive review, the Company is aware of eleven such sites in the service territory of the Missouri Business. Based on information reviewed thus far, it appears that neither Western Resources nor any predecessor in interest ever owned or operated at least three of those sites. Western Resources has informed the Company that it was notified in 1991 by the EPA that the EPA was evaluating one of the sites (in St. Joseph, Missouri) for any potential threat to human health and the environment. Western Resources has also advised the Company that to date, the EPA has not notified it that any further action may be required. Evaluation of the remainder of the sites by appropriate federal and state regulatory authorities may occur in the future. At the present time and based upon the preliminary information available to it, the Company believes that the costs of any remediation efforts that may be required for these sites for which it may ultimately have responsibility will not exceed the aggregate amount subject to substantial sharing by Western Resources pursuant to the Environmental Liability Agreement to be entered into at the closing of the Missouri Acquisition. See "The Missouri Acquisition -- Environmental." In addition, the Company is aware of the existence of other significant potentially responsible parties from whom contribution for remediation would be sought, and would expect to make claims upon its insurers (Western Resources has already done so on its own behalf) and institute appropriate requests for rate relief. The Company is not presently aware of any other environmental matters in the Missouri Business which could reasonably be expected to have a material impact on its operations or financial position.

LEGAL PROCEEDINGS. The Missouri Business is involved in various legal and environmental proceedings that management of the Company considers to be normal kinds of actions to which an enterprise of its size and nature is subject. Management of the Company believes that adequate provision has been made within the financial statements for these matters and accordingly believes their ultimate dispositions will not have a material adverse effect upon the business, operations or financial position of the Missouri Business.

MISSOURI BUSINESS OF GAS SERVICE
(A DIVISION OF WESTERN RESOURCES, INC.)

BALANCE SHEET
(UNAUDITED)

ASSETS

<TABLE>
<CAPTION>

	SEPTEMBER 30, 1993
	(THOUSANDS OF DOLLARS)
<S>	<C>
Property, plant and equipment	$ 416,703
Less accumulated depreciation and amortization	(125,460)
	291,243
Current assets:	
Cash	8
Accounts receivable, billed and unbilled	10,816
Materials and supplies	4,338
Other current assets	2,401
	17,563
Deferred charges and other	10,398
Total assets	$ 319,204
EQUITY AND LIABILITIES	
Equity in net assets acquired	$ 288,181
Current liabilities -- accounts payable and accrued liabilities	25,174
Deferred credits and other	5,849
Total liabilities	31,023
Contingencies	--
Total equity and liabilities	$ 319,204

</TABLE>

See accompanying notes to interim financial statements.

MISSOURI BUSINESS OF GAS SERVICE
(A DIVISION OF WESTERN RESOURCES, INC.)

STATEMENT OF OPERATIONS
(UNAUDITED)

<TABLE>
<CAPTION>

	NINE MONTHS ENDED SEPTEMBER 30,	
	1992	1993
	(THOUSANDS OF DOLLARS)	
<S>	<C>	<C>
Revenues	$ 201,007	$ 233,291
Cost and expenses:		
Gas purchase costs	121,130	141,241
Operating, maintenance and general	50,315	53,117
Taxes, other than on income	18,361	21,470
Depreciation and amortization	9,716	9,347
Total costs and expenses	199,522	225,175
Net operating revenue	1,485	8,116
Other income (expenses):		
Interest expense	(6,482)	(6,799)
Other, net	718	2,268
Total other income (expenses), net	(5,764)	(4,531)
Earnings (loss) before income taxes	(4,279)	3,585
Income tax provision (benefit)	(1,417)	997

Net earnings (loss)	$ (2,862)	$ 2,588

</TABLE>

See accompanying notes to interim financial statements.

MISSOURI BUSINESS OF GAS SERVICE
(A DIVISION OF WESTERN RESOURCES, INC.)

NOTES TO INTERIM FINANCIAL STATEMENTS
(UNAUDITED)

FINANCIAL STATEMENTS

The interim financial statements are unaudited but, in the opinion of management of the Company, reflect all adjustments (consisting of normal recurring accruals) necessary for a fair presentation of the financial position and operations for such periods in conformity with generally accepted accounting principles. The operations for any interim period are not necessarily indicative of operations for the full year. These financial statements should be read in conjunction with the audited financial statements and notes thereto of the Missouri Business of Gas Service ("Missouri Business") contained elsewhere in this Registration Statement.

ACCOUNTING PRONOUNCEMENTS

Western Resources adopted the provisions of Statement of Financial Accounting Standard ("SFAS") No. 106, EMPLOYER'S ACCOUNTING FOR POST-RETIREMENT BENEFITS OTHER THAN PENSIONS, as of January 1, 1993. This statement requires the accrual of post-retirement benefits other than pensions, primarily medical benefit costs, during the years an employee provides service.

Based on actuarial projections and an adoption of the transition method allowing a 20-year amortization of the accumulated benefit obligation, the annual expense attributable to the employees of the Missouri Business under SFAS No. 106 will be approximately $5.9 million in 1993 (as compared to approximately $2.9 million on a cash basis) of which $5.1 million relates to medical benefits and $0.8 million relates to life insurance benefits. Annual expense in 1993 under SFAS 106 includes $0.5 million service cost, $3.4 million interest cost, and $2.0 million amortization of the transition obligation. The accumulated benefit obligation calculated at January 1, 1993 is approximately $41 million of which $34.9 million relates to medical benefits and $6.1 million relates to life insurance benefits. The actuarial computations for post-retirement benefits assumed a discount rate of 8.5%. Health care costs were assumed to be increasing at an initial rate of 14%, gradually reducing by 1% per year to a long term rate of 6% for purposes of calculating the post-retirement benefits. If the health care costs increased at a rate of 1%, the combined effect on the 1993 service and interest cost components would be a 2% increase and the accumulated benefit obligation would increase 2%. These costs have historically been allowed in rates when paid.

To mitigate the impact of SFAS No. 106 expense, Western Resources has implemented programs to reduce health care costs. In addition, Western Resources filed an application with the Missouri Public Service Commission ("MPSC") for an order permitting the initial deferral of SFAS No. 106 expense. To mitigate the impact SFAS No. 106 expense will have on rate increases, Western Resources proposed inclusion in the future computation of cost of service the actual SFAS No. 106 expense and an income stream generated from Western Resources' corporate-owned life insurance (COLI). To the extent SFAS No. 106 expense exceeds income from the COLI program, this excess will be deferred (as allowed by the FASB Emerging Issues Task Force Issue No. 92-12) and offset by income generated through the deferral period by the COLI program. The MPSC has issued an order approving the Western Resources application. Should the income stream generated by the COLI program not be sufficient to offset the SFAS No. 106 expense through the deferral period, the MPSC order allows recovery of such deficit through the rate making process. Included in "Deferred charges and other" in the balance sheet at September 30, 1993 is a deferral of $2.2 million representing the SFAS No. 106 costs deferred pursuant to the above noted MPSC order. The cash surrender value of Western Resources' COLI is not included in the assets acquired pursuant to the Agreement for Purchase of Assets between Western Resources and Southern Union Company (the "Agreement").

MISSOURI BUSINESS OF GAS SERVICE
(A DIVISION OF WESTERN RESOURCES, INC.)

NOTES TO INTERIM FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED)

CONTINGENCIES

ENVIRONMENTAL. The Missouri Business owns or is otherwise associated with a number of sites where manufactured gas plants were previously operated. These plants were commonly used to supply gas service in the late 19th and early 20th centuries, in certain cases by corporate predecessors to Western Resources. By-products and residues from manufactured gas could be located at these sites and at some time in the future may require remediation by the U.S. Environmental Protection Agency ("EPA") or delegated state regulatory authority. By virtue of notice under the Purchase and Sale Agreement and its preliminary, non-invasive review, the Company is aware of eleven such sites in the service territory of the Missouri Business. Based on information reviewed thus far, it appears that neither Western Resources nor any predecessor in interest ever owned or operated at least three of those sites. Western Resources has informed the Company that it was notified in 1991 by the EPA that the EPA was evaluating one of the sites (in St. Joseph, Missouri) for any potential threat to human health and the environment. Western Resources has also advised the Company that to date, the EPA has not notified it that any further action may be required. Evaluation of the remainder of the sites by appropriate federal and state regulatory authorities may occur in the future. At the present time and based upon the preliminary information available to it, the Company believes that the costs of any remediation efforts that may be required for these sites for which it may ultimately have responsibility will not exceed the aggregate amount subject to substantial sharing by Western Resources pursuant to the Environmental Liability Agreement to be entered into at the closing of the Missouri Acquisition. See "The Missouri Acquisition -- Environmental." In addition, the Company is aware of the existence of other significant potentially responsible parties from whom contribution for remediation would be sought, and would expect to make claims upon its insurers (Western Resources has already done so on its own behalf) and institute appropriate requests for rate relief. The Company is not presently aware of any other environmental matters in the Missouri Business which could reasonably be expected to have a material impact on its operations or financial position.

LEGAL PROCEEDINGS. The Missouri Business is involved in various legal and environmental proceedings that the management of the Company considers to be normal kinds of actions to which an enterprise of its size and nature is subject. Management of the Company believes that adequate provision has been made within the financial statements for these matters and accordingly believes their ultimate dispositions will not have a material adverse effect upon the business, operations or financial position of the Missouri Business.

OTHER MATTERS

On July 9, 1993, Western Resources reached a definitive agreement to sell the Missouri Business to Southern Union Company for approximately $360 million, to be adjusted at the time of closing.

On August 10, 1993, the United States Congress passed, and the President signed into law, the Omnibus Budget Reconciliation Act of 1993 (the "Act"). Among other provisions in the Act, effective January 1, 1993, the corporate federal income tax rate was increased to 35% on corporate taxable income in excess of $10 million.

On October 5, 1993, the MPSC issued a rate order increasing the Missouri Business natural gas rates by approximately $9.8 million annually, effective beginning October 15, 1993.

UNAUDITED PRO FORMA COMBINED CONDENSED FINANCIAL INFORMATION

The following unaudited pro forma combined condensed financial information consists of the Unaudited Pro Forma Combined Condensed Statements of Operations for the nine months ended September 30, 1993, the twelve months ended September 30, 1993 and the year ended December 31, 1992 (the "Pro Forma Statements of Operations") and the Unaudited Pro Forma Combined Condensed Balance Sheet as of September 30, 1993 (the "Pro Forma Balance Sheet," and together with the Pro Forma Statements of Operations, the "Pro Forma Financial Statements"). The Pro Forma Statements of Operations have been prepared by combining the consolidated statements of operations of the Company with the statements of operations of the Missouri Business for the periods indicated, adjusted to give effect to (i) the issuance of 2,000,000 shares of Common Stock in the Rights Offering and (ii) the completion of the Missouri Acquisition, including the sale of Senior Debt Securities to fund such Acquisition, as if such transactions had been consummated as of the beginning of each such period. The Pro Forma Balance Sheet has been prepared by combining the consolidated balance sheet of the Company as of September 30, 1993 with the balance sheet of the Missouri Business as of September 30, 1993, adjusted to give effect to (i) the issuance of 2,000,000 shares of Common Stock in the Rights Offering, (ii) the completion of the Missouri Acquisition, including the sale of Senior Debt Securities to fund such Acquisition and (iii) the sale of Senior Debt Securities to refinance certain short-term debt and current maturities of long-term debt outstanding as of September 30, 1993, as if such transactions had been consummated on September 30, 1993.

The Pro Forma Financial Statements are based on and should be read in conjunction with the Company's Consolidated Financial Statements and notes thereto, included in the 1992 Form 10-K and the Third Quarter Form 10-Q that are incorporated by reference into this Prospectus, and the Historical Financial Statements of the Missouri Business that are included elsewhere in this Prospectus.

The Pro Forma Statements of Operations are not necessarily indicative of the combined effects on the Company's results of operations that would have resulted if the Rights Offering and the Missouri Acquisition had actually occurred earlier.

The pro forma adjustments are based on preliminary assumptions and estimates made by the Company's management regarding anticipated efficiencies resulting from the combined operations, reductions in costs planned by management, purchase accounting adjustments and the fair market value of certain assets acquired in the Missouri Business. The Pro Forma Statements of Operations do not reflect the financial impact, if any, of (i) the rate increases granted to Southern Union Gas and the Missouri Business during 1993 not yet earned and (ii) the pro forma effect of the results of operations of the Rio Grande Acquisition. Gas service rates, established by regulatory authorities, are based upon the utility's costs including operating, administrative and finance costs and include a return on equity. As a result, reductions in a utility's costs may have a direct impact on the level of rates it is allowed to collect from its customers in the future. See "Business -- Regulation." The actual allocation of the consideration paid for the Missouri Business may differ from that reflected in the Pro Forma Financial Statements after an appropriate review of the fair market values of the assets acquired and liabilities assumed in the Missouri Acquisition has been completed. Amounts allocated will be based upon the estimated fair values at the time of the Missouri Acquisition, which could vary significantly from the amounts as of September 30, 1993. The Missouri Acquisition will be accounted for using the purchase method of accounting.

The following table sets forth a summary of the sources and uses of funds resulting from (i) the issuance of 2,000,000 shares of Common Stock in the Rights Offering, (ii) the completion of the Missouri Acquisition, including the sale of Senior Debt Securities to fund such Acquisition and (iii) the sale of Senior Debt Securities to refinance certain short-term debt and current maturities of long-term debt outstanding as of September 30, 1993, as if such transactions had been consummated on September 30, 1993 (in thousands):

<TABLE>
<CAPTION>

SOURCES OF FUNDS

<S>	<C>
Gross Proceeds from Rights Offering	$ 50,000
Sale of Senior Debt Securities	376,331
	$ 426,331

<CAPTION>

USES OF FUNDS

<S>	<C>
Acquisition of Missouri Business	$ 342,402
Refinancing of short-term borrowings used to fund the Rio Grande Acquisition	31,050
Refinancing of short-term debt	25,000
Refinancing of current maturities of long-term debt	20,000
Stock and debt issuance costs	7,879
	$ 426,331

</TABLE>

The Pro Forma Financial Statements exclude any sale of additional Senior Debt Securities that may be issued pursuant to this Prospectus.

SOUTHERN UNION COMPANY

PRO FORMA COMBINED CONDENSED STATEMENT OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1993
(UNAUDITED)

<TABLE>
<CAPTION>

	HISTORICAL	PRO FORMA

	SOUTHERN UNION	MISSOURI BUSINESS	ADJUSTMENTS	COMBINED
	(THOUSANDS OF DOLLARS, EXCEPT SHARES AND PER SHARE AMOUNTS)			
<S>	<C>	<C>	<C>	<C>
Operating revenues	$ 135,868	$ 233,291		$ 369,159
Gas purchase costs	67,866	141,241		209,107
Operating margin	68,002	92,050		160,052
Operating expenses:				
Operating, maintenance and general	35,289	53,117	$ (6,880)(a)	81,526
Taxes, other than on income	9,806	21,470		31,276
Amortization of acquisition adjustment	2,292		1,111(b)	3,403
Depreciation and amortization	7,968	9,347	460(c)	17,775
Total operating expenses	55,355	83,934	(5,309)	133,980
Net operating revenue	12,647	8,116	5,309	26,072
Other income (expenses):				
Interest	(8,691)	(6,799)	7,331(d)	(27,591)
			(19,432)(e)	
Other, net	861	2,268	(231)(f)	2,898
Total other income (expenses), net	(7,830)	(4,531)	(12,332)	(24,693)
Earnings before income taxes (benefit)	4,817	3,585	(7,023)	1,379
Federal and state income taxes (benefit)	1,825	997	(2,691)(g)	131
Earnings from continuing operations before preferred dividends	2,992	2,588	(4,332)	1,248
Preferred dividends	843		(843)(h)	
Earnings from continuing operations available for common stock	$ 2,149	$ 2,588	$ (3,489)	$ 1,248
Earnings from continuing operations per common share	$ .41			$ .17
Weighted average shares outstanding	5,243,934		2,000,000(i)	7,243,934

</TABLE>

See accompanying notes to unaudited pro forma combined condensed statements of operations.

SOUTHERN UNION COMPANY

PRO FORMA COMBINED CONDENSED STATEMENT OF OPERATIONS
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 1993
(UNAUDITED)

<TABLE>
<CAPTION>

	HISTORICAL		PRO FORMA	
	SOUTHERN UNION	MISSOURI BUSINESS	ADJUSTMENTS	COMBINED
	(THOUSANDS OF DOLLARS, EXCEPT SHARES AND PER SHARE AMOUNTS)			
<S>	<C>	<C>	<C>	<C>
Operating revenues	$ 201,408	$ 330,240		$ 531,648
Gas purchase costs	107,943	203,112		311,055
Operating margin	93,465	127,128		220,593
Operating expenses:				
Operating, maintenance and general	47,206	69,710	$ (9,173)(a)	107,743
Taxes, other than on income	13,231	28,147		41,378
Amortization of acquisition adjustment	3,064		1,481(b)	4,545
Depreciation and amortization	10,169	12,803	614(c)	23,586
Total operating expenses	73,670	110,660	(7,078)	177,252
Net operating revenue	19,795	16,468	7,078	43,341
Other income (expenses):				
Interest	(11,633)	(9,148)	9,680(d)	(37,011)
			(25,910)(e)	

Other, net	3,105	2,764	(308)(f)	5,561
Total other income (expenses), net	(8,528)	(6,384)	(16,538)	(31,450)
Earnings before income taxes (benefit)	11,267	10,084	(9,460)	11,891
Federal and state income taxes (benefit)	4,058	3,119	(3,690)(g)	3,487
Earnings from continuing operations before preferred dividends	7,209	6,965	(5,770)	8,404
Preferred dividends	1,468		(1,468)(h)	
Earnings from continuing operations available for common stock	$ 5,741	$ 6,965	$ (4,302)	$ 8,404
Earnings from continuing operations per common share	$ 1.10			$ 1.16
Weighted average shares outstanding	5,242,340		2,000,000(i)	7,242,340

</TABLE>

See accompanying notes to unaudited pro forma combined condensed statements of operations.

SOUTHERN UNION COMPANY

PRO FORMA COMBINED CONDENSED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1992
(UNAUDITED)

<TABLE>
<CAPTION>

	HISTORICAL		PRO FORMA	
	SOUTHERN UNION	MISSOURI BUSINESS	ADJUSTMENTS	COMBINED
	(THOUSANDS OF DOLLARS, EXCEPT SHARES AND PER SHARE AMOUNTS)			
<S>	<C>	<C>	<C>	<C>
Operating revenues	$ 192,445	$ 297,956		$ 490,401
Gas purchase costs	102,918	183,001		285,919
Operating margin	89,527	114,955		204,482
Operating expenses:				
Operating, maintenance and general	46,313	66,908	$ (9,173)(a)	104,048
Taxes, other than on income	13,115	25,038		38,153
Amortization of acquisition adjustment	2,958		1,481(b)	4,439
Depreciation and amortization	9,779	13,172	614(c)	23,565
Total operating expenses	72,165	105,118	(7,078)	170,205
Net operating revenue	17,362	9,837	7,078	34,277
Other income (expenses):				
Interest	(12,459)	(8,831)	8,831(d)	(38,369)
			(25,910)(e)	
Other, net	5,928	1,214	(308)(f)	6,834
Total other income (expenses), net	(6,531)	(7,617)	(17,387)	(31,535)
Earnings before income taxes (benefit)	10,831	2,220	(10,309)	2,742
Federal and state income taxes (benefit)	4,440	705	(3,612)(g)	1,533
Earnings from continuing operations before preferred dividends	6,391	1,515	(6,697)	1,209
Preferred dividends	2,500		(2,500)(h)	
Earnings from continuing operations available for common stock	$ 3,891	$ 1,515	$ (4,197)	$ 1,209
Earnings from continuing operations per common share	$ .74			$ .17
Weighted average shares outstanding	5,259,314		2,000,000(i)	7,259,314

</TABLE>

See accompanying notes to unaudited pro forma combined condensed statements of

operations.

SOUTHERN UNION COMPANY
NOTES TO PRO FORMA COMBINED CONDENSED STATEMENTS OF OPERATIONS

The following are adjustments to the Pro Forma Statements of Operations to reflect (i) the issuance of 2,000,000 shares of Common Stock in the Rights Offering and (ii) the completion of the Missouri Acquisition, including the sale of Senior Debt Securities to fund such Acquisition.

(a) Reflects the adjustment to operations, maintenance and general for certain anticipated cost savings resulting from the consolidation of operations and corporate functions, the integration of corporate management and the elimination of certain other duplicate administrative functions.

(b) Reflects amortization of the estimated excess purchase price over the historical book carrying value of the assets acquired of the Missouri Business on a straight line basis over a 30 year period.

(c) Reflects depreciation expense related to the purchase of additional equipment over their estimated useful lives. See note (a) of Notes to Pro Forma Balance Sheet.

(d) Reflects the removal of historical interest expense of the Missouri Business and the elimination of interest expense associated with the borrowings on the revolving credit facility used for the purchase and redemption of Southern Union preferred stock.

(e) Reflects interest expense on $314 million of the $376.3 million of Senior Debt Securities at an assumed annual interest rate of 8.25%. The difference of $62.3 million of Senior Debt Securities to be sold and used to refinance short-term borrowings used to fund the Rio Grande Acquisition (which transaction closed on September 30, 1993), purchase estimated net capital expenditures to be incurred by the Missouri Business subsequent to September 30, 1993 and prior to closing, and repay certain current maturities of long-term debt (due May 1994) and related debt issuance costs were assumed to have occurred on September 30, 1993. As a result, interest expense associated with these borrowings is not reflected in the Pro Forma Statements of Operations. To the extent the assumed interest rate on the Senior Debt Securities fluctuates by 1%, interest expense for the nine months ended September 30, 1993, the twelve months ended September 30, 1993 and the year ended December 31, 1992 would be impacted by $2.4 million, $3.1 million and $3.1 million, respectively.

(f) Reflects the amortization of debt issuance costs associated with the sale of $314 million of Senior Debt Securities on a straight line basis over the life of the new debt. See Note (e) above.

SOUTHERN UNION COMPANY
NOTES TO PRO FORMA COMBINED CONDENSED STATEMENTS OF OPERATIONS (CONTINUED)

(g) Reflects the income tax provision (benefit) associated with the pro forma adjustments calculated using the applicable statutory state income tax rates and the statutory federal income tax rate of 35% for the nine months ended September 30, 1993, 34.75% for the twelve months ended September 30, 1993 and 34% for the year ended December 31, 1992. The 34.75% rate for the twelve months ended September 30, 1993 is a weighted average of two statutory rates in effect during the twelve month period.

Income tax expense, on a pro forma combined basis, differs from the amount computed when applying the applicable statutory federal income tax rates to earnings before income taxes. The reasons for the differences are as follows:

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31, 1992	NINE MONTHS ENDED SEPTEMBER 30, 1993	TWELVE MONTHS ENDED SEPTEMBER 30, 1993
		(THOUSANDS OF DOLLARS)	
<S>	<C>	<C>	<C>
Computed "expected" tax expense.....	$ 932	$ 483	$ 4,132
Items for which there are no tax consequences, principally amortization of additional purchase cost assigned to utility			

plant	1,025	576	809
Amortization of excess deferred income taxes	(55)	(233)	(300)
Flow through of depreciation expense	540	(37)	150
Amortization of investment tax credit	(457)	(249)	(332)
Adjustment of tax reserve		(409)	(409)
Adjustment of prior year provision	(322)		(322)
Tax loss on sale of real estate in excess of book loss	(322)		(322)
Other	192		81
	$ 1,533	$ 131	$ 3,487

</TABLE>

(h) Reflects the elimination of preferred stock dividends resulting from the purchase and redemption of all outstanding Southern Union preferred stock in March and June 1993.

(i) Reflects the issuance of 2,000,000 shares of Common Stock in the Rights Offering.

SOUTHERN UNION COMPANY

PRO FORMA COMBINED CONDENSED BALANCE SHEET

SEPTEMBER 30, 1993
(UNAUDITED)

ASSETS

<TABLE>
<CAPTION>

	HISTORICAL		PRO FORMA	
	SOUTHERN UNION	MISSOURI BUSINESS	ADJUSTMENTS	COMBINED
	(THOUSANDS OF DOLLARS)			
<S>	<C>	<C>	<C>	<C>
Property, plant and equipment	$ 372,757	$ 416,703	$ 11,950(a) 10,000(b)	$ 811,410
Less accumulated depreciation and amortization	(141,546)	(125,460)		(267,006)
	231,211	291,243	21,950	544,404
Additional purchase cost assigned to utility plant, net	92,645		44,437(c)	137,082
Net property, plant and equipment	323,856	291,243	66,387	681,486
Current assets	40,440	17,563		58,003
Deferred charges and other assets	34,751	10,398	7,379(d) 41,640(e)	94,168
Total	$ 399,047	$ 319,204	$ 115,406	$ 833,657

<CAPTION>

	STOCKHOLDERS' EQUITY AND LIABILITIES			
<S>	<C>	<C>	<C>	<C>
Common stockholders' equity:				
Common stock	$ 5,304		$ 2,000(f)	$ 7,304
Premium on capital stock	144,925		47,500(f)	192,425
Retained earnings	492			492
Less treasury stock, at cost	(794)			(794)
Equity in net assets acquired		$ 288,181	(288,181)(g)	
Total common stockholders' equity	149,927	288,181	(238,681)	199,427
Long-term debt	89,122		376,331(h)	465,453
Current liabilities and current maturities of long-term debt	128,399	25,174	15,166(i) (25,000)(j) (31,050)(j) (20,000)(k)	92,689
Deferred credits and other liabilities	10,384	5,849	38,640(l)	54,873
Accumulated deferred income taxes	21,215			21,215
Commitments and contingencies	--	--		--
Total	$ 399,047	$ 319,204	$ 115,406	$ 833,657

</TABLE>

See accompanying notes to unaudited pro forma combined condensed balance sheet.

SOUTHERN UNION COMPANY

NOTES TO UNAUDITED PRO FORMA COMBINED CONDENSED BALANCE SHEET

The following are adjustments to the Pro Forma Balance Sheet as of September 30, 1993 to reflect (i) the issuance of 2,000,000 shares of Common Stock in the Rights Offering, (ii) the completion of the Missouri Acquisition, including the sale of Senior Debt Securities to fund such Acquisition, and (iii) the sale of Senior Debt Securities to refinance certain short-term debt and current maturities of long-term debt outstanding as of September 30, 1993:

(a) Reflects the purchase accounting adjustments of $4.4 million to record acquired assets at their estimated fair market value, and estimated additional expenditures to purchase non-transferable leases on automobiles of $4.3 million and data processing equipment and software of $3.3 million.

(b) Reflects the recording of the purchase of estimated net capital expenditures to be incurred by the Missouri Business subsequent to September 30, 1993 and prior to closing as per the Missouri Asset Purchase Agreement.

(c) Reflects the estimated excess of the purchase price over the historical book carrying value of the assets acquired of the Missouri Business of $44.4 million.

(d) Reflects the capitalization of estimated debt issuance costs associated with the sale of $376.3 million of debt securities to be amortized on a straight line basis over the life of the new debt. See note (h) below.

(e) Reflects the recording of (i) a regulatory asset of $38.6 million representing the deferral of the actuarially calculated accumulated post-retirement benefit obligation assumed in the purchase and (ii) a $3.0 million contribution to the Missouri Business' employees' qualified defined benefit plans in excess of the minimum required contribution under the Internal Revenue Code Section 412, as determined by the plans' actuary, pursuant to the MPSC Stipulation. See note (l) below and the "Accounting Pronouncements" note included in Notes to the Missouri Business' Interim Financial Statements included elsewhere herein.

(f) Reflects Southern Union's receipt of $50.0 million in gross proceeds from the completion of the Rights Offering, less approximately $0.5 million in estimated stock issuance costs, assuming 2,000,000 shares of Common Stock are issued in the Rights Offering at $25.00 per share.

(g) Reflects the elimination of the equity in the Missouri Business net assets acquired.

(h) Reflects the sale of Senior Debt Securities totalling $376.3 million.

(i) Reflects the recording of certain liabilities of $15.2 million resulting from the acquisition transactions including the purchase of non-transferable leases on automobiles of $4.3 million, the purchase of data processing equipment and software of $3.3 million, a $3.0 million contribution to the Missouri Business' employees' qualified defined benefit plans (see note (e) above), and the recording of severance accruals of approximately $2.4 million and other estimated liabilities and contingencies associated with the acquisition of approximately $2.2 million.

(j) Reflects the utilization of a portion of the proceeds from the sale of Senior Debt Securities to retire borrowings on the Company's revolving credit facility, including borrowings for the Rio Grande Acquisition and borrowings used for the purchase and redemption of preferred stock.

(k) Reflects the utilization of a portion of the proceeds from the sale of Senior Debt Securities for the repayment of certain current maturities of long-term debt.

(l) Reflects the recording of the actuarially calculated accumulated post-retirement benefit obligation of $38.6 million. See note (e) above.

PART II

INFORMATION NOT REQUIRED IN THE PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION*

SEC registration fee	$ 163,793
Legal fees and expenses	200,000
Accountants' fees and expenses	350,000
Trustee's fees and expenses	2,500
Printing and shipping	100,000
Blue Sky qualification fees and expenses	15,000
Miscellaneous	17,500
Total	$ 848,793

*All fees and expenses other than the SEC registration fee are estimated.

ITEM 15. INDEMNIFICATION OF OFFICERS AND DIRECTORS

Section 145 of the Delaware Corporation Law provides that a Delaware corporation may indemnify any person against expenses, fines and settlements actually and reasonably incurred by any such person in connection with a threatened, pending or completed action, suit or proceeding in which he is involved by reason of the fact that he is or was a director, officer, employee or agent of such corporation, provided that (i) he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation and (ii) with respect to any criminal action or proceeding, he had no reasonable cause to believe his conduct was unlawful. If the action or suit is by or in the name of the corporation, the corporation may indemnify any such person against expenses actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, except that no indemnification may be made in respect to any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the corporation, unless and only to the extent that the Delaware Court of Chancery or the court in which the action or suit is brought determines upon application that, despite the adjudication of liability but in light of the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expense as the court deems proper.

Article Fourteenth of the Restated Certificate of Incorporation of Southern Union eliminates personal liability of directors to the fullest extent permitted by Delaware Law.

Officers and directors of Southern Union are covered by insurance that (with certain exceptions and within certain limitations) indemnifies them against losses and liabilities arising from any alleged "wrongful act," including any alleged error, misstatement, misleading statement, omission, neglect or breach of duty.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The following is a list of exhibits filed herewith as a part of this Registration Statement:

EXHIBIT NUMBER		DESCRIPTION OF DOCUMENT
1	--	Proposed Form of Purchase Agreement
2	--	Agreement for Purchase of Assets between Western Resources, Inc. and Southern Union dated July 9, 1993 (incorporated by reference herein from Exhibit 10.1 to Southern Union's Current Report on Form 8-K dated July 12, 1993; Southern Union hereby undertakes to furnish a copy of any omitted schedule to the Commission upon request)
4.1	--	Form of Indenture relating to the Senior Debt Securities
4.2	--	Proposed Form of Senior Debt Securities
5	--	Opinion of Fleischman and Walsh (re: legality), including the consent of such firm
10.1	--	First Amendment to Revolving Credit Agreement, Revolving Note and Loan Documents dated as of November 15, 1993 (incorporated by reference herein from Exhibit 10(a) to Southern Union's Registration Statement on Form S-3 (No. 33-70604) effective November 30, 1993)
12	--	Statement re: computation of ratios
23.1	--	Consent of Coopers & Lybrand
23.2	--	Consent of Fleischman and Walsh (included in Exhibit 5)
24	--	Powers of Attorney*

25 -- Statement of Eligibility and Qualification of Trustee
<FN>
- ------------------------
*Previously filed.
</TABLE>

ITEMS 17. UNDERTAKINGS

(a) The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or in the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

PROVIDED, HOWEVER, that paragraphs (a)(1)(i) and (a)(1)(ii) do not apply if the registration statement is on Form S-3 or Form S-8, and the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed by the Registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment 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.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) The undersigned Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the Registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) 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.

(c) The undersigned Registrant hereby undertakes to file an application for purposes of determining the eligibility of the trustee to act under subsection (a) of Section 310 of the Trust Indenture Act in accordance with the rules and regulations of the Commission under Section 305(b)(2) of the Act.

(d) Insofar as indemnification for liabilities arising under the Securities Act of 1933 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 Securities and Exchange Commission, such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expense incurred or paid by a director, officer or controlling person of the Registrant 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 whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

(e) The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, 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 Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, 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.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized in the City of Austin, State of Texas, on January 6, 1994.

SOUTHERN UNION COMPANY

By: _____/s/_PETER H. KELLEY_____
Peter H. Kelley, President
and Chief Operating Officer

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities indicated on January 6, 1994.

