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As filed with the Securities and Exchange Commission on May 12, 2004

Registration No. 333-

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

**FORM S-4**

**REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933**

**PANHANDLE EASTERN PIPE LINE COMPANY, LLC**

(Exact Name of Registrant as Specified in Its Charter)

**DELAWARE**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**4924**  
(Primary Standard Industrial  
Classification Code Number)

**44-0382470**  
(I.R.S. Employer  
Identification Number)

**5444 Westheimer Road  
P.O. Box 4967  
Houston, Texas 77210-4967  
(713) 989-7700**

(Address, Including Zip Code, and Telephone Number,  
Including Area Code, of Registrant's Principal Executive Offices)

**Andre C. Bouchard,**  
Vice President—Administration, General Counsel and Assistant Secretary  
Panhandle Eastern Pipe Line Company, LLC  
**5444 Westheimer Road  
P.O. Box 4967  
Houston, Texas 77210-4967  
(713) 989-7700**  
(Address, Including Zip Code, and Telephone Number,  
Including Area Code, of Agent For Service)

WITH COPIES TO:

**Sean P. McGuinness, Esq.**  
Fleischman and Walsh, L.L.P.  
1919 Pennsylvania Avenue, N.W., Suite 600  
Washington, D.C. 20006  
(202) 939-7900

**Approximate date of commencement of proposed sale to the public:** As soon as practicable after the effective date of this registration statement.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

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

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

**CALCULATION OF REGISTRATION FEE**

Title Of Each Class Of Securities To Be Registered	Amount To Be Registered	Proposed Maximum Offering Price Per Unit (1)	Proposed Maximum Aggregate Offering Price (1)	Amount Of Registration Fee
2.75% senior notes due 2007, series B	\$200,000,000	100%	\$200,000,000	\$25,340

(1) Estimated solely for the purposes of calculating the registration fee pursuant to Rule 457(f) of the Securities Act of 1933.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT WILL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

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

PROSPECTUS

**PANHANDLE EASTERN PIPE LINE COMPANY, LLC**

**Offer to Exchange Up to \$200,000,000 Aggregate Principal Amount of Our  
2.75% Senior Notes Due 2007, Series B  
for Any and All of the \$200,000,000 Aggregate Principal Amount of Our Outstanding  
2.75% Senior Notes Due 2007, Series A**

**The exchange offer will expire at 5:00 p.m.,  
Eastern Time, on , 2004, unless extended.**

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**MATERIAL TERMS OF THE EXCHANGE OFFER**

- We are offering to exchange (the "exchange offer") up to \$200,000,000 aggregate principal amount of our 2.75% senior notes due 2007, series B (the "exchange notes"), for \$200,000,000 aggregate principal amount of our outstanding 2.75% senior notes due 2007, series A (the "original notes"). We sometimes refer to the exchange notes and the original notes collectively as the notes.
- The terms of the exchange notes are substantially identical to the terms of the original notes, except that the exchange notes are registered under the Securities Act of 1933, as amended (the "Securities Act"), and the registration rights and related additional interest payment provisions and the transfer restrictions applicable to the original notes are not applicable to the exchange notes.
- Subject to the satisfaction or waiver of specified conditions, we will exchange the exchange notes for all original notes that are validly tendered and not withdrawn prior to the expiration of the exchange offer.
- The exchange of original notes for exchange notes in the exchange offer generally will not be a taxable event for U.S. federal income tax purposes. See "Certain United States Federal Income Tax Consequences."
- We will not receive any proceeds from the exchange offer.

**SEE "RISK FACTORS" BEGINNING ON PAGE 16 OF THIS PROSPECTUS FOR A DISCUSSION OF RISKS THAT SHOULD BE CONSIDERED BY HOLDERS PRIOR TO TENDERING THEIR ORIGINAL NOTES.**

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

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The date of this prospectus is ,

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You should rely only on the information about us and our operations contained in or incorporated by reference into this prospectus. We have not authorized anyone to provide you with different or additional information. If anyone provides you with different or additional information, you should not rely on it. You should assume that the information contained in or incorporated by reference into this prospectus is accurate only as of the date on the front cover of this prospectus or the date of the document incorporated by reference. Our business, financial condition, results of operations and prospects may have changed since then. We are not making an offer to sell the notes in any jurisdiction where the offer or sale is not permitted. The information contained in or incorporated by reference into this prospectus updates and supplements and, to the extent inconsistent therewith, supercedes, the information contained in any earlier filed document.

**Each broker-dealer that receives exchange notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of exchange notes. The letter of transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of exchange notes received in exchange for original notes where the original notes were acquired by the broker-dealer as a result of market-making activities or other trading activities. We have agreed to furnish each "participating broker-dealer" (as defined below) who has delivered to us proper notice, without charge, as many copies of this prospectus as such participating broker-dealer may reasonably request. See "Plan of Distribution."**

## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some statements contained in or incorporated by reference into this prospectus, including the discussion of our plans and proposals under "Summary," "Risk Factors," and "Business" are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements constitute forward-looking statements that are based on our current expectations, estimates and projections about the industry in which we operate and our beliefs and assumptions. These forward-looking statements are not historical facts, but rather reflect our current expectations concerning future results and events. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," variations of such words and similar expressions are intended to identify such forward-looking statements. Similarly, statements that describe our objectives, plans or goals are or may be forward-looking statements.

These statements are not guarantees of future performance and involve various risks, uncertainties and assumptions, which are difficult to predict and many of which are outside our control. Therefore, actual results, performance and achievements may differ materially from what is expressed or forecasted in such forward-looking statements. Prospective investors may review our reports filed in the future with the Commission for more current descriptions of developments that could cause actual results to differ materially from such forward-looking statements. However, prospective investors should not place undue reliance on forward-looking statements, which speak only as of the date of this prospectus or, in the case of documents incorporated by reference, the date of those documents.

Factors that could cause actual results to differ materially from those expressed in our forward-looking statements include, but are not limited to, those described under "Risk Factors" and the following:

- customer growth;
- gas throughput volumes and available sources of natural gas;
- discounting of transportation rates due to competition;
- abnormal weather conditions in our service territories;
- new legislation and government regulations affecting or involving Panhandle;
- our ability to comply with or to challenge successfully existing or new environmental regulations;
- the outcome of pending and future litigation;
- the impact of relations with labor unions of bargaining-unit union employees;
- the impact of future rate cases or regulatory rulings;
- our ability to control costs successfully and achieve operating efficiencies, including the purchase and implementation of new technologies for achieving such efficiencies;
- the nature and impact of any extraordinary transactions, such as any acquisition or divestiture of a business unit or any assets;
- the economic climate and growth in our industry and service territories and competitive conditions of energy markets in general;
- inflationary trends;
- changes in gas or other energy market commodity prices and interest rates;
- the current market conditions causing more customer contracts to be of shorter duration, which may increase revenue volatility;

- exposure to customer concentration with a significant portion of revenues realized from a relatively small number of customers and any credit risks associated with the financial position of those customers;
- our or our parent's debt securities ratings;
- factors affecting operations such as maintenance or repairs, environmental incidents or gas pipeline system constraints;
- the possibility of war or terrorist attacks; and
- other risks and unforeseen events.

In light of these risks, uncertainties and assumptions, the results reflected in our forward-looking statements contained in or incorporated by reference into this prospectus might not occur. In addition, we could be affected by general industry and market conditions, and general economic conditions, including interest rate fluctuations, federal, state and local laws and regulations affecting the retail gas industry or the energy industry generally. Other factors that could cause actual results to differ materially from estimates and projections contained in forward-looking statements are described in the documents that are incorporated by reference.

We do not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements contained throughout this prospectus.

## SUMMARY

*The following summary is qualified in its entirety by the more detailed information included elsewhere herein or incorporated by reference into this prospectus. Unless otherwise expressly stated or the context otherwise requires, (1) all references in this prospectus to "Panhandle," "we," "our" and "us" and all similar references are to Panhandle Eastern Pipe Line Company, LLC and its consolidated subsidiaries or to our corporate predecessors prior to our limited liability company conversions, Panhandle Eastern Pipe Line Company and its consolidated subsidiaries, as the case may be, and (2) all references in this prospectus to "Southern Union" are to Southern Union Company and its consolidated subsidiaries. Whenever we refer in this prospectus to the 2.75% senior notes due 2007, we will refer to them as the "senior notes."*

### **Panhandle Eastern Pipe Line Company, LLC**

We operate a large natural gas pipeline network, consisting of over 10,000 miles of pipeline and a liquefied natural gas ("LNG") regasification plant. The pipeline network, consisting of the Panhandle transmission system, the Trunkline Gas Company transmission system and the Sea Robin transmission system, provides over approximately 500 customers in the Midwest and Southwest with a comprehensive array of transportation and storage services. Our pipeline network transports an estimated 6% of the natural gas consumed in the United States and an estimated 20% of the natural gas consumed in the Midwest. Our major customers include 25 utilities located primarily in the United States Midwest market area, which encompasses large portions of Illinois, Indiana, Michigan, Missouri, Ohio and Tennessee.

Our Panhandle transmission system consists of a system of four large-diameter parallel pipelines, extending approximately 1,300 miles from producing areas in the Anadarko Basin of Texas, Oklahoma and Kansas through Missouri, Illinois, Indiana and Ohio into Michigan. This system is comprised of approximately 6,500 miles of pipeline.

Our Trunkline Gas Company transmission system consists of a system of two large-diameter parallel pipelines, extending approximately 1,400 miles from the Gulf Coast areas of Texas and Louisiana through Arkansas, Mississippi, Tennessee, Kentucky, Illinois and Indiana to a point on the Indiana-Michigan border. This system is comprised of approximately 3,500 miles of pipeline.

Our Sea Robin transmission system consists of two offshore Louisiana natural gas supply systems. These systems are comprised of approximately 400 miles of pipeline extending approximately 81 miles into the Gulf of Mexico.

We have a total of approximately 90 billion cubic feet ("bcf") of total storage available for use in connection with our gas transmission systems. We own and operate 47 compressor stations and have five underground gas storage fields located in Illinois, Michigan, Kansas, Oklahoma and Louisiana with a combined maximum working storage capacity of approximately 72 bcf. We also have contracts with third parties that provide for approximately 18 bcf of storage.

We own an LNG regasification plant and related LNG tanker port, unloading facilities and LNG storage facilities located at Lake Charles, Louisiana. Our LNG plant is one of the largest operating LNG facilities in North America, based on its current sustainable send out capacity of approximately .63 bcf per day. We have plans to expand our send out capacity to approximately 1.2 bcf per day with a peak sendout capacity of 2.1 bcf per day. This expansion is subject to approval by the Federal Energy Regulatory Commission ("FERC").

In 2003, our total combined twelve months operating revenue (combined pre- and post-acquisition) was approximately \$503 million. Of our total combined operating revenue, approximately 77% was generated from transportation services, approximately 12% from LNG terminalling services, approximately 8% from storage services and approximately 3% from other services. For the years 1999

to 2003, our combined throughput was 1,139 trillion British thermal units ("TBtu"), 1,374 TBtu, 1,335 TBtu, 1,259 TBtu, and 1,380 TBtu, respectively. Beginning in March 2000, our combined throughput includes the Sea Robin pipeline throughput.

Most of our operations, including our rates and other terms for the services that we provide, are primarily regulated by FERC. For more information on regulations that are significant to us, please see "Business—Regulation."

Originally organized as a Delaware corporation in 1929, we converted to a Delaware limited liability company on June 16, 2003. Our principal executive offices are located at 5444 Westheimer Road, Houston, Texas 77056-5306, and our telephone number is (713) 989-7000.

### Southern Union Company

We were acquired in June 2003 by Southern Union, a diversified natural gas provider. In addition to owning us, Southern Union serves approximately 960,000 customers in the United States through three operating divisions:

- Missouri Gas Energy, headquartered in Kansas City, Missouri, serving approximately 500,000 customers in central and western Missouri (including Kansas City, St. Joseph, Joplin and Monett);
- New England Gas Company, headquartered in Providence, Rhode Island, serving approximately 300,000 customers in Rhode Island and Massachusetts (including Providence, Newport and Cumberland, Rhode Island and Fall River, North Attleboro and Somerset, Massachusetts); and
- PG Energy, headquartered in Wilkes-Barre, Pennsylvania, serving approximately 160,000 customers in northeastern and central Pennsylvania (including Wilkes-Barre, Scranton and Williamsport).

Southern Union also owns and operates various smaller energy-related operations established to support and expand natural gas sales and other energy sales.

**The exchange notes offered by this prospectus are neither obligations of, nor guaranteed by, Southern Union. Southern Union does not intend to provide, and is subject to a regulatory prohibition against providing, any direct or indirect financial support to us. A decision to tender original notes for exchange notes should not be made in reliance on information included in this prospectus or otherwise available about Southern Union.**



**Summary Historical Consolidated Financial Information of  
Panhandle Eastern Pipe Line Company, LLC†, ††**

The following table sets forth our summary historical consolidated financial information for the periods and as of the dates indicated. The summary historical consolidated financial information as of December 31, 2003, 2002, 2001, 2000 and 1999, and for January 1 through June 11, 2003 and June 12 through December 31, 2003, for the years ended December 31, 2002, 2001, and 2000, for January 1 through March 28, 1999 and March 29, through December 31, 1999, set forth below has been derived from our audited consolidated financial statements and the related notes, which are incorporated by reference into this prospectus. Post-acquisition financial statements reflect a new basis of accounting and pre-acquisition period and post-acquisition period financial results (separated by a heavy black line) are presented but are not comparable. The heavy black line separating January 1 through June 11, 2003 from June 12 through December 31, 2003 relates to the acquisition of Panhandle by Southern Union from CMS Energy Corporation ("CMS"), effective June 11, 2003. The heavy black line separating January 1 through March 28, 1999 from March 29 through December 31, 1999 relates to the acquisition of Panhandle by CMS from Duke Energy, effective March 28, 1999. The historical consolidated statement of operations data for the years ended December 31, 2002 and 2001 set forth below have been revised to reflect the application of SFAS 145, which dictates that gains and losses on debt extinguishments are no longer classified as extraordinary items, and have been reclassified to Other income (losses), net in the amount of \$0.6 million, net of tax gain, and (\$2.0) million net of tax loss, respectively. The summary historical consolidated financial information set forth below is not necessarily indicative of future results of operations. You should read the information in the following table together with our consolidated financial statements and the related notes thereto and other financial information incorporated by reference into this prospectus.

	June 12- December 31, 2003	January 1- June 11, 2003	Year Ended December 31,			March 29- December 31, 1999	January 1- March 28, 1999
			2002	2001	2000		
(in millions)							
<b>Consolidated statements of operations data:</b>							
Operating revenue	\$ 269	\$ 234	\$ 484	\$ 514	\$ 483	\$ 343	\$ 128
Operating expenses	166	126	275	346	299	217	61
Pretax operating income	103	108	209	168	184	126	67
Other income (losses), net	7	6	(14)	6	8	2	4
Interest expense	26	36	76	83	85	60	18
Minority interest	—	—	4	—	—	—	—
Income before income taxes	84	78	115	91	107	68	53
Income taxes	33	30	46	37	43	27	20
Income before cumulative effect of change in accounting principle	51	48	69	54	64	41	33
Cumulative effect of change in accounting principle, net of tax:							
Goodwill, FAS 142	—	—	(369)	—	—	—	—
Asset retirement obligations, FAS 143	—	2	—	—	—	—	—
Consolidated net income (loss)	\$ 51	\$ 50	\$ (300)	\$ 54	\$ 64	\$ 41	\$ 33
<b>Consolidated balance sheet data as of end of period:</b>							
Net property, plant and equipment	\$ 1,952		\$ 1,621	\$ 1,588	\$ 1,600	\$ 1,500	
Investments and other assets	33		156	121	21	14	
Total current assets	265		342	483	427	272	
Goodwill and other intangibles, net	31		113	714	753	774	
Total assets	\$ 2,281		\$ 2,232	\$ 2,906	\$ 2,801	\$ 2,560	
Total debt	1,205		1,162	1,297	1,193	1,094	
Owner's equity	647		752	1,124	1,122	1,128	
Total debt and owner's equity	\$ 1,852		\$ 1,914	\$ 2,421	\$ 2,315	\$ 2,222	

† On June 11, 2003, Southern Union acquired us from CMS. On June 19, 2003, we converted from a Delaware corporation to a Delaware limited liability company in a restructuring in connection with such Panhandle acquisition.

†† Our summary historical consolidated financial information for certain periods presented prior to Southern Union's acquisition of us includes the results of operations, assets and liabilities of Centennial Pipeline, LLC and Guardian Pipeline L.L.C. These operations, assets and liabilities no longer form a part of our business effective February 2003, and March 2003, respectively.

## The Exchange Offer

The following is a brief summary of the terms of the exchange offer. For a more complete description of the terms of the exchange offer, see "The Exchange Offer" in this prospectus.