SIGNATURE/NAME	TITLE
George L. Lindemann*	Chairman of the Board, Chief Executive Officer and Director
John E. Brennan*	Director
Frank W. Denius*	Director
Aaron I. Fleischman*	Director
/s/PETER H. KELLEY Peter H. Kelley	Director
Adam M. Lindemann*	Director
Roger J. Pearson*	Director
George Rountree, III*	Director
Dan K. Wassong*	Director
/s/RONALD J. ENDRES Ronald J. Endres	Senior Vice President of Administration and Chief Financial Officer
/s/DAVID J. KVAPIL David J. Kvapil	Vice President and Controller (Principal Accounting Officer)
*By: /s/PETER H. KELLEY Peter H. Kelley ATTORNEY-IN-FACT	

INDEX TO EXHIBITS

EXHIBIT NUMBER		DESCRIPTION OF DOCUMENT	SEQUENTIALLY NUMBERED EXHIBIT
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2	--	Agreement for Purchase of Assets between Western Resources, Inc. and Southern Union dated July 9, 1993 (incorporated by reference herein from Exhibit 10.1 to Southern Union's Current Report on Form 8-K dated July 12, 1993; Southern Union hereby undertakes to furnish a copy of any omitted schedule to the Commission upon request)	
4.1	--	Form of Indenture relating to the Senior Debt Securities	
4.2	--	Proposed Form of Senior Debt Securities	
5	--	Opinion of Fleischman and Walsh (re: legality), including the consent of such firm	
10.1	--	First Amendment to Revolving Credit Agreement, Revolving Note and Loan Documents dated as of November 15, 1993 (incorporated by reference herein from Exhibit 10(a) to Southern Union's Registration Statement on Form S-3 (No. 33-70604) effective November 30, 1993)	
12	--	Statement re: computation of ratios	
23.1	--	Consent of Coopers & Lybrand	
23.2	--	Consent of Fleischman and Walsh (included in Exhibit 5)	
24	--	Powers of Attorney*	
25	--	Statement of Eligibility and Qualification of Trustee	

*Previously filed.

</TABLE>

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SOUTHERN UNION COMPANY
(a Delaware corporation)

Debt Securities

PURCHASE AGREEMENT

Dated: _____

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

SOUTHERN UNION COMPANY
(a Delaware corporation)

Debt Securities

PURCHASE AGREEMENT

New York, New York

_____, 19__

MERRILL LYNCH & Co.
  Merrill Lynch, Pierce, Fenner & Smith Incorporated
SMITH BARNEY SHEARSON INC.
  As Representatives of the Several Underwriters
c/o Merrill Lynch & Co.
  Merrill Lynch, Pierce, Fenner & Smith Incorporated
Merrill Lynch World Headquarters
North Tower
World Financial Center
New York, New York 10281-1201

Dear Ladies and Gentlemen:

From time to time, Southern Union Company, a Delaware corporation (the "Company"), proposes to enter into one or more Pricing Agreements (each a "Pricing Agreement") in the form of Annex I hereto, with such additions and deletions as the parties thereto may determine, and, subject to the terms and conditions stated herein and therein, to issue and sell to the Underwriters (as hereinafter defined) certain of its debt securities specified in Schedule II to the applicable Pricing Agreement (with respect to such Pricing Agreement, the "Offered Securities") on the terms and conditions stated herein and in such Pricing Agreement. The Offered Securities will be issued pursuant to an indenture dated as of _____ (the "Indenture") between the

Company and The Chase Manhattan Bank (National Association), trustee (the "Trustee"). As used herein, unless the context otherwise requires, the term "Underwriters" shall mean Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") and Smith Barney Shearson Inc. ("Smith Barney") and such other firm or firms as may be named as Underwriter or Underwriters in Schedule I to the applicable Pricing Agreement and the term "you" shall mean the Underwriters, if no underwriting syndicate is purchasing the Offered Securities, or Merrill Lynch and Smith Barney, as representatives of the Underwriters, if an underwriting syndicate is purchasing the Offered Securities, as indicated in Schedule I to the applicable Pricing Agreement.

The principal terms of the Offered Securities, including, without limitation, the aggregate principal amount of the Offered Securities, the initial public offering price of such Offered Securities, the purchase price to the Underwriters of such Offered Securities, the names of the Underwriters of such Offered Securities, the principal amount of such Offered Securities to be purchased by the Underwriters, whether any of such Offered Securities shall be covered by Delayed Delivery Contracts (as defined in Section 2 hereof) and the commission payable to you with respect thereto, along with the date, time and

manner of delivery of such Offered Securities and payment therefor shall be agreed upon by the Company and you and such agreement shall be set forth in the applicable Pricing Agreement. Notwithstanding anything contained herein to the contrary, the obligation of the Company to issue and sell any of the Offered Securities and each Underwriter's obligation to purchase any of the Offered Securities shall be evidenced solely by the applicable Pricing Agreement. The applicable Pricing Agreement shall also specify (to the extent not set forth in the Registration Statement (as hereinafter defined) and the Prospectus (as hereinafter defined) included therein and the Indenture) the terms of the Offered Securities. From and after the date of the execution and delivery of the applicable Pricing Agreement, this Agreement shall be deemed to incorporate, and all references herein to "this Agreement" shall be deemed to include, the applicable Pricing Agreement and the Schedules thereto.

The Company has filed with the Securities and Exchange Commission (the "Commission") a registration statement on Form S-3 (Registration No. 33-51461), including a prospectus, relating to certain of its debt securities (including the Offered Securities) and the offering thereof from time to time in accordance with Rule 415 under the Securities Act of 1933, as amended (the "1933 Act"). Such

registration statement has been declared effective by the Commission. As provided in Section 3(a), a prospectus supplement reflecting the terms of the Offered Securities, the terms of the offering thereof and the other matters set forth therein will be prepared and filed pursuant to Rule 424 under the 1933 Act. Such prospectus supplement, in the form first filed after the date hereof pursuant to Rule 424, is herein referred to as the "Prospectus Supplement". Such registration statement, including the exhibits thereto and the documents incorporated by reference therein, as amended at the time of execution of the applicable Pricing Agreement, is herein called the "Registration Statement", and the basic prospectus included therein relating to all offerings of securities under the Registration Statement, as supplemented by the Prospectus Supplement, is herein called the "Prospectus", except that, if such basic prospectus is amended or supplemented on or prior to the date on which the Prospectus Supplement is first filed pursuant to Rule 424, the term "Prospectus" shall refer to the basic prospectus as so amended or supplemented and as supplemented by the Prospectus Supplement, in either case including the documents filed by the Company with the Commission pursuant to the Securities Exchange Act of 1934, as amended (the "1934 Act"), that are incorporated by reference therein.

Section 1. REPRESENTATIONS AND WARRANTIES. (a) The Company represents and warrants to and agrees with each Underwriter that:

(i) On the original effective date of the Registration Statement, on the effective date of the most recent post-effective amendment thereto, if any, and on the date of the filing by the Company of any annual report on

Form 10-K after the original filing of the Registration Statement, the Registration Statement complied in all material respects with the requirements of the 1933 Act and the rules and regulations of the Commission thereunder (the "1933 Act Regulations"), the Trust Indenture Act of 1939, as amended (the "1939 Act"), and the rules and regulations of the Commission under the 1939 Act (the "1939 Act Regulations") and did not 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; on the date hereof, at the time of execution of the applicable Pricing Agreement and at the Closing Time (as defined below), the Registration Statement, and any amendments

thereof, and the Prospectus,and any amendments thereof and supplements thereto, comply and will comply in all material respects with the requirements of the 1933 Act, the 1933 Act Regulations, the 1939 Act and the 1939 Act Regulations and none of such documents includes or will include an untrue statement of a material fact or omits or will omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading; PROVIDED, HOWEVER, that the Company makes no representations or warranties as 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, directly or through you, expressly for use in the Registration Statement or the Prospectus. At the Closing Time, the Designated Indenture (as defined below) will comply in all material respects with the requirements of the 1939 Act and the 1939 Act Regulations.

(ii) The documents incorporated by reference in the Prospectus, at the time they were filed with the Commission, complied in all material respects with the requirements of the 1934 Act, and the rules and regulations of the Commission thereunder (the "1934 Act Regulations") and, when read together with the other information in the Prospectus, do not and will not, on the date hereof, at the time of execution of the applicable Pricing Agreement and at the Closing Time, include 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.

(iii) Coopers & Lybrand, who have reported upon the audited financial statements and schedules included and incorporated by reference in the Registration Statement, are independent public accountants as required by the 1933 Act and the 1933 Act Regulations.

(iv) This Agreement has been and, at the Closing Time, each applicable Pricing Agreement will have been, duly authorized, executed and delivered by the Company.

(v) The consolidated financial statements included or incorporated by reference in the Registration Statement present fairly (a) the consolidated financial position of the (1) Missouri Business (as defined in the Registration Statement) and (2) the Company and its subsidiaries, in each case, as of the dates indicated and

(b) the consolidated results of operations and the consolidated cash flows of (1) the Missouri Business and (2) the Company and its subsidiaries, in each such case, for the periods specified, subject, in the case of unaudited financial statements, to normal year-end adjustments which shall not be materially adverse to the business or financial condition or the earnings of (1) the Missouri Business or (2) the Company and its subsidiaries considered as one enterprise, as the case may be. 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 or incorporated by reference 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 Prospectus contains all pro forma financial statements and other pro forma financial information required to be included therein and such information presents fairly the information shown therein, have been prepared in accordance with the Commission's rules and guidelines with respect to pro forma financial statements, have been properly compiled on the pro forma bases 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.

(vi) The Company 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 the Company and its subsidiaries, considered as one enterprise.

(vii) The Company's only active subsidiaries are Southern Union Econofuel Company, Southern Transmission Company, Lavaca Realty Company, Mercado Gas Services Inc., Western Gas Interstate Company, Southern Union Energy Products and Services Company and Southern Union Energy International, Inc. (collectively, the "Subsidiaries"). In addition, the Company holds a 50% equity interest in Natural Gas Vehicle Technology Centers L.L.P. Each Subsidiary is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation with corporate power and authority under such laws to own, lease and operate its properties and conduct its business; and each Subsidiary 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 subsidiaries, considered as one enterprise. All of the outstanding shares of capital stock of each Subsidiary have been duly authorized and validly issued and are fully paid and non-assessable and are owned by the Company free and clear of any pledge, lien, security interest, charge, claim, equity or encumbrance of any kind.

(viii) The Indenture, each supplement thereto, if any, to the date hereof and the supplement thereto or board resolution and officers' certificate setting forth the terms of the Offered Securities (the Indenture, as so supplemented by such supplement or supplements or board resolution and officers' certificate, being herein referred to as the "Designated Indenture"), have 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 Designated 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 (including, without limitation, all laws relating to fraudulent

transfers), reorganization, moratorium or 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 Designated Indenture conforms to the description thereof in the Prospectus.

(ix) The Offered Securities have been duly authorized by the Company. When executed, authenticated, issued and delivered in the manner provided for in the Designated Indenture and sold and paid for as provided herein

and in any applicable Pricing Agreement or in any Delayed Delivery Contracts (as defined below), the Offered Securities will constitute valid and binding obligations of the Company entitled to the benefits of the Designated Indenture and enforceable against the Company in accordance with their terms, except as enforcement thereof may be limited by bankruptcy, insolvency (including, without limitation, all laws relating to fraudulent transfers), reorganization, moratorium or 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 Offered Securities conform to the description thereof in the Prospectus.

(x) In the event that any of the Offered Securities are purchased pursuant to Delayed Delivery Contracts, each of such Delayed Delivery Contracts has been duly authorized by the Company and, when executed and delivered on behalf of the Company and duly authorized, executed and delivered on behalf of the purchaser thereunder, 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 (including, without limitation, all laws relating to fraudulent transfers), reorganization, moratorium or 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).

(xi) All of the outstanding shares of capital stock of the Company have been duly authorized and validly issued and are fully paid and non-assessable; 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 capital stock of the Company was issued in violation of the preemptive rights of any stockholder of the Company.

(xii) 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 and its subsidiaries, considered as one enterprise, whether or not arising in the ordinary course of business, or (B) any transaction entered into by the Company or any subsidiary, other than in the ordinary course of business, that is material to the Company and its subsidiaries, considered as one enterprise.

(xiii) Neither the Company nor any Subsidiary 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 the Company and its subsidiaries, considered as one enterprise. The execution and delivery by the Company of this Agreement, each applicable Pricing Agreement, the Designated Indenture and any Delayed Delivery Contracts, the issuance and delivery of the Offered Securities, 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, each applicable Pricing Agreement, the Designated Indenture and any Delayed Delivery Contracts, 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 the Company or any Subsidiary, 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 the Company or any Subsidiary under (A) any contract, indenture, mortgage, loan agreement, note, lease or other agreement or instrument to which the Company or any Subsidiary is a party or by which it may be bound or to which any of its 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 the Company and its subsidiaries, considered as one enterprise) or (B) any existing applicable law, rule, regulation, judgment, order or decree of any government, governmental instrumentality or court, domestic or foreign, or any regulatory body or administrative agency or other governmental body having jurisdiction over the Company or any Subsidiary or any of their respective properties.

(xiv) No authorization, approval, consent or license of any government, governmental instrumentality or court, domestic or foreign (other than under the 1933 Act, the 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 Offered Securities or for the execution, delivery or performance of the Designated Indenture by the Company, except those authorizations, approvals, consents or licenses described in the Prospectus and which have been received, granted or waived prior to the sale and delivery of the Offered Securities.

(xv) 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 or any Subsidiary that

is required to be disclosed in the Prospectus or that could result in any material adverse change in the condition (financial or otherwise), earnings, business affairs or business prospects of the Company and its subsidiaries, considered as one enterprise, or that could materially and adversely affect the properties or assets of the Company and its subsidiaries, considered as one enterprise, or that could adversely affect the consummation of the transactions contemplated in this Agreement or any applicable Pricing

Agreement; the aggregate of all pending legal or governmental proceedings that are not described in the Prospectus to which the Company or any Subsidiary is a party or which affect any of their respective properties, including ordinary routine litigation incidental to the business of the Company or any Subsidiary, would not have a material adverse effect on the condition (financial or otherwise), earnings, business affairs or business prospects of the Company and its subsidiaries, considered as one enterprise.

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

(xvii) The Company and the Subsidiaries each has good and marketable title to all properties and assets described in the Prospectus as owned by it, free and clear of all liens, charges, encumbrances or restrictions, except such as (A) are described in the Prospectus or (B) are neither material in amount nor materially significant in relation to the business of the Company and its subsidiaries, considered as one enterprise; all of the leases and subleases material to the business of the Company and its subsidiaries, considered as one enterprise, and under which the Company or any Subsidiary holds properties described in the Prospectus, are in full force and effect, and neither the Company nor any Subsidiary has any notice of any material claim of any sort that has been asserted by anyone adverse to the rights of the Company or any Subsidiary 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.

(xviii) The Company and the Subsidiaries each owns, possesses or has obtained all material licenses, franchises, permits, certificates, consents, orders, approvals and other authorizations issued by the appropriate state, federal or foreign regulatory agencies or bodies 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 neither the Company nor any Subsidiary has received any notice of proceedings relating to revocation or modification of any such licenses, franchises, permits, certificates, consents, orders, approvals or authorizations.

(xix) The Company and the Subsidiaries each owns or possesses, or can acquire on reasonable terms, adequate patents, patent licenses, trademarks, service marks and trade names necessary to carry on its business as presently conducted, and neither the Company nor any Subsidiary has 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 and its subsidiaries, considered as one enterprise.

(xx) To the best knowledge of the Company, no labor problem exists with its employees or with employees of the Subsidiaries or is imminent that could adversely affect the Company and its subsidiaries, considered as one enterprise, and the Company is not aware of any existing or imminent labor disturbance by the employees of any of its or the Subsidiaries' 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 and its subsidiaries, considered as one enterprise.

(xxi) 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 Offered Securities.

(xxii) Except as disclosed in the Registration Statement and except as would not individually or in the aggregate have a material adverse effect on the condition (financial or otherwise), earnings, business affairs or business prospects of the Company and its subsidiaries, considered as one enterprise, (A) the Company and the Subsidiaries are each in compliance with all applicable Environmental Laws, (B) the Company and the Subsidiaries have all permits, authorizations and approvals required under any applicable Environmental Laws and are each in compliance with their requirements, (C) there are no pending or threatened Environmental Claims against the Company or any of the Subsidiaries, and (D) there are no circumstances with respect to any property or operations

of the Company or the Subsidiaries that could reasonably be anticipated to form the basis of an Environmental Claimagainst the Company or the Subsidiaries.

For purposes of this Agreement, the following terms shall have the following meanings: "Environmental Law" means any United States (or other applicable jurisdiction's) federal, state, local or municipal statute, law, rule, regulation, ordinance, code, policy or rule of common law and any judicial or administrative interpretation thereof including any judicial or administrative order, consent decree or judgment, relating to the environment, health, safety or any chemical, material or substance, exposure to which is prohibited, limited or regulated by any governmental authority. "Environmental Claims" means any and all administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of noncompliance or violation, investigations or proceedings relating in any way to any Environmental Law.

(xxiii) The Company through its operating divisions Southern Union Gas and Missouri Gas Energy (assuming the completion of the Missouri Acquisition, as defined in the Prospectus) provides gas distribution utility services which are subject to regulation by the Oklahoma Corporation Commission, the Railroad Commission of the State of Texas, the Missouri Public Service Commission, and with respect to rates and certain other matters, by various municipalities served by the Company. The Company is also subject to regulation by the Federal Department of Transportation with respect to pipeline safety. The Company's operations are not subject to regulation by the Securities and Exchange Commission under the Public Utility Holding Company Act of 1935, as amended ("PUCHA"). Except with respect to the transportation of gas on a no-fee exchange basis which is the subject of a limited jurisdiction certificate granted on January __, 1994 (Docket No. CP93-750-000) and the operation of the Company's subsidiary, Western Gas Interstate Company, the Company's operations are not subject to the jurisdiction of the Federal Energy Regulatory Commission, the Federal Energy Administration, or, except as set forth above, any other regulatory authority having jurisdiction over utilities or utility related matters.

(xxiv) The Company and the Subsidiaries have filed all material federal, state and local tax returns and otherreports which have been required to be filed and have

paid all taxes and fees indicated by said returns and reports and franchise reports and all assessments received by them or any of them to the extent that such taxes and/or fees have become due, except where being contested in good faith and for which the Company has established adequate reserves.

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

Section 2. PURCHASE AND SALE. (a) On the basis of the representations and warranties contained herein and in the applicable Pricing Agreement, and subject to the terms and conditions set forth herein and in the applicable Pricing Agreement, the Company agrees to sell to each Underwriter, and each Underwriter agrees, severally and not jointly, to purchase from the Company, at the purchase price to the Underwriters set forth in the applicable Pricing Agreement, the principal amount of Offered Securities set forth opposite the name of such Underwriter in Schedule I thereto.

(b) Payment of the purchase price for, and delivery of, the Offered Securities shall be made at the date, time and location specified in the applicable Pricing Agreement, or at such other date, time or location as shall be agreed upon by the Company and you, or as shall otherwise be provided in Section 10 (such date and time of payment and delivery with respect to such Pricing Agreement being herein called the "Closing Time"). Unless otherwise specified in the applicable Pricing Agreement, payment shall be made to the Company by you hereunder by certified or official bank check or checks in New York Clearing House funds payable to the order of the Company, against delivery to you for the respective accounts of the several Underwriters of the Offered Securities. Such Offered Securities shall be in such authorized denominations and registered in such names as you may request in writing at least two full business days before the Closing Time. Such Offered Securities, which may be in temporary form, 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.

(c) If specified in the applicable Pricing Agreement, the Underwriters may solicit offers to purchase Offered Securities from the Company pursuant to delayed delivery contracts ("Delayed Delivery Contracts") substantially in the form of Annex II with such changes therein as the Company may approve. Any Delayed Delivery Contracts are to be with institutional investors of the types set forth in the Prospectus. At the Closing Time, the Company will enter into Delayed Delivery Contracts (for the minimum principal amount of Offered Securities per Delayed Delivery Contract specified in the applicable Pricing Agreement) with all purchasers proposed by the Underwriters and previously approved by the Company as provided below, but not for an

aggregate principal amount of Offered Securities less than or greater than the minimum and maximum aggregate principal amounts specified in the applicable Pricing Agreement. The Underwriters will not have any responsibility for the validity or performance of Delayed Delivery Contracts.

(d) You are to submit to the Company, at least three business days prior to the Closing Time, the names of any institutional investors with which it is proposed that the Company enter into Delayed Delivery Contracts, the principal amount of Offered Securities to be purchased by each of them and the date of delivery thereof, and the Company will advise you, at least two business days prior to the Closing Time, of the names of the institutions with which the making of Delayed Delivery Contracts is approved by the Company and the principal amount of Offered Securities to be covered by each such Delayed Delivery Contract.

(e) As compensation for arranging Delayed Delivery Contracts, the Company will pay (by certified or official bank check in New York Clearing House funds) to you at the Closing Time, for the accounts of the Underwriters, a fee equal to that percentage of the principal amount of Offered Securities for which Delayed Delivery Contracts are made at the Closing Time as is specified in the applicable Pricing Agreement or the amount of such fee may be deducted from the check delivered pursuant to Section 2(b).

(f) The principal amount of Offered Securities agreed to be purchased by each Underwriter shall be reduced by the principal amount of Offered Securities covered by Delayed Delivery Contracts, as to such Underwriter as set forth in a notice delivered by you to the Company; PROVIDED, HOWEVER, that the total principal amount of Offered Securities to be purchased by all Underwriters shall be the

principal amount of Offered Securities covered by this Agreement, less the principal amount of Offered Securities covered by all Delayed Delivery Contracts.

Section 3. CERTAIN COVENANTS OF THE COMPANY. The Company covenants with each Underwriter as follows:

(a) If reasonably requested by you in connection with the offering of the Offered Securities, the Company will prepare a preliminary prospectus supplement containing such information as you and the Company deem appropriate, and, immediately following the execution of the applicable Pricing Agreement, the Company will prepare a Prospectus Supplement that complies with the 1933 Act and the 1933 Act Regulations and that sets forth the principal amount of the Offered Securities and their terms not otherwise specified in the Indenture, the name of each Underwriter participating in the offering and the principal amount of the Offered

Securities that each severally has agreed to purchase, the name of each Underwriter, if any, acting as representative of the Underwriters in connection with the offering, the price at which the Offered Securities are to be purchased by the Underwriters from the Company, any initial public offering price, any selling concession and reallowance and any delayed delivery arrangements, and such other information as you and the Company deem appropriate in connection with the offering of the Offered Securities. The Company will promptly transmit copies of the Prospectus Supplement to the Commission for filing pursuant to Rule 424 under the 1933 Act and will furnish to the Underwriters as many copies of any preliminary prospectus supplement and the Prospectus as you shall reasonably request.

(b) If at any time when the Prospectus is required by the 1933 Act to be delivered in connection with sales of the Offered Securities 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(d), 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.

(c) During the period when the Prospectus is required by the 1933 Act to be delivered in connection with sales of the Offered Securities, the Company will, subject to Section 3(d), file promptly all documents required to be filed with the Commission pursuant to Section 13, 14 or 15(d) of the 1934 Act.

(d) During the period when the Prospectus is required by the 1933 Act to be delivered in connection with sales of the Offered Securities, the Company will inform you of its intention to file any amendment to the Registration Statement, any supplement to the Prospectus or any document that would as a result thereof be incorporated by reference in the Prospectus; will furnish you with copies of any such amendment, supplement or other document a reasonable time in advance of filing; and will not file any such amendment, supplement or other document in a form to which you or your counsel shall reasonably object.

(e) During the period when the Prospectus is required by the 1933 Act to be delivered in connection with sales of the Offered Securities, the Company will notify you immediately, and confirm the notice in writing, (i) of the effectiveness of any amendment to the Registration Statement, (ii) of the mailing or the delivery to the Commission for filing of any supplement to the Prospectus or any document that would as a result thereof be incorporated by reference in the Prospectus, (iii) of the receipt of any comments from the Commission with respect to the Registration Statement, the Prospectus or the Prospectus Supplement, (iv) of any request by the Commission for any amendment to the Registration Statement or any supplement to the Prospectus or for additional information relating thereto or to any document incorporated by reference in the Prospectus and (v) of the issuance by the Commission of

any stop order suspending the effectiveness of the Registration Statement, of the suspension of the qualification of the Offered Securities for offering or sale in any jurisdiction, or of the institution or threatening of any proceeding 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 suspending such qualification and, if any such order is issued, to obtain the lifting thereof at the earliest possible moment.

(f) 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 became effective, copies of all exhibits and documents filed therewith or incorporated by reference therein (through the end of the period when the Prospectus is required by the 1933 Act to be delivered in connection with sales of the Offered Securities) 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 of the Underwriters, 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).

(g) The Company will use its best efforts, in cooperation with the Underwriters, to qualify the Offered Securities for offering and sale under the applicable securities laws of such states and other jurisdictions as you may designate and to maintain such qualifications in effect for a period of not less than one year from the date hereof; 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 Offered Securities 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 Offered Securities for investment under the laws of such jurisdictions as you may request.

(h) 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 earning statement of the Company (in form complying with the provisions of Rule 158 of the 1933 Act Regulations), covering (i) a period of 12 months beginning after the effective date of the Registration Statement and covering a period of 12 months beginning after the effective date of any post-effective amendment to the Registration Statement but not later than the first day of the Company's fiscal quarter next following such respective effective dates and (ii) a period of 12 months beginning after the date of this Agreement but not later than the first day of the Company's fiscal quarter next following the date of this Agreement.

(i) If and to the extent specified in the applicable Pricing Agreement, the Company will use its best efforts to cause the Offered Securities to be duly authorized for listing on the American Stock Exchange and to be registered under the 1934 Act.

(j) For a period of five years after the Closing Time, the Company will furnish to you and, upon request, to each Underwriter, 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 or security holders generally.

(k) Between the date of the applicable Pricing Agreement and the Closing Time or such other date as may be specified in such Pricing Agreement, the Company will not, without your prior consent, 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 Offered Securities). This limitation is not applicable to the public offering of tax exempt securities guaranteed by the Company or to such other public offering of long-term debt as may be specified in Schedule II.

(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, any preliminary prospectus supplements 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 Designated Indenture, the Offered Securities, any Pricing Agreement, any Delayed Delivery Contracts, the Blue Sky Survey and the Legal Investment Survey, (c) the delivery of the Offered Securities to the Underwriters, (d) the fees and disbursements of the Company's counsel and accountants, (e) the qualification of the Offered Securities under the applicable securities laws in accordance with Section 3(g) 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 and the Legal Investment Survey, (f) any fees charged by rating agencies for rating the Offered Securities, (g) any listing fees and expenses incurred in connection with listing the Offered Securities on the American Stock Exchange and (h) the fees and expenses of the Trustee, including the fees and disbursements of counsel for the Trustee, in connection with the Designated Indenture and the Offered Securities.

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. Except as otherwise provided in the Pricing Agreement, the obligations of the Underwriters to purchase and pay for the Offered Securities pursuant to this Agreement are subject to the accuracy of the representations and warranties of the Company contained herein or in certificates of any officer of the Company or any Subsidiary delivered pursuant to the provisions hereof, to the performance by the Company of its obligations hereunder, and to the following further conditions:

(a) 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.

(b) At the Closing Time, you shall have received a signed opinion of Fleischman and Walsh, counsel for 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 duly incorporated, 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 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 subsidiaries, considered as one enterprise.

(iii) Each Subsidiary is a corporation duly incorporated, validly existing and in good standing under the laws of the jurisdiction of its incorporation with corporate power and authority under such laws to own, lease and operate its properties and conduct its business.

(iv) Each Subsidiary 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 subsidiaries, considered as one enterprise.

(v) All of the outstanding shares of capital stock of the Company have been duly authorized and validly issued and are fully paid and non-assessable, and 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 capital stock of the Company was issued in violation of the preemptive rights of any stockholder of the Company.

(vi) All of the outstanding shares of capital stock of each Subsidiary have been duly authorized and validly issued and are fully paid and non-assessable; all of such shares are owned by the Company free and clear of any pledge, lien, security interest, charge, claim, equity or encumbrance of any kind; no holder thereof is subject to personal liability by reason of being such a holder and none of such shares was issued in violation of the preemptive rights of any stockholder of the Subsidiaries.

(vii) The Designated 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 (including, without limitation, all laws relating to fraudulent transfers), reorganization, moratorium or 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).

(viii) The Offered Securities have been duly authorized by the Company and, assuming that the Offered Securities 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

Offered Securities), the Offered Securities have been duly executed, issued and delivered by the Company and constitute or, in the case of Offered Securities, if any, to be delivered pursuant to Delayed Delivery Contracts, when duly executed and authenticated as provided in the Designated Indenture and issued, delivered and paid for in accordance with such Delayed Delivery Contracts, will constitute, valid and binding obligations of the Company entitled to the benefits of the Designated Indenture and enforceable against the Company in accordance with their terms, except as enforcement thereof may be limited by bankruptcy, insolvency (including, without limitation, all laws relating to fraudulent transfers), reorganization, moratorium or 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).

(ix) In the event that any of the Offered Securities are to be purchased pursuant to Delayed Delivery Contracts, each Delayed Delivery Contract that has been executed by the Company has been duly authorized, executed and delivered by the Company and, assuming the due authorization, execution and delivery by the purchaser thereunder, is 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 (including, without limitation, all laws relating to fraudulent transfers), reorganization, moratorium or 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).

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

(xi) The Offered Securities and the Designated Indenture conform in all material respects as to legal matters to the descriptions thereof in the Prospectus.

(xii) This Agreement and each applicable Pricing Agreement has been duly authorized, executed and delivered by the Company.

(xiii) No authorization, approval, consent or license of any government, governmental instrumentality or court, domestic or foreign, or regulatory authority (other than under the 1933 Act, the 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 Offered Securities.

(xiv) 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 that are not described as required, nor of any contracts or documents of a character required to be described or referred to in the Registration Statement or the Prospectus or to be filed as exhibits to the Registration Statement that are not described, referred to or filed as required.

(xv) The descriptions in the Prospectus of the statutes, regulations, legal or governmental proceedings, contracts and other documents therein described are accurate and fairly summarize the information required to be shown.

(xvi) The statements made in the Prospectus under "Business --

Regulation", 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.

(xvii) 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 as an exhibit to the Registration Statement.

(xiii) The execution and delivery by the Company of this Agreement, each applicable Pricing Agreement, the Designated Indenture and any Delayed Delivery Contracts, the issuance and delivery of the Offered Securities, 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, each applicable Pricing Agreement and the Designated Indenture do not and will not result in any violation of the charter or by-laws of the Company or any Subsidiary, 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 the Company or any Subsidiary under (A) any contract, indenture, mortgage, loan agreement, note, lease or any other agreement or instrument known to such counsel, to which the Company or any Subsidiary is a party or by which it may be bound or to which any of its 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 the Company and its subsidiaries, considered as one enterprise), (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, or any regulatory body or administrative agency or other governmental body having jurisdiction over the Company or any Subsidiary or any of their respective properties.

(xix) The Registration Statement became effective under the 1933 Act and, to the best of such counsel's knowledge, the Registration Statement is still effective, 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.

(xx) The Registration Statement 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 Designated 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.

(xxi) 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, 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.

(xxii) The Company is not a "holding company" or an "affiliate" or "subsidiary company" of a "registered holding company" within the meaning of the Public Utility Holding Company Act of 1935, as amended.

(xxiii) The Company and the Subsidiaries each owns, possesses or has obtained all material licenses, franchises, permits, certificates, consents, orders, approvals and other authorizations issued by the appropriate local, state, federal or foreign regulatory agencies or bodies necessary both to own or lease, as the case may be, and to operate its properties and to carry on its business as described in the Registration Statement, and such licenses, franchises, permits, certificates, consents, orders, approvals and other authorizations are in full force and effect.

(xxiv) Such counsel have participated in the preparation of the Registration Statement and the Prospectus and are familiar with or have participated in the preparation of the documents incorporated by reference therein and, although such counsel does not undertake to determine independently or pass on or assume responsibility for the

accuracy, completeness or fairness of the statements contained in the Registration Statement or Prospectus (except as set forth in paragraphs (xi) and (xv)), no facts have come to the attention of such counsel to lead them to believe (A) that the Registration Statement 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 original effective date of the Registration Statement, on the effective date of the most recent post-effective amendment thereto, if any, on the date of the filing of any annual report on Form 10-K after the filing of the Registration Statement or on the date of any applicable Pricing 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 Supplement 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.

Such opinion shall be to such further effect with respect to other legal matters relating to this Agreement and the sale of the Offered Securities hereunder as counsel for the Underwriters may reasonably request. In giving such opinion, such counsel may rely, as to all matters governed by the laws of jurisdictions other than the law of the District of Columbia, the federal law of the United States and the General Corporation Law of the State of Delaware, upon opinions of other counsel, who shall be counsel satisfactory to counsel for the Underwriters, in which case the opinion shall state that they believe you and they are entitled to so rely. In rendering the opinions required by paragraphs (vii), (viii) and (ix), such counsel may assume that the laws of the State of New York are in effect substantially identical to the laws of the District of Columbia with respect to the matters covered by such opinions. 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 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 opinion delivered pursuant to Section 5(b) appears on its 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 Offered Securities, this Agreement, any applicable Pricing Agreement, the Designated 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 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 1939 Act and the 1939 Act Regulations, 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) there 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 the Company and its subsidiaries, considered as one enterprise, whether or not arising in the ordinary course of business, (iii) no action, suit or proceeding shall be pending or, to the knowledge of the Company, threatened against the Company or any Subsidiary 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 or any Subsidiary before or by any government, governmental instrumentality or court, domestic or foreign, or any regulatory body or administrative agency

or other governmental body that could result in any material adverse change in the condition (financial or otherwise), earnings, business affairs or business prospects of the Company and its subsidiaries, considered as one enterprise, 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 and 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 President or a Vice President, and the Treasurer or Controller, of the Company, dated as of the Closing Time, to such effect.

(e) At the time of execution of the applicable Pricing Agreement, you shall have received the letters specified in Sections A(1) and B(1) of Annex III hereto and, at the Closing Time, you shall have received the letters specified in Sections A(2) and B(2) of Annex III hereto.

(f) Subsequent to the execution and delivery of this Agreement and prior to the Closing Time, there shall not have been any downgrading, nor any notice given of any intended or potential downgrading or of a possible change that does not indicate the direction of the possible change, in the rating accorded any of the Company's securities, including the Offered Securities, by any "nationally recognized statistical rating organization," as such term is defined for purposes of Rule 436(g)(2) under the 1933 Act.

(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 Offered Securities as herein contemplated and the matters referred to in Section 5(c) 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 Offered Securities as herein contemplated shall be satisfactory in form and substance to the Underwriters and to counsel for the Underwriters.

(h) If the Offered Securities are to be listed pursuant to the applicable Pricing Agreement, the Offered Securities shall have been duly authorized for listing by the American Stock Exchange subject only to official notice of issuance thereof and notice of a satisfactory distribution of the Offered Securities.

If any of the conditions specified in this Section 5 shall not have been fulfilled when and as required by this Agreement and any applicable Pricing

Agreement, 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) 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 included in any preliminary prospectus supplement 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 of 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), or any preliminary prospectus supplement or the Prospectus (or any

amendment or supplement thereto); and PROVIDED FURTHER, HOWEVER, that this indemnity, as to any preliminary prospectus supplement, shall not inure to the benefit of any Underwriter (or any person controlling such Underwriter) on account of any loss, claim, damage, liability or litigation arising from the sale of Offered Securities to any person by such Underwriter if such Underwriter failed to send or give a copy of the Prospectus, as the same may be supplemented or amended, to such person within the time required by the 1933 Act, and the untrue statement or alleged untrue statement or omission or alleged omission of a material fact in such preliminary prospectus supplement was corrected in the Prospectus, unless such failure resulted from noncompliance by the Company with Section 3(a).

Insofar as this indemnity agreement may permit indemnification for liabilities under the 1933 Act of any person who is a partner of an Underwriter or who controls an Underwriter within the meaning of Section 15 of the 1933 Act and who, at the date of this Agreement, is a director or officer of the Company or controls the Company within the meaning of Section 15 of the 1933 Act, such indemnity agreement is subject to the undertaking of the Company in the Registration Statement under Item 17 thereof.

(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 agreement 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), or any preliminary prospectus supplement 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) or such preliminary prospectus supplement 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 party or 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 contribution 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 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 hereunder with respect to the offering of the Offered Securities bears to the initial public offering price of the Offered Securities, 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. 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, any Underwriter or any person who controls the Company or any Underwriter within the meaning of Section 15 of the 1933 Act and will survive delivery of and payment for the Offered Securities.

Section 9. TERMINATION OF AGREEMENT. (a) You may 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 and its subsidiaries, considered as one enterprise, 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 outbreak of hostilities or escalation thereof 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 Offered Securities or enforce contracts for the sale of the Offered Securities 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 either the American Stock Exchange or 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.

Section 10. DEFAULT. If one or more of the Underwriters shall fail at the Closing Time to purchase the Offered Securities that it or they are obligated to purchase (the "Defaulted Offered Securities"), 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 Offered Securities 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 aggregate principal amount of Defaulted Offered Securities does not exceed 10% of the aggregate principal amount of the Offered Securities to be

purchased, the non-defaulting Underwriters shall be obligated to purchase the full amount thereof in the proportions that their respective underwriting obligations bear to the underwriting obligations of all non-defaulting Underwriters, or

(b) if the aggregate principal amount of Defaulted Offered Securities exceeds 10% of the aggregate principal amount of the Offered Securities to be purchased, 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 as set forth in the applicable Pricing Agreement. Notices to the Company shall be directed to it at Southern Union Company, 504 Lavaca Street, Eighth Floor, Austin, Texas 78701, attention of Ronald J. Endres, Senior Vice President - Finance and Administration and Dennis K. Morgan, Vice President - Legal and Secretary with a copy to Fleischman and Walsh, 1400 Sixteenth Street, N.W., Suite 600, Washington, DC 20036, Attention: Stephen A. Bouchard.

Section 12. PARTIES. This Agreement and any applicable Pricing Agreement are made solely for the benefit of the several Underwriters, the Company and, to the extent expressed, any person who controls the Company or any of the Underwriters within the meaning of Section 15 of the 1933 Act, 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 or any such Pricing Agreement. The term "successors and assigns" shall not include any purchaser, as

such purchaser, from any Underwriter of the Offered Securities. If there are two or more Underwriters, all of their obligations hereunder are several and not joint.

Section 13. GOVERNING LAW AND TIME. THIS AGREEMENT AND ANY APPLICABLE PRICING AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK. SPECIFIED TIMES OF DAY REFER TO NEW YORK CITY TIME.

Section 14. COUNTERPARTS. This Agreement and any applicable Pricing 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 each Underwriter in accordance with its terms.

Very truly yours,

SOUTHERN UNION COMPANY

By_____
Name:
Title:

Confirmed and accepted as of
the date first above written:

MERRILL LYNCH & CO.
Merrill Lynch, Pierce, Fenner & Smith Incorporated
SMITH BARNEY SHEARSON INC.

By: Merrill Lynch & Co.
Merrill Lynch, Pierce, Fenner & Smith Incorporated

By _____
Name:
Title:

For itself, Smith Barney Shearson Inc. and as Representative of the other Underwriters listed in Schedule I to the applicable Pricing Agreement

ANNEX I

PRICING AGREEMENT

MERRILL LYNCH & Co.

Merrill Lynch, Pierce, Fenner & Smith Incorporated
SMITH BARNEY SHEARSON INC.
As Representatives of the Several Underwriters
c/o Merrill Lynch & Co.
Merrill Lynch, Pierce, Fenner & Smith Incorporated
Merrill Lynch World Headquarters
North Tower
World Financial Center
New York, New York 10281-7201

_____, 1994

Dear Sirs:

Southern Union Company, a Delaware corporation (the "Company"), proposes, subject to the terms and conditions stated herein and in the Purchase Agreement, dated _____ (the "Purchase Agreement"), between the Company on the one hand and Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") and Smith Barney Shearson Inc. ("Smith Barney") on the other hand, to issue and sell to Merrill Lynch, Smith Barney and the Underwriters named in Schedule I hereto (collectively, the "Underwriters")[, for whom Merrill Lynch and Smith Barney are acting as representatives] the Securities specified in Schedule II hereto (the "Offered Securities"). The Offered Securities will be issued pursuant to an Indenture dated as of _____, 1994 (the "Indenture") between the Company and The Chase Manhattan Bank (National Association), as Trustee. Each of the provisions of the Purchase Agreement is incorporated herein by reference in its entirety, and shall be deemed to be a part of this Agreement to the same extent as if such provisions had been set forth in full herein; and each of the representations and warranties set forth therein shall be deemed to have been made at and as of the Effective Time (as defined in the Purchase Agreement) and as of the date of this Pricing Agreement. Unless otherwise defined herein, terms defined in the Purchase Agreement are used herein as therein defined. Your address referred to in such Section 11 are set forth at the end of Schedule II hereto.

The Registration Statement has been declared effective by the Commission. An amendment to the Registration Statement, or a supplement to the Prospectus, as the case may be, relating to the Offered Securities, in the form heretofore delivered to you is now proposed to be filed with the Commission.

Subject to the terms and conditions set forth herein and in the Purchase Agreement incorporated herein by reference, and on the basis of the

representations and warranties contained herein and therein, the Company agrees to issue and sell to each Underwriter, and each Underwriter agrees, severally and not jointly, to purchase from the Company, at the time and place and at the purchase price to the Underwriters set forth in Schedule II hereto, the principal amount of Offered Securities set forth opposite the name of such Underwriter in Schedule I hereto.

If the foregoing is in accordance with your understanding, please sign and return to us six (6) counterparts hereof, and upon acceptance hereof by you, on behalf of each of the Underwriters, this letter and such acceptance hereof, including the provisions of the Purchase Agreement incorporated herein by reference, shall constitute a binding agreement between each of the Underwriters and the Company.

Very truly yours,

Southern Union Company

By:_____
Name:
Title:

Confirmed and Accepted as of
the date first above written:

MERRILL LYNCH & CO.
Merrill Lynch, Pierce, Fenner & Smith
Incorporated
SMITH BARNEY SHEARSON INC.

By: Merrill Lynch & Co.
Merrill Lynch, Pierce, Fenner & Smith Incorporated

By: _____
Name:
Title:

For itself, Smith Barney Shearson Inc.
and as Representative of the
other Underwriters listed in
Schedule I hereto

Schedule I
to

Pricing
Agreement
Dated_____

Underwriter	Principal Amount of Offered Securities to be Purchased
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Smith Barney Shearson Inc.	

Total	----------

SCHEDULE II
to
Pricing
Agreement
Dated_____

SOUTHERN UNION COMPANY

[Title of Securities]

Principal amount to be issued: $

Current ratings:

Interest rate: , payable:

Date of maturity:

Redemption provisions:

Sinking fund requirements:

Initial public offering price: % of the principal amount plus accrued interest[, or amortized original issue discount, if any,] from .

Purchase price: % of the principal amount plus accrued interest[, or amortized of original issue discount, if any,] from (payable in next day funds).

Closing date, time and location:

Delayed delivery contracts: [Authorized] [Not authorized]

[Delivery date:

Minimum principal amount per contract:

Minimum aggregate principal amount:

Maximum aggregate principal amount:

Fee: %]

Listing requirement: [American Stock Exchange]

Other terms and conditions:

[Additional exceptions referred to in Section 3(k)]

ANNEX II
to
Purchase Agreement
Dated_____

SOUTHERN UNION COMPANY

Debt Securities

DELAYED DELIVERY CONTRACT

Southern Union Company
504 Lavaca Street
Eighth Floor
Austin, Texas 78701

Dear Ladies and Gentlemen:

The undersigned hereby agrees to purchase from Southern Union Company, a Delaware corporation (the "Company"), and the Company agrees to sell to the undersigned on _____, 19__ (the "Delivery Date"), _____ principal amount of the Company's [Title of Offered

Securities] (the "Offered Securities"), offered by the Company's Prospectus dated _____, 19__, as supplemented by its Prospectus Supplement dated _____, 19__, receipt of which is hereby acknowledged, at a purchase price of _____% of the principal amount thereof, plus interest accrued on the amount thereof, principal amount at the rate borne by the Offered Securities from _____, 19__ to the Delivery Date, and on the further terms and conditions set forth in this contract.

Payment for the Offered Securities shall be made to the Company or its order by certified or official bank check in New York Clearing House funds, at the offices of _____, at _____A.M., New York City time, on the Delivery Date (or in such other funds and/or at such other place as the Company and the undersigned may agree upon in writing), upon delivery of the Offered Securities to the undersigned, in such authorized denominations and registered in such names as the undersigned may request in writing addressed to the Company not less than five business days prior to the Delivery Date.

The obligation of the undersigned to take delivery of and make payment for the Offered Securities on the Delivery Date shall be subject only to the conditions that (1) the purchase of the Offered Securities by the undersigned shall not, on the Delivery Date, be prohibited under the laws of any jurisdiction to which the undersigned is subject and that govern such investment, and (2) the Company, on or before _____, 19__, shall have sold to the Underwriters of the Offered Securities (the "Underwriters") such principal amount of the Offered Securities as is to be sold to them pursuant to the Underwriting Agreement dated the date hereof between the Company and the Underwriters. The obligation of the undersigned to take delivery of and make payment for the Offered Securities shall not be affected by the failure of any Underwriter or other purchaser to take delivery of and make payment for the Offered Securities pursuant to other contracts similar to this contract.

Promptly after completion of the sale to the Underwriters, the Company will mail or deliver to the undersigned, at its address set forth below, a notice to such effect, accompanied by a copy of the opinion of counsel for the Company delivered to the Underwriters in connection therewith.

By the execution hereof, the undersigned represents and warrants to the Company that (1) its investment in the Offered Securities is not, as of the date hereof, prohibited under the laws of any jurisdiction to which the undersigned is subject and that govern such investment, (2) all necessary corporate action for the due execution and delivery of this contract and the payment for and purchase of the Offered Securities has been taken by it and no further authorization or approval of any governmental or other regulatory authority is required for such execution, delivery, payment or purchase and (3) upon the acceptance by the Company and the mailing or delivery of a copy as

provided below, this contract will constitute a valid and binding agreement of the undersigned in accordance with its terms.

This contract will inure to the benefit of and be binding upon the parties hereto and their respective successors, but will not be assignable by either party hereto without the written consent of the other.

It is understood that the Company will not accept Delayed Delivery Contracts for an aggregate principal amount of the Offered Securities in excess of $_____ and that the acceptance of any Delayed Delivery Contract is in the Company's sole discretion and, without limiting the foregoing, need not be on a first-come, first-served basis. If this contract is acceptable to the Company, it is requested that the Company sign the form of acceptance on a copy hereof and mail or deliver a signed copy to the undersigned at its address set forth below. This will become a binding contract between the Company and the undersigned when such copy is so mailed or delivered.

This contract shall be governed by the laws of the State of New York.

Yours very truly,

. . . . . .

(Name of Purchaser)

By . . . . . .
Title

. . . . . .

. . . . . .

(Address)

Accepted as of the date first above written:

Southern Union Company

By . . . . . .

PURCHASER - PLEASE COMPLETE AT TIME OF SIGNING

The name and telephone number of the representative of the Purchaser with whom details of delivery on the Delivery Date may be discussed is as follows: (Please print.)

Name
- ----

Telephone No.
(including Area Code)

ANNEX III
to
Purchase Agreement
Dated_____

MATTERS TO BE COVERED BY LETTER OR LETTERS OF INDEPENDENT PUBLIC ACCOUNTANTS

A. (1) At the time that any applicable Pricing Agreement is executed and delivered by the Company, you shall have received from Coopers & Lybrand 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, to the effect that:

(a) They are independent certified public accountants with respect to the Company and its subsidiaries within the meaning of the 1933 Act and the applicable published 1933 Act Regulations.

(b) In their opinion, the audited consolidated financial statements and the related financial statement schedules of the Company 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 published 1933 Act Regulations with respect to registration statements on Form S-3 and the 1934 Act and the published 1934 Act Regulations with respect to annual reports on Form 10-K.

(c) On the basis of procedures (but not an examination in accordance with generally accepted auditing standards) consisting of:

(i) a reading of the minutes of all meetings of the shareholders and Board of Directors of the Company and its subsidiaries and the director committees of the Company's Board of Directors from the date of the latest audited consolidated financial statements of the Company and its subsidiaries;

(ii) a reading of the latest available unaudited condensed consolidated financial statements of the Company and its subsidiaries included or incorporated by reference in the Registration Statement and the Prospectus;

(iii) inquiries of certain officials of the Company who have responsibility for financial and accounting matters as to (A) whether the unaudited condensed consolidated financial statements referred to in (ii) above comply as to form in all material respects with the applicable accounting requirements of the 1934 Act and the published 1934 Act Regulations applicable to unaudited interim financial statements included in quarterly reports on Form 10-Q and (B) whether such unaudited condensed consolidated financial statements are in conformity with generally accepted accounting principles applied on a basis substantially consistent with that of the audited consolidated financial statements referred to above; and

(iv) a review in accordance with standards established by the American Institute of Certified Public Accountants with respect to interim financial information as described in SAS No. 71, INTERIM FINANCIAL INFORMATION, performed at the request of the Company; and

all such other inquiries and procedures as may be specified in such letter, nothing came to their attention that caused them to believe that:

(A) the unaudited condensed consolidated financial statements for the interim periods included or incorporated by reference in the Registration Statement and the Prospectus do not comply as to form in all material respects with the applicable accounting requirements of the 1933 Act and the published 1933 Act Regulations applicable to unaudited interim financial statements included in registration statements on Form S-3 and the 1934 Act and the 1934 Act Regulations applicable to unaudited

interim financial statements included in

quarterly reports on Form 10-Q, or that such unaudited condensed consolidated financial statements are not in conformity with generally accepted accounting principles applied on a basis substantially consistent with that of audited consolidated financial statements included in the Registration Statement;

(B) at a specified date not more than five days prior to the date of such letter, there was any change in the capital stock or shareholders' equity of the Company and its subsidiaries or any decrease in the total assets of the Company and its subsidiaries or any increase in the long-term debt of the Company and its subsidiaries, in each case as compared with amounts shown in the latest balance sheet included or incorporated by reference in the Registration Statement, except in each case for changes, decreases or increases that the Registration Statement discloses have occurred; or

(C) for the period from the end of the interim period to a specified date not more than five days prior to the date of such letter, there was any decrease in net sales, earnings from operations or net earnings (1) from the amounts shown in the latest income statement included or incorporated by reference in the Registration Statement or (2) 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.

(d) based upon the procedures set forth in clause (c) above and a reading of the fiscal 1990, 1991 and 1992 Selected Consolidated Financial Data included in the Prospectus and a reading of the financial statements, from which such data were derived, nothing has come to their attention that gives them reason to believe that such Selected Consolidated Financial Data included in the Prospectus is not fairly stated in relation to the financial statements from which it was derived;

(e) they are unable to and do not express any opinion on the Pro Forma Condensed Balance Sheets or the Pro Forma Condensed Statements of Operations (the "Pro Forma Statements") included in the Registration

Statement or on the pro forma adjustments applied to the historical amounts included in such statements; however, for purposes of such letter they have:

(i) read the Pro Forma Statements;

(ii) made inquiries of certain officials of the Company who have responsibility for financial and accounting matters about the basis for their determination of the pro forma adjustments and whether the Pro Forma Statements comply in form in all material respects with the applicable accounting requirements of Rule 11-02 of Regulation S-X; and

(iii) proved the arithmetic accuracy of the application of the pro forma adjustments to the historical amounts in the Pro Forma Statements; and

on the basis of such procedures, and such other inquiries and procedures as may be specified in such letter, nothing came to their attention that caused them to believe that the Pro Forma Statements included in the Registration Statement do not comply in form in all material respects with the applicable requirements of Rule 11-02 of Regulation S-X and that the pro forma adjustments have not been properly applied to the historical amounts in the compilation of that statement; and

(f) in addition to their examinations, inspections, inquiries and other procedures referred to above, they have performed such other procedures, specified by you, not constituting an audit, as they

have agreed to perform and report on with respect to certain amounts, percentages, numerical data and other 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 amounts, percentages, numerical data and financial information with, and have found such items to be in agreement with or derived from, the detailed accounting and financial records of the Company and its subsidiaries.

(2) At the Closing Time, you shall have received from Coopers & Lybrand 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 to you in accordance with paragraph A(1) of this Annex III, except that the specified date shall be a date not more than five days prior to Closing Time.

B. (1) At the time that any applicable Pricing Agreement is executed by the

Company, you shall have received from Coopers & Lybrand 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, to the effect that:

(a) They are independent accountants with respect to the Missouri Business within the meaning of the 1933 Act and the applicable published 1933 Act regulations.

(b) In their opinion, the audited consolidated financial statements and the related financial statements schedules of the Missouri Business included or incorporated by reference 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 published 1933 Act Regulations with respect to registration statements on Form S-3 and 1934 Act and the published 1934 Act Regulations with respect to annual reports on Form 10-K.

(c) On the basis of procedures (but not an examination in accordance with generally accepted auditing standards) consisting of:

(i) a reading of the latest available unaudited condensed consolidated financial statements of the Missouri Business included or incorporated by reference in the Registration Statement and the Prospectus; and

(ii) inquiries of certain officials of the Missouri Business who have responsibility for financial and accounting matters as to (A) whether the unaudited condensed consolidated financial statements referred to in (i) above comply as to form in all material respects with the applicable accounting requirements of the 1934 Act and the published 1934 Act Regulations applicable to unaudited interim financial statements included in quarterly reports on Form 10-Q and (B) whether such unaudited condensed consolidated financial statements are in conformity with generally accepted accounting principles applied on a basis substantially consistent with that of the audited consolidated financial statements referred to above;

(iii) a review in accordance with standards by the American Institute of Certified Public Accountants with respect to interim financial information as described in SAS No. 71, INTERIM FINANCIAL INFORMATION, performed at the request of the Company; and

all such other inquiries and procedures as may be specified in such letter, nothing came to their attention that caused them to believe that the unaudited condensed consolidated financial statements for the interim periods included or incorporated by reference in the Registration Statement and the Prospectus do not comply as to form in all material respects with the applicable accounting requirements of the 1933 Act and

the published 1933 Act Regulations applicable to unaudited interim financial statements included in registration statements on Form S-3 and the 1934 Act and the 1934 Act Regulations applicable to unaudited interim financial statements included in quarterly reports on Form 10-Q, or that such unaudited condensed consolidated financial statements are not in conformity with generally accepted accounting principles applied on a basis substantially consistent with that of audited consolidated financial statements included in the Registration Statement;

(d) Based upon the procedures set forth in clause (c) above and a reading of the Selected Financial Date of the Missouri Business included in the Registration Statement, nothing has come to their attention that gives them reason to believe that the Selected Financial Data of the Missouri Business included in the Prospectus do not comply as to form in all material respects with the applicable accounting requirements of the 1933 Act and the 1933

Act Regulations or that the information set forth therein is not fairly stated in relation to the financial statements from which it was derived.

(e) In addition to their examinations, inspections, inquiries and other procedures referred to above, they have performed such other procedures, specified by you, not constituting an audit, as they have agreed to perform and report on with respect to certain amounts, percentages, numerical data and other financial information of the Missouri Business 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 amounts, percentages, numerical data and financial information with, and have found such items to be in agreement with or derived from, the detailed accounting and financial records of the Missouri

Business.

(2) At the Closing Time, you shall have received from Coopers & Lybrand 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 to you in accordance with paragraph B(1) of this Annex III, except that the specified date shall be a date not more than five days prior to Closing Time.

S&S DRAFT
01/04/94

SOUTHERN UNION COMPANY

TO

THE CHASE MANHATTAN BANK
(NATIONAL ASSOCIATION),

Trustee

Indenture

Dated as of _____

SOUTHERN UNION COMPANY

Reconciliation and tie between Trust Indenture Act of 1939, as

amended, and the Indenture, dated as of

Trust Indenture Act Section		Indenture Section
SECTION 310	(a)(1)	607
	(a)(2)	607
	(b)	608
SECTION 312	(c)	701
SECTION 314	(a)	703
	(a)(4)	1004
	(c)(1)	102
	(c)(2)	102
	(e)	102
SECTION 315	(b)	601
SECTION 316	(a)(last sentence)	101 ("Outstanding")
	(a)(1)(A)	502, 512
	(a)(1)(B)	513
	(b)	508
	(c)	104(e)
SECTION 317	(a)(1)	503
	(a)(2)	504
	(b)	1003
SECTION 318	(a)	111

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

Table of Contents

Note: This table of contents shall not, for any purpose, be deemed to be a part of the Indenture.

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ARTICLE FOURTEEN
Defeasance and Covenant Defeasance

ARTICLE FIFTEEN
Meetings of Holders of Securities

INDENTURE, dated as of _____, between Southern Union Company, a corporation duly organized and existing under the laws of the State of Delaware (herein called the "Company") having its principal office at 504 Lavaca Street, Eighth Floor, Austin, Texas 78701, and The Chase Manhattan Bank (National Association), a national banking association duly organized and existing under the laws of the United States, 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 from time to time of its unsecured debentures, notes or other evidences of indebtedness (herein called the "Securities"), to be issued in one or more series as in this Indenture provided.

This Indenture is subject to the provisions of the Trust Indenture Act of 1939, as amended, that are required to be part of this Indenture and shall, to the extent applicable, be governed by such provisions.

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 Securities by the Holders thereof, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of the Securities or of any series thereof, 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, and the terms "cash transaction" and "self-liquidating paper", as used in TIA Section 311, shall have the meanings assigned to them in the rules of the Commission adopted under the Trust Indenture Act;

(3) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles, and, except as otherwise herein expressly provided, the term "generally accepted accounting principles" with respect to any computation required or permitted hereunder shall mean such accounting principles as are generally accepted at the date of such computation; 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.

Certain terms, used principally in Article Three, are defined in that Article.

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

"Additional Amounts" has the meaning specified in Section 1005.

"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" of 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 Debt" means, as to any specified lease under which any Person is at the time liable for a term of more than 12 months, 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 remaining term thereof (excluding any subsequent renewal or other extension options held by the lessee), discounted

from the respective due dates thereof to such date at a rate equal to the weighted average of the interest rates borne by the Outstanding Securities, compounded monthly. The net amount of rent required to be paid under any such lease for any such period shall be the aggregate amount of the rent payable by the lessee with respect to such period after excluding any amounts required to

be paid on account of maintenance and repairs, services, insurance, taxes, assessments, water rates and similar charges and contingent rents (such as those based on sales). In the case of any lease which is terminable by the lessee upon the payment of a penalty, such net amount of rent shall include the lesser of (i) the total discounted net amount of rent required to be paid from the later of the first date upon which such lease may be so terminated or the date of the determination of such net amount of rent, as the case may be, and (ii) the amount of such penalty (in which event 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).

"Authenticating Agent" means any Person authorized by the Trustee pursuant to Section 611 to act on behalf of the Trustee to authenticate Securities.

"Authorized Newspaper" means a newspaper, in the English language or in an official language of the country of publication, customarily published on each Business Day, whether or not published on Saturdays, Sundays or holidays, and of general circulation in each place in connection with which the term is used or in the financial community of each such place. Where successive publications are required to be made in Authorized Newspapers, such publications may be made in the same or in different newspapers in the same city meeting the foregoing requirements and in each case on any Business Day.

"Bank Credit Facility" means the revolving credit facility dated September 30, 1993, as amended on November 15, 1993, between the Company and the Banks as in effect on the date hereof and as such Facility may be amended, restated, refinanced, supplemented or otherwise modified from time to time.

"Banks" means the lenders from time to time who are parties to the Bank Credit Facility.

"Bearer Security" means any Security except a Registered Security.

"Board of Directors" means either the board of directors of the Company or any duly authorized committee of such 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", when used with respect to any Place of Payment or any other particular location referred to in this Indenture or in the Securities, means, unless otherwise specified with respect to any Securities pursuant to

Section 301, each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in that Place of Payment or other location are authorized or obligated by law or executive order to close.

"CEDEL S.A." means Cedel, S.A., or its successor.

"Commission" means the Securities and Exchange Commission, as from time to time constituted, created under the Securities Exchange Act of 1934, or, if at any time after the execution of this Indenture 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.

"Common Depositary" has the meaning specified in Section 304.

"Company" means the Person named as the "Company" in the first paragraph of this Indenture 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, its President, any Vice President, its Treasurer or an Assistant Treasurer, and delivered to the Trustee.

"Consolidated Net Tangible Assets" means the total amount of assets (less applicable reserves and other properly deductible items) of the Company and its consolidated Subsidiaries after deducting therefrom (i) all current liabilities (excluding any current liabilities which are by their terms extendible or renewable at the option of the obligor thereon to a time more than 12 months after the time as of which the amount thereof is being computed) and (ii) all goodwill, trade names, trademarks, patents, unamortized debt discount and expense and other like intangibles, all as set forth on the most recent balance sheet of the Company and its consolidated Subsidiaries and computed in accordance with generally accepted accounting principles.

"Consolidated Net Worth" means the sum of stockholder's equity, preferred stock and minority interests as set forth in the Company's consolidated financial statements.

"Conversion Date" has the meaning specified in Section 312(d).

"Conversion Event" means the cessation of use of (i) a Foreign Currency both by the government of the country which issued such Currency and by a central bank or other public institution of or within the international banking community for the settlement of transactions, (ii) the ECU both within the

European Monetary System and for the settlement of transactions by public institutions of or within the European Communities or (iii) any currency unit (or composite currency) other than the ECU for the purposes for which it was established.

"Corporate Trust Office" means the principal corporate trust office of the Trustee at which at any particular time its corporate trust business shall be administered, which office on the date of execution of this Indenture is located at 4 Chase MetroTech Center, Brooklyn, New York 11245, except that with respect to presentation of Securities for payment or for registration of transfer or exchange, such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate agency business shall be conducted.

"corporation" includes corporations, associations, companies and business trusts.

"coupon" means any interest coupon appertaining to a Bearer Security.

"Currency" means any currency or currencies, composite currency or currency unit or currency units, including, without limitation, the ECU, issued by the government of one or more countries or by any recognized confederation or association of such governments.

"Debt" means notes, bonds, debentures or other similar evidences of indebtedness for money borrowed.

"Default" means any event which is, or after notice or passage of time or both would be, an Event of Default.

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

"Dollar" or "$" means a dollar or other equivalent unit in such coin or currency of the United States of America as at the time shall be legal tender for the payment of public and private debts.

"Dollar Equivalent of the Currency Unit" has the meaning specified in Section 312(g).

"Dollar Equivalent of the Foreign Currency" has the meaning specified in Section 312(f).

"ECU" means the European Currency Unit as defined and revised from time to time by the Council of the European Communities.

"Election Date" has the meaning specified in Section 312(h).

"Euroclear" means Morgan Guaranty Trust Company of New York, Brussels Office, or its successor as operator of the Euroclear System.

"European Communities" means the European Economic Community, the European Coal and Steel Community and the European Atomic Energy Community.

"European Monetary System" means the European Monetary System established by the Resolution of December 5, 1978 of the Council of the European Communities.

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

"Exchange Date" has the meaning specified in Section 304.

"Exchange Rate Agent" means, with respect to Securities of or within any series, unless otherwise specified with respect to any Securities pursuant to Section 301, a New York Clearing House bank, designated pursuant to Section 301 or Section 313.

"Exchange Rate Officer's Certificate" means a tested telex or a certificate setting forth (i) the applicable Market Exchange Rate and (ii) the Dollar or Foreign Currency amounts of principal (and premium, if any) and interest, if any (on an aggregate basis and on the basis of a Security having the lowest denomination principal amount determined in accordance with Section 302 in the relevant Currency),

payable with respect to a Security of any series on the basis of such Market Exchange Rate, sent (in the case of a telex) or signed (in the case of a certificate) by the Treasurer, any Vice President or any Assistant Treasurer of the Company.

"Federal Bankruptcy Code" means the Bankruptcy Act of Title 11 of the United States Code, as amended from time to time.

"Foreign Currency" means any Currency other than Currency of the United States.

"Government Obligations" means, unless otherwise specified with respect to any series of Securities pursuant to Section 301, securities which are (i) direct obligations of the government which issued the Currency in which the Securities of a particular series are payable or (ii) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the government which issued the Currency in which the Securities of such series are

payable, the payment of which is unconditionally guaranteed by such government, which, in either case, are full faith and credit obligations of such government payable in such Currency and are not callable or redeemable at the option of the issuer thereof and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such Government Obligation or a specific payment of interest on or principal of any such Government Obligation held by such custodian for the account of the holder of a depository receipt; PROVIDED that (except as required by law) 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 Government Obligation or the specific payment of interest or principal of the Government Obligation evidenced by such depository receipt.

"Holder" means, in the case of a Registered Security, the Person in whose name a Security is registered in the Security Register and, in the case of a Bearer Security, the bearer thereof and, when used with respect to any coupon, shall mean the bearer thereof.

"Indenture" means this instrument as originally executed and 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, and shall include the terms of particular series of Securities established as contemplated by Section 301; PROVIDED,

HOWEVER, that, if at any time more than one Person is acting as Trustee under this instrument, "Indenture" shall mean, with respect to any one or more series of Securities for which such Person is Trustee, 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 and shall include the terms of particular series of Securities for which such Person is Trustee established as contemplated by Section 301, exclusive, however, of any provisions or terms which relate solely to other series of Securities for which such Person is not Trustee, regardless of when such terms or provisions were adopted, and exclusive of any provisions or terms adopted by means of one or more indentures supplemental hereto executed and delivered after such Person had become such Trustee but to which such Person, as such Trustee, was not a party.

"Indexed Security" means a Security the terms of which provide that the principal amount thereof payable at Stated Maturity may be more or less than the principal face amount thereof at original issuance.

"interest", when used with respect to an Original Issue Discount Security which by its terms bears interest only after Maturity, means interest

payable after Maturity at the rate prescribed in such Original Issue Discount Security.

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

"Lien" means any pledge, mortgage, lien, charge, encumbrance or security interest.

"Market Exchange Rate" means, unless otherwise specified with respect to any Securities pursuant to Section 301, (i) for any conversion involving a currency unit on the one hand and Dollars or any Foreign Currency on the other, the exchange rate between the relevant currency unit and Dollars or such Foreign Currency calculated by the method specified pursuant to Section 301 for the Securities of the relevant series, (ii) for any conversion of Dollars into any Foreign Currency, the noon (New York City time) buying rate for such Foreign Currency for cable transfers quoted in New York City as certified for customs purposes by the Federal Reserve Bank of New York and (iii) for any conversion of one Foreign Currency into Dollars or another Foreign Currency, the spot rate at noon local time in the relevant market at

which, in accordance with normal banking procedures, the Dollars or Foreign Currency into which conversion is being made could be purchased with the Foreign Currency from which conversion is being made from major banks located in either New York City, London or any other principal market for Dollars or such purchased Foreign Currency, in each case determined by the Exchange Rate Agent. Unless otherwise specified with respect to any Securities pursuant to Section 301, in the event of the unavailability of any of the exchange rates provided for in the foregoing clauses (i), (ii) and (iii), the Exchange Rate Agent shall use, in its sole discretion and without liability on its part, such quotation of the Federal Reserve Bank of New York as of the most recent available date, or quotations from one or more major banks in New York City, London or another principal market for the Currency in question, or such other quotations as the Exchange Rate Agent shall deem appropriate. Unless otherwise specified by the Exchange Rate Agent, if there is more than one market for dealing in any Currency by reason of foreign exchange regulations or otherwise, the market to be used in respect of such Currency shall be that upon which a non-resident issuer of securities designated in such Currency would purchase such Currency in order to make payments in respect of such securities.

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

"Officers' Certificate" means a certificate signed by the Chairman, the President or a Vice President, and by 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, including an employee of the Company.

"Original Issue Discount Security" means any Security which provides for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 502.