Registration rights	<p>We sold the original notes in a private offering (the "original notes offering") to Merrill Lynch, Pierce, Fenner &amp; Smith Incorporated, Credit Suisse First Boston, LLC, J.P. Morgan Securities Inc. and Credit Lyonnais Securities (USA) Inc. (collectively, the "initial purchasers") on March 9, 2004, who subsequently sold the original notes to qualified institutional buyers in reliance on Rule 144A under the Securities Act. In connection with that offering, Panhandle and Merrill Lynch, Pierce, Fenner &amp; Smith Incorporated, Credit Suisse First Boston, LLC and J.P. Morgan Securities Inc., as representatives of the initial purchasers, entered into the registration rights agreement dated as of March 12, 2004 (the "registration rights agreement") for the benefit of the holders of the original notes providing for, among other things, the exchange offer. Under the registration rights agreement, we agreed to:</p>
	<ul style="list-style-type: none"><li>• file a registration statement relating to a registered exchange offer for the senior notes with the SEC on or prior to the 120th day after the date that the senior notes are first issued;</li></ul>
	<ul style="list-style-type: none"><li>• use our reasonable best efforts to cause the SEC to declare the exchange offer registration statement effective under the Securities Act no later than the 180th day after the senior notes are first issued;</li></ul>
	<ul style="list-style-type: none"><li>• use our reasonable best efforts to cause such registration statement to remain effective until the closing of the exchange offer; and</li></ul>
	<ul style="list-style-type: none"><li>• use our reasonable best efforts to complete the exchange offer no later than 40 days after the exchange offer registration statement becomes effective.</li></ul>
	<p>The interest rate on the original notes will increase if we do not comply with certain of our obligations under the registration rights agreement. See "The Exchange Offer —Registration Rights."</p>
Purpose of exchange	<p>The exchange offer is intended to make the exchange notes freely transferable by the holders (other than participating broker-dealers) without registration or any prospectus delivery requirements under the Securities Act. See "The Exchange Offer — Purpose and Effect of the Exchange Offer."</p>

The exchange offer	We are offering to exchange, pursuant to the exchange offer, up to \$200,000,000 aggregate principal amount of our 2.75% exchange notes for \$200,000,000 aggregate principal amount of our outstanding 2.75% original notes. The terms of the exchange notes will be substantially identical (including principal amount, interest rate and maturity) to the terms of the original notes, except that the exchange notes will be freely transferable by the holders, will not be subject to any covenant regarding registration under the Securities Act and will not bear additional interest as a result of our failure to consummate the exchange offer under the terms of the registration rights agreement. See "The Exchange Offer — Terms of the Exchange Offer; Period for Tendering Original Notes" and " — Procedures for Tendering Original Notes." The original notes may be exchanged only in integral multiples of \$1,000.
Expiration date	The exchange offer will expire at 5:00 p.m., Eastern Time, on _____, 2004, unless extended (the "expiration date").
Conditions of the exchange	No minimum principal amount of original notes must be tendered to complete the exchange offer. The exchange offer is subject, however, to certain customary conditions which we may waive. Other than United States federal and state securities laws, we do not need to satisfy any regulatory requirements or obtain any regulatory approval to conduct the exchange offer. See "The Exchange Offer — Conditions of the Exchange Offer." We reserve the right to terminate or amend the exchange offer at any time prior to the expiration date upon the occurrence of any of the conditions.
Procedures for tendering original notes	If you wish to participate in the exchange offer you must complete, sign and date the letter of transmittal, or a facsimile of the letter of transmittal, in accordance with its instructions and the instructions in this prospectus, and mail or otherwise deliver such letter of transmittal, or the facsimile, together with the original notes and any other required documentation, to the exchange agent at the address set forth herein. You may only effect a tender of original notes pursuant to the procedures for book-entry transfer as described in this prospectus. See "The Exchange Offer — Procedures for Tendering Original Notes."

Special procedures for beneficial owners	If you are a beneficial owner whose original notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and you wish to tender, you should contact the registered holder promptly and instruct the registered holder to tender on your behalf. If you are a beneficial owner who wishes to tender on the registered holder's behalf, prior to completing and executing the letter of transmittal and delivering the original notes, you must either make appropriate arrangements to register ownership of the original notes in your name or obtain a properly completed bond power from the registered holder. The transfer of registered ownership may take considerable time. See "The Exchange Offer — Procedures for Tendering Original Notes."
Guaranteed delivery procedures	If you wish to tender your original notes in the exchange offer but the required documentation cannot be completed by the expiration date or the procedures for book-entry transfer cannot be completed on a timely basis, you may still tender your original notes by completing, signing and delivering the letter of transmittal with any required signature guarantees and any other documents required by the letter of transmittal to the exchange agent prior to the expiration date and tendering your original notes according to the guaranteed delivery procedures set forth in "The Exchange Offer — Guaranteed Delivery Procedures."
Withdrawal rights	You may withdraw your tender of original notes at any time prior to 5:00 p.m., Eastern Time, on the expiration date. A telegram, telex, letter or facsimile transmission notice of withdrawal must be received by the exchange agent at its address set forth herein prior to 5:00 p.m., Eastern Time, on the expiration date. See "The Exchange Offer — Withdrawal of Tenders."
Acceptance of original notes in exchange offer; delivery of exchange notes	Subject to the satisfaction or waiver of the conditions to the exchange offer, we will accept for exchange any and all original notes that are properly tendered to the exchange agent prior to 5:00 p.m., Eastern Time, on the expiration date. The exchange notes issued pursuant to the exchange offer will be delivered promptly following the expiration date. See "The Exchange Offer — Terms of the Exchange Offer; Period for Tendering Original Notes" and "The Exchange Offer — Acceptance of Original Notes in Exchange Offer; Delivery of Exchange Notes."
Exchange agent	J.P. Morgan Trust Company, N.A. (the "exchange agent") is serving as the exchange agent in connection with the exchange offer. See "The Exchange Offer — Exchange Agent."
Certain United States federal income tax consequences	For a summary of certain United States federal income tax consequences of ownership of the notes, the exchange of original notes for exchange notes and the disposition of notes, see "Certain United States Federal Income Tax Consequences."

Effect on holders of original notes

As a result of making the exchange offer, and upon acceptance for exchange of all validly tendered original notes pursuant to the terms thereof, we will have fulfilled some of our obligations contained in the registration rights agreement and, accordingly, there will be no increase in the interest rate on the original notes pursuant to the registration rights agreement. Holders of original notes who do not tender their original notes will continue to be entitled to all of the rights and will be bound by all of the limitations applicable thereto under the indenture, dated as of March 29, 1999, between Panhandle (for itself and as successor-by-merger to CMS Panhandle Holding Company) and J.P. Morgan Trust Company, N.A. (formerly known as Bank One Trust Company, National Association, and successor-in-interest to NBD Bank), as amended and supplemented by the Fourth Supplemental Indenture, dated as of March 12, 2004, between Panhandle and J.P. Morgan Trust Company, N.A. (formerly known as Bank One Trust Company, National Association), as trustee (the "trustee") (the indenture as so amended and supplemented, the "indenture"), relating to the notes, except for any rights under the indenture or the registration rights agreement which by their terms terminate or cease to be effective as a result of our making and accepting for exchange all validly tendered original notes pursuant to the exchange offer (including the right to receive additional interest). All original notes that remain outstanding will continue to accrue interest and continue to be subject to the restrictions on transfer provided for in the original notes and the indenture. To the extent that original notes are tendered and accepted in the exchange offer, the trading market, if any, for original notes could be adversely affected. See "The Exchange Offer — Consequences of Failure to Exchange."

Additional interest

If we do not complete timely the exchange offer or cause a registration statement covering resales to become effective within prescribed time periods, additional interest will be payable with respect to the original notes at the rate of 0.25% per annum, which rate will increase by 0.25% per annum each 90-day period that such additional interest continues to accrue under any such circumstance, provided that the maximum aggregate increase in the interest rate will in no event exceed 0.50% per annum.

Fees and Expenses

We will pay all fees and expenses associated with the exchange offer and compliance with the registration rights agreement.

Use of Proceeds

We will not receive any proceeds from the issuance of exchange notes pursuant to the exchange offer. We used, and anticipate using, the net proceeds from the sale of the original notes to pay off certain indebtedness, and for general corporate purposes. See "Use of Proceeds."

## The Exchange Notes

The following is a brief summary of the terms of the exchange notes. For a more complete description of the terms of the exchange notes, see "Description of the Exchange Notes" in this prospectus.

Issuer	Panhandle Eastern Pipe Line Company, LLC.
Notes offered	\$200 million aggregate principal amount of 2.75% senior notes due 2007, series B.
Maturity	August 15, 2007.
Interest payment dates	March 15 and September 15 of each year, beginning on September 15, 2004.
Ranking	<p>The exchange notes will be unsecured senior obligations and rank equally with all of our other unsecured and unsubordinated senior indebtedness. As of December 31, 2003:</p> <ul style="list-style-type: none"><li>• we had outstanding approximately \$1.205 billion of senior indebtedness; and</li><li>• one of our subsidiaries had outstanding approximately \$270 million of indebtedness with respect to which the exchange notes will be structurally subordinated.</li></ul>
Issuance of additional notes	We may "reopen" the notes of any series and issue additional notes at any time.
Optional redemption	<p>We may redeem some or all of the notes at any time at a redemption price equal to the greater of:</p> <ul style="list-style-type: none"><li>• 100% of their principal amount and</li><li>• the sum of the present values of the remaining scheduled payments of principal and interest on the notes, discounted to the redemption date on a semiannual basis at the treasury rate plus 20 basis points.</li></ul>
Mandatory redemption	None.
Form and denomination	The exchange notes will be fully registered under the Securities Act and issued in denominations of \$1,000 and integral multiples of \$1,000. The exchange notes will be in book-entry form and will be represented by one or more permanent global certificates in fully registered form without interest coupons and will be deposited with the trustee as custodian for The Depository Trust Company ("DTC") and registered in the name of Cede & Co., or another nominee designated by DTC.
Governing law	The indenture is, and the exchange notes will be, governed by New York law.

Ratings	The notes have been rated BBB by Standard & Poor's Ratings Service, Baa3 by Moody's Investor Service, Inc., and BBB by Fitch Ratings. Security ratings are not recommendations to buy, sell or hold the notes. Ratings are subject to revision or withdrawal at any time by the rating agencies.
Transfer restrictions	The original notes have not been registered under the Securities Act or any state securities law and are subject to restrictions on transfer. The exchange notes will be registered under the Securities Act and will not be subject to those restrictions.
Certain covenants	The exchange notes will be subject to certain covenants that restrict our ability to make specified payments, create or incur liens on our property or enter into some sale-leaseback transactions. See "Description of the Exchange Notes — Certain Covenants."
Risk factors	See "Risk Factors" and the other information in this prospectus for a discussion of factors you should carefully consider before deciding to tender your original notes for exchange notes in the exchange offer.

## RISK FACTORS

*In deciding whether to exchange your original notes in the exchange offer, you should carefully consider the following risk factors, in addition to the other information contained in or incorporated by reference into this prospectus. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are currently unaware of, or that we currently deem immaterial, also may become important factors that affect us. If any of the following risks occurs, our business, financial condition or results of operations could be materially and adversely affected. In that case, the value of the exchange notes and your investment could decline.*

### **Risks That Relate to Our Industry**

#### ***Our business is highly regulated.***

Our business is subject to regulation by federal, state and local regulatory authorities. The Federal Energy Regulatory Commission, the U.S. Department of Transportation and various state and local regulatory agencies regulate the interstate pipeline business. In particular, FERC regulates the services provided and rates charged by us. Our ability to obtain rate increases and rate supplements and to maintain our current rate of return depends upon regulatory discretion, and we can not assure you that we will be able to continue the current rates of return. Complying with these regulations also involves substantial cost.

In addition, the Department of Transportation through its Office of Pipeline Safety has regulations that govern all aspects of the design, construction, operation, and maintenance of pipeline and LNG facilities. While these regulations have existed for several years, they are undergoing extensive changes to fully implement the 2002 amendment to the Pipeline Safety Act. These new regulations took effect on January 14, 2004, and focus primarily on ensuring the integrity of pipeline systems by requiring a written pipeline integrity management program that includes periodic inspection of pipeline facilities and repair of any defects discovered in the inspection process. The new rules have resulted in changes in the way we evaluate and document our pipeline integrity process. See "Business—Regulation—Other Regulation."

#### ***We are subject to environmental regulations that could be difficult and costly to comply with.***

We are subject to extensive federal, state and local laws and regulations relating to environmental protection. These laws and regulations affect many aspects of our operations (including air emissions and the handling, use and disposal of hazardous substances) and may result in increased capital, operating and other costs. These laws and regulations generally require us to obtain and comply with a wide variety of environmental registrations, licenses, permits and other approvals, and may be enforced by both public officials and private individuals. We cannot predict the initiation, outcome or effect of any action or litigation that may arise from applicable environmental laws and regulations.

Furthermore, we may not be able to obtain or maintain all environmental regulatory approvals necessary to our business. If there is a delay in obtaining any required environmental regulatory approval, or if we fail to obtain, maintain or comply with any such approval, operations at our affected facilities could be halted or subjected to additional costs.

In addition, we may be responsible for environmental cleanup and other costs at sites currently or formerly owned or operated by us or that we may acquire and at third party waste disposal sites. These liabilities may arise due to laws and regulations or, in some cases, due to contractual indemnification we have provided to third parties. We cannot predict with certainty the sites for which we may be responsible, the imposition of resulting cleanup obligations, or the amount and timing of future expenditures related to environmental remediation because of the difficulty of estimating cleanup costs



and the uncertainty of payment by other potentially responsible parties. We cannot assure you that any such costs will not be material nor can we assure that we will be able to recover any such costs.

Existing environmental laws and regulations may be revised or new laws and regulations may be adopted or become applicable to us. Revised or additional laws and regulations that result in increased compliance costs or additional operating restrictions, particularly if those costs are not fully recoverable from insurance or our customers, could have a material adverse effect on our business, financial condition or results of operations.

***Events that are beyond our control have increased the level of public and regulatory scrutiny of our industry. Governmental and market reactions to these events may have negative impacts on our business, financial condition and access to capital.***

As a result of the energy crisis in California during the summer of 2001, the recent volatility of natural gas prices in North America, the bankruptcy filing by Enron Corporation, accounting irregularities at other public companies in general and energy companies in particular, and investigations by governmental authorities into energy trading activities, companies in the regulated and unregulated utility business have been under a generally increased amount of public and regulatory scrutiny and suspicion. Accounting irregularities at other public companies have caused regulators and legislators to review current accounting practices, financial disclosures and companies' relationships with their independent auditors. The capital markets and ratings agencies also have increased their level of scrutiny. It is not possible for us to predict what effect these types of events may have on our, or any of our customers', business, or financial condition, or on our access to the capital markets.

Motivated by some of these events, Congress passed the Sarbanes-Oxley Act of 2002. It is unclear what additional laws or regulations may develop, and we cannot predict the ultimate impact of any future changes in accounting regulations or practices in general with respect to public companies, the energy industry or our operations including any of our customers' ability to pay us. Any new accounting standards could affect the way we are required to record revenues, assets and liabilities. These changes in legal and accounting standards could lead to negative impacts on reported earnings or increases in liabilities that could, in turn, affect our reported results of operations.

***Terrorist attacks or the threat of them may result in increased costs, and the consequences of the war on terror and the Iraq war may adversely impact our results of operations.***

The impact that terrorist attacks, such as the attacks of September 11, 2001, may have on the energy industry in general, and on us in particular, is not known at this time. Uncertainty surrounding military activity may affect our operations in unpredictable ways, including disruptions of fuel supplies and markets, particularly oil, and the possibility that infrastructure facilities, including pipelines, production facilities, processing plants and refineries, could be direct targets of, or indirect casualties of, an act of terror or a retaliatory strike. We may have to incur additional costs in the future to safeguard our physical assets and we may be required to incur significant additional costs in the future.

The terrorist attacks on September 11, 2001 and the changes in the insurance markets attributable to those attacks has made and continues to make certain types of insurance more difficult and more costly for us to obtain. Given the threat of future attacks, we may be unable to secure the levels and types of insurance we would otherwise have secured prior to September 11, 2001. There can be no assurance that insurance will be available to us without significant additional costs. A lower level of economic activity could also result in a decline in energy consumption which could adversely affect our revenues or restrict our future growth. Instability in the financial markets as a result of terrorism or war could also affect our ability to raise capital.

## **Risks That Relate To Our Business**

### ***We have substantial debt.***

We have a significant amount of debt outstanding. We had total consolidated senior indebtedness of approximately \$1.205 billion outstanding as of December 31, 2003 compared to total capitalization (total debt plus owner's equity) of approximately \$1.852 billion. As of December 31, 2003, our subsidiary Trunkline LNG Company, LLC had approximately \$270 million of bank debt outstanding (included in our total debt) with respect to which the senior notes will be structurally subordinated. As of December 31, 2003, we had approximately \$146 million of senior notes due March 15, 2004 which were paid down with proceeds of the offering of the original notes, and approximately \$52 million of senior notes due August 15, 2004, which we expect to pay down with the remainder of the proceeds of the offering of the original notes.