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

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

(ii) Securities, or portions thereof, for whose payment or redemption or repayment at the option of the Holder 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 Securities and any coupons appertaining thereto; PROVIDED that, if such Securities 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;

(iii) Securities, except to the extent provided in Sections 1402 and 1403, with respect to which the Company has effected defeasance and/or covenant defeasance as provided in Article Fourteen; and

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

PROVIDED, HOWEVER, that in determining whether the Holders of the requisite principal amount of the Outstanding Securities have given any request, demand, authorization, direction, notice, consent or waiver hereunder or are present at a meeting of Holders for quorum purposes, and for the purpose of making the

calculations required by TIA Section 313, (i) the principal amount of an Original Issue Discount Security that may be counted in making such determination or calculation and that shall be deemed to be Outstanding for such purpose shall be equal to the amount of principal thereof that would be (or shall have been declared to be) due and payable, at the time of such determination, upon a declaration of acceleration of the maturity thereof pursuant to Section 502, (ii) the principal amount of any Security

denominated in a Foreign Currency that may be counted in making such determination or calculation and that shall be deemed Outstanding for such purpose shall be equal to the Dollar equivalent, determined as of the date such Security is originally issued by the Company as set forth in an Exchange Rate Officer's Certificate delivered to the Trustee, of the principal amount (or, in the case of an Original Issue Discount Security, the Dollar equivalent as of such date of original issuance of the amount determined as provided in clause (i) above), of such Security, (iii) the principal amount of any Indexed Security that may be counted in making such determination or calculation and that shall be deemed outstanding for such purpose shall be equal to the principal face amount of such Indexed Security at original issuance, unless otherwise provided with respect to such Security pursuant to Section 301, and (iv) Securities owned by the Company or any other obligor upon the Securities 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 making such calculation or in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Securities which the Trustee knows to be so owned shall be so disregarded. Securities 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 Securities and that the pledgee is not the Company or any other obligor upon the Securities or any Affiliate of the Company or such other obligor.

"Paying Agent" means any Person (including the Company acting as Paying Agent) authorized by the Company to pay the principal of (or premium, if any, on) or interest on any Securities on behalf of the Company.

"Permitted Liens" means Liens permitted by Section 1009.

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

"Place of Payment" means, when used with respect to the Securities of or within any series, the place or places where the principal of (and premium, if any, on) and interest on such Securities are payable as specified as

contemplated by Sections 301 and 1002.

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

"Redemption Date", when used with respect to any Security to be redeemed, in whole or in part, means the date fixed for such redemption by or pursuant to this Indenture.

"Redemption Price", when used with respect to any Security to be redeemed, means the price at which it is to be redeemed pursuant to this Indenture.

"Registered Security" means any Security registered in the Security Register.

"Regular Record Date" for the interest payable on any Interest Payment Date on the Registered Securities of or within any series means the date specified for that purpose as contemplated by Section 301.

"Repayment Date" means, when used with respect to any Security to be repaid at the option of the Holder, the date fixed for such repayment pursuant to this Indenture.

"Repayment Price" means, when used with respect to any Security to be repaid at the option of the Holder, the price at which it is to be repaid pursuant to this Indenture.

"Responsible Officer", when used with respect to the Trustee, means the chairman or any vice-chairman of the board of directors, the chairman or any vice-chairman of the executive committee of the board of directors, the chairman of the trust committee, the president, or any vice president, secretary, any assistant secretary, treasurer, any assistant treasurer, cashier, any assistant cashier, any trust officer or assistant trust officer, the controller or any assistant controller within the corporate trust administration division or any other officer of the Trustee customarily performing functions similar to those performed by any of the above-designated officers, and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is

referred because of his knowledge of and familiarity with the particular subject.

"Restricted Securities" has the meaning specified in Section 1009.

"Securities" has the meaning stated in the first recital of this Indenture and more particularly means any Securities authenticated and delivered under this Indenture; PROVIDED, HOWEVER, that if at any time there is more than one Person acting as Trustee under this Indenture, "Securities" with respect to the Indenture as to which such Person is Trustee shall have the meaning stated in the first recital of this Indenture and shall more particularly mean Securities authenticated and delivered under this Indenture, exclusive, however, of Securities of any series as to which such Person is not Trustee.

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

"Special Record Date" for the payment of any Defaulted Interest on the Registered Securities of or within any series means a date fixed by the Trustee pursuant to Section 307.

"Stated Maturity", when used with respect to any Security or any installment of principal thereof or interest thereon, means the date specified in such Security or a coupon representing such installment of interest as the fixed date on which the principal of such Security or such installment of principal or interest is due and payable, as such date may be extended pursuant to the provisions of Section 308.

"Subsidiary" means any corporation of which at the time of determination the Company, directly and/or indirectly through one or more Subsidiaries, owns 50% or more of the shares of Voting Stock.

"Trust Indenture Act" or "TIA" means the Trust Indenture Act of 1939 as in force at the date as of which this Indenture was executed, except as provided in Section 905.

"Trustee" means the Person named as the "Trustee" in the first paragraph of this Indenture 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; PROVIDED, HOWEVER, that if at any time there is more than one such Person, "Trustee" as used with respect to the Securities

of any series shall mean only the Trustee with respect to Securities of that series.

"United States" means, unless otherwise specified with respect to any Securities pursuant to Section 301, the United States of America (including the states and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction.

"United States person" means, unless otherwise specified with respect to any Securities pursuant to Section 301, an individual who is a citizen or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States or an estate or trust the income of which is subject to United States federal income taxation regardless of its source.

"Valuation Date" has the meaning specified in Section 312(c).

"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" means stock of the class or classes having general voting power under ordinary circumstances to elect at least a majority of the board of directors, managers or trustees of a corporation (irrespective of whether or not at the time stock of any other class or classes shall have or might have voting power by reason of the happening of any contingency).

"Yield to Maturity" means the yield to maturity, computed at the time of issuance of a Security (or, if applicable, at the most recent redetermination of interest on such Security) and as set forth in such Security in accordance with generally accepted United States bond yield computation principles.

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 an Officers' Certificate stating that all conditions precedent, if any, provided for in this Indenture (including any covenant compliance with which constitutes a condition precedent) relating to the proposed action have been complied

with and an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent, if any, have been complied with, except that in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Indenture relating to such particular application or request, no additional certificate or opinion need be furnished.

Every certificate or opinion with respect to compliance with a covenant or condition provided for in this Indenture (other than pursuant to Section 1004) 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 covenant or condition 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.

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders of the Outstanding Securities of all series or one or more series, as the case may be, may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by agents duly appointed in writing. If Securities of a series are issuable as Bearer Securities, any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders of such series may, alternatively, be embodied in and evidenced by the record of Holders of Securities of such series voting in favor thereof, either in person or by proxies duly appointed in writing, at any meeting of Holders of Securities of such series duly called and held in accordance with the provisions of Article Fifteen, or a combination of such instruments and any such record. Except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments or record or both are delivered to the Trustee and, where it is hereby expressly required, to the Company. Such instrument or instruments and any such record (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments or so voting at any such meeting. Proof of execution of any such instrument or of a writing appointing any such agent, or of the holding by any Person of a Security, shall be sufficient for any purpose of this Indenture and conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section. The record of any meeting of Holders of Securities shall be proved in the manner provided in Section 1506.

(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 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 principal amount and serial numbers of Registered Securities held by any Person, and the date of holding the same, shall be proved by the Security Register.

(d) The principal amount and serial numbers of Bearer Securities held by any Person, and the date of holding the same, may be proved by the production of such Bearer Securities or by a certificate executed, as depositary, by any trust company, bank, banker or other depositary, wherever situated, if such certificate shall be deemed by the Trustee to be satisfactory, showing that at the date therein mentioned such Person had on deposit with such depositary, or exhibited to it, the Bearer Securities therein described; or such facts may be proved by the certificate or affidavit of the Person holding such Bearer Securities, if such certificate or affidavit is deemed by the Trustee to be satisfactory. The Trustee and the Company may assume that such ownership of any Bearer Security continues until (1) another certificate or affidavit bearing a later date issued in respect of the same Bearer Security is produced, or (2) such Bearer Security is produced to the Trustee by some other Person, or (3) such Bearer Security is surrendered in exchange for a Registered Security, or (4) such Bearer Security is no longer Outstanding. The principal amount and serial numbers of Bearer Securities held by any Person, and the date of holding the same, may also be proved in any other manner which the Trustee deems sufficient.

(e) If the Company shall solicit from the Holders of Registered Securities any request, demand, authorization, direction, notice, consent, waiver or other Act, the Company may, at its option, by or pursuant to a Board Resolution, fix in advance a record date for the determination of Holders entitled to give such request, demand, authorization, direction, notice, consent, waiver or other Act, but the

Company shall have no obligation to do so. Notwithstanding TIA Section 316(c), such record date shall be the record date specified in or pursuant to such Board Resolution, which shall be a date not earlier than the date 30 days prior to the first solicitation of Holders generally in connection therewith and not later than the date such solicitation is completed. If such a record date is fixed, such request, demand, authorization, direction, notice, consent, waiver or other Act may be given before or after such record date, but only the Holders of record at the close of business on such record date shall be deemed to be Holders for the purposes of determining whether Holders of the requisite

proportion of Outstanding Securities have authorized or agreed or consented to such request, demand, authorization, direction, notice, consent, waiver or other Act, and for that purpose the Outstanding Securities shall be computed as of such record date; PROVIDED that no such authorization, agreement or consent by the Holders on such record date shall be deemed effective unless it shall become effective pursuant to the provisions of this Indenture not later than eleven months after the record date.

(f) Any request, demand, authorization, direction, notice, consent, waiver or other Act of the Holder of any Security shall bind every future Holder of the same Security and the Holder of every Security 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 Security.

SECTION 105. NOTICES, ETC. TO TRUSTEE AND COMPANY.

Any request, demand, authorization, direction, notice, consent, waiver or Act of Holders or other documents 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 Division, 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 at the address of its principal office specified in the first paragraph of this Indenture 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 of any event to Holders of Registered Securities by the Company or the Trustee, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to each such Holder affected by such event, at his address as it appears in the Security Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such notice. In any case where notice to Holders of Registered Securities 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 of Registered Securities or the sufficiency of any notice to Holders of Bearer Securities given as provided. Any notice mailed to a Holder in the manner herein prescribed shall be conclusively deemed to have been received by such Holder, whether or not such Holder actually receives such notice.

In case, by reason of the suspension of or irregularities in regular mail service or by reason of any other cause, it shall be impractical to mail notice of any event to Holders of Registered Securities when such notice is required to be given pursuant to any provision of this Indenture, then any manner of giving such notice as shall be satisfactory to the Trustee shall be deemed to be sufficient giving of such notice for every purpose hereunder.

Except as otherwise expressly provided herein or otherwise specified with respect to any Securities pursuant to Section 301, where this Indenture provides for notice to Holders of Bearer Securities of any event, such notice shall be sufficiently given to Holders of Bearer Securities if published in an Authorized Newspaper in The City of New York and in such other city or cities as may be specified in such Securities on a Business Day at least twice, the first such publication to be not earlier than the earliest date, and not later than the latest date, prescribed for the giving of such notice. Any such notice shall be deemed to have been given on the date of the first such publication.

In case by reason of the suspension of publication of any Authorized Newspaper or Authorized Newspapers or by reason of any other cause it shall be impracticable to publish any notice to Holders of Bearer Securities as provided above, then such notification to Holders of Bearer Securities as shall be given with the approval of the Trustee shall constitute sufficient notice to such Holders for every purpose hereunder. Neither the failure to give notice by publication to Holders of Bearer Securities as provided above, nor any defect in any notice so published, shall affect the sufficiency of such notice with respect to other Holders of Bearer Securities or the sufficiency of any notice to Holders of Registered Securities given as provided herein.

Any request, demand, authorization, direction, notice, consent or waiver required or permitted under this Indenture shall be in the English language, except that any published notice may be in an official language of the country of publication.

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.

SECTION 107. 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 108. 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 109. SEPARABILITY CLAUSE.

In case any provision in this Indenture or in any Security or coupon 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 110. BENEFITS OF INDENTURE.

Nothing in this Indenture or in the Securities or coupons, express or implied, shall give to any Person, other than the parties hereto, any Authenticating Agent, any Paying Agent, any Securities Registrar and their successors hereunder and the Holders of Securities or coupons, any benefit or any legal or equitable right, remedy or claim under this Indenture.

SECTION 111. GOVERNING LAW.

THIS INDENTURE AND THE SECURITIES AND COUPONS SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK. THIS INDENTURE IS SUBJECT TO THE PROVISIONS OF THE TRUST INDENTURE ACT OF 1939, AS AMENDED, THAT ARE REQUIRED TO BE PART OF THIS INDENTURE AND SHALL, TO THE EXTENT APPLICABLE, BE GOVERNED BY SUCH PROVISIONS.

SECTION 112. LEGAL HOLIDAYS.

In any case where any Interest Payment Date, Redemption Date or Stated Maturity or Maturity of any Security shall not be a Business Day at any Place of Payment, then (notwithstanding any other provision of this Indenture or of any Security or coupon other than a provision in the Securities of any series which specifically states that such provision shall apply in lieu of this Section) 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 Redemption Date, or at the Stated Maturity or Maturity; PROVIDED that no interest shall accrue for the period from and after such Interest Payment Date, Redemption Date, Stated Maturity or Maturity, as the case may be.

ARTICLE TWO

SECURITY FORMS

SECTION 201. FORMS GENERALLY.

The Registered Securities, if any, of each series and the Bearer Securities, if any, of each series and related coupons shall be in substantially the forms as shall be established by or pursuant to a Board Resolution or in one or more indentures supplemental hereto, in each case 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 Securities or coupons, as evidenced by their execution of the Securities or coupons. If the forms of Securities or coupons of any series are established by action taken pursuant to a Board Resolution, a copy of an appropriate record of such action shall be certified by the Secretary or an Assistant Secretary of the Company and delivered to the Trustee at or prior to the delivery of the Company Order contemplated by Section 303 for the authentication and delivery of such Securities or coupons. Any portion of the text of any Security may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Security.

Unless otherwise specified as contemplated by Section 301, Securities in bearer form shall have interest coupons attached.

The Trustee's certificate of authentication on all Securities shall be in substantially the form set forth in this Article.

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

SECTION 202. FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION.

Subject to Section 611, the Trustee's certificate of authentication shall be in substantially the following form:

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

THE CHASE MANHATTAN BANK
(NATIONAL ASSOCIATION),
as Trustee

By _____
Authorized Officer

SECTION 203. SECURITIES ISSUABLE IN GLOBAL FORM.

If Securities of or within a series are issuable in global form, as specified as contemplated by Section 301, then, notwithstanding clause (8) of Section 301, any such Security shall represent such of the Outstanding Securities of such series as shall be specified therein and may provide that it shall represent the aggregate amount of Outstanding Securities of such series from time to time endorsed thereon and that the aggregate amount of Outstanding Securities of such series represented thereby may from time to time be increased or decreased to reflect exchanges. Any endorsement of a Security in global form to reflect the amount, or any increase or decrease in the amount, of Outstanding Securities represented thereby shall be made by the Trustee in such manner and upon instructions given by such Person or Persons as shall be specified therein or in the Company Order to be delivered to the Trustee pursuant to Section 303 or Section 304. Subject to the provisions of Section 303 and, if applicable, Section 304, the Trustee shall deliver and redeliver any Security in permanent global form in the manner and upon instructions given by the Person or Persons specified therein or in the applicable Company Order. If a Company Order pursuant to Section 303 or Section 304 has been, or simultaneously is, delivered, any instructions by the Company with respect to endorsement or delivery or redelivery of a Security in global form shall be in writing but need not comply with Section 102 and need not be accompanied by an Opinion of Counsel.

The provisions of the last sentence of Section 303 shall apply to any Security represented by a Security in global form if such Security was never issued and sold by the Company and the Company delivers to the Trustee the Security in global form together with written instructions (which need not comply with Section 102 and need not be accompanied by an Opinion of Counsel) with regard to the reduction in the principal amount of Securities represented

thereby, together with the written statement contemplated by the last sentence of Section 303.

Notwithstanding the provisions of Section 307, unless otherwise specified as contemplated by Section 301, payment of principal of and any premium and interest on any Security in permanent global form shall be made to the Person or Persons specified therein.

Notwithstanding the provisions of Section 309 and except as provided in the preceding paragraph, the Company,

the Trustee and any agent of the Company and the Trustee shall treat as the Holder of such principal amount of Outstanding Securities represented by a permanent global Security (i) in the case of a permanent global Security in registered form, the Holder of such permanent global Security in registered form, or (ii) in the case of a permanent global Security in bearer form, Euroclear or CEDEL.

ARTICLE THREE

THE SECURITIES

SECTION 301. AMOUNT UNLIMITED; ISSUABLE IN SERIES.

The aggregate principal amount of Securities which may be authenticated and delivered under this Indenture is unlimited.

The Securities may be issued in one or more series. There shall be established in one or more Board Resolutions or pursuant to authority granted by one or more Board Resolutions and, subject to Section 303, set forth in, or determined in the manner provided in, an Officers' Certificate, or established in one or more indentures supplemental hereto, prior to the issuance of Securities of any series, any or all of the following, as applicable (each of which (except for the matters set forth in clauses (1), (2) and (17) below), if so provided, may be determined from time to time by the Company with respect to unissued Securities of the series and set forth in such Securities of the series when issued from time to time):

(1) the title of the Securities of the series (which shall distinguish the Securities of the series from all other series of Securities);

(2) any limit upon the aggregate principal amount of the Securities of

the series that may be authenticated and delivered under this Indenture (except for Securities authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Securities of the series pursuant to Section 304, 305, 306, 906, 1107 or 1305);

(3) the date or dates, or the method by which such date or dates will be determined or extended, on which the principal of the Securities of the series is payable;

(4) the rate or rates at which the Securities of the series shall bear interest, if any, or the method by which such rate or rates shall be determined, the date or dates from which such interest shall accrue, or the method by which such date or dates shall be determined, the Interest Payment Dates on which such interest shall be payable and the Regular Record Date, if any, for the interest payable on any Registered Security on any Interest Payment Date, or the method by which such date or dates shall be determined, and the basis upon which interest shall be calculated if other than on the basis of a 360-day year of twelve 30-day months;

(5) the place or places, if any, other than or in addition to the Borough of Manhattan, The City of New York, where the principal of (and premium, if any, on) and any interest on Securities of the series shall be payable, any Registered Securities of the series may be surrendered for registration of transfer, Securities of the series may be surrendered for exchange and, if different than the location specified in Section 106, the place or places where notices or demands to or upon the Company in respect of the Securities of the series and this Indenture may be served;

(6) the period or periods within which, the price or prices at which, the Currency in which, and other terms and conditions upon which Securities of the series may be redeemed, in whole or in part, at the option of the Company, if the Company is to have that option;

(7) the obligation, if any, of the Company to redeem, repay or purchase Securities of the series pursuant to any sinking fund or analogous provision or at the option of a Holder thereof, and the period or periods within which, the price or prices at which, the Currency in which, and other terms and conditions upon which Securities of the series shall be redeemed, repaid or purchased, in whole or in part, pursuant to such obligation;

(8) if other than denominations of $1,000 and any integral multiple thereof, the denomination or denominations in which any Registered Securities of the series shall be issuable and, if other than the denomination of $5,000, the denomination or denominations in which any

Bearer Securities of the series shall be issuable;

(9) if other than the Trustee, the identity of each Security Registrar and/or Paying Agent;

(10) if other than the principal amount thereof, the portion of the principal amount of Securities of the series that shall be payable upon declaration of acceleration of the Maturity thereof pursuant to Section 502 or the method by which such portion shall be determined;

(11) if other than Dollars, the Currency in which payment of the principal of (and premium, if any, on) or interest, if any, on the Securities of the series shall be payable or in which the Securities of the series shall be denominated and the particular provisions applicable thereto in accordance with, in addition to or in lieu of any of the provisions of Section 312;

(12) whether the amount of payments of principal of (and premium, if any, on) or interest on the Securities of the series may be determined with reference to an index, formula or other method (which index, formula or method may be based, without limitation, on one or more Currencies, commodities, equity indices or other indices), and the manner in which such amounts shall be determined;

(13) whether the principal of (and premium, if any, on) and interest, if any, on the Securities of the series are to be payable, at the election of the Company or a Holder thereof, in a Currency other than that in which such Securities are denominated or stated to be payable, the period or periods within which (including the Election Date), and the terms and conditions upon which, such election may be made, and the time and manner of determining the exchange rate between the Currency in which such Securities are denominated or stated to be payable and the Currency in which such Securities are to be so payable, in each case in accordance with, in addition to or in lieu of any of the provisions of Section 312;

(14) the designation of the initial Exchange Rate Agent, if any;

(15) any provisions in modification of, in addition to or in lieu of the provisions of Article Fourteen that shall be applicable to the Securities of the series;

(16) provisions, if any, granting special rights to the Holders of Securities of the series upon the occurrence of such events as may be specified;

(17) any deletions from, modifications of or additions to the Events of Default or covenants of the Company with respect to Securities of the series, whether or not such Events of Default or covenants are consistent with the Events of Default or covenants set forth herein;

(18) whether Securities of the series are to be issuable as Registered Securities, Bearer Securities (with or without coupons) or both, any restrictions applicable to the offer, sale or delivery of Bearer Securities, whether any Securities of the series are to be issuable initially in temporary global form and whether any Securities of the series are to be issuable in permanent global form with or without coupons and, if so, whether beneficial owners of interests in any such permanent global Security may exchange such interests for Securities of such series and of like tenor of any authorized form and denomination and the circumstances under which any such exchanges may occur, if other than in the manner provided in Section 305, whether Registered Securities of the series may be exchanged for Bearer Securities of the series (if permitted by applicable laws and regulations), whether Bearer Securities of the series may be exchanged for Registered Securities of the series, and the circumstances under which and the place or places where such exchanges may be made and if Securities of the series are to be issuable in global form, the identity of any initial depository therefor;

(19) the date as of which any Bearer Securities of the series and any temporary global Security representing Outstanding Securities of the series shall be dated if other than the date of original issuance of the first Security of the series to be issued;

(20) the Person to whom any interest on any Registered Security of the series shall be payable, if other than the Person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest, the manner in which, or the Person to whom, any interest on any Bearer Security of the series shall be payable, if otherwise than upon presentation and surrender of the coupons appertaining thereto as they severally mature, and the extent to which, or the manner

in which, any interest payable on a temporary global Security on an Interest Payment Date will be paid if other than in the manner provided in Section 304;

(21) if Securities of the series are to be issuable in definitive form (whether upon original issue or upon exchange of a temporary Security of such series) only upon receipt of certain certificates or other documents or satisfaction of other conditions, the form and/or terms of such certificates, documents or conditions;

(22) whether and under what circumstances the Company will pay Additional Amounts as contemplated by Section 1005 on the Securities of the series to any Holder who is not a United States person (including any modification to the definition of such term) in respect of any tax, assessment or governmental charge and, if so, whether the Company will have the option to redeem such Securities rather than pay such Additional Amounts (and the terms of any such option);

(23) if the Securities of the series are to be convertible into or exchangeable for any securities of any Person (including the Company), the terms and conditions upon which such Securities will be so convertible or exchangeable; and

(24) any other terms, conditions, rights and preferences (or limitations on such rights and preferences) relating to the series (which terms shall not be inconsistent with the requirements of the Trust Indenture Act or the provisions of this Indenture).

All Securities of any one series and the coupons appertaining to any Bearer Securities of such series shall be substantially identical except, in the case of Registered Securities, as to denomination and except as may otherwise be provided in or pursuant to such Board Resolution (subject to Section 303) and set forth in such Officers' Certificate or in any such indenture supplemental hereto. Not all Securities of any one series need be issued at the same time, and, unless otherwise provided, a series may be reopened for issuances of additional Securities of such series.

If any of the terms of the series are established by action taken pursuant to one or more Board Resolutions, a copy of an appropriate record of such action(s) shall be certified by the Secretary or an Assistant Secretary of the Company and such Board Resolutions shall be delivered to the Trustee at or prior to the delivery of the Officers' Certificate setting forth the terms of the series.

SECTION 302. DENOMINATIONS.

The Securities of each series shall be issuable in such denominations as shall be specified as contemplated by Section 301. With respect to

Securities of any series denominated in Dollars, in the absence of any such provisions, the Registered Securities of such series, other than Registered Securities issued in global form (which may be of any denomination), shall be issuable in denominations of $1,000 and any integral multiple thereof and the Bearer Securities of such series, other than the Bearer Securities issued in global form (which may be of any denomination), shall be issuable in a denomination of $5,000.

SECTION 303. EXECUTION, AUTHENTICATION, DELIVERY AND DATING.

The Securities and any coupons appertaining thereto shall be executed on behalf of the Company by its Chairman, its President or a Vice President, under its corporate seal reproduced thereon attested by its Secretary or an Assistant Secretary. The signature of any of these officers on the Securities or coupons may be the manual or facsimile signatures of the present or any future such authorized officer and may be imprinted or otherwise reproduced on the Securities.

Securities or coupons 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 Securities or did not hold such offices at the date of such Securities or coupons.

At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Securities of any series together with any coupon appertaining thereto, executed by the Company to the Trustee for authentication, together with a Company Order for the authentication and delivery of such Securities, and the Trustee in accordance with such Company Order shall authenticate and deliver such Securities; PROVIDED, HOWEVER, that, in connection with its original issuance, no Bearer Security shall be mailed or otherwise delivered to any location in the United States; and PROVIDED, FURTHER, that, unless otherwise specified with respect to any series of Securities pursuant to Section 301, a Bearer Security may be delivered in connection with its original issuance only if

the Person entitled to receive such Bearer Security shall have furnished a certificate in the form set forth in Exhibit A-1 to this Indenture, dated no earlier than 15 days prior to the earlier of the date on which such Bearer Security is delivered and the date on which any temporary Security first becomes exchangeable for such Bearer Security in accordance with the terms of such temporary Security and this Indenture. If any Security shall be represented by a permanent global Bearer Security, then, for purposes of this Section and Section 304, the notation of a beneficial owner's interest therein upon original issuance of such Security or upon exchange of a portion of a temporary global

Security shall be deemed to be delivery in connection with its original issuance of such beneficial owner's interest in such permanent global Security. Except as permitted by Section 306, the Trustee shall not authenticate and deliver any Bearer Security unless all appurtenant coupons for interest then matured have been detached and cancelled. If not all the Securities of any series are to be issued at one time and if the Board Resolution or supplemental indenture establishing such series shall so permit, such Company Order may set forth procedures acceptable to the Trustee for the issuance of such Securities and determining terms of particular Securities of such series such as interest rate, maturity date, date of issuance and date from which interest shall accrue.

In authenticating such Securities, and accepting the additional responsibilities under this Indenture in relation to such Securities, the Trustee shall be entitled to receive, and (subject to TIA Sections 315(a) through 315(d)) shall be fully protected in relying upon, an Opinion of Counsel stating:

(a) that the form or forms of such Securities and any coupons have been established in conformity with the provisions of this Indenture;

(b) that the terms of such Securities and any coupons have been established in conformity with the provisions of this Indenture;

(c) that such Securities, together with any coupons appertaining thereto, when completed by appropriate insertions and executed and delivered by the Company to the Trustee for authentication in accordance with this Indenture, authenticated and delivered by the Trustee in accordance with this Indenture and issued by the Company in the manner and subject to any conditions specified in

such Opinion of Counsel, will constitute the legal, valid and binding obligations of the Company, enforceable in accordance with their terms, subject to applicable bankruptcy, insolvency, reorganization and other similar laws of general applicability relating to or affecting the enforcement of creditors' rights, to general equitable principles and to such other qualifications as such counsel shall conclude do not materially affect the rights of Holders of such Securities and any coupons;

(d) that all laws and requirements in respect of the execution and delivery by the Company of such Securities, any coupons and of the supplemental indentures, if any, have been complied with and that authentication and delivery of such Securities and any coupons and the execution and delivery of the supplemental indenture, if any, by the Trustee will not violate the terms of the Indenture;

(e) that the Company has the corporate power to issue such Securities and any coupons, and has duly taken all necessary corporate action with respect to such issuance; and

(f) that the issuance of such Securities and any coupons will not contravene the articles of incorporation or by-laws of the Company or result in any violation of any of the terms or provisions of any law or regulation or of any indenture, mortgage or other agreement known to such Counsel by which the Company is bound.

Notwithstanding the provisions of Section 301 and of the preceding two paragraphs, if not all the Securities of any series are to be issued at one time, it shall not be necessary to deliver the Officers' Certificate otherwise required pursuant to Section 301 or the Company Order and Opinion of Counsel otherwise required pursuant to the preceding two paragraphs prior to or at the time of issuance of each Security, but such documents shall be delivered prior to or at the time of issuance of the first Security of such series.

The Trustee shall not be required to authenticate and deliver any such Securities if the issue of such Securities pursuant to this Indenture will affect the Trustee's own rights, duties or immunities under the Securities and this Indenture or otherwise in a manner which is not reasonably acceptable to the Trustee.

Each Registered Security shall be dated the date of its authentication, and each Bearer Security shall be dated as of the date specified as contemplated by Section 301.

No Security or coupon shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose unless there appears on such Security a certificate of authentication substantially in the form provided for herein duly executed by the Trustee by manual signature of an authorized officer, and such certificate upon any Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered hereunder and is entitled to the benefits of this Indenture. Notwithstanding the foregoing, if any Security shall have been authenticated and delivered hereunder but never issued and sold by the Company, and the Company shall deliver such Security to the Trustee for cancellation as provided in Section 310 together with a written statement (which need not comply with Section 102 and need not be accompanied by an Opinion of Counsel) stating that such Security has never been issued and sold by the Company, for all purposes of this Indenture such Security 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 SECURITIES.

Pending the preparation of definitive Securities of any series, the Company may execute, and upon Company Order the Trustee shall authenticate and deliver, temporary Securities which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any authorized denomination, substantially of the tenor of the definitive Securities in lieu of which they are issued, in registered form or, if authorized, in bearer form with one or more coupons or without coupons, and with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Securities may determine, as conclusively evidenced by their execution of such Securities. Such temporary Securities may be in global form.

Except in the case of temporary Securities in global form (which shall be exchanged in accordance with the provisions of the following paragraphs), if temporary Securities of any series are issued, the Company will cause definitive Securities of that series to be prepared without unreasonable delay. After the preparation of definitive Securities of such series, the temporary Securities of such

series shall be exchangeable for definitive Securities of such series, upon surrender of the temporary Securities of such series at the office or agency of the Company in a Place of Payment for that series, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Securities of any series (accompanied by any unmatured coupons appertaining thereto), the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a like principal amount of definitive Securities of the same series of authorized denominations; PROVIDED, HOWEVER, that no definitive Bearer Security shall be delivered in exchange for a temporary Registered Security; and PROVIDED, FURTHER, that a definitive Bearer Security shall be delivered in exchange for a temporary Bearer Security only in compliance with the conditions set forth in Section 303. Until so exchanged the temporary Securities of any series shall in all respects be entitled to the same benefits under this Indenture as definitive Securities of such series.

If temporary Securities of any series are issued in global form, any such temporary global Security shall, unless otherwise provided therein, be delivered to the London office of a depositary or common depositary (the "Common Depositary"), for the benefit of Euroclear and CEDEL S.A., for credit to the respective accounts of the beneficial owners of such Securities (or to such other accounts as they may direct).

Without unnecessary delay but in any event not later than the date specified in, or determined pursuant to the terms of, any such temporary global Security (the "Exchange Date"), the Company shall deliver to the Trustee

definitive Securities, in aggregate principal amount equal to the principal amount of such temporary global Security, executed by the Company. On or after the Exchange Date such temporary global Security shall be surrendered by the Common Depositary to the Trustee, as the Company's agent for such purpose, to be exchanged, in whole or from time to time in part, for definitive Securities without charge and the Trustee shall authenticate and deliver, in exchange for each portion of such temporary global Security, an equal aggregate principal amount of definitive Securities of the same series of authorized denominations and of like tenor as the portion of such temporary global Security to be exchanged. The definitive Securities to be delivered in exchange for any such temporary global Security shall be in bearer form, registered form, permanent global bearer form or permanent global registered form, or any combination thereof, as

specified as contemplated by Section 301, and, if any combination thereof is so specified, as requested by the beneficial owner thereof; PROVIDED, HOWEVER, that, unless otherwise specified in such temporary global Security, upon such presentation by the Common Depositary, such temporary global Security is accompanied by a certificate dated the Exchange Date or a subsequent date and signed by Euroclear as to the portion of such temporary global Security held for its account then to be exchanged and a certificate dated the Exchange Date or a subsequent date and signed by CEDEL S.A. as to the portion of such temporary global Security held for its account then to be exchanged, each in the form set forth in Exhibit A-2 to this Indenture (or in such other form as may be established pursuant to Section 301); and PROVIDED, FURTHER, that definitive Bearer Securities shall be delivered in exchange for a portion of a temporary global Security only in compliance with the requirements of Section 303.

Unless otherwise specified in such temporary global Security, the interest of a beneficial owner of Securities of a series in a temporary global Security shall be exchanged for definitive Securities of the same series and of like tenor following the Exchange Date when the account holder instructs Euroclear or CEDEL S.A., as the case may be, to request such exchange on his behalf and delivers to Euroclear or CEDEL S.A., as the case may be, a certificate in the form set forth in Exhibit A-1 to this Indenture (or in such other form as may be established pursuant to Section 301), dated no earlier than 15 days prior to the Exchange Date, copies of which certificate shall be available from the offices of Euroclear and CEDEL S.A., the Trustee, any Authenticating Agent appointed for such series of Securities and each Paying Agent. Unless otherwise specified in such temporary global Security, any such exchange shall be made free of charge to the beneficial owners of such temporary global Security, except that a Person receiving definitive Securities must bear the cost of insurance, postage, transportation and the like in the event that such Person does not take delivery of such definitive Securities in person at the offices of Euroclear or CEDEL S.A. Definitive Securities in bearer form to

be delivered in exchange for any portion of a temporary global Security shall be delivered only outside the United States.