Our substantial debt could have important consequences to you. For example, it could:

- limit our ability to borrow additional funds, including to finance the LNG expansion we must complete to recover our investment;
- increase the cost of any future debt that we incur;
- reduce cash flow from operations available for working capital, capital expenditures and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industries in which we operate;
- place us at a competitive disadvantage compared to our competitors that are less leveraged;
- result in a downgrade in our ratings; or
- increase our vulnerability to general adverse economic and industry conditions.

Some of our debt obligations contain financial covenants related to debt-to-capital ratios and interest coverage ratios. Our failure to comply with any of these covenants could result in an event of default which, if not cured or waived, could result in the acceleration of our outstanding debt obligations or the inability to borrow under certain credit agreements. Any such acceleration would cause a material adverse change in our financial condition and results of operations.

### ***We depend on our ability to access the capital markets.***

We rely on access to both short-term and long-term capital as a significant source of liquidity for funding requirements not satisfied by the cash flow from our operations. Any worsening of our financial condition could limit our ability to access the capital markets. External events could also increase our cost of borrowing or adversely affect our ability to access the capital markets. Such external events could include the following:

- economic weakness in the United States or in the regions where we operate;
- financial difficulties of unrelated energy companies, particularly any of our customers; capital market conditions generally;
- market prices for electricity and gas;
- terrorist attacks or threatened attacks on our facilities or unrelated energy companies;
- the overall health of the utility industry; and
- fluctuations in interest rates.

Restrictions on our ability to access capital markets could affect our ability to pursue improvements or execute our business plan.

***Our pipeline business is subject to competition.***

Federal and state regulation of natural gas interstate pipelines has changed dramatically in the last two decades and could continue to change. These regulatory changes have resulted and may continue to result in increased competition in the pipeline business. In order to meet competitive challenges, we will need to adapt our marketing strategies, the type of transportation and storage services we offer to our customers and our pricing and rate responses to competitive forces. We will also need to respond to changes in state regulation in our market area that allow direct sales to all retail end-user customers or, at least, broader customer classes than now allowed. We are not able to predict the financial consequences of these changes at this time, but they could have a material adverse effect on our business, financial condition and results of operations.

FERC policy allows the issuance of certificates authorizing the construction of new interstate pipelines which are competitive with existing pipelines. A number of pipeline and pipeline expansion projects have been approved by FERC in order to transport large additional volumes of natural gas to the Midwest from Canada. If built, these pipelines will be able to compete with us, if only indirectly. Increased competition could reduce the volumes of gas we transport to our existing markets or force us to lower rates in order to meet competition. This could have a material adverse effect on our business, financial condition and results of operations.

***The success of our pipeline businesses depends, in part, on factors beyond our control.***

Most of the natural gas we transport and store is owned by third parties. As a result, the volume of natural gas involved in these activities depends on the actions of those third parties and is beyond our control. Further, the following factors, most of which are beyond our control, may unfavorably impact our ability to maintain or increase current transmission and storage rates, to renegotiate existing contracts as they expire or to remarket unsubscribed capacity:

- future weather conditions, including those that favor hydroelectric generation or other alternative energy sources;
- market price of gas;
- price competition;
- drilling activity and supply availability;
- expiration of significant contracts;
- service area competition; and
- regulatory actions.

***Our success depends on the continued development of additional natural gas reserves in the vicinity of our facilities and our ability to access additional reserves to offset the natural decline from existing wells connected to our systems.***

Revenues generated by our transmission contracts ultimately depend on the volume of natural gas transported. As the reserves available through the supply basins connected to our systems are naturally declining, a decrease in development or production activities could cause a decrease in the volume of reserves available for transmission. Investments by third parties in the development of new natural gas

reserves connected to our facilities depend on energy prices which in turn are affected by a number of factors, including:

- regional, domestic and international supply and demand;
- availability and adequacy of transportation facilities;
- energy legislation;
- federal and state taxes, if any, on the sale or transportation of natural gas; and
- abundance of supplies of alternative energy sources.

If there are reductions in the average volume of natural gas we transport, our business, financial condition and results of operations could be materially adversely affected.

***Fluctuations in energy commodity prices could adversely affect our business.***

Revenues generated by our transmission contracts depend on rates. If natural gas prices in the supply basins connected to our pipeline systems are higher than prices in other natural gas producing regions, especially Canada, our ability to compete with other transporters may be negatively impacted.

***Our pipeline revenues are generated under contracts that must be renegotiated periodically.***

Our pipeline revenues are generated under natural gas transportation contracts that expire periodically and must be replaced approximately every three years, on average. Although we actively pursue the renegotiation, extension and/or replacement of these contracts, we cannot assure you that we will be able to extend or replace these contracts when they expire or that the terms of any renegotiated contracts will be as favorable as the existing contracts.

In particular, our ability to extend and replace transportation contracts could be harmed by factors we cannot control, including:

- the proposed and actual construction by other companies of additional pipeline capacity in markets serviced by us;
- changes in state regulation of local distribution companies, which may cause them to negotiate short-term contracts;
- reduced demand due to higher natural gas prices;
- the availability of alternative energy sources or supply points; and
- the viability of any proposed expansion projects.

If we are unable to renew, extend or replace these contracts, or if we renew them on less favorable terms, we may suffer a material reduction in our revenues and earnings.

***Our pipeline business is dependent on a small number of customers for a significant percentage of our sales.***

During the year ended December 31, 2003, sales to ProLiance Energy, LLC, a nonaffiliated local distribution company and gas marketer, accounted for approximately 16% of our total combined twelve months operating revenue, sales to BG LNG Services, a nonaffiliated gas marketer, accounted for approximately 15% of our total combined twelve months operating revenue, and sales to subsidiaries of our former parent, CMS, primarily Consumers Energy Company, also accounted for approximately 12% of our total combined twelve months operating revenue. No other customer accounted for 10% or more of our total combined twelve months operating revenue during the same period. Aggregate sales to our top 10 customers accounted for approximately 69% of our total combined twelve months operating revenue during the year ended December 31, 2003. In 2003, some of the ProLiance contracts

that form a part of our overall agreement with ProLiance Energy, LLC were renegotiated and extended through 2009. While we believe that we have strong relationships with all of our significant customers, the loss of one or more significant customers would have a material adverse effect on our business, financial condition and results of operations.

***Our operations are subject to operational hazards and uninsured risks.***

Our operations are subject to the inherent risks normally associated with pipeline operations, including pipeline ruptures, explosions, pollution, release of toxic substances, fires and adverse weather conditions, and other hazards, any of which could result in damage to or destruction of our facilities or our or others' property. These occurrences could also result in personal injury or death. If any of these events were to occur, we could suffer substantial losses.

While we maintain insurance against many of these risks, our business, financial condition and results of operations could be adversely affected if a significant event occurs that is not fully covered by insurance.

***We are controlled by Southern Union.***

We are an indirect wholly-owned subsidiary of Southern Union Company. Southern Union executives serve as the Board of Managers and as executive officers of Panhandle. Accordingly, Southern Union controls and directs all our business affairs and may unilaterally effect changes to our management team and decide all matters submitted for member approval. In circumstances involving a conflict of interest between Southern Union, on the one hand, and our creditors, on the other hand, we can give no assurance that Southern Union would not exercise its power to control us in a manner that would benefit Southern Union to the detriment of our creditors.

The indenture imposes some limitations in some circumstances on our ability to pay dividends or to make other payments or loans to Southern Union. See "Description of the Senior Notes—Certain Covenants". The indenture does not otherwise restrict our ability to enter into transactions with Southern Union or their terms, including transportation and storage services, fees for other services provided to us or by us, cost allocations such as for management time and related overhead, shared benefit plans and income taxes, which could result in our costs for such items exceeding what we might incur if we were not affiliated with Southern Union.

**Risks That Relate To This Offering**

***The indenture may restrict our ability to enter into certain transactions.***

Our indenture provides that a change in our federal income tax status or a change in the deemed issuer of the senior notes for federal income tax purposes may give rise to an event of default under the indenture unless we provide an opinion of counsel to the effect that there will be no federal income tax consequences to the holders or holders of more than 50% in principal amount of the senior notes consent to the change. This restriction may limit Southern Union's and our ability to respond to changing business and economic conditions and engage in opportunistic transactions. See "Description of the Senior Notes—Events of Default."

***There has been no prior market for the senior notes and if an active trading market does not develop, you may not be able to resell your senior notes.***

The senior notes are a new issue of securities with no established trading market. In addition, the senior notes have not been registered under the Securities Act. Accordingly, the senior notes may only be offered or sold pursuant to an exemption from the registration requirements of the Securities Act or pursuant to an effective registration statement. We cannot assure you that a liquid or active trading

market will develop for the senior notes. If an active trading market for the senior notes does not develop, the market price and liquidity of the senior notes may be adversely affected and you may not be able to resell your senior notes at their fair market value or at all. If the senior notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our performance and other factors. Some of the initial purchasers have advised us that they presently intend to make a market in the senior notes after completion of this offering. However, the initial purchasers are under no obligation to do so and may discontinue any market-making activities at any time without any notice. We do not intend to apply for listing of the senior notes on any national securities exchange or for quotation of the senior notes on any automated dealer quotation system.

***Consequences of Failure to Tender—Failure to tender your original notes for exchange notes could limit your ability to resell the original notes.***

The original notes were not registered under the Securities Act or under the securities laws of any state and may not be resold, offered for resale or otherwise transferred unless they are subsequently registered or resold under an exemption from the registration requirements of the Securities Act and applicable state securities laws. If you do not exchange your original notes for exchange notes under the exchange offer, you will not be able to resell, offer to resell or otherwise transfer the original notes unless they are registered under the Securities Act or unless you resell them, offer to resell or otherwise transfer them under an exemption from the registration requirements of, or in a transaction not subject to, the Securities Act. In addition, we will no longer be under an obligation to register the original notes under the Securities Act except in the limited circumstances provided under the registration rights agreement. In addition, if you want to exchange your original notes in the exchange offer for the purpose of participating in a distribution of the exchange notes, you may be deemed to have received restricted securities, and, if so, will be required to comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction.

***Trading Market for original notes—The issuance of the exchange notes may adversely affect the market for the original notes.***

To the extent the original notes are tendered for exchange and accepted in the exchange offer, the trading market for the untendered and tendered but unaccepted original notes could be adversely affected.

## USE OF PROCEEDS

We will not receive any proceeds from the issuance of the exchange notes offered by this prospectus. In consideration for issuing the exchange notes contemplated by this prospectus, we will receive the original notes in like principal amount, the form and terms of which are substantially the same as the form and terms of the exchange notes. The original notes surrendered in exchange for the exchange notes will be retired and canceled and cannot be reissued. Accordingly, the issuance of the exchange notes will not result in any increase or decrease in our indebtedness. We have agreed to bear the expense of the exchange offer. No underwriter is being used in connection with the exchange offer.

The net proceeds received by us from the original notes offering, after deducting the initial purchasers' discount and expenses related to the offering were approximately \$198,810,000. We used the net proceeds from the sale of the original notes to payoff certain indebtedness, including \$146,080,000 principal amount of our 6.125% senior notes that were due March 15, 2004 plus accrued but unpaid interest through maturity. We anticipate we may use a portion of the remaining net proceeds from the original notes offering to pay off at maturity \$52,455,000 principal amount of our 7.875% senior notes due August 15, 2004, plus accrued but unpaid interest through maturity. The net proceeds will also be used for general corporate purposes, including payment of the costs associated with the offering of the original notes and this exchange offer.

## CAPITALIZATION

The following table sets forth our capitalization at December 31, 2003.

The information in this table does not give effect to any other events subsequent to December 31, 2003. You should read the information in this table along with the financial information included in, or incorporated by reference into, this prospectus.

	As of December 31, 2003	
	Historical	As Adjusted
<b>Debt:</b>		
6.125% senior notes due 2004	\$ 146,080	\$ —
7.875% senior notes due 2004(1)	\$ 52,455	\$ 52,455
4.800% senior notes due 2008, series A	\$ 300,000	\$ 300,000
6.500% senior notes due 2009	\$ 60,623	\$ 60,623
8.250% senior notes due 2010, series B	\$ 40,500	\$ 40,500
6.050% senior notes due 2013, series A	\$ 250,000	\$ 250,000
7.000% senior notes due 2029	\$ 66,305	\$ 66,305
LNG bank loans (floating rate)	\$ 269,570	\$ 269,570
Net (discount) premium	\$ 19,911	\$ 18,737
2.750% senior notes due 2007, series A	\$ —	\$ 200,000
	<hr/>	<hr/>
Total debt	\$ 1,205,444	\$ 1,258,190
Current portion of long-term debt	\$ (209,671)	\$ (63,591)
Total debt, excluding current portion	\$ 995,773	\$ 1,194,599
	<hr/>	<hr/>
<b>Equity:</b>		
Owner's equity	\$ 646,818	\$ 646,818
	<hr/>	<hr/>
Total capitalization, including current portion of long-term debt	\$ 1,852,262	\$ 1,905,008
	<hr/>	<hr/>

- (1) We anticipate we may use a portion of the approximately \$52,730,000 net proceeds available after repayment of the \$146,080,000 principal amount of senior notes due March 15, 2004 and related expenses from this offering to pay off at maturity \$52,455,000 principal amount of our 7.875% senior notes due August 15, 2004, plus accrued but unpaid interest through maturity. See "Use of Proceeds."



## RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth the consolidated ratio of earnings to fixed charges on an historical basis for the periods June 12 through December 31, 2003 and January 1 through June 11, 2003, each of the years ended December 31, 2002, 2001 and 2000, and for the periods March 29 through December 31, 1999 and January 1 through March 28, 1999. Post-acquisition financial statements reflect a new basis of accounting and pre-acquisition period and post-acquisition period financial results (separated by a heavy black line) are presented but are not comparable. The heavy black line separating January 1 through June 11, 2003 from June 12 through December 31, 2003 relates to the acquisition of Panhandle by Southern Union from CMS, effective June 11, 2003. The heavy black line separating January 1 through March 28, 1999 from March 29 through December 31, 1999 relates to the acquisition of Panhandle by CMS from Duke Energy, effective March 28, 1999.

	June 12- December 31, 2003	January 1- June 11, 2003	Years Ended December 31,			March 29- December 31, 1999	January 1- March 28- 1999
			2002	2001	2000		
Ratio of Earnings to Fixed Charges:	4.0	3.1	2.4	2.0	2.2	2.1	3.6

Earnings included in the calculation of the ratio of earnings to fixed charges represent income before income taxes plus fixed charges, other than capitalized interest. Fixed charges include capitalized interest, a portion of rent expense representative of interest and interest expense, which includes debt premium and discount amortization and amortization of debt issuance costs.

Each of the ratios of earnings to fixed charges for the periods June 12 through December 31, 2003 and January 1 through June 11, 2003 and for the periods March 29 through December 31, 1999 and January 1 through March 28, 1999, reflect the seasonal nature of our business. Demand for gas transmission on our pipeline systems and throughput are highest, and a higher portion of our revenues are earned, during the colder period in the first and fourth quarters. Accordingly, these results are not indicative of our full year or future performance. Additionally, due to the nature of the short time frame of certain of the periods described above, the results do not reflect the actual results that would have been achieved on an annual basis.

The ratio for the period June 12 through December 31, 2003 benefits from debt premium amortization recorded following Southern Union's acquisition of Panhandle, which lowers book interest expense but does not lower actual cash interest payments.

The ratios for the years ended December 31, 2002 and 2001 have been revised to reflect the application of SFAS 145, which requires that gains and losses on debt extinguishments no longer be classified as extraordinary items in the amounts of \$0.6 million, net of tax gain, and (\$2.0) million, net of tax loss, respectively.

**SELECTED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION<sup>+,++</sup>**

The following tables set forth our selected historical consolidated financial information for the periods and as of the dates indicated. The selected historical consolidated financial information as of December 31, 2003, 2002, 2001, 2000, 1999, and for January 1 through June 11, 2003 and June 12, 2003 through December 31, 2003, for the years ended December 31, 2002, 2001, and 2000, for January 1 through March 28, 1999 and March 29, through December 31, 1999, set forth below has been derived from our audited consolidated financial statements and the related notes, which are incorporated by reference into this prospectus. Post-acquisition financial statements reflect a new basis of accounting and pre-acquisition period and post-acquisition period financial results (separated by a heavy black line) are presented but are not comparable. The heavy black line separating January 1 through June 11, 2003 from June 12 through December 31, 2003 relates to the Panhandle acquisition. The heavy black line separating January 1 through March 28, 1999 from March 29 through December 31, 1999 relates to the acquisition of Panhandle by CMS from Duke Energy, effective March 28, 1999. The results of operations for the interim periods are not necessarily indicative of the future results of operations that may be expected for the entire year. You should read the information in the following table together with our consolidated financial statements and the related notes thereto, and other financial information included in or incorporated by reference into this prospectus. The historical consolidated financial information has been revised to reflect the application of SFAS 145, which dictates that gains and losses on debt extinguishments are no longer classified as extraordinary items, and have been reclassified to Other income (losses), net.

	June 12- December 31, 2003	January 1- June 11, 2003	Year Ended December 31,			March 29- December 31, 1999	January 1- March 28, 1999
			2002	2001	2000		
(in millions)							
<b>Consolidated statements of operations data:</b>							
Operating revenue	\$ 269	\$ 234	\$ 484	\$ 514	\$ 483	\$ 343	\$ 128
Operating expenses							
Operation, maintenance and general	118	91	202	250	211	151	40
Depreciation and amortization	33	23	51	69	65	44	14
General taxes	15	12	22	27	23	22	7
Total operating expenses	166	126	275	346	299	217	61
Pretax operating income	103	108	209	168	184	126	67
Other income (losses), net	7	6	(14)	6	8	2	4
Interest expense							
Interest on long-term debt	26	33	74	84	82	59	5
Other interest	—	2	2	(1)	3	1	13
Total interest expenses	26	35	76	83	85	60	18
Minority interest	—	—	4	—	—	—	—
Income before income taxes	84	79	115	91	107	68	53
Income taxes	33	31	46	37	43	27	20
Income before cumulative effect of change in accounting principle	51	48	69	54	64	41	33
Cumulative effect of change in accounting principle, net of tax:							
Goodwill, FAS 142	—	—	(369)	—	—	—	—
Asset retirement obligations, FAS 143	—	2	—	—	—	—	—
Consolidated net income (loss)	\$ 51	\$ 50	\$ (300)	\$ 54	\$ 64	\$ 41	\$ 33
<b>Consolidated balance sheet data as of end of period:</b>							
Net property, plant and equipment	\$ 1,952		\$ 1,621	\$ 1,588	\$ 1,600	\$ 1,500	
Investments and other assets	33		156	121	21	14	
Total current assets	265		342	483	427	272	
Goodwill, net			113	714	753	774	
Other intangibles, net	31						
Total assets	\$ 2,281		\$ 2,232	\$ 2,906	\$ 2,801	\$ 2,560	
Long-term debt, including current portion	1,205		1,162	1,297	1,193	1,094	
Short-term notes	—		30	—	—	—	
Other current liabilities	179		153	219	266	204	
Deferred income taxes and other non-current liabilities	250		135	266	220	134	
Owner's equity	647		752	1,124	1,122	1,128	
Total liabilities and owner's equity	\$ 2,281		\$ 2,232	\$ 2,906	\$ 2,801	\$ 2,560	

+ On June 11, 2003, Southern Union acquired us from CMS Energy Corporation. On June 19, 2003, we converted from a Delaware corporation to a Delaware limited liability company in a restructuring in connection with the Panhandle acquisition.

++ Our summary historical consolidated financial information includes the results of operations, assets and liabilities of Centennial Pipeline, LLC and Guardian Pipeline L.L.C. These operations, assets and liabilities no longer form a part of our business.

## BUSINESS

*The following discussion highlights certain important facts regarding us, our subsidiaries and our current and proposed business activities.*

### Overview

We operate a large natural gas pipeline network, consisting of more than 10,000 miles of pipeline and a LNG regasification plant. The pipeline network, consisting of the Panhandle transmission system, the Trunkline Gas Company transmission system and the Sea Robin transmission system, provides approximately 500 customers in the Midwest and Southwest with a comprehensive array of transportation and storage services. Our pipeline network transports an estimated 6% of the natural gas consumed in the United States and an estimated 20% of the natural gas consumed in the Midwest. Our major customers include 25 utilities located primarily in the United States Midwest market area, which encompasses large portions of Illinois, Indiana, Michigan, Missouri, Ohio and Tennessee. We refer to the pipeline businesses of Panhandle and our subsidiary, Trunkline Gas Company, LLC, as the "interstate transmission and storage operations."

### Interstate Transmission and Storage Operations

Our interstate transmission and storage operations have more than 10,000 miles of pipeline in the United States. With approximately 6,500 miles of pipeline, our Panhandle natural gas transmission system consists of four large diameter pipelines extending approximately 1,300 miles from producing areas in the Anadarko Basin of Texas, Oklahoma and Kansas through the states of Missouri, Illinois, Indiana, Ohio and into Michigan. Our Trunkline transmission system consists of two large diameter pipelines with an aggregate of approximately 3,500 miles of pipeline which extend approximately 1,400 miles from the Gulf Coast areas of Texas and Louisiana through the states of Arkansas, Mississippi, Tennessee, Kentucky, Illinois and Indiana to a point on the Indiana-Michigan border. Our Sea Robin transmission system consists of two offshore Louisiana natural gas supply systems and is comprised of approximately 400 miles of pipeline extending approximately 81 miles into the Gulf of Mexico.

In connection with our gas transmission systems, we own and operate 47 compressor stations and have five gas storage fields located in Illinois, Kansas, Louisiana, Michigan and Oklahoma with an aggregate storage capacity of approximately 72 bcf. We also have contracts with third parties for approximately 18 bcf of storage for a total of approximately 90 bcf of total storage capacity.

A significant portion of our revenue comes from long-term service agreements with local distribution company customers and their affiliates. We also provide firm transportation services under contract to gas marketers, producers, other pipelines, electric power generators and a variety of end-users. In addition, the pipelines offer both firm and interruptible transportation to customers on a short-term or seasonal basis. Demand for gas transmission on our pipeline systems is seasonal, with the highest throughput and a higher portion of revenues occurring during the colder period in the first and fourth quarters. We derive our estimated 2.5 bcf per day of natural gas supply from various locations and suppliers on our Midcontinent system, from supply sourced in the offshore Gulf Coast and Gulf of Mexico and from imports through Trunkline LNG.

### LNG Business

Through our subsidiary, Trunkline LNG Company, LLC, we own a liquefied natural gas terminal in Lake Charles, Louisiana. Our LNG facility has a sustainable send out capacity of approximately .63 bcf per day which is one of the largest operating LNG facilities in North America. As a liquid, natural gas can be cost efficiently stored and transported in LNG ocean tankers. Through the process of regasification, LNG terminals return liquefied natural gas to a gaseous state for delivery into the interstate pipeline system.

In May 2001, Trunkline LNG signed an agreement with BG Group plc that provides for a 22-year contract, beginning January 2002, for all the uncommitted capacity at the Lake Charles, Louisiana facility, up to the total storage capacity of 6.3 bcf and sustainable send out deliverability of approximately .63 bcf per day. Trunkline LNG's peak rate send out capability is 1.0 bcf per day. Rates applicable under the BG contract are subject to a moratorium with BG LNG Services through 2015.

In October 2001, Trunkline LNG announced the planned expansion of the Lake Charles facility to provide an additional 3.0 bcf of storage capacity and an additional .57 bcf per day of deliverability ("Phase I"). The facility will have a total of approximately 1.2 bcf per day of sustainable send out capacity upon completion of the expansion. This additional capacity has also been contracted by BG Group. In December 2002, FERC approved the expansion of the LNG regasification terminal. The expanded facility is currently expected to be in operation by the end of 2005.

On February 2, 2004, Trunkline LNG announced the Phase II modification of its expansion of the Lake Charles facility, which expansion is subject to FERC approval. With the Phase II modification, sustainable send out capacity from the Lake Charles terminal will increase to approximately 1.8 bcf per day, with a peak send out capacity of 2.1 bcf per day. This additional capacity is also fully contracted to BG LNG subject to timely completion of construction of this facility. Also, Trunkline Gas Company plans to build a second natural gas pipeline from the LNG terminal to its mainline to accommodate such additional capacity.

## **Competition**

### *Interstate transmission and storage operations.*

The interstate gas pipeline business is highly competitive. Within the gas pipeline business, our competitors include major pipeline companies which may be larger and possess greater resources. Our interstate pipelines compete with other interstate and intrastate pipeline companies in the transportation and storage of natural gas. The principal elements of competition among pipelines are rates, terms of service and flexibility and reliability of service. Our direct competitors include Alliance Pipeline LP, ANR Pipeline Company, Natural Gas Pipeline Company of America, Northern Border Pipeline Company, Texas Gas Transmission Corporation, Northern Natural Gas Company and Vector Pipeline in the Midwest market area.

Natural gas competes with other forms of energy available to our customers and end-users, including electricity, coal and fuel oils. The primary competitive factor is price. Changes in the availability or price of natural gas and other forms of energy, the level of business activity, conservation, legislation and governmental regulations, the capability to convert to alternative fuels and other factors, including weather and natural gas storage levels, affect the demand for natural gas in the areas we serve.

### *LNG operations.*

Trunkline LNG is a supplier of liquefied natural gas regasification service and, as such, is in direct competition with other LNG terminals and natural gas production areas.

## **Regulation**

Under the Natural Gas Act and, to a lesser extent, the Natural Gas Policy Act of 1978, FERC regulates both the performance of interstate transportation and storage services by interstate natural gas pipeline companies and the rates charged for such services. As such, FERC has comprehensive jurisdiction over us and our subsidiaries as natural gas companies within the meaning of the Natural Gas Act. FERC jurisdiction relates, among other things, to the acquisition, operation and disposal of assets and facilities and to the service provided and rates charged.

FERC has authority to regulate rates and charges for both transportation and storage of natural gas in interstate commerce. FERC also has authority over the construction and operation of pipeline and related facilities utilized in the transportation and sale of natural gas in interstate commerce, including the extension, enlargement or abandonment of service using such facilities. We and our subsidiaries hold certificates of public convenience and necessity issued by FERC, authorizing them to construct and operate the pipelines, facilities and properties now in operation for which such certificates are required, and to transport and store natural gas in interstate commerce.

With the adoption of FERC Order No. 636 in April 1992 FERC required interstate natural gas pipelines that perform open access transportation under blanket certificates to "unbundle" or separate their traditional merchant sales services from their transportation and storage services and to provide comparable transportation and storage services with respect to all natural gas supplies, whether the natural gas is purchased from the pipeline or from other merchants such as marketers or producers. Each interstate natural gas pipeline must now separately state the applicable rates for each unbundled service.

On November 25, 2003, FERC issued Order No. 2004, adopting new standards of conduct to apply uniformly to natural gas pipeline companies (collectively, "Transmission Providers"). These standards of conduct govern the relationship between Transmission Providers and their energy affiliates and are designed to prevent Transmission Providers from giving their energy affiliates unduly preferential treatment. The standards of conduct are also designed to ensure that Transmission Providers offer service to all customers on a non-discriminatory basis. We are considered a Transmission Provider under the new standards of conduct and we expect to have one or more energy affiliates subject to the restrictions contained therein. All Transmission Providers must, and we expect to, comply with the new standards of conduct by June 1, 2004.

The Secretary of Energy regulates the importation and exportation of natural gas and has delegated various aspects of this jurisdiction to FERC and the DOE's Office of Fossil Fuels.

We are also subject to the Natural Gas Pipeline Safety Act of 1968 and the Pipeline Safety Improvement Act of 2002, which regulates the safety of gas pipelines. In addition, we are subject to the Hazardous Liquid Pipeline Safety Act of 1979, which regulates oil and petroleum pipelines.

In 2002, the U.S. Congress enacted the Pipeline Safety Improvement Act ("PSIA"). Final regulations implementing the PSIA took effect on January 14, 2004. The PSIA makes numerous changes to pipeline safety law, the most significant of which is the requirement that operators of pipeline facilities implement written pipeline integrity management programs. Such programs must include a baseline integrity assessment of each transmission facility, which must be completed within 10 years of the enactment of the PSIA. We are subject to the PSIA. Compliance with the PSIA and related regulations have resulted in increased costs. However, based on current information, these costs have not had, and we do not expect future costs to have, a material adverse effect on our results of operations.

## **Employees**

At December 31, 2003, we had over 1,000 full-time equivalent employees. Of these employees, 230 were represented by the Paper, Allied-Industrial Chemical and Energy Workers International Union, AFL-CIO, CLC. In June 2003, we entered into a new agreement with this union that expires in May 2006. The new agreement caps wage increases at 3% annually.

## **Insurance**

We maintain insurance coverage provided under our policies or policies of Southern Union similar to other comparable companies in the same lines of business. The insurance policies are subject to

terms, conditions, limitations and exclusions that might not fully compensate us for all losses. Furthermore, as we renew our policies, it is possible that full insurance coverage may not be obtainable on commercially reasonable terms due to the recent more restrictive insurance markets.

### **Legal Proceedings**

We are involved in legal, tax and regulatory proceedings before various courts, regulatory commissions and governmental agencies regarding matters arising in the ordinary course of business, some of which involve substantial amounts. Where appropriate, we have made accruals in accordance with SFAS No. 5 in order to provide for such matters. Management believes the final disposition of these proceedings will not have a material adverse effect on our business, financial condition and results of operations.

### **Environmental**

Our interstate natural gas transportation operations are subject to federal, state and local regulations, including with respect to air and water pollution control, hazardous and solid waste management, remediation of currently or formerly owned or operated sites and third party waste disposal sites and other matters. Our current insurance coverages do not extend to certain environmental clean-up costs such as claims for air pollution, some past PCB contamination and for some long-term storage or disposal of pollutants. However, we do not anticipate that compliance with federal, state and local provisions regulating the discharge of materials into the environment or otherwise protecting the environment will have a material adverse effect on our business, financial condition and results of operations.

**Registration Rights**

Because this section is a summary, it does not describe every aspect of the registration rights agreement. This summary is subject to, and qualified in its entirety by reference to, all the provisions of the registration rights agreement, including definitions of certain terms used in it. The registration rights agreement is filed with the Commission as exhibit 4(h) to the registration statement of which this prospectus is a part.

We issued and sold the original notes to the initial purchasers on March 9, 2004. The initial purchasers subsequently sold the original notes to qualified institutional buyers in reliance on Rule 144A under the Securities Act. Because the original notes are subject to transfer restrictions, we and the initial purchasers entered into the registration rights agreement under which we agreed to:

- file a registration statement relating to a registered exchange offer (the "exchange offer") for the senior notes with the SEC on or prior to the 120<sup>th</sup> day after the date that the senior notes are first issued;
- use our reasonable best efforts to cause the SEC to declare the exchange offer registration statement effective under the Securities Act no later than the 180<sup>th</sup> day after the senior notes are first issued;
- use our reasonable best efforts to cause such registration statement to remain effective until the closing of the exchange offer; and
- use our reasonable best efforts to complete the exchange offer no later than 40 days after the exchange offer registration statement becomes effective.

The registration statement of which this prospectus is a part is the exchange registration statement described above, and the exchange offer described in this prospectus is the exchange offer referred to above. The terms of the exchange notes are substantially identical to the terms of the original notes, except that the exchange notes will be registered under the Securities Act and the registration rights and related additional interest payment provisions and the transfer restrictions applicable to the original notes are not applicable to the exchange notes. All of the exchange notes will be represented by one or more global notes in book-entry form unless exchanged for original notes of the applicable series in definitive certificated form under the limited circumstances described below under "Description of the Exchange Notes—Global Notes and Book-Entry System."

Based on interpretive letters issued by the staff of the Commission to third parties in unrelated transactions, we are of the view that exchange notes issued in accordance with the exchange offer may be offered for resale, resold or otherwise transferred by any holder thereof (other than (1) any holder which is an "affiliate" of us within the meaning of Rule 405 under the Securities Act or (2) any broker-dealer that purchases notes from us to resell in accordance with Rule 144A or any other available exemption) without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that the exchange notes are acquired in the ordinary course of the holder's business and the holder is not participating, does not intend to participate, and has no arrangement or understanding with any person to participate, in the distribution of the exchange notes. If any holder is an "affiliate" of us within the meaning of Rule 405 under the Securities Act or tenders with the intent to participate, or for the purpose of participating, in the distribution of the exchange notes to be acquired in accordance with the exchange offer, the holder (1) could not rely on the applicable interpretations of the staff of the Commission and (2) must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a secondary resale transaction. A broker-dealer who holds original notes that were acquired for its own account as a result of market-making or other trading activities may be deemed to be an "underwriter" within the meaning of the Securities Act

and must, therefore, deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of exchange notes. Each broker-dealer that receives exchange notes for its own account in exchange for original notes, where the original notes were acquired by the broker-dealer as a result of market-making activities or other trading activities, must acknowledge in the letter of transmittal that it will deliver a prospectus in connection with any resale of the exchange notes. See "Plan of Distribution." We have not requested the staff of the Commission to consider the exchange offer in the context of a no-action letter, and there can be no assurance that the staff would take positions similar to those taken in the interpretive letters referred to above if we were to make a no-action request.

### *Shelf Registration*

We may be required to file a shelf registration statement to permit some or all holders of "Registrable Notes" (as defined below) who are not eligible to participate in the exchange offer to resell the Registrable Notes periodically without being limited by the transfer restrictions.

We will only be required to file a shelf registration statement if:

- there is a change in law or applicable interpretations of the law by the staff of the Commission, and as a result we are not permitted to effect the exchange offer as contemplated by the registration rights agreement;
- (a) the exchange registration statement is not declared effective within 180 days after the date the original notes were issued or (b) the exchange offer is not consummated within 40 days after the exchange registration statement is declared effective, but we may terminate the shelf registration statement at any time, without penalty, if the exchange registration statement is declared effective or the exchange is consummated;
- any holder of the original notes, other than the initial purchasers holding original notes acquired directly from us, is not eligible to participate in the exchange offer or elects to participate in the exchange offer but does not receive freely transferable exchange notes; or
- requested by any of the initial purchasers within 90 days after the consummation of the exchange offer with respect to original notes acquired by it directly from us.