Until exchanged in full as hereinabove provided, the temporary Securities of any series shall in all respects be entitled to the same benefits under this Indenture as definitive Securities of the same series and of like tenor authenticated and delivered hereunder, except that, unless

otherwise specified as contemplated by Section 301, interest payable on a temporary global Security on an Interest Payment Date for Securities of such series occurring prior to the applicable Exchange Date shall be payable to Euroclear and CEDEL S.A. on such Interest Payment Date upon delivery by Euroclear and CEDEL S.A. to the Trustee of a certificate or certificates in the form set forth in Exhibit A-2 to this Indenture (or in such other form as may be established pursuant to Section 301), for credit without further interest on or after such Interest Payment Date to the respective accounts of the Persons who are the beneficial owners of such temporary global Security on such Interest Payment Date and who have each delivered to Euroclear or CEDEL S.A., as the case may be, a certificate dated no earlier than 15 days prior to the Interest Payment Date occurring prior to such Exchange Date in the form set forth in Exhibit A-1 to this Indenture (or in such other form as may be established pursuant to Section 301). Notwithstanding anything to the contrary herein contained, the certifications made pursuant to this paragraph shall satisfy the certification requirements of the preceding two paragraphs of this Section and of the third paragraph of Section 303 of this Indenture and the interests of the Persons who are the beneficial owners of the temporary global Security with respect to which such certification was made will be exchanged for definitive Securities of the same series and of like tenor on the Exchange Date or the date of certification if such date occurs after the Exchange Date, without further act or deed by such beneficial owners. Except as otherwise provided in this paragraph, no payments of principal or interest owing with respect to a beneficial interest in a temporary global Security will be made unless and until such interest in such temporary global Security shall have been exchanged for an interest in a definitive Security. Any interest so received by Euroclear and CEDEL S.A. and not paid as herein provided shall be returned to the Trustee immediately prior to the expiration of two years after such Interest Payment Date in order to be repaid to the Company in accordance with Section 1003.

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 for each series of Securities (the registers maintained in the Corporate Trust Office of the Trustee and in any other office or agency of the Company in a Place of Payment being herein sometimes collectively referred

to as the "Security Register") in

which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Registered Securities and of transfers of Registered Securities. The Security Register shall be in written form or any other form capable of being converted into written form within a reasonable time. At all reasonable times, the Security Register shall be open to inspection by the Trustee. The Trustee is hereby initially appointed as security registrar (the "Security Registrar") for the purpose of registering Registered Securities and transfers of Registered Securities as herein provided.

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

At the option of the Holder, Registered Securities of any series may be exchanged for other Registered Securities of the same series, of any authorized denomination and of a like aggregate principal amount, upon surrender of the Registered Securities to be exchanged at such office or agency. Whenever any Registered Securities are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Registered Securities which the Holder making the exchange is entitled to receive. Unless otherwise specified with respect to any series of Securities as contemplated by Section 301, Bearer Securities may not be issued in exchange for Registered Securities.

If (but only if) expressly permitted in or pursuant to the applicable Board Resolution and (subject to Section 303) set forth in the applicable Officers' Certificate, or in any indenture supplemental hereto, delivered as contemplated by Section 301, at the option of the Holder, Bearer Securities of any series may be exchanged for Registered Securities of the same series of any authorized denomination and of a like aggregate principal amount and tenor, upon surrender of the Bearer Securities to be exchanged at any such office or agency, with all unmatured coupons and all matured coupons in default thereto appertaining. If the Holder of a Bearer Security is unable to produce any such unmatured coupon or coupons or matured coupon or coupons in default, any such permitted exchange may be effected if the

Bearer Securities are accompanied by payment in funds acceptable to the Company in an amount equal to the face amount of such missing coupon or coupons, or the surrender of such missing coupon or coupons may be waived by the Company and the Trustee if there is furnished to them such security or indemnity as they may require to save each of them and any Paying Agent harmless. If thereafter the Holder of such Security shall surrender to any Paying Agent any such missing coupon in respect of which such a payment shall have been made, such Holder shall be entitled to receive the amount of such payment; PROVIDED, HOWEVER, that, except as otherwise provided in Section 1002, interest represented by coupons shall be payable only upon presentation and surrender of those coupons at an office or agency located outside the United States. Notwithstanding the foregoing, in case a Bearer Security of any series is surrendered at any such office or agency in a permitted exchange for a Registered Security of the same series and like tenor after the close of business at such office or agency on (i) any Regular Record Date and before the opening of business at such office or agency on the relevant Interest Payment Date, or (ii) any Special Record Date and before the opening of business at such office or agency on the related proposed date for payment of Defaulted Interest, such Bearer Security shall be surrendered without the coupon relating to such Interest Payment Date or proposed date for payment, as the case may be, and interest or Defaulted Interest, as the case may be, will not be payable on such Interest Payment Date or proposed date for payment, as the case may be, in respect of the Registered Security issued in exchange for such Bearer Security, but will be payable only to the Holder of such coupon when due in accordance with the provisions of this Indenture.

Whenever any Securities are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Securities which the Holder making the exchange is entitled to receive.

Notwithstanding the foregoing, except as otherwise specified as contemplated by Section 301, any permanent global Security shall be exchangeable only as provided in this paragraph. If any beneficial owner of an interest in a permanent global Security is entitled to exchange such interest for Securities of such series and of like tenor and principal amount of another authorized form and denomination, as specified as contemplated by Section 301 and provided that any applicable notice provided in the permanent global Security shall have been given, then without unnecessary

delay but in any event not later than the earliest date on which such interest may be so exchanged, the Company shall deliver to the Trustee definitive Securities in aggregate principal amount equal to the principal amount of such beneficial owner's interest in such permanent global Security, executed by the

Company. On or after the earliest date on which such interests may be so exchanged, such permanent global Security shall be surrendered by the Common Depositary or such other depositary as shall be specified in the Company Order with respect thereto to the Trustee, as the Company's agent for such purpose, to be exchanged, in whole or from time to time in part, for definitive Securities without charge, and the Trustee shall authenticate and deliver, in exchange for each portion of such permanent global Security, an equal aggregate principal amount of definitive Securities of the same series of authorized denominations and of like tenor as the portion of such permanent global Security to be exchanged which, unless the Securities of the series are not issuable both as Bearer Securities and as Registered Securities, as specified as contemplated by Section 301, shall be in the form of Bearer Securities or Registered Securities, or any combination thereof, as shall be specified by the beneficial owner thereof; PROVIDED, HOWEVER, that no such exchanges may occur during a period beginning at the opening of business 15 days before any selection of Securities to be redeemed and ending on the relevant Redemption Date if the Security for which exchange is requested may be among those selected for redemption; and PROVIDED, FURTHER, that no Bearer Security delivered in exchange for a portion of a permanent global Security shall be mailed or otherwise delivered to any location in the United States. If a Registered Security is issued in exchange for any portion of a permanent global Security after the close of business at the office or agency where such exchange occurs on (i) any Regular Record Date and before the opening of business at such office or agency on the relevant Interest Payment Date, or (ii) any Special Record Date and before the opening of business at such office or agency on the related proposed date for payment of Defaulted Interest, interest or Defaulted Interest, as the case may be, will not be payable on such Interest Payment Date or proposed date for payment, as the case may be, in respect of such Registered Security, but will be payable on such Interest Payment Date or proposed date for payment, as the case may be, only to the Person to whom interest in respect of such portion of such permanent global Security is payable in accordance with the provisions of this Indenture.

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

Every Registered Security presented or surrendered for registration of transfer or for exchange shall (if so required by the Company or the Security Registrar) be duly endorsed, or be accompanied by a written instrument of transfer, in form satisfactory to the Company and the Security 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 Securities, 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 Securities, other than exchanges pursuant to Section 304, 906, 1107 or 1305 not involving any transfer.

The Company shall not be required (i) to issue, register the transfer of or exchange Securities of any series during a period beginning at the opening of business 15 days before the day of the selection for redemption of Securities of that series under Section 1103 or 1203 and ending at the close of business on (A) if Securities of the series are issuable only as Registered Securities, the day of the mailing of the relevant notice of redemption and (B) if Securities of the series are issuable as Bearer Securities, the day of the first publication of the relevant notice of redemption or, if Securities of the series are also issuable as Registered Securities and there is no publication, the mailing of the relevant notice of redemption, or (ii) to register the transfer of or exchange any Registered Security so selected for redemption in whole or in part, except the unredeemed portion of any Security being redeemed in part, or (iii) to exchange any Bearer Security so selected for redemption except that such a Bearer Security may be exchanged for a Registered Security of that series and like tenor; PROVIDED that such Registered Security shall be simultaneously surrendered for redemption, or (iv) to issue, register the transfer of or exchange any Security which has been surrendered for repayment at the option of the Holder, except the portion, if any, of such Security not to be so repaid.

SECTION 306. MUTILATED, DESTROYED, LOST AND STOLEN SECURITIES.

If any mutilated Security or a Security with a mutilated coupon appertaining to it is surrendered to the Trustee, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a new Security of the same series and of like tenor and principal amount and bearing a number not contemporaneously outstanding, with coupons corresponding to the coupons, if any, appertaining to the surrendered Security, or, in case any such mutilated Security or coupon has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Security, with coupons corresponding to the coupons, if any, appertaining to the surrendered Security, pay such Security or coupon.

If there shall be delivered to the Company and to the Trustee (i) evidence to their satisfaction of the destruction, loss or theft of any Security or coupon 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 Security or coupon has been acquired by a bona fide purchaser, the Company shall execute and upon Company Order the Trustee shall authenticate and deliver, in lieu of any such destroyed, lost or stolen Security or in exchange for the Security for which a destroyed,

lost or stolen coupon appertains (with all appurtenant coupons not destroyed, lost or stolen), a new Security of the same series and of like tenor and principal amount and bearing a number not contemporaneously outstanding, with coupons corresponding to the coupons, if any, appertaining to such destroyed, lost or stolen Security or to the Security to which such destroyed, lost or stolen coupon appertains, or, in case any such destroyed, lost or stolen Security or coupon has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Security, with coupons corresponding to the coupons, if any, appertaining to such destroyed, lost or stolen Security or to the Security to which such destroyed, lost or stolen coupon appertains, pay such Security or coupon.

Upon the issuance of any new Security 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 Security of any series with its coupons, if any, issued pursuant to this Section in lieu of any destroyed, lost or stolen Security or in exchange for a Security to which a destroyed, lost or stolen coupon appertains, shall constitute an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Security and its coupons, if any, or the destroyed, lost or stolen coupon 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 Securities of that series and their coupons, if any, 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 Securities or coupons.

SECTION 307. PAYMENT OF INTEREST; INTEREST RIGHTS PRESERVED; OPTIONAL INTEREST RESET.

(a) Unless otherwise provided as contemplated by Section 301 with respect to any series of Securities, interest on any Registered Security 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 such Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest at the office or agency of the Company maintained for such purpose pursuant to Section 1002; PROVIDED, HOWEVER, that each installment of interest on any Registered Security may at the Company's option be paid by (i) mailing a check for such interest, payable to or upon the written order of the Person entitled thereto pursuant to Section 309, to the address of such Person as it appears on the Security Register or (ii) transfer to an

account maintained by the payee located in the United States.

Unless otherwise provided as contemplated by Section 301 with respect to the Securities of any series, payment of interest may be made, in the case of a Bearer Security, by transfer to an account maintained by the payee with a bank located outside the United States.

Unless otherwise provided as contemplated by Section 301, every permanent global Security in bearer form will provide that interest, if any, payable on any Interest Payment Date will be paid to each of Euroclear and CEDEL S.A. with respect to that portion of such permanent global

Security held for its account by the Common Depositary, for the purpose of permitting each of Euroclear and CEDEL S.A. to credit the interest received by it in respect of such permanent global Security to the accounts of the beneficial owners thereof.

Any interest on any Registered Security of any series which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date 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 and, if applicable, interest on such defaulted interest (to the extent lawful) at the rate specified in the Securities of such series (such defaulted interest and, if applicable, interest thereon herein collectively called "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 Registered Securities of such series (or their respective Predecessor Securities) 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 Registered Security of such series and the date of the proposed payment, and at the same time the Company shall deposit with the Trustee an amount of money in the Currency in which the Securities of such series are payable (except as otherwise specified pursuant to Section 301 for the Securities of such series and except, if applicable, as provided in Sections 312(b), 312(d) and 312(e)) 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 on or 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 given in the manner provided in Section 106, 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 given, such Defaulted Interest shall be paid to the Persons in whose name the Registered Securities of such series (or their respective Predecessor Securities) 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 Registered Securities of any series in any other lawful manner not inconsistent with the requirements of any securities exchange on which such Securities 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.

(b) The provisions of this Section 307(b) may be made applicable to any series of Securities pursuant to Section 301 (with such modifications, additions or substitutions as may be specified pursuant to such Section 301). The interest rate (or the spread or spread multiplier used to calculate such interest rate, if applicable) on any Security of such series may be reset by the Company on the date or dates specified on the face of such Security (each an "Optional Reset Date"). The Company may exercise such option with respect to such Security by notifying the Trustee of such exercise at least 50 but not more than 60 days prior to an Optional Reset Date for such Note. Not later than 40 days prior to each Optional Reset Date, the Trustee shall transmit, in the manner provided for in Section 106, to the Holder of any such Security a notice (the "Reset Notice") indicating whether the Company has elected to reset the interest rate (or the spread or spread multiplier used to calculate such interest rate, if applicable), and if so (i) such new interest rate (or such new spread or spread multiplier, if applicable) and (ii) the provisions, if any, for redemption during the period from such Optional Reset Date to the next Optional Reset Date or if there is no such next Optional Reset Date, to the Stated Maturity Date of such Security (each such period a "Subsequent Interest Period"), including the date or dates on which or the period or periods during which and the price or prices at which such redemption may occur during the Subsequent Interest Period.

Notwithstanding the foregoing, not later than 20 days prior to the Optional Reset Date, the Company may, at its option, revoke the interest rate (or the spread or spread multiplier used to calculate such interest rate, if applicable) provided for in the Reset Notice and establish an interest rate (or a spread or spread multiplier used to calculate such interest rate, if applicable) that is higher than the interest rate (or the spread or spread multiplier, if applicable) provided for in the Reset Notice, for the Subsequent Interest Period by causing the Trustee to transmit, in the manner provided for in Section 106, notice of such higher interest rate (or such higher spread or spread multiplier, if applicable) to the Holder of such Security. Such notice shall be irrevocable. All Securities with respect to which the interest rate (or the spread or spread multiplier used to calculate such interest rate, if applicable) is reset on an Optional Reset Date, and with respect to which the Holders of such Securities have not tendered such Securities for repayment (or have validly revoked any such tender) pursuant to the next succeeding paragraph, will bear such higher interest rate (or such higher spread or spread multiplier, if applicable).

The Holder of any such Security will have the option to elect repayment by the Company of the principal of such Security on each Optional Reset Date at a price equal to the principal amount thereof plus interest accrued to such Optional Reset Date. In order to obtain repayment on an Optional Reset Date, the Holder must follow the procedures set forth in Article Thirteen for repayment at the option of Holders except that the period for delivery or notification to the Trustee shall be at least 25 but not more than 35 days prior to such Optional Reset Date and except that, if the Holder has tendered any Security for repayment pursuant to the Reset Notice, the Holder may, by written notice to the Trustee, revoke such tender or repayment until the close of business on the tenth day before such Optional Reset Date.

Subject to the foregoing provisions of this Section and Section 305, each Security delivered under this Indenture upon registration of transfer of or in exchange for or in lieu of any other Security shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Security.

SECTION 308. OPTIONAL EXTENSION OF STATED MATURITY.

The provisions of this Section 308 may be made applicable to any series of Securities pursuant to

Section 301 (with such modifications, additions or substitutions as may be specified pursuant to such Section 301). The Stated Maturity of any Security of such series may be extended at the option of the Company for the period or periods specified on the face of such Security (each an "Extension Period") up to but not beyond the date (the "Final Maturity") set forth on the face of such Security. The Company may exercise such option with respect to any Security by notifying the Trustee of such exercise at least 50 but not more than 60 days prior to the Stated Maturity of such Security in effect prior to the exercise of such option (the "Original Stated Maturity"). If the Company exercises such option, the Trustee shall transmit, in the manner provided for in Section 106, to the Holder of such Security not later than 40 days prior to the Original Stated Maturity a notice (the "Extension Notice") indicating (i) the election of the Company to extend the Stated Maturity, (ii) the new Stated Maturity, (iii) the interest rate applicable to the Extension Period and (iv) the provisions, if any, for redemption during such Extension Period. Upon the Trustee's transmittal of the Extension Notice, the Stated Maturity of such Security shall be extended automatically and, except as modified by the Extension Notice and as described in the next paragraph, such Security will have the same terms as prior to the transmittal of such Extension Notice.

Notwithstanding the foregoing, not later than 20 days before the Original Stated Maturity of such Security, the Company may, at its option, revoke the interest rate provided for in the Extension Notice and establish a higher interest rate for the Extension Period by causing the Trustee to transmit, in the manner provided for in Section 106, notice of such higher interest rate to the Holder of such Security. Such notice shall be irrevocable. All Securities with respect to which the Stated Maturity is extended will bear such higher interest rate.

If the Company extends the Maturity of any Security, the Holder will have the option to elect repayment of such Security by the Company on the Original Stated Maturity at a price equal to the principal amount thereof, plus interest accrued to such date. In order to obtain repayment on the Original Stated Maturity once the Company has extended the Maturity thereof, the Holder must follow the procedures set forth in Article Thirteen for repayment at the option of Holders, except that the period for delivery or notification to the Trustee shall be at least 25 but not more than 35 days prior to the Original Stated Maturity and except that, if the

Holder has tendered any Security for repayment pursuant to an Extension Notice, the Holder may by written notice to the Trustee revoke such tender for repayment until the close of business on the tenth day before the Original Stated Maturity.

SECTION 309. PERSONS DEEMED OWNERS.

Prior to due presentment of a Registered Security 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 Registered Security is registered as the owner of such Registered Security for the purpose of receiving payment of principal of (and premium, if any, on) and (subject to Sections 305 and 307) interest on such Security and for all other purposes whatsoever, whether or not such Security be overdue, and none of the Company, the Trustee or any agent of the Company or the Trustee shall be affected by notice to the contrary.

Title to any Bearer Security and any coupons appertaining thereto shall pass by delivery. The Company, the Trustee and any agent of the Company or the Trustee may treat the bearer of any Bearer Security and the bearer of any coupon as the absolute owner of such Security or coupon for the purpose of receiving payment thereof or on account thereof and for all other purposes whatsoever, whether or not such Security or coupons be overdue, and none of the Company, the Trustee or any agent of the Company or the Trustee shall be affected by notice to the contrary.

None of the Company, the Trustee, any Paying Agent or the Security Registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests of a Security in global form or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Notwithstanding the foregoing, with respect to any global Security, nothing herein shall prevent the Company, the Trustee, or any agent of the Company or the Trustee, from giving effect to any written certification, proxy or other authorization furnished by any depositary, as a Holder, with respect to such global Security or impair, as between such depositary and owners of beneficial interests in such global Security, the operation of customary practices governing the exercise of the rights of such depositary (or its nominee) as Holder of such global Security.

SECTION 310. CANCELLATION.

All Securities and coupons surrendered for payment, redemption, repayment at the option of the Holder, registration of transfer or exchange or for credit against any current or future sinking fund payment shall, if surrendered to any Person other than the Trustee, be delivered to the Trustee. All Securities and coupons so delivered to the Trustee shall be promptly cancelled by it. The Company may at any time deliver to the Trustee for cancellation any Securities 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 Securities previously authenticated hereunder which the Company has not issued and sold, and all Securities so delivered shall be promptly cancelled by the Trustee. If the Company shall so acquire any of the Securities, however, such acquisition shall not operate as a redemption or satisfaction of the indebtedness represented by such Securities unless and until the same are surrendered to the Trustee for cancellation. No Securities shall be authenticated in lieu of or in exchange for any Securities cancelled as provided in this Section, except as expressly permitted by this Indenture. All cancelled Securities held by the Trustee shall be disposed of by the Trustee in accordance with its customary procedures and certification of their disposal delivered to the Company unless by Company Order the Company shall direct that cancelled Securities be returned to it.

SECTION 311. COMPUTATION OF INTEREST.

Except as otherwise specified as contemplated by Section 301 with respect to any Securities, interest, if any, on the Securities of each series shall be computed on the basis of a 360-day year of twelve 30-day months.

SECTION 312. CURRENCY AND MANNER OF PAYMENTS IN RESPECT OF SECURITIES.

(a) With respect to Registered Securities of any series not permitting the election provided for in paragraph (b) below or the Holders of which have not made the election provided for in paragraph (b) below, and with respect to Bearer Securities of any series, except as provided in paragraph (d) below, payment of the principal of (and premium, if any, on) and interest, if any, on any Registered

or Bearer Security of such series will be made in the Currency in which such Registered Security or Bearer Security, as the case may be, is payable. The provisions of this Section 312 may be modified or superseded with respect to any Securities pursuant to Section 301.

(b) It may be provided pursuant to Section 301 with respect to Registered Securities of any series that Holders shall have the option, subject to paragraphs (d) and (e) below, to receive payments of principal of (and premium, if any, on) or interest, if any, on such Registered Securities in any of the Currencies which may be designated for such election by delivering to the Trustee a written election with signature guarantees and in the applicable form established pursuant to Section 301, not later than the close of business on the Election Date immediately preceding the applicable payment date. If a Holder so elects to receive such payments in any such Currency, such election will remain in effect for such Holder or any transferee of such Holder until changed by such

Holder or such transferee by written notice to the Trustee (but any such change must be made not later than the close of business on the Election Date immediately preceding the next payment date to be effective for the payment to be made on such payment date and no such change of election may be made with respect to payments to be made on any Registered Security of such series with respect to which an Event of Default has occurred or with respect to which the Company has deposited funds pursuant to Article Four or Fourteen or with respect to which a notice of redemption has been given by the Company or a notice of option to elect repayment has been sent by such Holder or such transferee). Any Holder of any such Registered Security who shall not have delivered any such election to the Trustee not later than the close of business on the applicable Election Date will be paid the amount due on the applicable payment date in the relevant Currency as provided in Section 312(a). The Trustee shall notify the Exchange Rate Agent as soon as practicable after the Election Date of the aggregate principal amount of Registered Securities for which Holders have made such written election.

(c) Unless otherwise specified pursuant to Section 301, if the election referred to in paragraph (b) above has been provided for pursuant to Section 301, then, unless otherwise specified pursuant to Section 301, not later than the fourth Business Day after the Election Date for each payment date for Registered Securities of any series, the Exchange Rate Agent will deliver to the Company a written notice specifying, in the Currency in which Registered Securities of such series are payable, the respective

aggregate amounts of principal of (and premium, if any, on) and interest, if any, on the Registered Securities to be paid on such payment date, specifying the amounts in such Currency so payable in respect of the Registered Securities as to which the Holders of Registered Securities of such series shall have elected to be paid in another Currency as provided in paragraph (b) above. If the election referred to in paragraph (b) above has been provided for pursuant to Section 301 and if at least one Holder has made such election, then, unless otherwise specified pursuant to Section 301, on the second Business Day preceding such payment date the Company will deliver to the Trustee for such series of Registered Securities an Exchange Rate Officer's Certificate in respect of the Dollar or Foreign Currency payments to be made on such payment date. Unless otherwise specified pursuant to Section 301, the Dollar or Foreign Currency amount receivable by Holders of Registered Securities who have elected payment in a Currency as provided in paragraph (b) above shall be determined by the Company on the basis of the applicable Market Exchange Rate in effect on the third Business Day (the "Valuation Date") immediately preceding each payment date and such determination shall be conclusive and binding for all purposes, absent manifest error.

(d) If a Conversion Event occurs with respect to a Foreign Currency in

which any of the Securities are denominated or payable other than pursuant to an election provided for pursuant to paragraph (b) above, then with respect to each date for the payment of principal of (and premium, if any, on) and interest, if any, on the applicable Securities denominated or payable in such Foreign Currency occurring after the last date on which such Foreign Currency was used (the "Conversion Date"), the Dollar shall be the Currency of payment for use on each such payment date. Unless otherwise specified pursuant to Section 301, the Dollar amount to be paid by the Company to the Trustee and by the Trustee or any Paying Agent to the Holders of such Securities with respect to such payment date shall be, in the case of a Foreign Currency other than a currency unit, the Dollar Equivalent of the Foreign Currency or, in the case of a currency unit, the Dollar Equivalent of the Currency Unit, in each case as determined by the Exchange Rate Agent in the manner provided in paragraph (f) or (g) below.

(e) Unless otherwise specified pursuant to Section 301, if the Holder of a Registered Security denominated in any Currency shall have elected to be paid in another Currency as provided in paragraph (b) above, and a Conversion Event occurs with respect to such elected Currency, such

Holder shall receive payment in the Currency in which payment would have been made in the absence of such election; and if a Conversion Event occurs with respect to the Currency in which payment would have been made in the absence of such election, such Holder shall receive payment in Dollars as provided in paragraph (d) above.

(f) The "Dollar Equivalent of the Foreign Currency" shall be determined by the Exchange Rate Agent and shall be obtained for each subsequent payment date by converting the specified Foreign Currency into Dollars at the Market Exchange Rate on the Conversion Date.

(g) The "Dollar Equivalent of the Currency Unit" shall be determined by the Exchange Rate Agent and subject to the provisions of paragraph (h) below shall be the sum of each amount obtained by converting the Specified Amount of each Component Currency into Dollars at the Market Exchange Rate for such Component Currency on the Valuation Date with respect to each payment.

(h) For purposes of this Section 312 the following terms shall have the following meanings:

A "Component Currency" shall mean any Currency which, on the Conversion Date, was a component currency of the relevant currency unit, including, but not limited to, the ECU.

A "Specified Amount" of a Component Currency shall mean the number of units of such Component Currency or fractions thereof which were represented

in the relevant currency unit, including, but not limited to, the ECU, on the Conversion Date. If after the Conversion Date the official unit of any Component Currency is altered by way of combination or subdivision, the Specified Amount of such Component Currency shall be divided or multiplied in the same proportion. If after the Conversion Date two or more Component Currencies are consolidated into a single currency, the respective Specified Amounts of such Component Currencies shall be replaced by an amount in such single Currency equal to the sum of the respective Specified Amounts of such consolidated Component Currencies expressed in such single Currency, and such amount shall thereafter be a Specified Amount and such single Currency shall thereafter be a Component Currency. If after the Conversion Date any Component Currency shall be divided into two or more currencies, the Specified Amount of such Component Currency shall be

replaced by amounts of such two or more currencies, having an aggregate Dollar Equivalent value at the Market Exchange Rate on the date of such replacement equal to the Dollar Equivalent value of the Specified Amount of such former Component Currency at the Market Exchange Rate immediately before such division and such amounts shall thereafter be Specified Amounts and such currencies shall thereafter be Component Currencies. If, after the Conversion Date of the relevant currency unit, including, but not limited to, the ECU, a Conversion Event (other than any event referred to above in this definition of "Specified Amount") occurs with respect to any Component Currency of such currency unit and is continuing on the applicable Valuation Date, the Specified Amount of such Component Currency shall, for purposes of calculating the Dollar Equivalent of the Currency Unit, be converted into Dollars at the Market Exchange Rate in effect on the Conversion Date of such Component Currency.

"Election Date" shall mean the date for any series of Registered Securities as specified pursuant to clause (13) of Section 301 by which the written election referred to in paragraph (b) above may be made.

All decisions and determinations of the Exchange Rate Agent regarding the Dollar Equivalent of the Foreign Currency, the Dollar Equivalent of the Currency Unit, the Market Exchange Rate and changes in the Specified Amounts as specified above shall be in its sole discretion and shall, in the absence of manifest error, be conclusive for all purposes and irrevocably binding upon the Company, the Trustee and all Holders of such Securities denominated or payable in the relevant Currency. The Exchange Rate Agent shall promptly give written notice to the Company and the Trustee of any such decision or determination.

In the event that the Company determines in good faith that a Conversion Event has occurred with respect to a Foreign Currency, the Company

will immediately give written notice thereof to the Trustee and to the Exchange Rate Agent (and the Trustee will promptly thereafter give notice in the manner provided for in Section 106 to the affected Holders) specifying the Conversion Date. In the event the Company so determines that a Conversion Event has occurred with respect to the ECU or any other currency unit in which Securities are denominated or payable, the Company will immediately give written notice thereof to the Trustee and to the Exchange Rate Agent (and the Trustee will promptly thereafter give notice in the manner provided for in Section 106 to the

affected Holders) specifying the Conversion Date and the Specified Amount of each Component Currency on the Conversion Date. In the event the Company determines in good faith that any subsequent change in any Component Currency as set forth in the definition of Specified Amount above has occurred, the Company will similarly give written notice to the Trustee and the Exchange Rate Agent.

The Trustee shall be fully justified and protected in relying and acting upon information received by it from the Company and the Exchange Rate Agent and shall not otherwise have any duty or obligation to determine the accuracy or validity of such information independent of the Company or the Exchange Rate Agent.

SECTION 313. APPOINTMENT AND RESIGNATION OF SUCCESSOR EXCHANGE RATE AGENT.

(a) Unless otherwise specified pursuant to Section 301, if and so long as the Securities of any series (i) are denominated in a Currency other than Dollars or (ii) may be payable in a Currency other than Dollars, or so long as it is required under any other provision of this Indenture, then the Company will maintain with respect to each such series of Securities, or as so required, at least one Exchange Rate Agent. The Company will cause the Exchange Rate Agent to make the necessary foreign exchange determinations at the time and in the manner specified pursuant to Section 301 for the purpose of determining the applicable rate of exchange and, if applicable, for the purpose of converting the issued Currency into the applicable payment Currency for the payment of principal (and premium, if any) and interest, if any, pursuant to Section 312.

(b) No resignation of the Exchange Rate Agent and no appointment of a successor Exchange Rate Agent pursuant to this Section shall become effective until the acceptance of appointment by the successor Exchange Rate Agent as evidenced by a written instrument delivered to the Company and the Trustee.

(c) If the Exchange Rate Agent shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of the Exchange Rate Agent for any cause with respect to the Securities of one or more series, the Company, by or pursuant to a Board Resolution, shall promptly appoint a

successor Exchange Rate Agent or Exchange Rate Agents with respect to the Securities of that or those series (it being understood that any such successor Exchange Rate Agent may be appointed with respect to the Securities of one or more or all of such series and that, unless otherwise

specified pursuant to Section 301, at any time there shall only be one Exchange Rate Agent with respect to the Securities of any particular series that are originally issued by the Company on the same date and that are initially denominated and/or payable in the same Currency).

ARTICLE FOUR

SATISFACTION AND DISCHARGE

SECTION 401. SATISFACTION AND DISCHARGE OF INDENTURE.

This Indenture shall upon Company Request cease to be of further effect with respect to any series of Securities specified in such Company Request (except as to any surviving rights of registration of transfer or exchange of Securities of such series herein expressly provided for and the obligation of the Company to pay any Additional Amounts as contemplated by Section 1005) and the Trustee, at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture as to such series when

(1) either

(A) all Securities of such series theretofore authenticated and delivered and all coupons, if any, appertaining thereto (other than (i) coupons appertaining to Bearer Securities surrendered for exchange for Registered Securities and maturing after such exchange, whose surrender is not required or has been waived as provided in Section 305, (ii) Securities and coupons of such series which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 306, (iii) coupons appertaining to Securities called for redemption and maturing after the relevant Redemption Date, whose surrender has been waived as provided in Section 1106, and (iv) Securities and coupons of such series for whose payment money has theretofore been deposited in trust with the Trustee or any Paying Agent or segregated and held in trust by the Company and thereafter repaid to the Company, as provided in Section 1003) have been delivered to the Trustee for cancellation; or

(B) all Securities of such series and, in the case of (i) or (ii) below, any coupons appertaining thereto not theretofore delivered to

the Trustee for cancellation

(i) have become due and payable, or

(ii) will become due and payable at their Stated Maturity within one year, or

(iii) if redeemable at the option of the Company, are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company,

and the Company, in the case of (i), (ii) or (iii) above, has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust for such purpose an amount in the Currency in which the Securities of such series are payable, sufficient to pay and discharge the entire indebtedness on such Securities not theretofore delivered to the Trustee for cancellation, for principal (and premium, if any) and interest to the date of such deposit (in the case of Securities which have become due and payable) or to the Stated Maturity or Redemption Date, as the case may be;

(2) the Company has paid or caused to be paid all other sums payable hereunder by the Company; and

(3) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture as to such series have been complied with.

Notwithstanding the satisfaction and discharge of this Indenture, the obligations of the Company to the Trustee under Section 606, the obligations of the Trustee to any Authenticating Agent under Section 611 and, if money shall have been deposited with the Trustee pursuant to subclause (B) of clause (1) of this Section, the obligations of the Trustee under Section 402 and the last paragraph of Section 1003 shall survive.

SECTION 402. APPLICATION OF TRUST MONEY.

Subject to the provisions of the last paragraph of Section 1003, all money deposited with the Trustee pursuant to Section 401 shall be held in trust and applied by it, in accordance with the provisions of the Securities, the coupons and this Indenture, to the payment, either directly or

through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Persons entitled thereto, of the principal (and premium, if any) and interest for whose payment such money has been deposited with the Trustee; but such money need not be segregated from other funds except to the extent required by law.

ARTICLE FIVE

REMEDIES

SECTION 501. EVENTS OF DEFAULT.