If a shelf registration statement is required, we will:

- file the shelf registration statement with the Commission no later than the 60<sup>th</sup> day after such filing obligation arises;
- use our reasonable best efforts to cause the shelf registration statement to be declared effective by the Commission as promptly as practicable, but in no event later than the 90<sup>th</sup> day after the date the obligation to file such shelf registration statement arises; and
- use our reasonable best efforts to keep the shelf registration statement continuously effective for a period of two years after the latest date on which any original notes were originally issued or, if earlier, until all the Registrable Notes covered by the shelf registration statement are sold thereunder, become eligible for resale pursuant to Rule 144(k) under the Securities Act or cease to be Registrable Notes.

Notwithstanding the foregoing, during any 365-day period we may, by notice to holders of Registrable Notes, suspend the availability of a shelf registration statement and the use of the related prospectus for not more than an aggregate of 30 days during any 365-day period if:

- the action is required by applicable law;
- the action is taken by us in good faith and for valid business reasons, including the acquisition or divestiture of assets or a material corporate transaction or event; or



- the happening of any event or the discovery of any fact that makes any statement made in the shelf registration statement or the related prospectus untrue in any material respect or constitutes an omission to state a material fact in the shelf registration statement or the related prospectus.

Each holder of Registrable Notes will be required to discontinue disposition of Registrable Notes pursuant to the shelf registration statement upon receipt from us of notice of any events described in the preceding sentence or certain other events specified in the Registration Rights Agreement.

The shelf registration statement will permit only certain holders to resell their senior notes from time to time. In particular, such holders must:

- provide certain information in connection with the registration statement; and
- agree in writing to be bound by all provisions of the Registration Rights Agreement (including certain indemnification obligations).

A holder who sells senior notes pursuant to the shelf registration statement will be required to be named as a selling securityholder in the prospectus and to deliver a copy of the prospectus to purchasers. If we are required to file a shelf registration statement, we will provide to each holder of the senior notes copies of the prospectus that is a part of the shelf registration statement and notify each such holder when the shelf registration statement becomes effective. Such holder will be subject to certain of the civil liability provisions under the Securities Act in connection with such sales, and will be bound by the provisions of the Registration Rights Agreement which are applicable to such a holder (including certain indemnification obligations).

#### *Additional Interest*

If a Registration Default (as defined below) occurs, we will be required to pay additional interest to each holder of Registrable Notes. During the first 90-day period that a Registration Default occurs and is continuing, we will pay additional interest on the Registrable Notes at a rate of 0.25% per year. If a Registration Default occurs and is continuing for a period of more than 90 days, then the amount of additional interest we are required to pay on the Registrable Notes will increase, effective from and after the 91<sup>st</sup> day in such period, by an additional 0.25% per year until all Registration Defaults have been cured. However, in no event will the rate of additional interest exceed 0.50% per year. The additional interest will accrue only for those days that a Registration Default occurs and is continuing. All accrued additional interest will be paid to the holders of the original notes in the same manner as interest payments on the original notes, with payments being made on the interest payment dates for original notes. Following the cure of all Registration Defaults, no more additional interest will accrue unless a subsequent Registration Default occurs. Additional interest will not be payable on any original notes other than Registrable Notes.

You will not be entitled to receive any additional interest on any Registrable Notes if you were, at any time while the exchange offer was pending, eligible to exchange, and did not validly tender, your Registrable Notes for exchange notes in the exchange offer.

A "Registration Default" would occur if:

- we fail to file any of the registration statements required by the registration rights agreement on or before the date specified for such filing;
- any of such registration statements is not declared effective by the Commission on or prior to the date specified for such effectiveness;
- we fail to complete the exchange offer on or prior to the date specified for such completion; or

- the shelf registration statement is declared effective but thereafter ceases to be effective or usable in connection with resales of the applicable series of original notes during the periods specified in the registration rights agreement, except as a result of the exercise by us of our right to suspend use of the shelf registration statement and the related prospectus as described under "—Shelf Registration" above.

"Registrable Notes" means the original notes and, in some circumstances, private exchange notes, if any, held by the initial purchasers; provided, however, that any original notes shall cease to be Registrable Notes when (1) a registration statement with respect to such original notes shall have been declared effective under the Securities Act and such original notes shall have been disposed of pursuant to the registration statement, (2) such original notes shall have been sold to the public pursuant to Rule 144 (or any similar provision then in force, but not Rule 144A) under the Securities Act, (3) such original notes shall have ceased to be outstanding or (4) such original notes have been exchanged for exchange notes which have been registered pursuant to the exchange registration statement upon consummation of the exchange offer subject, in the case of this clause (4), to certain exceptions.

### **Purpose and Effect of the Exchange Offer**

We will keep the exchange offer open for at least 20 business days (or longer, if required by applicable law or otherwise extended by us, at our option) after the date notice of the exchange offer is mailed to the holders of the original notes. During the exchange offer, we will offer to all holders of original notes who are legally eligible to participate in the exchange offer the opportunity to exchange their original notes for the applicable series of exchange notes.

Under existing interpretations of the Securities Act by the staff of the Commission contained in several no-action letters to third parties, and subject to the immediately following sentence, we believe that the exchange notes would generally be freely transferable by holders after the exchange offer without further registration under the Securities Act (subject to certain representations required to be made by each holder of original notes, as set forth below) and without prospectus delivery requirement. Any purchaser, however, of original notes (1) who is one of our "affiliates," or (2) who participates, who intends to participate or has an arrangement or understanding with any person to participate, in the exchange offer for the purpose of distributing the exchange notes or who is a broker-dealer who purchased original notes from us to resell pursuant to Rule 144A or any other available exemption under the Securities Act, (1) will not be able to rely on the interpretations of the staff of the Commission, (2) will not be able to tender its original notes in the exchange offer and (3) must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any sale or transfer of the original notes unless such sale or transfer is made pursuant to an exemption from such requirements.

By tendering its original notes for exchange notes in the exchange offer, each holder, other than a broker-dealer, will represent to Panhandle that:

- any exchange notes it receives will be acquired in the ordinary course of its business;
- it has no arrangement or understanding with any person to participate in the distribution of the original notes or exchange notes;
- it is not our "affiliate" (as defined in Rule 405 under the Securities Act); and
- it is not acting on behalf of any person who could not truthfully make the foregoing representations.

If a holder of original notes is engaged in or intends to engage in a distribution of the exchange notes or has any arrangement or understanding with respect to the distribution of the exchange notes to be acquired pursuant to the exchange offer, such holder may not rely on the applicable

interpretations of the staff of the Commission and must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any secondary resale transaction. Each participating broker-dealer (as defined below) must acknowledge that it will deliver a prospectus in connection with any resale of such exchange notes. The letter of transmittal states that by so acknowledging and by delivering a prospectus, a participating broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. This prospectus, as it may be amended or supplemented from time to time, may be used by a participating broker-dealer in connection with resales of exchange notes received in exchange for original notes where such original notes were acquired by such participating broker-dealer as a result of market-making activities or other trading activities. Panhandle has agreed that, starting on the expiration date and ending on the close of business 180 days after the expiration date, it will make this prospectus available to any participating broker-dealer for use in connection with any such resale. See "Plan of Distribution."

#### **Terms of the Exchange Offer; Period for Tendering Original Notes**

Upon the terms and subject to the conditions set forth in this prospectus and in the accompanying letter of transmittal (which together constitute the exchange offer), we will accept for exchange original notes which are properly tendered on or prior to the expiration date and not withdrawn as permitted below. The expiration date of the exchange offer shall be 5:00 p.m., Eastern Time, on \_\_\_\_\_, 2004, unless extended by us, in our sole discretion.

As of the date of this prospectus, \$200 million aggregate principal amount of the 2.75% original notes are outstanding. This prospectus, together with the letter of transmittal, is first being sent on or about May 21, 2004, to all holders of original notes known to us. Our obligation to accept original notes for exchange pursuant to the exchange offer is subject to conditions as set forth under "—Conditions to the Exchange Offer" below.

We expressly reserve the right, at any time or from time to time, to extend the period of time during which the exchange offer is open, and thereby delay acceptance for any exchange of any original notes, by giving notice of the extension to the holders of original notes as described below. During any extension, all original notes previously tendered will remain subject to the exchange offer and may be accepted for exchange by us. Any original notes not accepted for exchange for any reason will be returned without expense to the tendering holder as promptly as practicable after the expiration or termination of the exchange offer.

We expressly reserve the right to amend or terminate the exchange offer, and not to accept for exchange any original notes not previously accepted for exchange, upon the occurrence of any of the conditions of the exchange offer specified below under "—Conditions to the Exchange Offer." We will give notice of any extension, amendment, non-acceptance or termination to the holders of the original notes as promptly as practicable, the notice in the case of any extension to be issued no later than 9:00 a.m., Eastern Time, on the next business day after the previously scheduled expiration date of the exchange offer.

Holders of original notes do not have any appraisal or dissenters' rights under the Delaware General Corporation Law in connection with the exchange offer.

#### **Procedures for Tendering Original Notes**

The tender to us of original notes by a holder of original notes as set forth below and the acceptance of the tender by us will constitute a binding agreement between the tendering holder and us upon the terms and subject to the conditions set forth in this prospectus and in the accompanying letter of transmittal. Except as set forth below, a holder who wishes to tender original notes for exchange under the exchange offer must transmit a properly completed and duly executed letter of transmittal, including all other documents required by the letter of transmittal, to J.P. Morgan Trust Company, N.A.

at the address set forth below under "—Exchange Agent" on or prior to the expiration date. In addition, the exchange agent must receive:

- certificates for the original notes along with the letter of transmittal;
- prior to the expiration date, a timely confirmation of a book-entry transfer of the original notes into the exchange agent's account at DTC in accordance with the procedure for book-entry transfer described below; or
- the holder must comply with the guaranteed delivery procedures described below.

The method of delivery of original notes, letters of transmittal and all other required documents is at your election and risk. If delivery is by mail, we recommend that you use registered mail, properly insured, with return receipt requested. In all cases, you should allow sufficient time to assure timely delivery. You should not send letters of transmittal or original notes to us.

Signatures on a letter of transmittal or a notice of withdrawal, as the case may be, must be guaranteed unless the original notes surrendered for exchange are tendered:

- by a registered holder of the original notes who has not completed the box entitled "Special Issuance Instruction" or "Special Delivery Instruction" on the letter of transmittal; or
- for the account of a firm which is a member of a registered national securities exchange or of the National Association of Securities Dealers, Inc., a commercial bank or trust company having an office or correspondent in the United States or an "eligible guarantor" institution within the meaning of Rule 17Ad-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act") (each an "eligible institution").

In the event that signatures on a letter of transmittal or a notice of withdrawal, as the case may be, are required to be guaranteed, the guarantees must be by a firm which is an eligible institution. If original notes are registered in the name of a person other than a signer of the letter of transmittal, the original notes surrendered for exchange must be endorsed by, or be accompanied by a written instrument or instruments of transfer or exchange, in satisfactory form as determined by us in our sole discretion, duly executed by the registered holder with the signature on the original notes guaranteed by a firm which is an eligible institution.

Any beneficial owner whose original notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee, and who wishes to tender, should contact the registered holder promptly and instruct the registered holder to tender on the beneficial owner's behalf. If the beneficial owner wishes to tender on the owner's own behalf, the owner must, prior to completing and executing the letter of transmittal and delivering the owner's original notes, either (1) make appropriate arrangements to register ownership of the original notes in the owner's name or (2) obtain a properly completed bond power from the registered holder. The transfer of registered ownership may take considerable time.

All questions as to the validity, form, eligibility (including time of receipt) and acceptance of original notes tendered for exchange will be determined by us in our sole discretion. This determination shall be final and binding. We reserve the absolute right to reject any and all tenders of any particular original notes not properly tendered or to not accept any particular original notes which acceptance might, in our judgment or our counsel's judgment, be unlawful. We also reserve the absolute right to waive any defects or irregularities or conditions of the exchange offer as to any particular original notes either before or after the expiration date (including the right to waive the ineligibility of any holder who seeks to tender original notes in the exchange offer). The interpretation of the terms and conditions of the exchange offer as to any particular original notes either before or after the expiration date (including the letter of transmittal and the instructions to the letter of transmittal) by us shall be final and binding on all parties. Unless waived, any defects or irregularities in connection with tenders

of original notes for exchange must be cured within a reasonable period of time as we shall determine. Neither we, the exchange agent nor any other person shall be under any duty to give notification of any defect or irregularity regarding any tender of original notes for exchange, nor shall any of them incur any liability for failure to give notification.

If the letter of transmittal or any original notes or powers of attorney are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, these persons should so indicate when signing, and, unless waived by us, proper evidence satisfactory to us of their authority to so act must be submitted.

#### **Acceptance of Original Notes for Exchange; Delivery of Exchange Notes**

Upon satisfaction or waiver of all of the conditions to the exchange offer, we will accept, promptly after the expiration date, all original notes properly tendered, and will issue the exchange notes promptly after acceptance of the original notes. See "—Conditions to the Exchange Offer" below. For purposes of the exchange offer, we shall be deemed to have accepted properly tendered original notes for exchange when, as and if we have given oral and written notice to the exchange agent.

The exchange notes will bear interest from the most recent date to which interest has been paid on the original notes, or if no interest has been paid on the original notes, from March 9, 2004. Accordingly, registered holders of exchange notes on the relevant record date for the first interest payment date following the consummation of the exchange offer will receive interest accruing from the most recent date to which interest has been paid or, if no interest has been paid, from March 9, 2004. Original notes accepted for exchange will cease to accrue interest from and after the date of consummation of the exchange offer. Holders of original notes whose original notes are accepted for exchange will not receive any payment for accrued interest on the original notes otherwise payable on any interest payment date the record date for which occurs on or after consummation of the exchange offer and will be deemed to have waived their rights to receive accrued interest on the original notes.

In all cases, issuance of exchange notes for original notes that are accepted for exchange in the exchange offer will be made only after timely receipt by the exchange agent of (1) certificates for the original notes or a timely confirmation of a book-entry transfer of the original notes into the exchange agent's account at DTC, (2) a properly completed and duly executed letter of transmittal and (3) all other required documents. If any tendered original notes are not accepted for any reason set forth in the terms and conditions of the exchange offer or if original notes are submitted for a greater principal amount than the holder desires to exchange, the unaccepted or non-exchanged original notes will be returned without expense to the tendering holder of the original notes (or, in the case of original notes tendered by book-entry transfer into the exchange agent's account at DTC according to the book-entry transfer procedures described below, the non-exchanged original notes will be credited to an account maintained with DTC) as promptly as practicable after the expiration of the exchange offer.

#### **Book-Entry Transfer**

Any financial institution that is a participant in DTC's systems may make book-entry delivery of original notes by causing DTC to transfer the original notes into the exchange agent's account at DTC in accordance with DTC's procedures for transfer. However, although delivery of original notes may be effected through book-entry transfer at DTC, the letter of transmittal or facsimile of the letter of transmittal with any required signature guarantees and any other required documents must, in any case, be transmitted to and received by the exchange agent at the address set forth below under "—Exchange Agent" on or prior to the expiration date, unless the holder has strictly complied with the guaranteed delivery procedures described below.

We understand that the exchange agent has confirmed with DTC that any financial institution that is a participant in DTC's system may utilize DTC's Automated Tender Offer Program to tender original

notes. We further understand that the exchange agent will request, within two business days after the date the exchange offer commences, that DTC establish an account for the original notes for the purpose of facilitating the exchange offer, and any participant may make book-entry delivery of original notes by causing DTC to transfer the original notes into the exchange agent's account in accordance with DTC's Automated Tender Offer Program procedures for transfer. However, the exchange of the original notes so tendered will only be made after timely confirmation of the book-entry transfer and timely receipt by the exchange agent of, in addition to any other documents required, an appropriate letter of transmittal with any required signature guarantee and an agent's message, which is a message, transmitted by DTC and received by the exchange agent and forming part of a confirmation of a book-entry transfer, which states that DTC has received an express acknowledgment from a participant tendering original notes which are the subject of the confirmation of a book-entry transfer and that the participant has received and agrees to be bound by the terms of the letter of transmittal and that we may enforce the agreement against that participant.

### **Guaranteed Delivery Procedures**

If a registered holder of the original notes desires to tender the original notes and the original notes are not immediately available, or time will not permit the holder's original notes or other required documents to reach the exchange agent before the expiration date, or the procedure for book-entry transfer cannot be completed on a timely basis, a tender may nonetheless be effected if:

- the tender is made through an eligible institution;
- prior to the expiration date, the exchange agent received from the eligible institution a properly completed and duly executed letter of transmittal (or a facsimile of the letter of transmittal) and notice of guaranteed delivery, substantially in the form provided by us (by telegram, telex, facsimile transmission, mail or hand delivery), setting forth the name and address of the holder of original notes and the amount of original notes tendered, stating that the tender is being made and guaranteeing that within five (5) New York Stock Exchange trading days after the date of execution of the Notice of Guaranteed Delivery, the certificates for all physically tendered original notes, in proper form for transfer, or a confirmation of a book-entry transfer, as the case may be, and any other documents required by the letter of transmittal will be deposited by the eligible institution with the exchange agent; and
- the certificates for all physically tendered original notes, in proper form for transfer, or a confirmation of a book-entry transfer, as the case may be, and all other documents required by the letter of transmittal are received by the exchange agent within five (5) New York Stock Exchange trading days after the date of execution of the notice of guaranteed delivery.

### **Withdrawal of Tenders**

Except as otherwise provided in this prospectus, you may withdraw any tenders of original notes at any time prior to 5:00 p.m., Eastern Time, on the expiration date.

For a withdrawal to be effective, a written notice of withdrawal must be received by the exchange agent at the address set forth below under "—Exchange Agent." Any notice of withdrawal must:

- specify the name of the person having tendered the original notes to be withdrawn;
- identify the original notes to be withdrawn (including the principal amount of the original notes); and
- where certificates for original notes have been transmitted specify the name in which the original notes are registered, if different from that of the withdrawing holder.

If certificates for original notes have been delivered or otherwise identified to the exchange agent, then, prior to the release of the certificates, the withdrawing holder must also submit the serial numbers of the particular certificates to be withdrawn and a signed notice of withdrawal with signatures guaranteed by an eligible institution unless the holder is an eligible institution.

If original notes have been tendered in accordance with the procedure for book-entry transfer described above, any notice of withdrawal must specify the name and number of the account at DTC to be credited with the withdrawn original notes and otherwise comply with the procedures of the facility. All questions as to the validity, form and eligibility (including time of receipt) of the notices will be determined by us, and our determination shall be final and binding on all parties. Any original notes so withdrawn will be deemed not to have been validly tendered for exchange for purposes of the exchange offer. Any original notes which have been tendered for exchange but which are not exchanged for any reason will be returned to the holder without cost to the holder (or in the case of original notes tendered by book-entry transfer into the exchange agent's account at DTC according to the book-entry transfer procedures described above, the original notes will be credited to an account maintained with DTC for the original notes) as soon as practicable after withdrawal, rejection of tender or termination of the exchange offer. Properly withdrawn original notes may be retendered by following one of the procedures described under "—Procedures for Tendering Original Notes" above at any time on or prior to the expiration date.

#### **Conditions to the Exchange Offer**

Notwithstanding any other provision of the exchange offer, we shall not be required to accept for exchange, or to issue exchange notes in exchange for, any original notes and may terminate or amend the exchange offer if at any time before the acceptance of the original notes for exchange or the exchange of exchange notes for the original notes, we determine that:

- the exchange offer does not comply with any applicable law or any applicable interpretation of the staff of the Commission;
- we have not received all applicable governmental approvals; or
- any actions or proceedings of any governmental agency or court exist which could materially impair our ability to consummate the exchange offer.

The foregoing conditions are for our sole benefit and may be asserted by us regardless of the circumstances giving rise to any condition or may be waived by us in whole or in part at any time and from time to time in our reasonable discretion. Our failure at any time to exercise any of the foregoing rights shall not be deemed a waiver of that right and each right shall be deemed an ongoing right which may be asserted at any time and from time to time.

In addition, we will not accept for exchange any original notes tendered, and no exchange notes will be issued in exchange for any original notes, if at that time any stop order shall be threatened or in effect with respect to the registration statement of which this prospectus constitutes a part or the qualification of the indenture under the Trust Indenture Act of 1939, as amended. In any event, we are required to use every reasonable effort to obtain the withdrawal of any stop order at the earliest possible time.

**Exchange Agent**

J.P. Morgan Trust Company, N.A. has been appointed as the exchange agent for the exchange offer. All executed letters of transmittal should be directed to the exchange agent at the address set forth below. Questions and requests for assistance, requests for additional copies of this prospectus or of the letter of transmittal and requests for notices of guaranteed delivery should also be directed to the exchange agent at the address set forth below.

*By Mail (Certified, Registered, Overnight or First Class) or Hand Delivery*

J.P. Morgan Trust Company, N.A.

Institutional Trust Services

Attn: Louis Runnels

2001 Bryant Street, 9<sup>th</sup> Floor

Dallas, Texas 75201

*Telephone Number*

1-800-275-2048

**Fees and Expenses**

We will not make any payments to brokers, dealers or others soliciting acceptances of the exchange offer. The principal solicitation is being made by mail; however, additional solicitations may be made in person or by telephone by our officers and employees.

The expenses to be incurred in connection with the exchange offer will be paid by us. These expenses include reasonable and customary fees and expenses of the exchange agent and trustee under the indenture, accounting and legal fees and printing costs, among others.

**Accounting Treatment**

The exchange notes will be recorded at the same carrying amount as the original notes, which is the principal amount as reflected in our accounting records on the date of the exchange and, accordingly, no gain or loss will be recognized. The debt issuance costs will be capitalized and amortized to interest expense over the term of the exchange notes.

**Transfer Taxes**

Holders who tender their original notes for exchange will not be obligated to pay any transfer taxes in connection with the tender, except that holders who instruct us to register exchange notes in the name of, or request that original notes not tendered or not accepted in the exchange offer be returned to, a person other than the registered tendering holder will be responsible for the payment of any applicable transfer tax thereon.

**Resales of Exchange Notes**

To comply with the securities laws of applicable jurisdictions, the exchange notes may not be offered or sold unless they have been registered or qualified for sale in the applicable jurisdictions or an exemption from registration or qualification is available and is complied with. We have agreed, under the registration rights agreement and subject to specified limitations therein, to register or qualify the exchange notes for offer or sale under the securities or blue sky laws of the applicable jurisdictions in the United States as any selling holder of the exchange notes reasonably requests in writing.



## **Consequences of Failure to Exchange**

Holders of original notes who do not exchange their original notes for exchange notes in the exchange offer will continue to be subject to the restrictions on transfer of the original notes as set forth in the legend on the original notes as a consequence of the issuance of the original notes in accordance with exemptions from, or in transactions not subject to, the registration requirements of, the Securities Act and applicable state securities laws. Holders of original notes do not have any appraisal or dissenters' rights under the Delaware General Corporation Law in connection with the exchange offer. In general, the original notes may not be offered or sold unless registered under the Securities Act, except in accordance with an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. To the extent that original notes are tendered and accepted in the exchange offer, the trading market for untendered and tendered but unaccepted original notes could be adversely affected.

## DESCRIPTION OF THE EXCHANGE NOTES

The senior notes were issued under the indenture between Panhandle and J.P. Morgan Trust Company, National Association, as trustee, dated as of March 29, 1999 (the "base indenture") as amended and supplemented by a Fourth Supplemental Indenture, dated March 12, 2004, establishing the senior notes. The base indenture, as so amended and supplemented by the Fourth Supplemental Indenture with respect to the senior notes as of March 12, 2004, is referred to in this prospectus as the "indenture." The senior notes and its corresponding exchange notes will constitute a single series of senior notes under the indenture. Accordingly, for purposes of determining whether holders of the requisite percentage in principal amount thereof have taken actions or exercised rights they are entitled to take or exercise under the indenture, the senior notes and the exchange notes corresponding thereto will vote together as a single class. Because this section is a summary, it does not describe every aspect of the indenture. This summary is subject to, and qualified in its entirety by reference to, all the provisions of the indenture, including definitions of certain terms. You may obtain a copy of the indenture by requesting one from us or the trustee.

The exchange notes will be initially limited to \$200,000,000 aggregate principal amount, but we may "reopen" any series of senior notes and issue additional notes at any time. There is no limit on the aggregate principal amount of debt securities that may be issued under the indenture and we may issue other debt securities under the indenture, from time to time, in one or more series.

The exchange notes will have terms substantially identical to the terms of the original notes except for the elimination of certain provisions relating to transfer restrictions and additional interest.

You may find the definitions of some terms used in this description under the subheading "—Certain Definitions."

### General

As of December 31, 2003, we had outstanding approximately \$1.205 billion aggregate principal amount of total indebtedness. None of this indebtedness will be senior to the notes (although the notes are structurally subordinated to \$270 million of this indebtedness) and the notes will not be senior to such indebtedness. The notes will be our unsecured obligations. The notes will rank equally with all of our other unsecured and unsubordinated indebtedness and will rank senior to all of our subordinated debt. We currently have no subordinated debt outstanding. The indenture does not contain any debt covenants or provisions that limit our ability to incur additional debt.

The exchange notes will be issued in the form of one or more permanent global certificates, in registered form, without coupons, in denominations of \$1,000 or an integral multiple thereof as described under "—Global Notes and Book-Entry System." The "global notes" (as defined below) will be registered in the name of a nominee of DTC. Each global note (and any exchange note issued in exchange therefor) will be subject to certain restrictions on transfer set forth therein as described under "—Global Notes and Book-Entry System." Except as set forth herein under "—Global Notes and Book-Entry System," owners of beneficial interests in a global note will not be entitled to have exchange notes registered in their names, will not receive or be entitled to receive physical delivery of any exchange note and will not be considered the registered holder of any exchange note under the indenture.

### Issuance of Additional Notes

We may, without the consent of the holders of the senior notes, increase the principal amount of the senior notes by issuing additional senior notes in the future on the same terms and conditions, except for any differences in the issue price and interest accrued prior to the issue date of the additional senior notes. Each series of senior notes and any additional senior notes of the same series

would rank equally and ratably and would be treated as a single class for all purposes under the indenture. The indenture provides that no additional senior notes of a series may be issued if any event of default has occurred with respect to that series of notes.

### **Payment and Maturity**

The notes will mature on March 15, 2007. The original notes bear, and the exchange notes will bear, interest at the rate set forth on the cover page of this prospectus. We will pay interest on the notes on March 15 and September 15 of each year, commencing September 15, 2004, to the registered holders thereof on the preceding March 1 and September 1, respectively. Payment of any interest due on the notes will be made only to the persons in whose names the notes are registered at the close of business on the record date for the applicable interest payment. In any case where any interest payment date, redemption date, repurchase date or maturity of any note will not be a Business Day (as hereinafter defined) at any place of payment, then payment of interest or principal (and premium, if any) need not be made on that date, but may be made on the next succeeding Business Day (unless that day would fall in a new calendar year in which case such payment may be made on the next preceding Business Day) at such place of payment with the same force and effect as if made on the interest payment date, redemption date, repurchase date or at maturity; and no interest will accrue on the amount so payable for the period from and after such interest payment date, redemption date, repurchase date or maturity, as the case may be, to such Business Day.

All outstanding notes will be exchangeable, transfers of notes will be registrable, and principal of and interest on all notes will be payable, at the corporate trust office of the trustee at J.P. Morgan Trust Company, National Association, 227 West Monroe Street, 26<sup>th</sup> Floor, Chicago, Illinois 60603, Attention: Institutional Trust Services; provided that payment of interest may, at our option, be made by check mailed to the address of the person entitled thereto as it appears in the security register or by transfer to an account maintained by the payee with a bank located in the United States. Neither we nor the trustee will impose any service charge for any transfer or exchange of a senior note; however, we may ask you to pay any taxes or other governmental charges in connection with a transfer or exchange of notes.

### **Optional Redemption**

The notes will be redeemable as a whole or in part, at our option at any time, at a redemption price equal to the greater of (i) 100% of the principal amount of such notes and (ii) the sum of the present values of the remaining scheduled payments of principal and interest thereon (exclusive of interest accrued to the date of redemption) discounted to the redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 20 basis points, plus accrued and unpaid interest thereon to the date of redemption.

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity or interpolated (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

"Comparable Treasury Issue" means the United States Treasury security or securities selected by an Independent Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the senior notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of such senior notes.

"Independent Investment Banker" means one of the Reference Treasury Dealers appointed by the trustee after consultation with the Company.

"Comparable Treasury Price" means, with respect to any redemption date, (A) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (B) if the trustee obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the trustee by such Reference Treasury Dealer at 3:30 p.m. New York time on the third business day preceding such redemption date.

"Reference Treasury Dealer" means each of Merrill Lynch, Pierce, Fenner & Smith Incorporated, Credit Suisse First Boston LLC and J.P. Morgan Securities Inc. or their affiliates plus three others which are primary U.S. Government securities dealers, and their respective successors; provided, however, that if any of the foregoing or their affiliates shall cease to be a primary U.S. Government securities dealer in The City of New York (a "Primary Treasury Dealer"), the Company shall substitute therefor another Primary Treasury Dealer.

Notice of any redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each holder of senior notes to be redeemed.

Unless the Company defaults in payment of the redemption price, on and after the redemption date interest will cease to accrue on the senior notes or portions thereof called for redemption.

We may purchase notes in the open market, by tender or otherwise. If we purchase notes, we may hold, resell or surrender them to the trustee for cancellation. If applicable, we will comply with the requirements of Rule 14e-1 under the Exchange Act and other securities laws and regulations in connection with any such purchase.

### **No Mandatory Redemption**

The original notes are not, and the exchange notes will not be, subject to mandatory redemption, and the original notes do not, and the exchange notes will not, have the benefit of a sinking fund.

### **Certain Covenants**

#### *Limitation on Restricted Payments*

The indenture provides that, so long as any of the notes are outstanding and during any time that such notes are rated below Baa3 (or an equivalent rating) by Moody's and below BBB- (or an equivalent rating) by Standard & Poor's, the provisions described in this "Limitation on Restricted Payments" will apply and we will not, and will not permit any of our Restricted Subsidiaries, directly or indirectly, to:

- (1) declare or pay any dividend or make any distribution on our Capital Stock to the direct or indirect holders of our Capital Stock (except dividends or distributions payable solely in our Non-Convertible Capital Stock or in options, warrants or other rights to purchase such Non-Convertible Capital Stock and except dividends or distributions payable to us or a Subsidiary of Panhandle);
- (2) purchase, redeem or otherwise acquire or retire for value any equity interest in us; or
- (3) make any Loan to Southern Union or any of its affiliates that is not our Subsidiary;

(any such dividend, distribution, purchase, redemption, other acquisition, retirement or loan described in (1) through (3) above being hereinafter referred to as a "Restricted Payment"), unless at the time we or our Restricted Subsidiary makes such Restricted Payment and after giving effect thereto:

- (1) no Event of Default, and no event that with the lapse of time or the giving of notice or both would constitute an Event of Default, shall have occurred and be continuing (or would result therefrom);
- (2) Our Fixed Charge Coverage Ratio is greater than or equal to 2.2; and
- (3) Our Leverage Ratio is less than or equal to 55%.

Notwithstanding the foregoing, we or any of our Restricted Subsidiaries may declare, make or pay any Restricted Payment, if at the time we or our Restricted Subsidiary makes the Restricted Payment and after giving effect thereto:

- (1) no Event of Default, and no event that with the lapse of time or the giving of notice or both would constitute an Event of Default, shall have occurred and be continuing (or would result therefrom); and
- (2) the aggregate amount of the Restricted Payment and all other Restricted Payments made since the initial date of issuance of the notes would not exceed the sum of:
  - (a) \$175 million;
  - (b) 75% of Adjusted Consolidated Net Income accumulated since the initial date of issuance of the notes to the end of the most recent fiscal quarter ending at least 45 days prior to the date of the Restricted Payment; and
  - (c) the aggregate net cash proceeds received by us after the date of issuance of the notes from capital contributions or the issuance of our Capital Stock to a person who is not our Subsidiary, or from the issuance to such a person of options, warrants or other rights to acquire our Capital Stock.

None of the foregoing provisions will prohibit:

- (1) dividends or other distributions paid in respect of any class of Capital Stock issued by us in connection with the acquisition of any business or assets by us or a Restricted Subsidiary where the dividends or other distributions with respect to such Capital Stock are payable solely from the net earnings of the business or assets;
- (2) any purchase or redemption of our Capital Stock made by exchange for, or out of the proceeds of the substantially concurrent sale of, our Non-Convertible Capital Stock; or
- (3) dividends paid within 60 days after the date of declaration if at the date of declaration the dividends would have complied with this covenant.

#### *Limitation on Liens*

The indenture provides that we will not, nor will we permit any Restricted Subsidiary to, create, assume, incur or suffer to exist any Lien upon any Principal Property, whether owned or leased on the date of the indenture or thereafter acquired, to secure any Debt of ours or any other Person (other than the notes), without in any such case making effective provision whereby all of the notes outstanding shall be secured equally and ratably with, or prior to, such Debt so long as such Debt shall be so secured.