"Event of Default", wherever used herein with respect to Securities of any series, 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 on any Security of that series, or any related coupon, when such interest or coupon 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 Security of that series at its Maturity; or

(3) default in the deposit of any sinking fund payment, when and as due by the terms of the Securities of that series and Article 12; or

(4) default in the performance, or breach, of any covenant or agreement of the Company in this Indenture which affects or is applicable to the Securities of that series (other than a default in the performance, or breach of a covenant or agreement which is specifically dealt with elsewhere in this Section or which has expressly been included in this Indenture solely for the benefit of one or more series of Securities other than that series), 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 all Outstanding Securities of that

series 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) the entry of a decree or order by a court having jurisdiction in the premises 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 the Federal Bankruptcy Code or any other applicable federal or state law, or appointing a 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 unstayed and in effect for a period of 90 consecutive days; or

(6) the institution by the Company of proceedings to be adjudicated a bankrupt or insolvent, or the consent by it to the institution of bankruptcy or insolvency proceedings against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under the Federal Bankruptcy Code or any other applicable federal or state law, or the consent by it to the filing of any such petition or to the appointment of a 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

(7) there shall have occurred one or more defaults by the Company or any Subsidiary in the payment of the principal of (or premium, if any, on) Debt in excess of 10% of Consolidated Net Worth under one or more agreements, indentures or instruments and either (i) such Debt has already become due and payable in full at the stated maturity thereof or (ii) such default or defaults results in the acceleration of the maturity of such Debt; or

(8) any other Event of Default provided with respect to Securities of that series.

SECTION 502. ACCELERATION OF MATURITY; RESCISSION AND ANNULMENT.

If an Event of Default described in clause (1), (2), (3), (4), (7) or (8) of Section 501 with respect to Securities of any series at the time Outstanding 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 Securities of that series may declare the principal amount (or, if the Securities of that

series are Original Issue Discount Securities or Indexed Securities, such portion of the principal amount as may be specified in the terms of that series) of all of the Securities of that series 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 portion thereof) shall become immediately due and payable. If an Event of Default specified in Section 501(5) or 501(6) occurs and is continuing, then the principal amount of all the Securities shall IPSO FACTO become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

At any time after a declaration of acceleration with respect to Securities of any series (or of all series, as the case may be) has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter provided in this Article, the Holders of a majority in principal amount of the Outstanding Securities of that series (or of all series, as the case may be), by written notice to the Company and the Trustee, may rescind and annul such declaration and its consequences if

(1) the Company has paid or deposited with the Trustee a sum sufficient to pay in the Currency in which the Securities of such series are payable (except as otherwise specified pursuant to Section 301 for the Securities of such series and except, if applicable, as provided in Sections 312(b), 312(d) and 312(e)),

(A) all overdue interest on all Outstanding Securities of that series (or of all series, as the case may be) and any related coupons,

(B) all unpaid principal of (and premium, if any, on) any Outstanding Securities of that series (or of all series, as the case may be) which has become due otherwise than by such declaration of acceleration, and interest on such unpaid principal at the rate or rates prescribed therefor in such Securities,

(C) interest on overdue interest at the rate or rates prescribed therefor in such Securities, 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 Securities of that series (or of all series, as the case may be), other than the non-payment of amounts of principal of (or premium, if any, on) or interest on Securities of that series (or of all series, as the case may be) 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.

Notwithstanding the preceding paragraph, in the event of a declaration of acceleration in respect of the Securities because of an Event of Default specified in Section 501(7) shall have occurred and be continuing, such declaration of acceleration shall be automatically annulled if the Debt that is the subject of such Event of Default has been discharged or the holders thereof have rescinded their declaration of acceleration in respect of such Debt, and written notice of such discharge or rescission, as the case may be, shall have been given to the Trustee by the Company and countersigned by the holders of such Debt or a trustee, fiduciary or agent for such holders, within 30 days after such declaration of acceleration in respect of the Securities, and no other Event of Default has occurred during such 30-day period which has not been cured or waived during such period.

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 installment of interest on any Security and any related coupon 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 Security at the Maturity thereof,

then the Company will, upon demand of the Trustee, pay to the Trustee for the benefit of the Holders of such Securities and coupons, the whole amount then due and payable on such Securities and coupons for principal (and premium, if any) and interest, and interest on any overdue principal (and premium, if any) and on any overdue interest, at the rate or rates prescribed therefor in such Securities, 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 the Company fails to pay such amounts forthwith upon such demand, the Trustee, in its own name as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid, may prosecute such proceeding to judgment or final decree and may enforce the same

against the Company or any other obligor upon such Securities and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the property of the Company or any other obligor upon such Securities, wherever situated.

If an Event of Default with respect to Securities of any series (or of all series, as the case may be) occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders of Securities of such series (or of all series, as the case may be) 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 the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Company or any other obligor upon the Securities or the property of the Company or of such other obligor or their creditors, the Trustee (irrespective of whether the principal of the Securities shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand on the Company for the payment of overdue principal, premium, if any, or interest) shall be entitled and empowered, by intervention in such proceeding or otherwise,

(i) to file and prove a claim for the whole amount of principal (and premium, if any), or such portion of the principal amount of any series of Original Issue Discount Securities or Indexed Securities as may be specified in the terms of such series, and interest owing and unpaid in respect of the Securities and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and of the Holders allowed in such judicial proceeding, and

(ii) 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 606.

Nothing herein contained 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 Securities 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 SECURITIES.

All rights of action and claims under this Indenture or the Securities or coupons may be prosecuted and enforced by the Trustee without the possession of any of the Securities or coupons 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 Securities and coupons 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 premium, if any) or interest, upon presentation of the Securities or coupons, or both, as the case may be, 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 606;

SECOND: To the payment of the amounts then due and unpaid for principal of (and premium, if any, on) and interest on the Securities and coupons 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 Securities and coupons for principal (and premium, if any) and interest, respectively; and

THIRD: The balance, if any, to the Company or any other Person or Persons entitled thereto.

SECTION 507. LIMITATION ON SUITS.

No Holder of any Security of any series or any related coupons 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 Securities of that series;

(2) the Holders of not less than 25% in principal amount of the Outstanding Securities of that series in the case of any Event of Default described in clause (1), (2), (3), (4), (7) or (8) of Section 501, or, in the case of any Event of Default described in clause (5) or (6) of Section 501, the Holders of not less than 25% in principal amount of all Outstanding Securities, 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 or more in principal amount of the Outstanding Securities of that series in the case of any Event of Default described in clause (1), (2), (3), (4), (7) or (8) of Section 501, or, in the case of any Event of Default described in clause (5) or (6) of Section 501, by the Holders of a majority or more in principal amount of all Outstanding Securities;

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 Holders of Securities of the same series, in the case of any Event of Default described in clause (1), (2), (3), (4), (7) or (8) of Section 501, or of Holders of all Securities in the case of any Event of Default described in clause (5) or (6) of Section 501, 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 Holders of Securities of the same series, in the case of any Event of

Default described in clause (1), (2), (3), (4), (7) or (8) of Section 501, or of Holders of all Securities in the case of any Event of Default described in clause (5) or (6) of Section 501.

SECTION 508. UNCONDITIONAL RIGHT OF HOLDERS TO RECEIVE PRINCIPAL, PREMIUM AND INTEREST.

Notwithstanding any other provision in this Indenture, the Holder of any Security shall have the right, which is absolute and unconditional, to receive payment, as provided herein (including, if applicable, Article Fourteen) and in such Security, of the principal of (and premium, if any, on) and (subject to Section 307) interest on, such Security or payment of such coupon on the respective Stated Maturities expressed in such Security or coupon (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 of Securities and coupons 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 Securities or coupons in the last paragraph of Section 306, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders of Securities or coupons 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 Security or coupon 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.

With respect to the Securities of any series, the Holders of not less than a majority in principal amount of the Outstanding Securities of such series 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,

relating to or arising under clause (1), (2), (3), (4), (7) or (8) of Section 501, and, with respect to all Securities, the Holders of not less than a majority in principal amount of all Outstanding Securities 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, not relating to or arising under clause (1), (2), (3), (4), (7) or (8) of Section 501, PROVIDED that in each case

(1) such direction shall not be in conflict with any rule of law or with this Indenture,

(2) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction, and

(3) the Trustee need not take any action which might involve it in personal liability or be unjustly prejudicial to the Holders of Securities of such series not consenting.

SECTION 513. WAIVER OF PAST DEFAULTS.

Subject to Section 502, the Holders of not less than a majority in principal amount of the Outstanding Securities of any series may on behalf of the Holders of all the Securities of such series waive any past default described in clause (1), (2), (3), (4), (7) or (8) of Section 501 (or, in the case of a default described in clause (5) or (6) of Section 501, the Holders of not less than a majority in principal amount of all Outstanding Securities may waive any such past default), and its consequences, except a default

(1) in respect of the payment of the principal of (or premium, if any, on) or interest on any Security or any related coupon, 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 Security of such series affected.

Upon any such waiver, any 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 Event of Default or impair any right consequent thereon.

SECTION 514. 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. NOTICE OF DEFAULTS.

Within 90 days after the occurrence of any Default hereunder with respect to the Securities of any series, the Trustee shall transmit in the manner and to the extent provided in TIA Section 313(c), notice of such default hereunder known to the Trustee, unless such Default shall have been cured or waived; PROVIDED, HOWEVER, that, except in the case of a Default in the payment of the principal of (or premium, if any, on) or interest on any Security of such series or in the payment of any sinking fund installment with respect to Securities of such series, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee or a trust committee of directors and/or Responsible Officers of the Trustee in good faith determine that the withholding of such notice is in the interest of the Holders of Securities of such series and any related coupons; and PROVIDED, FURTHER, that in the case of any Default of the character specified in Section 501(3) with respect to Securities of such series, no such notice to Holders shall be given until at least 30 days after the occurrence thereof.

SECTION 602. CERTAIN RIGHTS OF TRUSTEE.

Subject to the provisions of TIA Sections 315(a) through 315(d):

(1) 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;

(2) 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;

(3) 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;

(4) 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;

(5) 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 of Securities of any series or any related coupons 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;

(6) 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;

(7) 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; and

(8) the Trustee shall not be liable for any action taken, suffered or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture.

The Trustee shall not be required 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.

SECTION 603. TRUSTEE NOT RESPONSIBLE FOR RECITALS OR ISSUANCE OF SECURITIES.

The recitals contained herein and in the Securities, except for the Trustee's certificates of authentication, and in any coupons shall be taken as the statements of the Company, and neither the Trustee nor any Authenticating Agent assumes any responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Securities or coupons, except that the Trustee represents that it is duly authorized to execute and deliver this Indenture, authenticate the Securities and perform its obligations hereunder and that the statements made by it in a Statement of Eligibility on Form T-1 supplied to the Company are true and accurate, subject to the qualifications set forth therein. Neither the Trustee nor any Authenticating Agent shall be accountable for the use or application by the Company of Securities or the proceeds thereof.

SECTION 604. MAY HOLD SECURITIES.

The Trustee, any Authenticating Agent, any Paying Agent, any Security Registrar or any other agent of the Company or of the Trustee, in its individual or any other capacity, may become the owner or pledgee of Securities and coupons and, subject to TIA Sections 310(b) and 311, may otherwise deal with the Company with the same rights it would have if it were not Trustee, Authenticating Agent, Paying Agent, Security Registrar or such other agent.

SECTION 605. 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 606. COMPENSATION AND REIMBURSEMENT.

The Company agrees:

(1) to pay to the Trustee from time to time reasonable compensation 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.

The obligations of the Company under this Section to compensate the Trustee, to pay or reimburse the Trustee for expenses, disbursements and advances and to indemnify and hold harmless the Trustee shall constitute additional indebtedness hereunder and shall survive the satisfaction and discharge of this Indenture. As security for the performance of such obligations of the Company, the Trustee shall have a claim prior to the Securities upon all property and funds held or collected by the Trustee as such, except funds held in trust for the payment of principal of (and premium, if any, on) or interest on particular Securities or any coupons.

SECTION 607. CORPORATE TRUSTEE REQUIRED; ELIGIBILITY.

There shall at all times be a Trustee hereunder which shall be eligible to act as Trustee under TIA Section 310(a)(1) and shall have a combined capital and surplus of at least $50,000,000. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of Federal, State, territorial or District of Columbia supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such corporation 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 608. 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 609.

(b) The Trustee may resign at any time with respect to the Securities of one or more series by giving written notice thereof to the Company. If the instrument of acceptance by a successor Trustee required by Section 609 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 Securities of such series.

(c) The Trustee may be removed at any time with respect to the Securities of any series by Act of the Holders of not less than a majority in principal amount of the Outstanding Securities of such series, delivered to the Trustee and to the Company.

(d) If at any time:

(1) the Trustee shall fail to comply with the provisions of TIA Section 310(b) after written request therefor by the Company or by any Holder who has been a bona fide Holder of a Security for at least six months, or

(2) the Trustee shall cease to be eligible under Section 607 and shall fail to resign after written request therefor by the Company or by any Holder who has been a bona fide Holder of a Security for at least six months, 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 Securities, or (ii) subject to TIA Section 315(e), any Holder who has been a bona fide Holder of a Security 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 Securities 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, with respect to the Securities of one or more series, the Company, by a Board Resolution, shall promptly appoint a successor Trustee or Trustees with respect to the Securities of that or those series (it being understood that any such successor Trustee may be appointed with respect to the Securities of one or more or all of such series and that at any time there shall be only one Trustee with respect to the Securities of any particular series). If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee with respect to the Securities of any series shall be appointed by Act of the Holders of a majority in principal amount of the Outstanding Securities of such series delivered to the Company and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Trustee with respect to the Securities of such series and to that extent supersede the successor Trustee appointed by the Company. If no successor Trustee with respect to the Securities of any series shall have been so appointed by the Company or the Holders and accepted appointment in the manner hereinafter provided, any Holder who has been a bona fide Holder of a Security of such series 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 with respect to the Securities of such series.

(f) The Company shall give notice of each resignation and each removal of the Trustee with respect to the Securities of any series and each appointment of a successor Trustee with respect to the Securities of any series to the Holders of Securities of such series in the manner provided for in Section 106. Each notice shall include the name of the successor Trustee with respect to the Securities of such series and the address of its Corporate Trust Office.

SECTION 609. ACCEPTANCE OF APPOINTMENT BY SUCCESSOR.

(a) In case of the appointment hereunder of a successor Trustee with respect to all Securities, 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) In case of the appointment hereunder of a successor Trustee with respect to the Securities of one or more (but not all) series, the Company, the retiring Trustee and each successor Trustee with respect to the Securities of one or more series shall execute and deliver an indenture supplemental hereto wherein each successor Trustee shall accept such appointment and which (1) shall contain such provisions as shall be necessary or desirable to transfer and confirm to, and to vest in, each successor Trustee all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series to which the appointment of such successor Trustee relates, (2) if the retiring Trustee is not retiring with respect to all Securities, shall contain such provisions as shall be deemed necessary or desirable to confirm that all the rights,

powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series as to which the retiring Trustee is not retiring shall continue to be vested in the retiring Trustee, and (3) shall add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, it being understood that nothing herein or in such supplemental indenture shall constitute such Trustees co-trustees of the same trust and that each such Trustee shall be trustee of a trust or trusts hereunder separate and apart from any trust or trusts hereunder administered by any other such Trustee; and upon the execution and delivery of such supplemental indenture the resignation or removal of the retiring Trustee shall become effective to the extent provided therein and each 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 with respect to the Securities of that or those series to which the appointment of such successor Trustee relates; but, on request of the Company or any successor Trustee, such retiring Trustee shall duly assign, transfer and deliver to such successor Trustee all property and money held by

such retiring Trustee hereunder with respect to the Securities of that or those series to which the appointment of such successor Trustee relates. Whenever there is a successor Trustee with respect to one or more (but less than all) series of securities issued pursuant to this Indenture, the terms "Indenture" and "Securities" shall have the meanings specified in the provisos to the respective definitions of those terms in Section 101 which contemplate such situation.

(c) 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 rights, powers and trusts referred to in paragraph (a) or (b) of this Section, as the case may be.

(d) 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 610. 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 Securities 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 Securities so authenticated with the same effect as if such successor Trustee had itself authenticated such Securities; and in case at that time any of the Securities shall not have been authenticated, any successor Trustee may authenticate such Securities either in the name of any predecessor hereunder or in the name of the successor Trustee; and in all such cases such certificates shall have the full force which it is anywhere in the Securities or in this Indenture provided that the certificate of the Trustee shall have; PROVIDED, HOWEVER, that the right to adopt the certificate of authentication of any predecessor Trustee or to authenticate Securities in the name of any predecessor Trustee shall apply only to its successor or successors by merger, conversion or consolidation.

SECTION 611. APPOINTMENT OF AUTHENTICATING AGENT.

At any time when any of the Securities remain Outstanding, the Trustee may appoint an Authenticating Agent or Agents with respect to one or more series of Securities which shall be authorized to act on behalf of the Trustee to authenticate Securities of such series and the Trustee shall give written notice of such appointment to all Holders of Securities of the series with respect to which such Authenticating Agent will serve, in the manner provided for in Section 106. Securities 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. Any such appointment shall be evidenced by an instrument in writing signed by a Responsible Officer of the Trustee, and a copy of such instrument shall be promptly furnished to the Company. Wherever reference is made in this Indenture to the authentication and delivery of Securities 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 corporation 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 corporation 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, it 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 give written notice of such appointment to all Holders of Securities of the series with respect to which such Authenticating Agent will serve, in the manner provided for in Section 106. 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 Trustee agrees to pay to each Authenticating Agent from time to time reasonable compensation for its services under this Section, and the Trustee shall be entitled to be reimbursed for such payments, subject to the provisions of Section 606.

If an appointment with respect to one or more series is made pursuant to this Section, the Securities of such series may have endorsed thereon, in addition to the Trustee's certificate of authentication, an alternate certificate of authentication in the following form:

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

THE CHASE MANHATTAN BANK
(NATIONAL ASSOCIATION),
as Trustee

By_____
as Authenticating Agent

By_____
Authorized Officer

ARTICLE SEVEN

SECTION 701. DISCLOSURE OF NAMES AND ADDRESSES OF HOLDERS.

Every Holder of Securities or coupons, by receiving and holding the same, agrees with the Company and the Trustee that none of the Company or the Trustee or any agent of either of them shall be held accountable by reason of the disclosure of any such information as to the names and addresses of the Holders in accordance with TIA Section 312, regardless of the source from which such information was derived, and that the Trustee shall not be held accountable by reason of mailing any material pursuant to a request made under TIA Section 312(b).

SECTION 702. REPORTS BY TRUSTEE.

Within 60 days after May 15 of each year commencing with the first May 15 after the first issuance of Securities pursuant to this Indenture, the Trustee shall transmit to the Holders of Securities, in the manner and to the extent provided in TIA Section 313(c), a brief report dated as of such May 15 if required by TIA Section 313(a).

SECTION 703. REPORTS BY COMPANY.

The Company shall:

(1) file with the Trustee, within 15 days after the Company is required to file the same with the Commission, copies of the annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the Commission may from time to time by rules and regulations prescribe) which the Company may be required to file with the Commission pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934; or, if the Company is not required to file information, documents or reports pursuant to either of such Sections, then it shall file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such of the supplementary and periodic information, documents and reports which may be required pursuant to Section 13 of the Securities Exchange Act of 1934 in respect of a security listed and registered on a national securities exchange as may be prescribed from time to time in such rules and regulations;

(2) file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such additional information, documents and reports with respect to compliance by the Company with the conditions and covenants of this Indenture as may be

required from time to time by such rules and regulations; and

(3) transmit to all Holders, in the manner and to the extent provided in TIA Section 313(c), within 30 days after the filing thereof with the Trustee, such summaries of any information, documents and reports required to be filed by the Company pursuant to paragraphs (1) and (2) of this Section as may be required by rules and regulations prescribed from time to time by the Commission.

ARTICLE EIGHT

CONSOLIDATION, MERGER, CONVEYANCE, TRANSFER OR LEASE

SECTION 801. COMPANY MAY CONSOLIDATE, ETC., ONLY ON CERTAIN TERMS.

The Company shall not consolidate with or merge into any other corporation or convey, transfer or lease, or permit one or more of its Subsidiaries to convey, transfer or lease, all or substantially all of the property and assets of the Company and its Subsidiaries on a consolidated basis, to any Person, unless:

(1) the corporation formed by such consolidation or into which the Company is merged or the Person which acquires by conveyance or transfer, or which leases, the properties and assets of the Company and its Subsidiaries on a consolidated basis (A) shall be a corporation, partnership or trust organized and validly existing under the laws of the United States of America, any state thereof or the District of Columbia and (B) shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, in form satisfactory to the Trustee, the Company's obligation for the due and punctual payment of the principal of (and premium, if any, on) and interest on all the Securities and the performance and observance of every covenant of this Indenture on the part of the Company to be performed or observed;

(2) immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing; and

(3) the Company or such Person shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger, conveyance, transfer or lease and such supplemental indenture comply with this Article and that all conditions precedent herein provided for relating to such transaction have been complied with.

This Section shall only apply to a merger or consolidation in which the

Company is not the surviving corporation and to conveyances, leases and transfers by the Company as transferor or lessor.

SECTION 802. SUCCESSOR PERSON SUBSTITUTED.

Upon any consolidation by the Company with or merger by the Company into any other corporation or any conveyance, transfer or lease of the properties and assets of the Company and its Subsidiaries on a consolidated basis to any Person 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 in the event of any such conveyance or transfer, the Company (which term shall for this purpose mean the Person named as the "Company" in the first paragraph of this Indenture or any successor Person which shall theretofore become such in the manner described in Section 801), except in the case of a lease, shall be discharged of all obligations and covenants under this Indenture and the Securities and the coupons and may be dissolved and liquidated.

SECTION 803. SECURITIES TO BE SECURED IN CERTAIN EVENTS.

If, upon any such consolidation of the Company with or merger of the Company into any other corporation, or upon any conveyance, lease or transfer of the property or assets of the Company and its Subsidiaries on a consolidated basis to any other Person, any property or assets of the Company or of any Subsidiary, or any Restricted Securities owned immediately prior thereto, would thereupon become subject to any Lien, then unless such Lien could be created pursuant to Section 1009 without securing the Securities, the Company, prior to or simultaneously with such consolidation, merger, conveyance, lease or transfer, will, as to such property or assets or Restricted Securities, secure the Securities Outstanding hereunder (together with, if the Company shall so determine, any other Debt of the Company now existing or hereafter created which is not subordinate to the Securities), or will cause such Securities to be so secured, (i) prior to any Debt which upon such consolidation, merger, conveyance, lease or transfer is to become secured by such Lien ("Secured Debt") and which is expressly by its terms subordinate or junior in right of payment to Securities Outstanding hereunder with the same relative priority as such subordinated Debt has with respect to such Securities or (ii) equally and ratably with (or prior to) any Secured Debt which is pari passu with Securities outstanding hereunder; PROVIDED

that, for the purpose of providing such equal and ratable security, the principal amount of Original Issue Discount Securities and Indexed Securities shall mean that amount which would at the time of making such effective provision be due and payable pursuant to Section 502 and the terms of such Original Issue Discount Securities and Indexed Securities upon a declaration of acceleration of the Maturity thereof, and the extent of such equal and ratable security shall be adjusted, to the extent permitted by law, as and when said amount changes over time pursuant to the terms of such Original Issue Discount Securities and Indexed Securities.

ARTICLE NINE

SUPPLEMENTAL INDENTURES

Section 901. SUPPLEMENTAL INDENTURES WITHOUT CONSENT OF HOLDERS.

Without the consent of any Holders, the Company, when authorized by or pursuant to 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 contained herein and in the Securities; or

(2) to add to the covenants of the Company for the benefit of the Holders of all or any series of Securities and any related coupons (and if such covenants are to be for the benefit of less than all series of Securities, stating that such covenants are being included solely for the benefit of such series) or to surrender any right or power herein conferred upon the Company; or

(3) to add any additional Events of Default (and if such Events of Default are to be for the benefit of less than all series of Securities, stating that such Events of Default are being included solely for the benefit of such series); or

(4) to add to or change any of the provisions of this Indenture to provide that Bearer Securities may be registrable as to principal, to change or eliminate any restrictions on the payment of principal of or any

premium or interest on Bearer Securities, to permit Bearer Securities to be

issued in exchange for Registered Securities, to permit Bearer Securities to be issued in exchange for Bearer Securities of other authorized denominations or to permit or facilitate the issuance of Securities in uncertificated form; PROVIDED that any such action shall not adversely affect the interests of the Holders of Securities of any series or any related coupons in any material respect; or

(5) to change or eliminate any of the provisions of this Indenture; PROVIDED that any such change or elimination shall become effective only when there is no Security Outstanding of any series created prior to the execution of such supplemental indenture which is entitled to the benefit of such provision; or

(6) to secure the Securities pursuant to the requirements of Section 803 or 1009 or otherwise; or

(7) to establish the form or terms of Securities of any series as permitted by Sections 201 and 301; or

(8) to evidence and provide for the acceptance of appointment hereunder by a successor Trustee with respect to the Securities of one or more series and to add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, pursuant to the requirements of Section 609(b); or

(9) to close this Indenture with respect to the authentication and delivery of additional series of Securities, 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 such action shall not adversely affect the interests of the Holders of Securities of any series and any related coupons in any material respect; or

(10) to supplement any of the provisions of this Indenture to such extent as shall be necessary to permit or facilitate the defeasance and discharge of any series of Securities pursuant to Sections 401, 1402 and 1403; PROVIDED that any such action shall not adversely affect the interests of the Holders of Securities of such series and any related coupons or any other series of Securities 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 principal amount of all Outstanding Securities of any series, by Act of said

Holders delivered to the Company and the Trustee, the Company, when authorized by or pursuant to 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 which affect such series of Securities or of modifying in any manner the rights of the Holders of Securities of such series under this Indenture; PROVIDED, HOWEVER, that no such supplemental indenture shall, without the consent of the Holder of each Outstanding Security of such series,

(1) change the Stated Maturity of the principal of, or any installment of interest on, any Security of such series, or reduce the principal amount thereof or the rate of interest thereon or any premium payable upon the redemption thereof, or change any obligation of the Company to pay Additional Amounts contemplated by Section 1005 (except as contemplated by Section 801(1) and permitted by Section 901(1)), or reduce the amount of the principal of an Original Issue Discount Security of such series that would be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 502 or the amount thereof provable in bankruptcy pursuant to Section 504, or adversely affect any right of repayment at the option of any Holder of any Security of such series, or change any Place of Payment where, or the Currency in which, any Security of such series or any premium or interest thereon is payable, or 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 or repayment at the option of the Holder, on or after the Redemption Date or Repayment Date, as the case may be), or

(2) reduce the percentage in principal amount of the Outstanding Securities of such series required for any such supplemental indenture, for any waiver of compliance with certain provisions of this Indenture which affect such series or certain defaults applicable to such series hereunder and their consequences provided for in this Indenture, or reduce the requirements of Section 1504 for quorum or voting with respect to Securities of such series, or

(3) modify any of the provisions of this Section, Section 513 or Section 1011, except to increase any such percentage or to provide that certain other provisions of this Indenture which affect such series cannot be modified or waived without the consent of the Holder of each Outstanding Security of such series.

Any such supplemental indenture 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 Securities of such series, shall not affect the rights under this Indenture of the Holders of Securities of any other

series.

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 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 Securities 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 as then in effect.

SECTION 906. REFERENCE IN SECURITIES TO SUPPLEMENTAL INDENTURES.

Securities of any series 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 Securities of any series 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 Securities of such series.

SECTION 907. NOTICE OF SUPPLEMENTAL INDENTURES.

Promptly after the execution by the Company and the Trustee of any supplemental indenture pursuant to the provisions of Section 902, the Company

shall give notice thereof to the Holders of each Outstanding Security affected, in the manner provided for in Section 106, setting forth in general terms the substance of such supplemental indenture.

ARTICLE TEN

COVENANTS

SECTION 1001. PAYMENT OF PRINCIPAL, PREMIUM, IF ANY, AND INTEREST.

The Company covenants and agrees for the benefit of the Holders of each series of Securities and any related coupons that it will duly and punctually pay the principal of (and premium, if any, on) and interest on the Securities of that series in accordance with the terms of the Securities, any coupons appertaining thereto and this Indenture. Unless otherwise specified as contemplated by Section 301 with respect to any series of Securities, any interest installments due on Bearer Securities on or before Maturity shall be payable only upon presentation and surrender of the several coupons for such interest installments as are evidenced thereby as they severally mature.

SECTION 1002. MAINTENANCE OF OFFICE OR AGENCY.

If the Securities of a series are issuable only as Registered Securities, the Company will maintain in each Place of Payment for any series of Securities an office or

agency where Securities of that series may be presented or surrendered for payment, where Securities of that series may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Company in respect of the Securities of that series and this Indenture may be served.

If Securities of a series are issuable as Bearer Securities, the Company will maintain (A) in The City of New York, an office or agency where any Registered Securities of that series may be presented or surrendered for payment, where any Registered Securities of that series may be surrendered for registration of transfer, where Securities of that series may be surrendered for exchange, where notices and demands to or upon the Company in respect of the Securities of that series and this Indenture may be served and where Bearer Securities of that series and related coupons may be presented or surrendered for payment in the circumstances described in the following paragraph (and not otherwise), (B) subject to any laws or regulations applicable thereto, in a Place of Payment for that series which is located outside the United States, an office or agency where Securities of that series and related coupons may be presented and surrendered for payment; PROVIDED, HOWEVER, that, if the

Securities of that series are listed on any stock exchange located outside the United States and such stock exchange shall so require, the Company will maintain a Paying Agent for the Securities of that series in any required city located outside the United States so long as the Securities of that series are listed on such exchange, and (C) subject to any laws or regulations applicable thereto, in a Place of Payment for that series which is located outside the United States, an office or agency where any Registered Securities of that series may be surrendered for registration of transfer, where Securities of that series may be surrendered for exchange and where notices and demands to or upon the Company in respect of the Securities of that series 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, except that Bearer Securities of any series and the related coupons may be presented and surrendered for payment at the offices specified in the Security, in London, and the Company hereby appoints the same as its agents to receive such respective presentations, surrenders, notices and demands.

Unless otherwise specified with respect to any Securities pursuant to Section 301, no payment of principal, premium or interest on Bearer Securities shall be made at any office or agency of the Company in the United States or by check mailed to any address in the United States or by transfer to an account maintained with a bank located in the United States; PROVIDED, HOWEVER, that, if the Securities of a series are payable in Dollars, payment of principal of (and premium, if any, on) and interest on any Bearer Security shall be made at the office of the Company's Paying Agent in The City of New York, if (but only if) payment in Dollars of the full amount of such principal, premium or interest, as the case may be, at all offices or agencies outside the United States maintained for the purpose by the Company in accordance with this Indenture is illegal or effectively precluded by exchange controls or other similar restrictions.

The Company may also from time to time designate one or more other offices or agencies where the Securities of one or more series may be presented or surrendered for any or all such purposes and may from time to time rescind any such designation; 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 accordance with the requirements set forth above for Securities of any series 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. Unless otherwise specified with

respect to any Securities as contemplated by Section 301 with respect to a series of Securities, the Company hereby designates as a Place of Payment for each series of Securities the office or agency of the Company in the Borough of Manhattan, The City of New York, and initially appoints the Trustee at its Corporate Trust Office as Paying Agent in such city and as its agent to receive all such presentations, surrenders, notices and demands.

Unless otherwise specified with respect to any Securities pursuant to Section 301, if and so long as the Securities of any series (i) are denominated in a Currency other than Dollars or (ii) may be payable in a Currency other than Dollars, or so long as it is required under any other provision of the Indenture, then the Company will maintain with respect to each such series of Securities, or as so required, at least one Exchange Rate Agent.

SECTION 1003. MONEY FOR SECURITIES PAYMENTS TO BE HELD IN TRUST.

If the Company shall at any time act as its own Paying Agent with respect to any series of Securities and any related coupons, it will, on or before each due date of the

principal of (and premium, if any, on) or interest on any of the Securities of that series, segregate and hold in trust for the benefit of the Persons entitled thereto a sum in the Currency in which the Securities of such series are payable (except as otherwise specified pursuant to Section 301 for the Securities of such series and except, if applicable, as provided in Sections 312(b), 312(d) and 312(e)) sufficient to pay the principal (and premium, if any) or 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 for any series of Securities and any related coupons, it will, prior to or on each due date of the principal of (and premium, if any, on) or interest on any Securities of that series, deposit with a Paying Agent a sum (in the Currency described in the preceding paragraph) sufficient to pay the principal (and premium, if any) or interest so becoming due, such sum to be held in trust for the benefit of the Persons entitled to such principal, premium or interest, 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 (other than the Trustee) for any series of Securities 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:

(1) hold all sums held by it for the payment of the principal of (and premium, if any, on) and interest on Securities of such series in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided;

(2) give the Trustee notice of any default by the Company (or any other obligor upon the Securities of such series) in the making of any payment of principal of (or premium, if any, on) or interest on the Securities of such series; and

(3) at any time during the continuance of any such default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent.

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 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 sums.

Except as provided in the Securities of any series, 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 (and premium, if any, on) or interest on any Security of any series, or any coupon appertaining thereto, and remaining unclaimed for two years after such principal (and premium, if any) 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 Security or coupon 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 an Authorized Newspaper, 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 AS TO COMPLIANCE.

The Company will deliver to the Trustee, within 120 days after the end

of each fiscal year, a brief certificate from the principal executive officer, principal financial officer or principal accounting officer as to his or her knowledge of the Company's compliance with all conditions and covenants under this Indenture. For purposes of this Section 1004, such compliance shall be determined without regard to any period of grace or requirement of notice under this Indenture.