There is excluded from this restriction:

- (1) any Lien upon any property or assets of us or any Restricted Subsidiary in existence on the date of the indenture or created pursuant to an "after-acquired property" clause or similar term in existence on the date of the indenture or any mortgage, pledge agreement, security agreement or other similar instrument in existence on the date of the indenture;
- (2) any Lien upon any property or assets created at the time of acquisition of the property or assets by us or any Restricted Subsidiary or within 18 months after that time to secure all or a portion of the purchase price for the property or assets or Debt incurred to finance the purchase price, whether such Debt was incurred prior to, at the time of or within 18 months of the acquisition;
- (3) any Lien upon any property or assets existing thereon at the time of the acquisition thereof by us or any Restricted Subsidiary (whether or not the obligations secured thereby are assumed by us or any Restricted Subsidiary);
- (4) any Lien upon any property or assets of a Person existing thereon at the time the Person becomes a Restricted Subsidiary by acquisition, merger or otherwise (whether or not the Lien was created in anticipation of the acquisition);
- (5) any Lien securing obligations assumed by us or any Restricted Subsidiary existing at the time of the acquisition by us or any Restricted Subsidiary of the property or assets subject to the Lien or at the time of the acquisition of the Person which owns the property or assets;
- (6) any Lien on property to secure all or part of the cost of construction or improvements thereon or to secure Debt incurred prior to, at the time of, or within 18 months after completion of the construction or making of the improvements, to provide funds for any such purpose;
- (7) any Lien in favor of us or any Restricted Subsidiary;
- (8) any Lien created or assumed by us or any Restricted Subsidiary in connection with the issuance of Debt the interest on which is excludable from gross income of the holder of such Debt pursuant to the Code or any successor statute, for the purpose of financing, in whole or in part, the acquisition or construction of property or assets to be used by us or any Subsidiary;
- (9) any Lien upon property or assets of any foreign Restricted Subsidiary to secure Debt of that foreign Restricted Subsidiary;
- (10) Permitted Liens;
- (11) any Lien created by any program providing for the financing, sale or other disposition of trade or other receivables classified as current assets in accordance with United States generally accepted accounting principles entered into by us or by our Subsidiary, provided that the program is on terms customary for similar transactions, or any document executed by any Subsidiary of Panhandle in connection therewith, provided that the Lien is limited to the trade or other receivables in respect of which the program is created or exists, and the proceeds thereof;
- (12) any Lien upon any additions, improvements, replacements, repairs, fixtures, appurtenances or component parts thereof attaching to or required to be attached to property or assets pursuant to the terms of any mortgage, pledge agreement, security agreement or other similar instrument, creating a Lien upon the property or assets permitted by clauses (1) through (11), inclusive, above; or

- (13) any extension, renewal, refinancing, refunding or replacement (or successive extensions, renewals, refinancing, refundings or replacements) of any Lien, in whole or in part, that is referred to in clauses (1) through (6), inclusive, above (and Liens related thereto referred to in clause (12)), or of any Debt secured thereby; provided, however, that the principal amount of Debt secured thereby may not exceed the greater of the principal amount of Debt so secured at the time of such extension, renewal, refinancing, refunding or replacement and the original principal amount of Debt so secured (plus in each case the aggregate amount of premiums, other payments, costs and expenses paid or incurred in connection with such extension, renewal, refinancing, refunding or replacement); provided further, however, that such extension, renewal, refinancing, refunding or replacement must be limited to all or a part of the property (including improvements, alterations and repairs on the property) subject to the encumbrance so extended, renewed, refinanced, refunded or replaced (plus improvements, alterations and repairs on the property).

Notwithstanding the foregoing, under the indenture, we may, and may permit any Restricted Subsidiary to, create, assume, incur, or suffer to exist any Lien upon any Principal Property to secure Debt of ours or any other Person (other than the notes) that is not otherwise excepted by clauses (1) through (8), inclusive, above without securing the notes issued under the indenture, provided that the aggregate principal amount of all Debt then outstanding secured by such Lien and all similar Liens, together with all net sale proceeds from Sale-Leaseback Transactions (excluding Sale-Leaseback Transactions permitted by clauses (1) through (4), inclusive, of the first paragraph of the restriction on sale-leasebacks covenant described below) does not exceed the greater of 15% of Consolidated Net Tangible Assets or 15% of Total Capital.

#### *Restriction on Sale-Leasebacks*

The indenture provides that we will not, nor will we permit any Restricted Subsidiary to, engage in a Sale-Leaseback Transaction, unless:

- (1) the Sale-Leaseback Transaction occurs within 18 months from the date of acquisition of the Principal Property subject thereto or the date of the completion of construction or commencement of full operations on the Principal Property, whichever is later;
- (2) the Sale-Leaseback Transaction involves a lease for a period, including renewals, of not more than four years;
- (3) we or our Restricted Subsidiary would be entitled to incur Debt secured by a Lien on the Principal Property subject thereto (pursuant to clauses (1) through (13), inclusive, of the first paragraph of the limitation on liens covenant described above) in a principal amount equal to or exceeding the net sale proceeds from the Sale-Leaseback Transaction without securing the notes; or
- (4) we or our Restricted Subsidiary, within an 18-month period after the Sale-Leaseback Transaction, apply or cause to be applied an amount not less than the net sale proceeds from the Sale-Leaseback Transaction to (A) the repayment, redemption or retirement of our Funded Debt or that of any Subsidiary of Panhandle, or (B) investment in another Principal Property or in a Subsidiary of ours which owns another Principal Property.

Notwithstanding the foregoing, under the indenture, we may, and may permit any Restricted Subsidiary to, effect any Sale-Leaseback Transaction that is not otherwise excepted by clauses (1) through (4), inclusive, of the above paragraph, provided that the net sale proceeds from the Sale-Leaseback Transaction, together with the aggregate principal amount of outstanding Debt (other than the notes) secured by Liens upon Principal Properties not excepted by clauses (1) through (13), inclusive, of the first paragraph of the limitation on liens covenant described above, do not exceed the greater of 15% of the Consolidated Net Tangible Assets or 15% of Total Capital.

Whether or not required by the Commission's rules and regulations, so long as any notes are outstanding, we will furnish to the holders of notes, within the time periods specified in the Commission's rules and regulations:

- (1) all quarterly and annual reports that would be required to be filed with the Commission on Forms 10-Q and 10-K if we were required to file such reports; and
- (2) all current reports that would be required to be filed with the Commission on Form 8-K if we were required to file such reports.

We will be required to prepare all such reports in all material respects in accordance with all applicable rules and regulations. We will include in each annual report on Form 10-K a report on our consolidated financial statements by our certified independent public accountants. In addition, we will file a copy of each of the reports referred to in clauses (1) and (2) above with the Commission for public availability within the time periods specified in the applicable rules and regulations (unless the Commission will not accept such a filing) and make that information available to securities analysts and prospective investors upon request.

We are currently required under the Exchange Act to file reports with the SEC. If we are no longer subject to the periodic reporting requirements of the Exchange Act for any reason, we will nevertheless continue filing the reports specified in the preceding paragraphs with the SEC within the time periods specified above unless the SEC will not accept such a filing. We will agree not to take any action for the purpose of causing the SEC not to accept any such filings. If, notwithstanding the foregoing, the SEC will not accept our filings for any reason, we will post the reports on our website within the time periods that would apply if we were required to file those reports with the SEC.

In addition, we will agree that, for so long as any senior notes remain outstanding, at any time we are not required to file those reports with the SEC, we will furnish at our cost to the holders and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

### Events of Default

Any one of the following events constitutes an "Event of Default" under the indenture with respect to the notes:

- (1) our failure to pay the principal of, or premium, if any, on any note at its maturity;
- (2) our failure to pay any interest on any note when it becomes due and payable and continuance of such default for a period of 60 days;
- (3) our failure to perform any term, covenant or warranty contained in the indenture with respect to the notes for a period of 90 days upon giving written notice as provided in the indenture;
- (4) the occurrence of certain events of our bankruptcy, insolvency or reorganization; or
- (5) as a result of any action taken by us or our direct or indirect equity holders, there is a change in our federal income tax status or a change in the deemed issuer of the indebtedness for federal income tax purposes, unless (i) holders of more than 50% in principal amount of the notes consent to such change or (ii) (a) we certify to the trustee that we have received a ruling from the IRS or (b) we deliver to the trustee an opinion of nationally recognized independent counsel reasonably acceptable in form and substance to the trustee, in either case to the effect that the holders of the notes will not recognize income, gain or loss for federal income tax purposes as a result of the change and that such holders 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 the change had not occurred.



If an Event of Default with respect to the notes occurs and is continuing, either the trustee or the holders of at least 33% in aggregate principal amount of the outstanding notes by notice as provided in the indenture may declare the principal amount of all the notes to be due and payable immediately. At any time after a declaration of acceleration with respect to notes has been made, but before a judgment or decree for payment of money has been obtained by the trustee, the holders of a majority in aggregate principal amount of the outstanding notes, under certain circumstances, may rescind and annul such acceleration.

The indenture provides that, subject to the duty of the trustee during default to act with the required standard of care, the trustee will be under no obligation to exercise any of its rights or powers under the indenture at the request or direction of any of the holders, unless such holders have offered to the trustee reasonable indemnity. Subject to such provisions for the indemnification of the trustee, the holders of a majority in aggregate principal amount of the outstanding notes have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee, or exercising any trust or power conferred on the trustee, with respect to the notes; provided, however, that the trustee shall not be obligated to take any action unduly prejudicial to holders not joining in such direction or involving the trustee in personal liability.

The holders of a majority in aggregate principal amount of the outstanding notes of the respective series may, on behalf of all holders of the notes, waive any past default under the indenture with respect to any such notes, except a default:

- (1) in the payment of principal of, or premium, if any, or any interest on any of the notes; or
- (2) in respect of a covenant or provision of the indenture which cannot be modified or amended without the consent of the holder of each of the outstanding notes affected.

We are required to furnish to the trustee annually a statement as to the performance of our obligations under the indenture and as to any default in our performance.

### **Legal and Covenant Defeasance**

The indenture provides that we will be discharged from any and all obligations in respect of the outstanding notes (excluding, however, certain obligations, such as the obligation to register the transfer or exchange of such outstanding notes, to replace stolen, lost, mutilated or destroyed certificates, and to maintain paying agencies) on the 123<sup>rd</sup> day following the deposit referred to in the following clause (1), subject to the following conditions: (1) the irrevocable deposit, in trust, of cash or U.S. Government Obligations (or a combination thereof) which through the payment of interest and principal thereof in accordance with their terms will provide cash in an amount sufficient to pay the principal and interest and premium, if any, on the outstanding notes and any mandatory sinking fund payments, in each case, on the stated maturity of such payments in accordance with the terms of the indenture and the outstanding notes or on any redemption date established pursuant to clause (3) below; (2) the trustee's receipt of an opinion of counsel based on the fact that (A) we have received from, or there has been published by, the IRS a ruling, or (B) since the date of the indenture, there has been a change in the applicable federal income tax law, in either case, to the effect that, and confirming that, the holders of the notes will not recognize income, gain or loss for federal income tax purposes as a result of such deposit and defeasance and will be subject to federal income tax on the same amount and in the same manner and at the same times, as would have been the case if such deposit and defeasance had not occurred; (3) if any notes are to be redeemed prior to stated maturity, notice of the redemption shall have been duly given pursuant to the indenture or provision therefor satisfactory to the trustee shall have been made; (4) no Event of Default or event which with notice or lapse of time or both would become an Event of Default will have occurred and be continuing on the date of such deposit; and (5) our delivery to the trustee of an Officers' Certificate and an opinion of counsel, each stating that the conditions precedent under the indenture have been complied with.

Under the indenture, we also may discharge our obligations referred to above under "—Limitation on Restricted Payments," "—Limitation on Liens," "—Restriction on Sale-Leasebacks," and below under "—Consolidation, Merger and Sale of Assets," as well as certain of our obligations relating to reporting obligations under the indenture, in respect of the notes of either series on the 123<sup>rd</sup> day following the deposit referred to in clause (1) in the immediately preceding paragraph, subject to satisfaction of the conditions described in clauses (1), (3), (4) and (5) in the immediately preceding paragraph with respect to the notes and the delivery of an opinion of counsel confirming that the holders of the notes will not recognize income, gain or loss for federal income tax purposes as a result of such deposit and covenant defeasance and will be subject to federal income tax on the same amount and in the same manner and at the same times, as would have been the case if such deposit and covenant defeasance had not occurred.

#### **Modification and Waiver**

We and the trustee may make modifications and amendments of the indenture with the consent of the holders of a majority in aggregate principal amount of the outstanding notes, provided, however, that no such modification or amendment may, without consent of the holder of each outstanding note affected thereby:

- (1) change the stated maturity of the principal of, or the time or place of payment of any installment of principal of or interest on, any note;
- (2) reduce the principal amount of, or premium or interest on, any note;
- (3) change the coin or currency in which any note or any premium or interest thereon is payable;
- (4) reduce the percentage in principal amount of outstanding notes, the consent of whose holders is required for modification or amendment of the indenture or for waiver of compliance with certain provisions of the indenture or for waiver of certain defaults; or
- (5) modify any of the above provisions.

The holders of a majority in aggregate principal amount of the outstanding notes may, on behalf of the holders of all notes, modify or eliminate (including waive), insofar as those notes are concerned, our compliance with some restrictive provisions of the indenture.

#### **Consolidation, Merger and Sale of Assets**

Without the consent of the holders of any of the outstanding notes, we may consolidate with or merge into, or convey, transfer or lease our assets substantially as an entirety to, any Person which is a corporation, limited liability company, partnership or trust organized and validly existing under the laws of the United States of America, any state or the District of Columbia, provided that:

- (1) any successor Person assumes our obligations on the notes and under the indenture;
- (2) after giving effect to the transaction no Event of Default, and no event which, after notice or lapse of time, would become an Event of Default, shall have occurred and be continuing; and
- (3) that other specified conditions are met.

#### **Governing Law**

The indenture and the original notes are, and the exchange notes will be, governed by, and construed in accordance with, the laws of the State of New York.

## Regarding the Trustee

We and certain of our affiliates from time to time borrow money from, and maintain deposit accounts and conduct certain banking transactions with, the trustee or its affiliates in the ordinary course of their business.

## Global Notes and Book-Entry System

The exchange notes will be issued in book-entry form and will be represented by one or more permanent global certificates in fully registered form without interest coupons, in denominations of \$1,000 or an integral multiple thereof (the "global notes") and will be deposited with the trustee as custodian for DTC and registered in the name of Cede & Co. or another nominee designated by DTC.

Beneficial interests in the global notes may not be exchanged for "certificated notes" (as defined below) except in the circumstances described below.

Holders that are not DTC participants but desire to purchase, sell or otherwise transfer ownership of, or other interests in, the notes may do so only through DTC participants. In addition, holders will receive all distributions of principal and interest from the trustee through the DTC participants. Under the rules, regulations and procedures creating and affecting DTC and its operation, DTC is required to make book-entry transfers of the notes among DTC participants on whose behalf it acts and to receive and transmit distributions of principal of, and interest on, the notes.

Distributions by DTC participants to holders will be the responsibility of such DTC participants and will be made in accordance with customary industry practices. Accordingly, although holders will not have possession of notes, the rules of DTC provide a mechanism by which participants will receive payments and will be able to transfer their interests. Although the DTC participants are expected to convey the rights represented by their interests in any global security to the related holders, because DTC can only act on behalf of DTC participants, the ability of holders to pledge the notes to persons or entities that are not DTC participants or to otherwise act with respect to such notes, may be limited due to the lack of physical certificates for such notes.

DTC has advised us that its current practice, upon receipt of any payment in respect of the notes (including principal and interest), is to credit the accounts of the relevant DTC participants with the payment on the payment date unless DTC has reason to believe it will not receive payment on that payment date. Each relevant DTC participant is credited with an amount proportionate to its beneficial ownership of an interest in the principal amount of the notes as shown on the records of DTC. Payments by DTC participants to the beneficial owners of the notes will be governed by standing instructions and customary practices and will be the responsibility of DTC participants and will not be the responsibility of DTC, the trustee or us. Neither we nor the trustee will be liable for any delay by DTC or any of its participants in identifying the beneficial owners of the notes, and we and the trustee may conclusively rely on and will be protected in relying on instructions from DTC or its nominee for all purposes.

Panhandle, the trustee or any other agent of Panhandle or the trustee will not be responsible or liable for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the notes or for supervising or reviewing any records relating to such beneficial ownership interests. Since Cede & Co., as nominee of DTC, will be the only "holder," beneficial owners will not be recognized by the trustee as holders, as that term is used in the indenture, and beneficial owners will be permitted to exercise the rights of holders only indirectly through DTC and DTC participants. DTC has advised us that it will take any action permitted to be taken by a holder under the indenture only at the direction of one or more DTC participants to whose accounts with DTC the related notes are credited.

*Certificated Notes.* We will issue physical certificates ("certificated notes") to holders of beneficial interests in a global note, or their nominees, if:

- DTC notifies us that it is unwilling or unable to continue as depository or if at any time DTC, or any successor depository, ceases to be a "clearing agency" under the Exchange Act and, in each case, we are unable to locate a qualified successor within 90 days;
- an event of default occurs under the indenture; or
- we decide in our sole discretion to terminate the book-entry system through DTC.

In such event, the trustee will notify all holders through DTC participants of the availability of such certificated notes. Upon surrender by DTC of the definitive global note representing the series of notes and receipt of instructions for reregistration, the trustee will reissue the notes in certificated form to holders or their nominees.

*Clearing System.* DTC has advised us as follows:

DTC is:

- a limited purpose trust company organized under the laws of the State of New York;
- a member of the Federal Reserve System;
- a "clearing corporation" within the meaning of the New York Uniform Commercial Code; and
- a "clearing agency" registered pursuant to Section 17A of the Exchange Act.