SECTION 1005. ADDITIONAL AMOUNTS.

If any Securities of a series provide for the payment of additional amounts to any Holder who is not a United States person in respect of any tax, assessment or governmental charge ("Additional Amounts"), the Company will pay to the Holder of any Security of such series or any coupon appertaining thereto such Additional Amounts as may be

specified as contemplated by Section 301. Whenever in this Indenture there is mentioned, in any context, the payment of the principal (or premium, if any, on) or interest on, or in respect of, any Security of a series or payment of any related coupon or the net proceeds received on the sale or exchange of any Security of a series, such mention shall be deemed to include mention of the payment of Additional Amounts provided for by the terms of such series established pursuant to Section 301 to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof pursuant to such terms and express mention of the payment of Additional Amounts (if applicable) in any provisions hereof shall not be construed as excluding Additional Amounts in those provisions hereof where such express mention is not made.

Except as otherwise specified as contemplated by Section 301, if the Securities of a series provide for the payment of Additional Amounts, at least 10 days prior to the first Interest Payment Date with respect to that series of Securities (or if the Securities of that series will not bear interest prior to Maturity, the first day on which a payment of principal (and premium, if any) is made), and at least 10 days prior to each date of payment of principal (and premium, if any) or interest if there has been any change with respect to the matters set forth in the below-mentioned Officers' Certificate, the Company will furnish the Trustee and the Company's principal Paying Agent or Paying Agents, if other than the Trustee, with an Officers' Certificate instructing the Trustee and such Paying Agent or Paying Agents whether such payment of principal of (and premium, if any, on) or interest on the Securities of that series shall be made to Holders of Securities of that series or any related coupons who are not United States persons without withholding for or on account of any tax, assessment or other governmental charge described in the Securities of the series. If any such withholding shall be required, then such Officers' Certificate shall specify by country the amount, if any, required to be withheld

on such payments to such Holders of Securities of that series or related coupons and the Company will pay to the Trustee or such Paying Agent the Additional Amounts required by the terms of such Securities. In the event that the Trustee or any Paying Agent, as the case may be, shall not so receive the above-mentioned certificate, then the Trustee or such Paying Agent shall be entitled to (i) assume that no such withholding or deduction is required with respect to any payment of principal (and premium, if any) or interest with respect to any Securities of a series or related coupons until it shall have received a certificate advising otherwise and (ii) to make all payments of principal

(and premium, if any) and interest with respect to the Securities of a series or related coupons without withholding or deductions until otherwise advised. The Company covenants to indemnify the Trustee and any Paying Agent for, and to hold them harmless against, any loss, liability or expense reasonably incurred without negligence or bad faith on their part arising out of or in connection with actions taken or omitted by any of them in reliance on any Officers' Certificate furnished pursuant to this Section.

SECTION 1006. 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 material 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 material lawful claims for labor, materials and supplies which, if unpaid, might by law become a Lien upon any property or assets of the Company or any Subsidiary that comprise more than 20% of Consolidated Net Tangible Assets; 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 1007. MAINTENANCE OF PROPERTIES.

The Company will cause all property necessary for the operation of the business of the Company and its Subsidiaries as a whole 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 or restrict the sale, abandonment or other disposition of any of such property if such action is, in the judgment of the Company, desirable in the conduct of the business of the

Company and its Subsidiaries as a whole and not disadvantageous in any material respect to the Holders.

SECTION 1008. CORPORATE 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 corporate existence and the rights (charter and statutory) and franchises of the Company and any

Subsidiary; 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 its Subsidiaries as a whole.

SECTION 1009. LIMITATION ON LIENS.

The Company will not, and will not permit any Subsidiary to, directly or indirectly, create, incur, issue or assume any Debt secured by any Lien on any property or assets owned by the Company or any Subsidiary, and the Company will not, and will not permit any Subsidiary to, create, incur, issue or assume any Debt secured by any Lien on any shares of stock or Debt of any Subsidiary (such shares of stock or Debt of any Subsidiary being called "Restricted Securities"), unless (i) in the case of Debt which is expressly by its terms subordinate or junior in right of payment to the applicable series of Securities, such Securities (together with, if the Company shall so determine, any other Debt of the Company or such Subsidiary then existing or thereafter created which is not subordinate to the Securities) are secured by a Lien on such property or assets that is senior to such other Lien with the same relative priority as such subordinated Debt has with respect to the applicable series of Securities or (ii) in the case of Liens securing Debt which is PARI PASSU with the applicable series of Securities, such Securities are secured by a Lien on such property or assets that is equal and ratable with (or prior to) such other Lien, except that any Lien securing such applicable series of Securities may be junior to any Lien on the Company's accounts receivable, inventory and related contract rights securing Debt under the Company's Bank Credit Facility; PROVIDED, HOWEVER, that nothing contained in this Section shall prevent, restrict or apply to, and there shall be excluded from secured Debt in any computation under this Section, Debt secured by:

(a) Liens on any property or assets or Restricted Securities of the Company or any Subsidiary existing as of the date of the first issuance by the Company of the applicable Securities issued pursuant to this Indenture or such other date as may be specified in a Prospectus Supplement for an

applicable series of Securities issued pursuant to the Indenture, subject to the provisions of subsection (h) below;

(b) Liens on any property or assets or Restricted Securities of any corporation existing at the time such corporation becomes a Subsidiary, or arising thereafter (i) otherwise than in connection with the borrowing of money arranged thereafter and (ii) pursuant to contractual commitments entered into prior to and not in contemplation of such corporation's becoming a Subsidiary;

(c) Liens on any property or assets or Restricted Securities of the Company or any Subsidiary existing at the time of acquisition thereof (including acquisition through merger or consolidation or by a sale, lease or other disposition of the properties of a corporation as an entirety or substantially as an entirety to the Company or a Subsidiary) or securing the payment of all or any part of the purchase price or construction cost thereof or securing any Debt incurred prior to, at the time of or within 120 days after, the acquisition of such property or assets or Restricted Securities or the completion of any such construction, whichever is later, for the purpose of financing all or any part of the purchase price or construction cost thereof (PROVIDED such Liens are limited to such property or assets or Restricted Securities, to improvements on such property and to any other property or assets not then owned by the Company or any Subsidiary or constituting Restricted Securities);

(d) Liens on any property or assets to secure all or any part of the cost of development, operation, construction, alteration, repair or improvement of all or any part of such property or assets, or to secure Debt incurred by the Company or any Subsidiary prior to, at the time of or within 120 days after, the completion of such development, operation, construction, alteration, repair or improvement, whichever is later, for the purpose of financing all or any part of such cost PROVIDED such Liens are limited to such property or assets, improvements thereon and any other property or assets not then owned by the Company or a Subsidiary;

(e) Liens in favor of the Trustee for the benefit of the Holders and subsequent holders of the Securities securing the Securities;

(f) Liens secured by property or assets of the Company or any Subsidiary that comprise no more than 20% of Consolidated Net Tangible Assets;

(g) Liens which secure Debt owing by a Subsidiary to the Company or to

another Subsidiary; and

(h) any extension, renewal, substitution or replacement (or successive extensions, renewals, substitutions or replacements), as a whole or in part, of any of the Liens referred to in paragraphs (a) through (g) above or the Debt secured thereby; PROVIDED that (1) such extension, renewal, substitution or replacement Lien shall be limited to all or any part of the same property or assets or Restricted Securities that secured the Lien extended, renewed, substituted or replaced (plus improvements on such property, and plus any other property or assets not then owned by the Company or a Subsidiary or constituting Restricted Securities) and (2) in the case of paragraphs (a) through (c) above, the Debt secured by such Lien at such time is not increased.

For the purposes of this Section 1009, the giving of a guarantee which is secured by a Lien on any property or assets or Restricted Securities, and the creation of a Lien on any property or assets or Restricted Securities to secure Debt which existed prior to the creation of such Lien, shall be deemed to involve the creation of Debt in an amount equal to the principal amount guaranteed or secured by such Lien; but the amount of Debt secured by Liens on property or assets and Restricted Securities shall be computed without cumulating the underlying indebtedness with any guarantee thereof or Lien securing the same.

SECTION 1010. LIMITATION ON SALE AND LEASEBACK TRANSACTIONS.

The Company will not, and will not permit any Subsidiary to, enter into any arrangement after the date of the original issuance by the Company of the applicable series of Securities issued pursuant to the Indenture, or such other date as may be specified in a Prospectus Supplement for an applicable series of Securities issued pursuant to the Indenture, with any Person (other than the Company or another Subsidiary) providing for the leasing by the Company or any such Subsidiary of any property (except a lease for a temporary period not to exceed three years by the end of which it is intended that the use of such property by the lessee will be discontinued) that was or is owned or leased by the Company or a Subsidiary and that has been or is to be sold or transferred by the Company or such Subsidiary to such Person (herein referred to as a "sale and leaseback transaction") unless either:

(a) after giving PRO FORMA effect to such transaction, the Attributable Debt of the Company and its Subsidiaries in respect of such sale and leaseback

transaction and all other sale and leaseback transactions entered into after the date of the first issuance by the Company of Securities issued pursuant to this Indenture (other than such sale and leaseback transactions as are permitted by paragraph (b) below) would not exceed 20% of Consolidated Net Tangible Assets, or

(b) the Company, within 180 days after the sale and leaseback transaction, applies or causes a Subsidiary to apply an amount equal to the greater of the net proceeds from the sale of the property subject to the sale and leaseback transaction or the fair market value of the property so sold and leased back at the time of the sale and leaseback transaction (in either case as determined by any two of the following: the Chairman, the President, any Vice President, the Treasurer and the Controller of the Company) to the retirement of Securities of any series or any other Debt of the Company (other than Debt subordinated to the Securities) or Debt of a Subsidiary having a stated maturity more than 12 months from the date of such application or which is extendible at the option of the obligor thereon to a date more than 12 months from the date of such application (and, unless otherwise expressly provided with respect to any one or more series of Securities, any redemption of Securities pursuant to this provision shall not be deemed to constitute a refunding operation or anticipated refunding operation for the purposes of any provision limiting the Company's right to redeem Securities of any one or more such series when such redemption involves a refunding operation or anticipated refunding operation); PROVIDED that the amount to be so applied shall be reduced by (i) the principal amount of Securities delivered within 180 days after such sale or transfer to the Trustee for retirement and cancellation and (ii) the principal amount of any such Debt of the Company or a Subsidiary, other than Securities, voluntarily retired by the Company or a Subsidiary within 180 days after such sale or transfer. Notwithstanding the foregoing, no retirement referred to in this paragraph (b) may be effected by payment at maturity or pursuant to any mandatory sinking fund payment or any mandatory prepayment provision.

Notwithstanding the foregoing, where the Company or any Subsidiary is the lessee in any sale and leaseback transaction, Attributable Debt shall not include any Debt resulting from the guarantee by the Company or any other Subsidiary of the lessee's obligation thereunder.

SECTION 1011. PROVISION OF FINANCIAL INFORMATION.

So long as any of the Securities are outstanding, the Company will

file, to the extent permitted under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), with the Commission the annual reports, quarterly reports and other documents otherwise required to be filed with the Commission pursuant to Section 13(a) or 15(d) of the Exchange Act as if the Company were subject to such Sections and will also provide to all Holders and file with the Trustee copies of such reports and documents within 15 days after it files them with the Commission or, if filing such reports and documents by the Company with the Commission is not permitted under the Exchange Act, within 15 days after it would otherwise have been required to file such reports and documents if permitted, in each case at the Company's cost.

ARTICLE ELEVEN

REDEMPTION OF SECURITIES

SECTION 1101. APPLICABILITY OF ARTICLE.

Securities of any series which are redeemable before their Stated Maturity shall be redeemable in accordance with the terms of such Securities and (except as otherwise specified as contemplated by Section 301 for Securities of any series) in accordance with this Article.

SECTION 1102. ELECTION TO REDEEM; NOTICE TO TRUSTEE.

The election of the Company to redeem any Securities shall be evidenced by or pursuant to a Board Resolution. In case of any redemption at the election of the Company, the Company shall, at least 60 days prior to the Redemption Date fixed by the Company (unless a shorter notice shall be satisfactory to the Trustee), notify the Trustee of such Redemption Date and of the principal amount of Securities of such series to be redeemed and shall deliver to the Trustee such documentation and records as shall enable the Trustee to select the Securities to be redeemed pursuant to Section 1103. In the case of any redemption of Securities prior to the expiration of any restriction on such redemption provided in the terms of such Securities or elsewhere in this Indenture, the Company shall furnish the Trustee with an Officers' Certificate evidencing compliance with such restriction.

SECTION 1103. SELECTION BY TRUSTEE OF SECURITIES TO BE REDEEMED.

If less than all the Securities of any series are to be redeemed, the particular Securities to be redeemed shall be selected not more than 60 days prior to the Redemption Date by the Trustee, from the Outstanding Securities of such series not previously called for redemption, by such method as the Trustee shall deem fair and appropriate and which may provide for the selection for

redemption of portions of the principal of Securities of such series; PROVIDED, HOWEVER, that no such partial redemption shall reduce the portion of the principal amount of a Security not redeemed to less than the minimum authorized denomination for Securities of such series established pursuant to Section 301.

The Trustee shall promptly notify the Company in writing of the Securities selected for redemption and, in the case of any Securities selected for partial redemption, the principal amount thereof to be redeemed.

For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Securities shall relate, in the case of any Security redeemed or to be redeemed only in part, to the portion of the principal amount of such Security which has been or is to be redeemed.

SECTION 1104. NOTICE OF REDEMPTION.

Except as otherwise specified as contemplated by Section 301, notice of redemption shall be given in the manner provided for in Section 106 not less than 30 nor more than 60 days prior to the Redemption Date, to each Holder of Securities to be redeemed.

All notices of redemption shall state:

(1) the Redemption Date,

(2) the Redemption Price,

(3) if less than all the Outstanding Securities of any series are to be redeemed, the identification (and, in the case of partial redemption, the principal amounts) of the particular Securities to be redeemed,

(4) that on the Redemption Date the Redemption Price (together with accrued interest, if any, to the Redemption Date payable as provided in Section 1106) will become due and payable upon each such Security, or the portion thereof, to be redeemed and, if applicable, that interest thereon will cease to accrue on and after said date,

(5) the place or places where such Securities, together in the case of Bearer Securities with all coupons appertaining thereto, if any, maturing after the Redemption Date, are to be surrendered for payment of the Redemption Price,

(6) that the redemption is for a sinking fund, if such is the

case,

(7) that, unless otherwise specified in such notice, Bearer Securities of any series, if any, surrendered for redemption must be accompanied by all coupons maturing subsequent to the Redemption Date or the amount of any such missing coupon or coupons will be deducted from the Redemption Price unless security or indemnity satisfactory to the Company, the Trustee and any Paying Agent is furnished, and

(8) if Bearer Securities of any series are to be redeemed and any Registered Securities of such series are not to be redeemed, and if such Bearer Securities may be exchanged for Registered Securities not subject to redemption on such Redemption Date pursuant to Section 305 or otherwise, the last date, as determined by the Company, on which such exchanges may be made.

Notice of redemption of Securities to be redeemed at the election of the Company shall be given by the Company or, at the Company's request, by the Trustee in the name and at the expense of the Company.

SECTION 1105. DEPOSIT OF REDEMPTION PRICE.

Prior to any Redemption Date, the Company shall deposit with the Trustee or with a Paying Agent (or, if the Company is acting as its own Paying Agent, segregate and hold in trust as provided in Section 1003) an amount of money in the Currency in which the Securities of such series are

payable (except as otherwise specified pursuant to Section 301 for the Securities of such series and except, if applicable, as provided in Sections 312(b), 312(d) and 312(e)) sufficient to pay the Redemption Price of, and accrued interest on, all the Securities which are to be redeemed on that date.

SECTION 1106. SECURITIES PAYABLE ON REDEMPTION DATE.

Notice of redemption having been given as aforesaid, the Securities so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified in the Currency in which the Securities of such series are payable (except as otherwise specified pursuant to Section 301 for the Securities of such series and except, if applicable, as provided in Sections 312(b), 312(d) and 312(e)) (together with accrued interest, if any, to the Redemption Date), and from and after such date (unless the Company shall default in the payment of the Redemption Price and accrued interest) such Securities shall, if the same were interest-bearing, cease to bear interest and the coupons for such interest appertaining to any Bearer Securities so to be

redeemed, except to the extent provided below, shall be void. Upon surrender of any such Security for redemption in accordance with said notice, together with all coupons, if any, appertaining thereto maturing after the Redemption Date, such Security shall be paid by the Company at the Redemption Price, together with accrued interest, if any, to the Redemption Date; PROVIDED, HOWEVER, that installments of interest on Bearer Securities whose Stated Maturity is on or prior to the Redemption Date shall be payable only at an office or agency located outside the United States (except as otherwise provided in Section 1002) and, unless otherwise specified as contemplated by Section 301, only upon presentation and surrender of coupons for such interest, and PROVIDED, FURTHER, that installments of interest on Registered Securities whose Stated Maturity is on or prior to the Redemption Date shall be payable to the Holders of such Securities, or one or more Predecessor Securities, registered as such at the close of business on the relevant Record Dates according to their terms and the provisions of Section 307.

If any Bearer Security surrendered for redemption shall not be accompanied by all appurtenant coupons maturing after the Redemption Date, such Security may be paid after deducting from the Redemption Price an amount equal to the face amount of all such missing coupons, or the surrender of such missing coupon or coupons may be waived by the Company

and the Trustee if there be furnished to them such security or indemnity as they may require to save each of them and any Paying Agent harmless. If thereafter the Holder of such Security shall surrender to the Trustee or any Paying Agent any such missing coupon in respect of which a deduction shall have been made from the Redemption Price, such Holder shall be entitled to receive the amount so deducted; PROVIDED, HOWEVER, that interest represented by coupons shall be payable only at an office or agency located outside the United States (except as otherwise provided in Section 1002) and, unless otherwise specified as contemplated by Section 301, only upon presentation and surrender of those coupons.

If any Security called for redemption or portion thereof shall not be so paid upon surrender thereof for redemption, the principal (and premium, if any) shall, until paid, bear interest from the Redemption Date at the rate of interest or Yield to Maturity (in the case of Original Issue Discount Securities) set forth in the Security.

SECTION 1107. SECURITIES REDEEMED IN PART.

Any Security which is to be redeemed only in part (pursuant to the provisions of this Article or of Article Twelve) shall be surrendered at a Place of Payment therefor (with, if the Company or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the

Company and the Trustee duly executed by, the Holder thereof or such Holder's attorney duly authorized in writing), and the Company shall execute, and the Trustee shall authenticate and deliver to the Holder of such Security without service charge, a new Security or Securities of the same series, of any authorized denomination as requested by such Holder, in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Security so surrendered.

ARTICLE TWELVE

SINKING FUNDS

SECTION 1201. APPLICABILITY OF ARTICLE.

Retirements of Securities of any series pursuant to any sinking fund shall be made in accordance with the terms of such Securities and (except as otherwise specified as contemplated by Section 301 for Securities of any series) in accordance with this Article.

The minimum amount of any sinking fund payment provided for by the terms of Securities of any series is herein referred to as a "mandatory sinking fund payment", and any payment in excess of such minimum amount provided for by the terms of Securities of any series is herein referred to as an "optional sinking fund payment". If provided for by the terms of Securities of any series, the cash amount of any mandatory sinking fund payment may be subject to reduction as provided in Section 1202. Each sinking fund payment shall be applied to the redemption of Securities of any series as provided for by the terms of Securities of such series.

SECTION 1202. SATISFACTION OF SINKING FUND PAYMENTS WITH SECURITIES.

Subject to Section 1203, in lieu of making all or any part of any mandatory sinking fund payment with respect to any Securities of a series in cash, the Company may at its option (1) deliver to the Trustee Outstanding Securities of a series (other than any previously called for redemption) theretofore purchased or otherwise acquired by the Company together in the case of any Bearer Securities of such series with all unmatured coupons appertaining thereto, and/or (2) receive credit for the principal amount of Securities of such series which have been previously delivered to the Trustee by the Company or for Securities of such series which have been redeemed either at the election of the Company pursuant to the terms of such Securities or through the application of permitted optional sinking fund payments pursuant to the terms of such Securities, in each case in satisfaction of all or any part of any mandatory sinking fund payment with respect to the Securities of the same series

required to be made pursuant to the terms of such Securities as provided for by the terms of such series; PROVIDED, HOWEVER, that such Securities have not been previously so credited. Such Securities shall be received and credited for such purpose by the Trustee at the Redemption Price specified in such Securities for redemption through operation of the sinking fund and the amount of such mandatory sinking fund payment shall be reduced accordingly.

SECTION 1203. REDEMPTION OF SECURITIES FOR SINKING FUND.

Not less than 60 days prior to each sinking fund payment date for any series of Securities, the Company will deliver to the Trustee an Officers' Certificate specifying the amount of the next ensuing sinking fund payment for that

series pursuant to the terms of that series, the portion thereof, if any, which is to be satisfied by payment of cash in the Currency in which the Securities of such series are payable (except as otherwise specified pursuant to Section 301 for the Securities of such series and except, if applicable, as provided in Sections 312(b), 312(d) and 312(e)) and the portion thereof, if any, which is to be satisfied by delivering or crediting Securities of that series pursuant to Section 1202 (which Securities will, if not previously delivered, accompany such certificate) and whether the Company intends to exercise its right to make a permitted optional sinking fund payment with respect to such series. Such certificate shall be irrevocable and upon its delivery the Company shall be obligated to make the cash payment or payments therein referred to, if any, on or before the next succeeding sinking fund payment date. In the case of the failure of the Company to deliver such certificate, the sinking fund payment due on the next succeeding sinking fund payment date for that series shall be paid entirely in cash and shall be sufficient to redeem the principal amount of such Securities subject to a mandatory sinking fund payment without the option to deliver or credit Securities as provided in Section 1202 and without the right to make any optional sinking fund payment, if any, with respect to such series.

Not more than 60 days before each such sinking fund payment date the Trustee shall select the Securities to be redeemed upon such sinking fund payment date in the manner specified in Section 1103 and cause notice of the redemption thereof to be given in the name of and at the expense of the Company in the manner provided in Section 1104. Such notice having been duly given, the redemption of such Securities shall be made upon the terms and in the manner stated in Sections 1106 and 1107.

Prior to any sinking fund payment date, the Company shall pay to the Trustee or a Paying Agent (or, if the Company is acting as its own Paying Agent, segregate and hold in trust as provided in Section 1003) in cash a sum equal to any interest that will accrue to the date fixed for redemption of Securities or

portions thereof to be redeemed on such sinking fund payment date pursuant to this Section 1203.

Notwithstanding the foregoing, with respect to a sinking fund for any series of Securities, if at any time the amount of cash to be paid into such sinking fund on the next

succeeding sinking fund payment date, together with any unused balance of any preceding sinking fund payment or payments for such series, does not exceed in the aggregate $100,000, the Trustee, unless requested by the Company, shall not give the next succeeding notice of the redemption of Securities of such series through the operation of the sinking fund. Any such unused balance of moneys deposited in such sinking fund shall be added to the sinking fund payment for such series to be made in cash on the next succeeding sinking fund payment date or, at the request of the Company, shall be applied at any time or from time to time to the purchase of Securities of such series, by public or private purchase, in the open market or otherwise, at a purchase price for such Securities (excluding accrued interest and brokerage commissions, for which the Trustee or any Paying Agent will be reimbursed by the Company) not in excess of the principal amount thereof.

ARTICLE THIRTEEN

REPAYMENT AT OPTION OF HOLDERS

SECTION 1301. APPLICABILITY OF ARTICLE.

Repayment of Securities of any series before their Stated Maturity at the option of Holders thereof shall be made in accordance with the terms of such Securities and (except as otherwise specified as contemplated by Section 301 for Securities of any series) in accordance with this Article.

SECTION 1302. REPAYMENT OF SECURITIES.

Securities of any series subject to repayment in whole or in part at the option of the Holders thereof will, unless otherwise provided in the terms of such Securities, be repaid at a price equal to the principal amount thereof, together with interest, if any, thereon accrued to the Repayment Date specified in or pursuant to the terms of such Securities. The Company covenants that on or before the Repayment Date it will deposit with the Trustee or with a Paying Agent (or, if the Company is acting as its own Paying Agent, segregate and hold in trust as provided in Section 1003) an amount of money in the Currency in which the Securities of such series are payable (except as otherwise specified pursuant to Section 301 for the Securities of such series and except, if

applicable, as provided in Sections 312(b), 312(d) and 312(e)) sufficient to pay the principal

(or, if so provided by the terms of the Securities of any series, a percentage of the principal) of, and (except if the Repayment Date shall be an Interest Payment Date) accrued interest on, all the Securities or portions thereof, as the case may be, to be repaid on such date.

SECTION 1303. EXERCISE OF OPTION.

Securities of any series subject to repayment at the option of the Holders thereof will contain an "Option to Elect Repayment" form on the reverse of such Securities. To be repaid at the option of the Holder, any Security so providing for such repayment, with the "Option to Elect Repayment" form on the reverse of such Security duly completed by the Holder (or by the Holder's attorney duly authorized in writing), must be received by the Company at the Place of Payment therefor specified in the terms of such Security (or at such other place or places or which the Company shall from time time notify the Holders of such Securities) not earlier than 45 days nor later than 30 days prior to the Repayment Date. If less than the entire principal amount of such Security is to be repaid in accordance with the terms of such Security, the principal amount of such Security to be repaid, in increments of the minimum denomination for Securities of such series, and the denomination or denominations of the Security or Securities to be issued to the Holder for the portion of the principal amount of such Security surrendered that is not to be repaid, must be specified. The principal amount of any Security providing for repayment at the option of the Holder thereof may not be repaid in part if, following such repayment, the unpaid principal amount of such Security would be less than the minimum authorized denomination of Securities of the series of which such Security to be repaid is a part. Except as otherwise may be provided by the terms of any Security providing for repayment at the option of the Holder thereof, exercise of the repayment option by the Holder shall be irrevocable unless waived by the Company.

SECTION 1304. WHEN SECURITIES PRESENTED FOR REPAYMENT BECOME DUE AND PAYABLE.

If Securities of any series providing for repayment at the option of the Holders thereof shall have been surrendered as provided in this Article and as provided by or pursuant to the terms of such Securities, such Securities or the portions thereof, as the case may be, to be repaid shall become due and payable and shall be paid by the Company on

the Repayment Date therein specified, and on and after such Repayment Date (unless the Company shall default in the payment of such Securities on such Repayment Date) such Securities shall, if the same were interest-bearing, cease to bear interest and the coupons for such interest appertaining to any Bearer Securities so to be repaid, except to the extent provided below, shall be void. Upon surrender of any such Security for repayment in accordance with such provisions, together with all coupons, if any, appertaining thereto maturing after the Repayment Date, the principal amount of such Security so to be repaid shall be paid by the Company, together with accrued interest, if any, to the Repayment Date; PROVIDED, HOWEVER, that coupons whose Stated Maturity is on or prior to the Repayment Date shall be payable only at an office or agency located outside the United States (except as otherwise provided in Section 1002) and, unless otherwise specified pursuant to Section 301, only upon presentation and surrender of such coupons, and PROVIDED FURTHER that, in the case of Registered Securities, installments of interest, if any, whose Stated Maturity is on or prior to the Repayment Date shall be payable to the Holders of such Securities, or one or more Predecessor Securities, registered as such at the close of business on the relevant Record Dates according to their terms and the provisions of Section 307.

If any Bearer Security surrendered for repayment shall not be accompanied by all appurtenant coupons maturing after the Repayment Date, such Security may be paid after deducting from the amount payable therefor as provided in Section 1302 an amount equal to the face amount of all such missing coupons, or the surrender of such missing coupon or coupons may be waived by the Company and the Trustee if there be furnished to them such security or indemnity as they may require to save each of them and any Paying Agent harmless. If thereafter the Holder of such Security shall surrender to the Trustee or any Paying Agent any such missing coupon in respect of which a deduction shall have been made as provided in the preceding sentence, such Holder shall be entitled to receive the amount so deducted; PROVIDED, HOWEVER, that interest represented by coupons shall be payable only at an office or agency located outside the United States (except as otherwise provided in Section 1002) and, unless otherwise specified as contemplated by Section 301, only upon presentation and surrender of those coupons.

If the principal amount of any Security surrendered for repayment shall not be so repaid upon surrender thereof,

such principal amount (together with interest, if any, thereon accrued to such

Repayment Date) shall, until paid, bear interest from the Repayment Date at the rate of interest or Yield to Maturity (in the case of Original Issue Discount Securities) set forth in such Security.

SECTION 1305. SECURITIES REPAID IN PART.

Upon surrender of any Registered Security which is to be repaid in part only, the Company shall execute and the Trustee shall authenticate and deliver to the Holder of such Security, without service charge and at the expense of the Company, a new Registered Security or Securities of the same series, of any authorized denomination specified by the Holder, in an aggregate principal amount equal to and in exchange for the portion of the principal of such Security so surrendered which is not to be repaid.

ARTICLE FOURTEEN

DEFEASANCE AND COVENANT DEFEASANCE

SECTION 1401. COMPANY'S OPTION TO EFFECT DEFEASANCE OR COVENANT DEFEASANCE.

Except as otherwise specified as contemplated by Section 301 for Securities of any series, the provisions of this Article Fourteen shall apply to each series of Securities, and the Company may, at its option, effect defeasance of the Securities of or within a series under Section 1402, or covenant defeasance of or within a series under Section 1403 in accordance with the terms of such Securities and in accordance with this Article.

SECTION 1402. DEFEASANCE AND DISCHARGE.

Upon the Company's exercise of the above option applicable to this Section with respect to any Securities of or within a series, the Company shall be deemed to have been discharged from its obligations with respect to such Outstanding Securities and any related coupons on the date the conditions set forth in Section 1404 are satisfied (hereinafter, "defeasance"). For this purpose, such defeasance means that the Company shall be deemed to have paid and discharged the entire indebtedness represented by such Outstanding Securities and any related coupons, which shall thereafter be deemed to be "Outstanding" only for the

purposes of Section 1405 and the other Sections of this Indenture referred to in (A) and (B) below, and to have satisfied all its other obligations under such Securities and any related coupons and this Indenture insofar as such Securities and any related coupons are concerned (and the Trustee, at the expense of the

Company, shall execute proper instruments acknowledging the same), except for the following which shall survive until otherwise terminated or discharged hereunder: (A) the rights of Holders of such Outstanding Securities and any related coupons to receive, solely from the trust fund described in Section 1404 and as more fully set forth in such Section, payments in respect of the principal of (and premium, if any, on) and interest on such Securities and any related coupons when such payments are due, (B) the Company's obligations with respect to such Securities under Sections 304, 305, 306, 1002 and 1003 and with respect to the payment of Additional Amounts, if any, on such Securities as contemplated by Section 1005, (C) the rights, powers, trusts, duties and immunities of the Trustee hereunder and (D) this Article Fourteen. Subject to compliance with this Article Fourteen, the Company may exercise its option under this Section 1402 notwithstanding the prior exercise of its option under Section 1403 with respect to such Securities and any related coupons.

SECTION 1403. COVENANT DEFEASANCE.

Upon the Company's exercise of the above option applicable to this Section with respect to any Securities of or within a series, the Company shall be released from its obligations under Section 803 and Sections 1006 through 1010, and, if specified pursuant to Section 301, its obligations under any other covenant, with respect to such Outstanding Securities and any related coupons on and after the date the conditions set forth in Section 1404 are satisfied (hereinafter, "covenant defeasance"), and such Securities and any related coupons shall thereafter be deemed not to be "Outstanding" for the purposes of any direction, waiver, consent or declaration or Act of Holders (and the consequences of any thereof) in connection with such covenants, but shall continue to be deemed "Outstanding" for all other purposes hereunder. For this purpose, such covenant defeasance means that, with respect to such Outstanding Securities and any related coupons, the Company may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such covenant, whether directly or indirectly, by reason of any reference elsewhere herein to any such covenant or by

reason of reference in any such covenant to any other provision herein or in any other document and such omission to comply shall not constitute a Default or an Event of Default under Section 501(4) or Section 501(8) or otherwise, as the case may be, but, except as specified above, the remainder of this Indenture and such Securities and any related coupons shall be unaffected thereby.

SECTION 1404. CONDITIONS TO DEFEASANCE OR COVENANT DEFEASANCE.

The following shall be the conditions to application of either Section 1402 or Section 1403 to any Outstanding Securities of or within a series and any related coupons:

(1) The Company shall irrevocably have deposited or caused to be deposited with the Trustee (or another trustee satisfying the requirements of Section 607 who shall agree to comply with the provisions of this Article Fourteen applicable to it) as trust funds in trust for the purpose of making the following payments, specifically pledged as security for, and dedicated solely to, the benefit of the Holders of such Securities and any related coupons, (A) an amount (in such Currency in which such Securities and any related coupons are then specified as payable at Stated Maturity), or (B) Government Obligations applicable to such Securities (determined on the basis of the Currency in which such Securities are then specified as payable at Stated Maturity) which through the scheduled payment of principal and interest in respect thereof in accordance with their terms will provide, not later than one day before the due date of any payment of principal (including any premium) and interest, if any, under such Securities and any related coupons, money in an amount, or (C) a combination thereof, 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, and which shall be applied by the Trustee (or other qualifying trustee) to pay and discharge, (i) the principal of (and premium, if any, on) and interest on such Outstanding Securities and any related coupons on the Stated Maturity (or Redemption Date, if applicable) of such principal (and premium, if any) or installment or interest and (ii) any mandatory sinking fund payments or analogous payments applicable to such Outstanding Securities and any related coupons on the day on which such payments are due and

payable in accordance with the terms of this Indenture and of such Securities and any related coupons; PROVIDED that the Trustee shall have been irrevocably instructed to apply such money or the proceeds of such Government Obligations to said payments with respect to such Securities and any related coupons. Before such a deposit, the Company may give to the Trustee, in accordance with Section 1102 hereof, a notice of its election to redeem all or any portion of such Outstanding Securities at a future date in accordance with the terms of the Securities of such series and Article Eleven hereof, which notice shall be irrevocable. Such irrevocable redemption notice, if given, shall be given effect in applying the foregoing.

(2) No Default or Event of Default with respect to such Securities or any related coupons shall have occurred and be continuing on the date of such deposit or, insofar as paragraphs (5) and (6) of Section 501 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).

(3) Such defeasance or covenant defeasance shall not result in a breach or violation of, or constitute a default under, this Indenture or any other material agreement or instrument to which the Company is a party or by which it is bound.

(4) In the case of an election under Section 1402, the Company shall have delivered to the Trustee an Opinion of Counsel stating that (x) the Company has received from, or there has been published by, the Internal Revenue Service a ruling, or (y) since the date of execution of this Indenture, there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon such opinion shall confirm that, the Holders of such Outstanding Securities and any related coupons will not recognize income, gain or loss for federal income tax purposes as a result of such defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance had not occurred.

(5) In the case of an election under Section 1403, the Company shall have delivered to the Trustee an Opinion of Counsel to the effect that the Holders of such Outstanding Securities and any related coupons will not recognize income, gain or loss for federal income tax purposes as a result of such covenant defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such covenant defeasance had not occurred.

(6) Notwithstanding any other provisions of this Section, such defeasance or covenant defeasance shall be effected in compliance with any additional or substitute terms, conditions or limitations in connection therewith pursuant to Section 301.

(7) The Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for relating to either the defeasance under Section 1402 or the covenant defeasance under Section 1403 (as the case may be) have been complied with.

SECTION 1405. DEPOSITED MONEY AND GOVERNMENT OBLIGATIONS TO BE HELD IN TRUST; OTHER MISCELLANEOUS PROVISIONS.

Subject to the provisions of the last paragraph of Section 1003, all money and Government Obligations (or other property as may be provided pursuant to Section 301) (including the proceeds thereof) deposited with the Trustee (or other qualifying trustee--collectively for purposes of this Section 1405, the "Trustee") pursuant to Section 1404 in respect of such Outstanding Securities

and any related coupons shall be held in trust and applied by the Trustee, in accordance with the provisions of such Securities and any related coupons and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Holders of such Securities and any related coupons of all sums due and to become due thereon in respect of principal (and premium, if any) and interest, but such money need not be segregated from other funds except to the extent required by law.

Unless otherwise specified with respect to any Security pursuant to Section 301, if, after a deposit referred to in Section 1404(1) has been made, (a) the Holder

of a Security in respect of which such deposit was made is entitled to, and does, elect pursuant to Section 312(b) or the terms of such Security to receive payment in a Currency other than that in which the deposit pursuant to Section 1404(1) has been made in respect of such Security, or (b) a Conversion Event occurs as contemplated in Section 312(d) or 312(e) or by the terms of any Security in respect of which the deposit pursuant to Section 1404(1) has been made, the indebtedness represented by such Security and any related coupons shall be deemed to have been, and will be, fully discharged and satisfied through the payment of the principal of (premium, if any, on), and interest, if any, on such Security as they become due out of the proceeds yielded by converting (from time to time as specified below in the case of any such election) the amount or other property deposited in respect of such Security into the Currency in which such Security becomes payable as a result of such election or Conversion Event based on the applicable Market Exchange Rate for such Currency in effect on the third Business Day prior to each payment date, except, with respect to a Conversion Event, for such Currency in effect (as nearly as feasible) at the time of the Conversion Event.

The Company shall pay and indemnify the Trustee
against any tax, fee or other charge imposed on or assessed against the Government Obligations deposited pursuant to Section 1404 or the principal and interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of such Outstanding Securities and any related coupons.

Anything in this Article Fourteen to the contrary notwithstanding, the Trustee shall deliver or pay to the Company from time to time upon Company Request any money or Government Obligations (or other property and any proceeds therefrom) held by it as provided in Section 1404 which, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, are in excess of the amount thereof which would then be required to be deposited to effect an

equivalent defeasance or covenant defeasance, as applicable, in accordance with this Article.

SECTION 1406. REINSTATEMENT.

If the Trustee or any Paying Agent is unable to apply any money in accordance with Section 1405 by reason of any order or judgment of any court or governmental authority

enjoining, restraining or otherwise prohibiting such application, then the Company's obligations under this Indenture and such Securities and any related coupons shall be revived and reinstated as though no deposit had occurred pursuant to Section 1402 or 1403, as the case may be, until such time as the Trustee or Paying Agent is permitted to apply all such money in accordance with Section 1405; PROVIDED, HOWEVER, that if the Company makes any payment of principal of (or premium, if any, on) or interest on any such Security or any related coupon following the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Securities and any related coupons to receive such payment from the money held by the Trustee or Paying Agent.

ARTICLE FIFTEEN

MEETINGS OF HOLDERS OF SECURITIES

SECTION 1501. PURPOSES FOR WHICH MEETINGS MAY BE CALLED.

If Securities of a series are issuable as Bearer Securities, a meeting of Holders of Securities of such series may be called at any time and from time to time pursuant to this Article to make, give or take any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be made, given or taken by Holders of Securities of such series.

SECTION 1502. CALL, NOTICE AND PLACE OF MEETINGS.

(a) The Trustee may at any time call a meeting of Holders of Securities of any series for any purpose specified in Section 1501, to be held at such time and at such place in The City of New York or in London as the Trustee shall determine. Notice of every meeting of Holders of Securities of any series, setting forth the time and the place of such meeting and in general terms the action proposed to be taken at such meeting, shall be given, in the manner provided for in Section 106, not less than 21 nor more than 180 days

prior to the date fixed for the meeting.

(b) In case at any time the Company, pursuant to a Board Resolution, or the Holders of at least 10% in principal amount of the Outstanding Securities of any series shall have requested the Trustee to call a meeting of the Holders of

Securities of such series for any purpose specified in Section 1501, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, and the Trustee shall not have made the first publication of the notice of such meeting within 21 days after receipt of such request or shall not thereafter proceed to cause the meeting to be held as provided herein, then the Company or the Holders of Securities of such series in the amount above specified, as the case may be, may determine the time and the place in The City of New York or in London for such meeting and may call such meeting for such purposes by giving notice thereof as provided in paragraph (a) of this Section.

SECTION 1503. PERSONS ENTITLED TO VOTE AT MEETINGS.

To be entitled to vote at any meeting of Holders of Securities of any series, a Person shall be (1) a Holder of one or more Outstanding Securities of such series, or (2) a Person appointed by an instrument in writing as proxy for a Holder or Holders of one or more Outstanding Securities of such series by such Holder of Holders. The only Persons who shall be entitled to be present or to speak at any meeting of Holders of Securities of any series shall be the Person entitled to vote at such meeting and their counsel, any representatives of the Trustee and its counsel and any representatives of the Company and its counsel.

SECTION 1504. QUORUM; ACTION.

The Persons entitled to vote a majority in principal amount of the Outstanding Securities of a series shall constitute a quorum for a meeting of Holders of Securities of such series; PROVIDED, HOWEVER, that, if any action is to be taken at such meeting with respect to a consent or waiver which this Indenture expressly provides may be given by the Holders of not less than a specified percentage in principal amount of the Outstanding Securities of a series, the Persons entitled to vote such specified percentage in principal amount of the Outstanding Securities of such series shall constitute a quorum. In the absence of a quorum within 30 minutes of the time appointed for any such meeting, the meeting shall, if convened at the request of Holders of Securities of such series, be dissolved. In any other case the meeting may be adjourned for a period of not less than 10 days as determined by the chairman of the meeting prior to the adjournment of such meeting. In the absence of a quorum at any such adjourned meeting, such adjourned meeting may be further adjourned for

a period of not less than 10 days as

determined by the chairman of the meeting prior to the adjournment of such adjourned meeting. Notice of the reconvening of any adjourned meeting shall be given as provided in Section 1502(a), except that such notice need be given only once not less than five days prior to the date on which the meeting is scheduled to be reconvened. Notice of the reconvening of any adjourned meeting shall state expressly the percentage, as provided above, of the principal amount of the Outstanding Securities of such series which shall constitute a quorum.

Except as limited by the proviso to Section 902, any resolution presented to a meeting or adjourned meeting duly reconvened at which a quorum is present as aforesaid may be adopted by the affirmative vote of the Holders of not less than a majority in principal amount of the Outstanding Securities of that series; PROVIDED, HOWEVER, that, except as limited by the proviso to Section 902, any resolution with respect to any request, demand, authorization, direction, notice, consent, waiver or other action which this Indenture expressly provides may be made, given or taken by the Holders of a specified percentage, which is less than a majority, in principal amount of the Outstanding Securities of a series may be adopted at a meeting or an adjourned meeting duly reconvened and at which a quorum is present as aforesaid by the affirmative vote of the Holders of not less than such specified percentage in principal amount of the Outstanding Securities of that series.

Any resolution passed or decision taken at any meeting of Holders of Securities of any series duly held in accordance with this Section shall be binding on all the Holders of Securities of such series and the related coupons, whether or not present or represented at the meeting.

Notwithstanding the foregoing provisions of this Section 1504, if any action is to be taken at a meeting of Holders of Securities of any series with respect to any request, demand, authorization, direction, notice, consent, waiver or other action that this Indenture expressly provides may be made, given or taken by the Holders of a specified percentage in principal amount of all Outstanding Securities affected thereby, or of the Holders of such series and one or more additional series:

(i) there shall be no minimum quorum requirement for such meeting; and

(ii) the principal amount of the Outstanding Securities of such series

that vote in favor of such request, demand, authorization, direction, notice, consent, waiver or other action shall be taken into account in determining whether such request, demand, authorization, direction, notice, consent, waiver or other action has been made, given or taken under this Indenture.

SECTION 1505. DETERMINATION OF VOTING RIGHTS; CONDUCT AND ADJOURNMENT OF MEETINGS.

(a) Notwithstanding any provisions of this Indenture, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of Holders of Securities of a series in regard to proof of the holding of Securities of such series and of the appointment of proxies and in regard to the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as its shall deem appropriate. Except as otherwise permitted or required by any such regulations, the holding of Securities shall be proved in the manner specified in Section 104 and the appointment of any proxy shall be proved in the manner specified in Section 104 or by having the signature of the person executing the proxy witnessed or guaranteed by any trust company, bank or banker authorized by Section 104 to certify to the holding of Bearer Securities. Such regulations may provide that written instruments appointing proxies, regular on their face, may be presumed valid and genuine without the proof specified in Section 104 or other proof.

(b) The Trustee shall, by an instrument in writing appoint a temporary chairman of the meeting, unless the meeting shall have been called by the Company or by Holders of Securities as provided in Section 1502(b), in which case the Company or the Holders of Securities of the series calling the meeting, as the case may be, shall in like manner appoint a temporary chairman. A permanent chairman and a permanent secretary of the meeting shall be elected by vote of the Persons entitled to vote a majority in principal amount of the Outstanding Securities of such series represented at the meeting.

(c) At any meeting each Holder of a Security of such series or proxy shall be entitled to one vote for each

$1,000 principal amount of Outstanding Securities of such series held or represented by him (determined as specified in the definition of "Outstanding" in Section 101); PROVIDED, HOWEVER, that no vote shall be cast or counted at any meeting in respect of any Security challenged as not Outstanding and ruled by the chairman of the meeting to be not Outstanding. The chairman of the meeting shall have no right to vote, except as a Holder of a Security of such series or proxy.

(d) Any meeting of Holders of Securities of any series duly called pursuant to Section 1502 at which a quorum is present may be adjourned from time to time by Persons entitled to vote a majority in principal amount of the Outstanding Securities of such series represented at the meeting; and the meeting may be held as so adjourned without further notice.

SECTION 1506. COUNTING VOTES AND RECORDING ACTION OF MEETINGS.

The vote upon any resolution submitted to any meeting of Holders of Securities of any series shall be by written ballots on which shall be subscribed the signatures of the Holders of Securities of such series or of their representatives by proxy and the principal amounts and serial numbers of the Outstanding Securities of such series held or represented by them. The permanent chairman of the meeting shall appoint two inspectors of votes who shall count all votes cast at the meeting for or against any resolution and who shall make and file with the secretary of the meeting their verified written reports in duplicate of all votes cast at the meeting. A record, at least in duplicate, of the proceedings of each meeting of Holders of Securities of any series shall be prepared by the Secretary of the meeting and there shall be attached to said record the original reports of the inspectors of votes on any vote by ballot taken thereat and affidavits by one or more persons having knowledge of the facts setting forth a copy of the notice of the meeting and showing that said notice was given as provided in Section 1502 and, if applicable, Section 1504. Each copy shall be signed and verified by the affidavits of the permanent chairman and secretary of the meeting and one such copy shall be delivered to the Company, and another to the Trustee to be preserved by the Trustee, the latter to have attached thereto the ballots voted at the meeting. Any record so signed and verified shall be conclusive evidence of the matters therein stated.

This Indenture 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 Indenture.

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.

SOUTHERN UNION COMPANY

By:_____
Name:
Title:

[Seal]

Attest:

THE CHASE MANHATTAN BANK
(NATIONAL ASSOCIATION)

_____

By:_____
Name:
Title:

[Seal]

Attest:

_____

EXHIBIT A

FORMS OF CERTIFICATION

EXHIBIT A-1

FORM OF CERTIFICATE TO BE GIVEN BY
PERSON ENTITLED TO RECEIVE BEARER SECURITY
OR TO OBTAIN INTEREST PAYABLE PRIOR
TO THE EXCHANGE DATE

CERTIFICATE

[INSERT TITLE OR SUFFICIENT DESCRIPTION
OF SECURITIES TO BE DELIVERED]

This is to certify that as of the date hereof, and except as set forth below, the above-captioned Securities held by you for our account (i) are owned by person(s) that are not citizens or residents of the United States, domestic partnerships, domestic corporations or any estate or trust the income of which is subject to United States federal income taxation regardless of its source ("United States persons(s)"), (ii) are owned by United States person(s) that are (a) foreign branches of United States financial institutions (financial institutions, as defined in United States Treasury Regulations Section 2.165-12(c)(1)(v) are herein referred to as "financial institutions") purchasing for their own account or for resale, or (b) United States person(s) who acquired

the Securities through foreign branches of United States financial institutions and who hold the Securities through such United States financial institutions on the date hereof (and in either case (a) or (b), each such United States financial institution hereby agrees, on its own behalf or through its agent, that you may advise Southern Union Company or its agent that such financial institution will comply with the requirements of Section 165(j)(3)(A), (B) or (C) of the United States Internal Revenue Code of 1986, as amended, and the regulations thereunder), or (iii) are owned by United States or foreign financial institution(s) for purposes of resale during the restricted period (as defined in United States Treasury Regulations Section 1.163-5(c)(2)(i)(D)(7)), and, in addition, if the owner is a United States or foreign financial institution described in clause (iii) above (whether or not also described in clause (i) or (ii)), this is to further certify that such financial institution has not acquired the Securities for purposes of resale directly or indirectly to a United States person or to a person within the United States or its possessions.

As used herein, "United States" means the United States of America (including the states and the District of Columbia); and its "possessions" include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands.

We undertake to advise you promptly by tested telex on or prior to the date on which you intend to submit your certification relating to the above-captioned Securities held by you for our account in accordance with your Operating Procedures if any applicable statement herein is not correct on such date, and in the absence of any such notification it may be assumed that this certification applies as of such date.

This certificate excepts and does not relate to [U.S.$] _____ of such interest in the above-captioned Securities in respect of which we are not able to certify and as to which we understand an exchange for an interest in a Permanent Global Security or an exchange for and delivery of definitive Securities (or, if relevant, collection of any interest) cannot be made until we do so certify.

We understand that this certificate may be required in connection with certain tax legislation in the United States. If administrative or legal proceedings are commenced or threatened in connection with which this certificate is or would be relevant, we irrevocably authorize you to produce this certificate or a copy thereof to any interested party in such proceedings.

Dated:

[To be dated no earlier than the 15th day prior to (i) the Exchange Date or (ii) the relevant Interest Payment Date occurring prior to the Exchange Date, as applicable]

[Name of Person Making Certification]

_____
(AUTHORIZED SIGNATORY)
Name:
Title:

EXHIBIT A-2

FORM OF CERTIFICATE TO BE GIVEN BY EUROCLEAR AND CEDEL S.A. IN CONNECTION WITH THE EXCHANGE OF A PORTION OF A TEMPORARY GLOBAL SECURITY OR TO OBTAIN INTEREST PAYABLE PRIOR TO THE EXCHANGE DATE

CERTIFICATE

[INSERT TITLE OR SUFFICIENT DESCRIPTION OF SECURITIES TO BE DELIVERED]

This is to certify that based solely on written certifications that we have received in writing, by tested telex or by electronic transmission from each of the persons appearing in our records as persons entitled to a portion of the principal amount set forth below (our "Member Organizations") substantially in the form attached hereto, as of the date hereof, [U.S.$] _____ principal amount of the above-captioned Securities (i) is owned by person(s) that are not citizens or residents of the United States, domestic partnerships, domestic corporations or any estate or trust the income of which is subject to United States Federal income taxation regardless of its source ("United States person(s)"), (ii) is owned by United States person(s) that are (a) foreign branches of United States financial institutions (financial institutions, as defined in U.S. Treasury Regulations Section 1.165-12(c)(1)(v) are herein referred to as "financial institutions") purchasing for their own account or for

resale, or (b) United States person(s) who acquired the Securities through foreign branches of United States financial institutions and who hold the Securities through such United States financial institutions on the date hereof (and in either case (a) or (b), each such financial institution has agreed, on its own behalf or through its agent, that we may advise Southern Union Company or its agent that such financial institution will comply with the requirements of Section 165(j)(3)(A), (B) or (C) of the Internal Revenue Code of 1986, as amended, and the regulations thereunder), or (iii) is owned by United States or foreign financial institution(s) for purposes of resale during the restricted period (as defined in United States Treasury Regulations Section 1.163-5(c)(2)(i)(D)(7)) and, to the further effect, that financial institutions described in clause (iii) above (whether or not also described in clause (i) or (ii)) have certified that they have not acquired the Securities for

purposes of resale directly or indirectly to a United States person or to a person within the United States or its possessions.

As used herein, "United States" means the United States of America (including the states and the District of Columbia); and its "possessions" include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands.

We further certify that (i) we are not making available herewith for exchange (or, if relevant, collection of any interest) any portion of the temporary global Security representing the above-captioned Securities excepted in the above-referenced certificates of Member Organizations and (ii) as of the date hereof we have not received any notification from any of our Member Organizations to the effect that the statements made by such Member Organizations with respect to any portion of the part submitted herewith for exchange (or, if relevant, collection of any interest) are no longer true and cannot be relied upon as of the date hereof.

We understand that this certification is required in connection with certain tax legislation in the United States. If administrative or legal proceedings are commenced or threatened in connection with which this certificate is or would be relevant, we irrevocably authorize you to produce this certificate or a copy thereof to any interested party in such proceedings.

Dated:

[To be dated no earlier than
the Exchange Date or the
relevant Interest Payment Date

occurring prior to the Exchange Date, as applicable]

[MORGAN GUARANTY TRUST COMPANY OF NEW YORK, BRUSSELS OFFICE, as Operator of the Euroclear System]
[CEDEL S.A.]

By_____

Exhibit 4.2

[Form of Senior Debt Securities]

SOUTHERN UNION COMPANY
___% Senior Notes due ____

No. _____ $_____

Southern Union Company, a Delaware corporation (herein referred to as the "Company", which term includes any successor corporation 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 _____ or from the most recent Interest Payment Date to which interest has been paid or duly provided for, semi-annually on _____ and _____ in each year, commencing _____, at the rate of ___% per annum, until the principal hereof is paid or duly provided for. 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 Senior Note (or one or more Predecessor Securities) 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 shall forthwith cease to be payable to the registered Holder on such Regular Record Date, and may be paid to the Person in whose name this Senior Note (or one or more Predecessor Securities) 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 Securities of this series not less than 10 days prior to such Special Record Date, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities of this series may be listed, and upon such notice as may be required by such exchange, all as more fully provided in such Indenture. Payment of the principal of (and premium, if any) and interest on this Senior Note will be made at the office or agency of the Company maintained for that purpose in the Borough of Manhattan, 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 Security Register or by transfer to an account maintained by the payee located inside the United States.

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. This Note is one of a series designated ____% Senior Notes due ____.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Senior 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 facsimile corporate seal.

SOUTHERN UNION COMPANY

By _____

Attest:

_____
Secretary

Dated: _____

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

THE CHASE MANHATTAN BANK (National Association),
as Trustee

By _____
Authorized Officer

[Reverse of Certificate]

This Senior Note is one of a duly authorized issue of securities of the Company (herein called the "Securities"), issued and to be issued in one or more series under an Indenture dated as of _____, 19__ (herein called the "Indenture") between the Company and The Chase Manhattan Bank (National Association), Trustee (herein called the "Trustee", which term includes any successor trustee under the Indenture with respect to the series of which this Senior Note is a part), 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 Securities, and of the terms upon which the Securities are, and are to be, authenticated and delivered. As provided in the Indenture, the Securities may be issued in one or more series, which series may be issued in various aggregate principal amounts, may mature at different times, may bear interest, if any, at different rates, may be subject to different redemption provisions, if any, may be subject to different sinking funds, if any, may be subject to different covenants and Events of Default and may otherwise vary as provided or permitted in the Indenture. This Security is one of a series of the Securities designated on the face hereof, limited in aggregate principal amount to $_____.

If an Event of Default, as defined in the Indenture, shall occur and be continuing, the principal of the Securities of this series may be declared due and payable in the manner and with the effect provided in the Indenture.

The Securities of this series may not be redeemed prior to Maturity.

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 Securities of any series under the Indenture at any time by the Company and the Trustee with the consent of the Holders of not less than a majority in aggregate principal amount of all Outstanding Securities of such series. Furthermore, provisions in the Indenture permit the Holders of not less than a majority in aggregate principal amount of the Outstanding Securities of individual series to waive on behalf of all of the Holders of Securities of such individual series certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Senior Note shall be conclusive and binding upon such Holder and upon all future Holders of this Senior Note and of any Security of this series 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 Senior Note.

No reference herein to the Indenture and no provision of this Senior 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 premium, if any) and interest on this Senior Note at the times, places and rate, and in the coin or currency, herein prescribed.

The Indenture contains provisions that apply to the Securities of this series for defeasance at any time of (a) the entire indebtedness of the Company on the Securities of this series and (b) certain restrictive covenants and the related defaults and Events of Default with respect to the Securities of this series, upon compliance by the Company with certain conditions set forth therein.

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

The Securities of this series are issuable only in registered form without coupons in denominations of $_____ and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, Securities of this series are exchangeable for a like aggregate principal amount of Securities of this series of different authorized denominations, 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, subject to certain exceptions set forth in the Indenture.

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

This Security shall for all purposes be governed by, and construed in accordance with, the laws of the State of New York.

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

EXHIBIT 5

Fleischman and Walsh
1400 Sixteenth Street N.W.
Washington, D.C. 20036

January 6, 1994

Southern Union Company
504 Lavaca Street
Suite 800
Austin, Texas 78701

Dear Sirs:

Southern Union Company (the "Company") has filed with the Securities and Exchange Commission (the "Commission") a registration statement on Form S-3, as amended (the "Registration Statement") relating to the offer and sale by the Company of debt securities in an aggregate amount not to exceed $475,000,000 (the "Debt Securities"). Defined terms used herein but not otherwise defined herein shall have the meanings given to them in the prospectus that forms a part of the Registration Statement (the "Prospectus").

As counsel to the Company, we have examined the Restated Certificate of Incorporation (the "Certificate") and the By-laws of the Company, the Registration Statement and exhibits thereto (including the proposed form of the Indenture and the proposed form of underwriting agreement (the "Purchase Agreement"), Board of Director resolutions adopted as of December 13, 1993, and such other documents, corporate records and matters of law as we have considered necessary for the purpose of rendering this opinion. In our examinations, we have assumed the genuineness of all documents submitted to us as originals and the conformity to original and certified documents of all copies submitted to us as conformed copies.

In our examination of the Indenture and the Purchase Agreement, we have assumed, without independent investigation, (a) the genuineness of all signatures of, the authority of, all persons signing all documents examined by us in connection with this opinion that are to be executed and delivered on behalf of either the Trustee or the underwriters, (b) the capacity of

conformity to authentic original documents of all copies submitted to us as certified, conformed or photostatic copies.

We have also assumed, without independent investigation, that each of the Trustee and the underwriters have all requisite power and authority to execute and deliver the Indenture, any supplemental indenture with respect to any particular series of the Debt Securities, and the Purchase Agreement, respectively.

Based upon the foregoing, we are of the opinion that:

When (i) the Registration Statement and any necessary Prospectus Supplement and amendments thereto have been filed and become effective, (ii) a supplemental indenture or officer's certificate with respect to any particular series of the Debt Securities and any applicable amendments and supplements thereto and to the Indenture have been duly authorized, executed and delivered by the Company and the Trustee, (iii) the terms of the Debt Securities and their issue and sale have been duly established in conformity with the Indenture and any applicable supplement or amendment thereto so as not to violate any applicable law, agreement or instrument binding on the Company and described in the Prospectus and the applicable Prospectus Supplement, and (iv) the Debt Securities have been duly authenticated and delivered by the Trustee, then the Debt Securities will be duly authorized and, when validly issued in accordance with such authorization and as described in the Prospectus (and in any Prospectus Supplement), will constitute valid and binding obligations of the Company enforceable against the Company in accordance with their terms and the terms of the Indenture and any applicable supplement or amendment thereto, subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other laws affecting creditor's rights generally from time to time in effect. The enforceability of the Company's obligations is also subject to general principles of equity (regardless of whether considered in a proceeding in equity or at law).

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and as a part thereof, or as an exhibit to or part of any document that my be filed with respect to the proposed transactions under the securities laws of the various states and other jurisdictions of the United States. We also consent to the reference to our firm under "Legal Matters" in the Prospectus.

Please be advised that Aaron I. Fleischman, Senior Partner of Fleischman and Walsh, is a director of Southern Union Company, and that he and certain other attorneys with Fleischman and Walsh have a beneficial interest in shares of Company common stock.

If you have questions regarding the opinions expressed herein, please

contact Stephen A. Bouchard, a partner, or Jonathan R. Spencer, an associate, with this firm.

Sincerely,

FLEISCHMAN AND WALSH

Exhibit 12

<TABLE>
<CAPTION>

	1992	1991	1990	1989	1988
<S>	<C>	<C>	<C>	<C>	<C>
EARNINGS					
Income - continuing operations	$10,831	$11,308	$1,413	$2,379	$(6,927)
Adj. Income - continuing operations	$10,831	$11,308	$1,413	$2,379	$(6,927)
ADD					
Interest factor on rentals (1/3)	$641	$416	$396	$218	$627
Amortization of debt issuance costs	$495	$462	$450	$450	$450
Interest on indebtedness					
Long term	$11,496	$11,179	$11,393	$11,567	$11,307
Short term	$963	$1,402	$1,126	$2,535	$2,587
	$13,595	$13,459	$13,365	$14,770	$14,971
Adjusted income	$24,426	$24,767	$14,778	$17,149	$8,044
FIXED CHARGES					
Interest on indebtedness					
LONG TERM	$11,496	$11,179	$11,393	$11,567	$11,307
SHORT TERM	$963	$1,402	$1,126	$2,535	$2,587
Amortization of debt issuance costs	$495	$462	$450	$450	$450
Interest factor on rentals (1/3)	$641	$416	$396	$218	$627
CAPITALIZED INTEREST					
SUESPASCO	$3	$0	$0	$0	$0
Total fixed charges	$13,598	$13,459	$13,365	$14,770	$14,971
Adjusted income	$24,426	$24,767	$14,778	$17,149	$8,044
Total fixed charges	$13,598	$13,459	$13,365	$14,770	$14,971
Ratio of earnings to fixed charges	1.80	1.84	1.11	1.16	0.54

</TABLE>

<TABLE>
<CAPTION>

	HISTORICAL 9 MOS. 09/30/93	HISTORICAL 12 MOS. 09/30/93	12 MOS. PFA 12/31/92	9 MOS. PFA 09/30/93	12 MOS. PFA 09/30/93
<S>	<C>	<C>	<C>	<C>	<C>
EARNINGS					
Income - continuing operations	$4,817	$11,267	$2,742	$1,379	$11,891
Adj. Income - continuing operations	$4,817	$11,267	$2,742	$1,379	$11,891
ADD					
Interest factor on rentals (1/3)	$480	$641	$1,037	$843	$1,136
Amortization of debt issuance costs	$383	$510	$803	$614	$818

Interest on indebtedness					
LONG TERM	$8,691	$11,633	$38,369	$27,591	$37,011
SHORT TERM	$1,204	$ 1,504	$963	$1,204	$1,504
	$10,758	$14,288	$41,172	$30,252	$40,469
Adjusted income	$15,575	$25,555	$43,914	$31,631	$52,360

FIXED CHARGES

Interest on indebtedness					
LONG TERM	$8,691	$11,633	$38,369	$27,591	$37,011
SHORT TERM	$1,204	$1,504	$963	$1,204	$1,504
Amortization of debt issuance costs	$383	$510	$803	$614	$818
Interest factor on rentals (1/3)	$480	$641	$1,037	$843	$1,136
CAPITALIZED INTEREST					
SUESPASCO	$36	$37	$3	$36	$37
	$10,794	$14,325	$41,175	$30,288	$40,506
Total fixed charges	$10,794	$14,325	$41,175	$30,288	$40,506
Adjusted income	$15,575	$25,555	$43,914	$31,631	$52,360
Total fixed charges	$10,794	$14,325	$41,175	$30,288	$40,506
Ratio of earnings to fixed charges	1.44	1.78	1.07	1.04	1.29

</TABLE>

EXHIBIT 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the inclusion in this registration statement of Southern Union Company on Form S-3 (File No. 33-51461) of our report dated September 24, 1993, on our audit of the financial statements of the Missouri Business of Gas Service, a division of Western Resources, Inc., as of December 31, 1992 and 1991 and for each of the three years in the period ended December 31, 1992. We also consent to the incorporation by reference in this registration statement of our report dated March 19, 1993, on our audits of the consolidated financial statements and financial statement schedules of Southern Union Company as of December 31, 1992 and 1991, and for each of the three years in the period ended December 31, 1992. We also consent to the reference to our firm under the caption "Experts."

COOPERS & LYBRAND

Austin, Texas
January 6, 1994

Securities Act of 1933 File No. _____
(If application to determine eligibility of trustee
for delayed offering pursuant to Section 305(b)(2))

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- ---

_____

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)

_____

SOUTHERN UNION COMPANY
(Exact name of obligor as specified in its charter)

DELAWARE
(State or other jurisdiction of incorporation or organization)

75-0571592
(I.R.S. Employer Identification No.)

504 LAVACA STREET, EIGHTH FLOOR
AUSTIN, TEXAS
(Address principal executive offices)

78701
(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.

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*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.

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 4th day of January, 1994.

THE CHASE MANHATTAN BANK
(NATIONAL ASSOCIATION)

/s/Timothy E. Burke

By: Timothy E. Burke, Second Vice President

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 September 30, 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>	<C>
Cash and balances due from depository institutions:		
Noninterest-bearing balances and currency and coin		$4,674,736
Interest-bearing balances		5,374,597
Securities		6,261,309
Federal funds sold and securities purchased under agreements to resell in domestic offices of the bank and its Edge and Agreement subsidiaries, and in IBFs:		
Federal funds sold		2,781,000
Securities purchased under agreements to resell		599,805
Loans and lease financing receivables:		
Loans and leases, net of unearned income	$51,968,405	
LESS: Allowance for loan and lease losses	1,441,698	
LESS: Allocated transfer risk reserve	107,265	
Loans and leases, net of unearned income, allowance, and reserve		50,419,442
Assets held in trading accounts		4,243,296
Premises and fixed assets (including capitalized leases)		1,806,510
Other real estate owned		1,133,788
Investments in unconsolidated subsidiaries and associated companies		59,706
Customers' liability to this bank on acceptances outstanding		853,332
Intangible assets		351,380
Other assets		4,683,740
TOTAL ASSETS		$83,242,641

LIABILITIES

Deposits:		
In domestic offices		32,309,451
Noninterest-bearing	11,192,841	
Interest-bearing	21,116,610	
In foreign offices, Edge and Agreement subsidiaries, and IBFs		31,259,700
Noninterest-bearing	2,784,987	
Interest-bearing	28,474,713	
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 IBFs:		
Federal funds purchased		2,974,601
Securities sold under agreements to repurchase		77,553
Demand notes issued to the U.S. Treasury		25,000
Other borrowed money		2,951,813
Mortgage indebtedness and obligations under capitalized leases		41,547
Bank's liability on acceptances, executed and outstanding		865,687
Subordinated notes and debentures		2,360,000
Other liabilities		4,327,703
TOTAL LIABILITIES		$77,193,055
Limited-life preferred stock and related surplus		0

EQUITY CAPITAL

Perpetual preferred stock and related surplus	0
Common stock	908,825
Surplus	4,351,645

Undivided profits and capital reserves	778,153
LESS: Net unrealized loss on marketable equity securities	0
Cumulative foreign currency translation adjustments	10,963
TOTAL EQUITY CAPITAL	6,049,586
TOTAL LIABILITIES, LIMITED-LIFE PREFERRED STOCK, AND EQUITY CAPITAL	$83,242,641

</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