DTC was created to hold securities for its participants and to facilitate the clearance and settlement of securities transactions between its participants through electronic book-entries, eliminating the need for physical movement of certificates. DTC participants include securities brokers and dealers, banks, trust companies, clearing corporations and others, some of whom own DTC. Access to DTC's book-entry system is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly.

#### **Certain Definitions**

The following are some defined terms used in the indenture. Reference is made to the indenture for a full disclosure of all such terms, as well as any other capitalized terms used herein for which no definition is provided.

"Adjusted Consolidated Net Income" means, for any period, the net income of Panhandle and its consolidated Subsidiaries, plus (1) depreciation and amortization expense of Panhandle and its consolidated Subsidiaries, (2) income taxes and deferred taxes of Panhandle and its consolidated Subsidiaries and (3) other non-cash charges, in each case, determined on a consolidated basis in accordance with generally accepted accounting principles; provided, however, that there shall not be included in such Adjusted Consolidated Net Income any net income of any Person if such Person is not a Subsidiary, except that (A) Panhandle's equity in the net income of any such Person for such period shall be included in such Adjusted Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to Panhandle or a consolidated Subsidiary of Panhandle as a dividend or other distribution and (B) Panhandle's equity in a net loss of any such Person for such period shall be included in determining such Adjusted Consolidated Net Income.

"Business Day" means a day on which banking institutions in the Borough of Manhattan, New York, New York are not authorized or required by law or regulation to close.

"Capital Stock" means any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) corporate stock or limited liability company interests including any Preferred Stock or letter stock; provided that Hybrid Preferred Securities are not considered Capital Stock for purposes of this definition.

"Consolidated Debt" means the total Debt of Panhandle and its consolidated Subsidiaries, as set forth on the consolidated balance sheet of Panhandle and its consolidated Subsidiaries for Panhandle's most recently completed fiscal quarter, prepared in accordance with generally accepted accounting principles.

"Consolidated Interest Expense" means, for any period, the total interest expense in respect of Consolidated Debt of Panhandle and its consolidated Subsidiaries, including, without duplication, (1) interest expense attributable to capital leases; (2) amortization of debt discount; (3) capitalized interest; (4) cash and noncash interest payments; (5) commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing; (6) net costs under Interest Rate Protection Agreements (including amortization of discount); and (7) interest expense in respect of obligations of other Persons that constitutes Debt of Panhandle or any of its consolidated Subsidiaries, provided, however, that Consolidated Interest Expense shall exclude any costs otherwise included in interest expense recognized on early retirement of debt.

"Consolidated Net Tangible Assets" means, at any date of determination, the total amount of assets after deducting therefrom (1) all current liabilities (excluding (A) any current liabilities that by their terms are extendable 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 (B) current maturities of long-term debt), and (2) the value (net of any applicable reserves) of all goodwill, trade names, trademarks, patents and other like intangible assets, all as set forth on the consolidated balance sheet of Panhandle and its consolidated Subsidiaries for Panhandle's most recently completed fiscal quarter, prepared in accordance with generally accepted accounting principles. "Intangible assets" does not include any value write-up of tangible assets in connection with acquisition transactions accounted for on a purchase method.

"Debt" means any obligation created or assumed by any Person for the repayment of money borrowed and any purchase money obligation created or assumed by such Person.

"Exchangeable Stock" means any Capital Stock of a corporation or a limited liability company that is exchangeable or convertible into another security (other than Capital Stock of such corporation or limited liability company that is neither Exchangeable Stock nor Redeemable Stock).

"Fixed Charge Coverage Ratio" means the ratio of Adjusted Consolidated Net Income plus Consolidated Interest Expense to Consolidated Interest Expense, for the four fiscal quarters of Panhandle ending immediately prior to the date of determination.

"Funded Debt" means all Debt maturing one year or more from the date of the creation thereof, all Debt directly or indirectly renewable or extendible, at the option of the debtor, by its terms or by the terms of any instrument or agreement relating thereto, to a date one year or more from the date of the creation thereof, and all Debt under a revolving credit or similar agreement obligating the lender or lenders to extend credit over a period of one year or more.

"Hybrid Preferred Securities" means preferred securities issued by a Hybrid Preferred Securities Subsidiary, where such preferred securities have the following characteristics: (i) such Hybrid Preferred Securities Subsidiary lends substantially all of the proceeds for the issuance of such preferred securities to Panhandle in exchange for subordinated debt issued by the Panhandle; (ii) such preferred securities contain terms providing for the deferral of distributions corresponding to provisions providing for the deferral of interest payments on such subordinated debt; and (iii) the Panhandle makes periodic interest payments on such subordinated debt, which interest payments are in turn used by the Hybrid

Preferred Securities Subsidiary to make corresponding payments to the holder of the Hybrid Preferred Securities.

"Leverage Ratio" means 100% multiplied by the ratio of Consolidated Debt to Total Capital at the end of the most recent fiscal quarter preceding the date of determination.

"Lien" means any mortgage, pledge, security interest, charge, lien or other encumbrance of any kind, whether or not filed, recorded or perfected under applicable law.

"Loan" means any direct or indirect advance (other than advances to customers in the ordinary course of business that are recorded as receivables on the balance sheet of the Person making such advances), loan or other extension of credit (including by way of guarantee or similar arrangement) to another Person or any purchase of Debt issued by another Person, where such advance, loan, extension of credit or Debt is subordinated in right of payment to the senior creditors of the borrower.

"Moody's" means Moody's Investors Service, Inc., and any successor thereto which is a nationally recognized statistical rating organization, or if such entity shall cease to rate the applicable series of notes or shall cease to exist and there shall be no such successor thereto, any other nationally recognized statistical rating organization selected by Panhandle which is acceptable to the trustee.

"Non-Convertible Capital Stock" means, with respect to any corporation or limited liability company, any non-convertible Capital Stock of such corporation or limited liability company and any Capital Stock of such corporation or limited liability company convertible solely into non-convertible Capital Stock other than Preferred Stock of such corporation or limited liability company; provided, however, that Non-Convertible Capital Stock shall not include any Redeemable Stock or Exchangeable Stock.

"Permitted Liens" means:

- (1) Liens upon rights-of-way for pipeline purposes;
- (2) any governmental Lien, mechanics', materialmen's, carriers' or similar Lien incurred in the ordinary course of business which is not yet due or which is being contested in good faith by appropriate proceedings and any undetermined Lien which is incidental to construction;
- (3) the right reserved to, or vested in, any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or by any provision of law, to purchase or recapture or to designate a purchaser of, any property;
- (4) Liens for taxes and assessments which are (A) for the then current year, (B) not at the time delinquent, or (C) delinquent but the validity of which is being contested at the time by Panhandle or any of its Subsidiaries in good faith;
- (5) Liens of, or to secure performance of, leases;
- (6) any Lien upon, or deposits of, any assets in favor of any surety company or clerk of court for the purpose of obtaining indemnity or stay of judicial proceedings;
- (7) any Lien upon property or assets acquired or sold by Panhandle or any Restricted Subsidiary resulting from the exercise of any rights arising out of defaults on receivables;
- (8) any Lien incurred in the ordinary course of business in connection with workmen's compensation, unemployment insurance, temporary disability, social security, retiree health or similar laws or regulations or to secure obligations imposed by statute or governmental regulations;
- (9) any Lien upon any property or assets in accordance with customary banking practice to secure any Debt incurred by Panhandle or any Restricted Subsidiary in connection with the exporting

of goods to, or between, or the marketing of goods in, or the importing of goods from, foreign countries; or

- (10) any Lien in favor of the United States of America or any state thereof, or any other country, or any political subdivision of any of the foregoing, to secure partial, progress, advance or other payments pursuant to any contract or statute, or any Lien securing industrial development, pollution control or similar revenue bonds.

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

"Principal Property" means any natural gas pipeline system, natural gas gathering system or natural gas storage facility located in the United States, except any such property that in the opinion of our Board of Directors is not of material importance to the business conducted by Panhandle and its consolidated Subsidiaries taken as a whole.

"Redeemable Stock" means any Capital Stock that by its terms or otherwise is required to be redeemed prior to the 90<sup>th</sup> day before the stated maturity of any of the outstanding notes of either series or is redeemable at the option of the holder thereof at any time prior to the 90<sup>th</sup> day before the stated maturity of any of the outstanding notes of either series.

"Restricted Subsidiary" means any Subsidiary of Panhandle owning or leasing any Principal Property.

"Sale-Leaseback Transaction" means, with respect to Panhandle or any Restricted Subsidiary, the sale or transfer by Panhandle or such Restricted Subsidiary of any Principal Property to a Person (other than Panhandle or a Subsidiary of Panhandle) and the taking back by Panhandle or such Restricted Subsidiary, as the case may be, of a lease of such Principal Property. With respect to Panhandle, "Sale-Leaseback Transaction" means the sale or transfer by Panhandle of any assets or property to another Person and the taking back by Panhandle of a lease of such assets or property.

"Standard & Poor's" means Standard & Poor's, a division of McGraw Hill Inc., and any successor thereto which is a nationally recognized statistical rating organization, or if such entity shall cease to rate the applicable series of notes or shall cease to exist and there shall be no such successor thereto, any other nationally recognized statistical rating organization selected by Panhandle which is acceptable to the trustee.

"Subsidiary" means with respect to any Person, (i) any corporation at least a majority of whose outstanding Voting Stock shall at the time be owned, directly or indirectly, by such Person or by one or more of its Subsidiaries or by such Person and one or more of its Subsidiaries, (ii) any limited liability company, general partnership, joint venture or similar entity, at least a majority of whose outstanding membership, partnership or similar interests shall at the time be owned by such Person, or by one or more of its Subsidiaries, or by such Person and one or more of its Subsidiaries and (iii) any limited partnership of which such Person or any of its Subsidiaries is a general partner.

"Total Capital" means the sum of (1) Consolidated Debt and (2) Capital Stock, Hybrid Preferred Securities, premium on Capital Stock, capital surplus, capital in excess of par value and retained earnings (however the foregoing may be designated), less, to the extent not otherwise deducted, the cost of shares or interests of Capital Stock of Panhandle held in treasury, all as set forth on the consolidated balance sheet of Panhandle and its consolidated Subsidiaries for Panhandle's most recently completed fiscal quarter, prepared in accordance with generally accepted accounting principles.

## CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

The following is a discussion of the material U.S. federal income tax consequences relating to the ownership and disposition of the notes to a purchaser of the original notes that purchased the original notes at the issue price in the original notes offering and is exchanging original notes for exchange notes. This summary is based on the Code, administrative pronouncements, judicial decisions and final, temporary and proposed U.S. Treasury regulations and interpretations of the foregoing, changes to any of which subsequent to the date of this prospectus may affect the tax consequences described herein, possibly with retroactive effect. This summary discusses notes held as capital assets within the meaning of Section 1221 of the Code. It does not discuss all of the tax consequences that may be relevant to a holder in light of the holder's particular circumstances or to holders subject to special rules, such as certain financial institutions, insurance companies, dealers in securities or foreign currencies, partnerships, U.S. Holders (as defined below) whose functional currency is not the U.S. dollar, persons holding notes as part of a hedge, straddle or other integrated transaction, or persons who have ceased to be United States citizens or to be taxed as resident aliens. Prospective participants in the exchange offer, including partnerships and their partners, should consult their own tax advisors with regard to the application of federal income tax laws to their particular situation, as well as any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction.

As used herein, the term "U.S. Holder" means a beneficial owner of notes that is a U.S. person for U.S. federal income tax purposes, other than a partnership. "U.S. person" means (i) any individual who is a citizen or resident of the U.S. for U.S. federal income tax purposes, (ii) a corporation created or organized in or under the laws of the U.S., any State thereof or the District of Columbia, (iii) any estate the income of which is subject to U.S. federal income taxation regardless of its source, or (iv) any trust if a court within the U.S. is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust. Notwithstanding the preceding sentence, certain trusts in existence on August 20, 1996 and treated as U.S. persons prior to such date may elect to continue to be treated as U.S. persons. As used herein, the term "Non-U.S. Holder" means a beneficial owner of a note that is, for U.S. federal income tax purposes, (i) a nonresident alien individual, (ii) a foreign corporation or (iii) a foreign trust or estate.

For U.S. federal income tax purposes, we are treated as a disregarded entity, with the result that the notes will be treated as the indebtedness of Southern Union.

### **Tax Consequences to U.S. Holders**

#### *Payments of Interest*

Interest payable on the notes will generally be taxable to a U.S. Holder as ordinary interest income at the time it accrues or is received in accordance with the U.S. Holder's method of accounting for federal income tax purposes.

#### *Sale, Exchange or Disposition of the Notes*

Upon the sale, exchange (other than an exchange of original notes for exchange notes, as described in this prospectus) retirement or other taxable disposition of notes, a U.S. Holder will recognize gain or loss equal to the difference between the amount realized on the disposition of the notes and such holder's tax basis in the notes. The amount realized excludes any amounts attributable to unpaid interest accrued between interest payment dates, which will be taxable as ordinary income to the extent not previously included in income. Such gain or loss will be capital gain or loss and will be long-term capital gain or loss if at the time of the disposition the notes have been held for more than one year.



## *The Exchange Offer*

An exchange of original notes for exchange notes as described in this prospectus will not be a taxable event. As a result, a U.S. Holder will not recognize gain or loss pursuant to such exchange, the holder's holding period in the exchange notes will include the holding period in the original notes exchanged therefor, and the adjusted tax basis of the exchange notes will equal the adjusted tax basis of the original notes exchanged therefor.

We believe that the likelihood that additional interest will become payable due to a failure to register the original notes is remote. Accordingly, we intend to take the position that if such additional interest becomes payable, such amounts will be taxable to a U.S. Holder as ordinary income in accordance with such holder's method of accounting for federal income tax purposes. However, the IRS may take a different position, which could affect the timing of a U.S. Holder's recognition of income with respect to such amounts.

## **Tax Consequences to Non-U.S. Holders**

### *Payments of Interest*

Subject to the discussion below concerning backup withholding, payments of interest on the notes, including additional interest payable upon a Registration Default, if any, by us or any paying agent to any Non-U.S. Holder will not be subject to U.S. federal income tax or a 30% withholding tax provided that (i) the interest is not effectively connected with the conduct by the holder of a trade or business in the United States, (ii) the holder does not own, actually or constructively, 10% or more of the combined voting power of all classes of stock of Southern Union entitled to vote, (iii) the holder is not a controlled foreign corporation (within the meaning of the Code) that is related, directly or indirectly, to Southern Union through stock ownership, (iv) the holder is not a bank whose receipt of interest on the notes is described in Section 881(c)(3)(A) of the Code, and (v) the certification requirements required to claim the portfolio interest exemption set forth in Section 871(h) or Section 881(c) of the Code have been fulfilled with respect to the beneficial owner. Generally, to satisfy the certification requirements set forth in Section 871(h) or Section 881(c) of the Code, the beneficial owner of a note must certify on IRS Form W-8BEN, under penalties of perjury, that the holder is not a United States person.

### *Sale, Exchange or Disposition of the Notes*

Subject to the discussion below concerning backup withholding, a Non-U.S. Holder of a note will not be subject to U.S. federal income tax on any gain realized on the sale, exchange or other disposition of a note unless (i) the holder is an individual who is present in the United States for 183 days or more during the taxable year of disposition and certain other conditions are met or (ii) the gain is effectively connected with the conduct by the holder of a trade or business in the United States.

## **Backup Withholding and Information Reporting**

Information returns will be filed with the IRS in connection with payments on the notes and the proceeds from a sale, exchange or other disposition of the notes. In addition, a backup withholding tax will apply if a noncorporate U.S. Holder (i) fails to furnish its Taxpayer Identification Number ("TIN") which, for an individual, is his Social Security Number, (ii) furnishes an incorrect TIN, (iii) is notified by the IRS that it is subject to backup withholding for failure to report interest and dividend payments, or (iv) under certain circumstances fails to certify, under penalties of perjury, that it has furnished a correct TIN and has not been notified by the IRS that it is subject to backup withholding for failure to report interest and dividend payments. Holders should consult their tax advisers regarding their qualification for exemption from backup withholding and the procedure for obtaining such an exemption if applicable. The rate for backup withholding is currently 28%. The amount of any backup

withholding tax withheld from a payment to a holder will be allowed as a credit against the holder's United States federal income tax liability.

A Non-U.S. Holder of a note may have to comply with certification procedures to establish that the holder is not a United States person in order to avoid information reporting and backup withholding tax requirements. The certification procedures required to claim the portfolio interest exemption described above will generally satisfy the certification requirements necessary to avoid the backup withholding tax as well.

## PLAN OF DISTRIBUTION

Based on interpretations by the Commission staff set forth in no-action letters issued to third parties, including the Exxon Capital and Morgan Stanley letters and similar letters, we believe that the exchange notes to be issued pursuant to the exchange offer in exchange for original notes may be offered for resale, resold, and otherwise transferred by any holder thereof (other than (1) any holder which is an "affiliate" of us within the meaning of Rule 405 under the Securities Act or (2) any broker-dealer that purchases notes from us to resell in accordance with Rule 144A or any other available exemption) without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that the exchange notes are acquired in the ordinary course of the holder's business and the holder is not participating, does not intend to participate, and has no arrangement or understanding with any person to participate, in the distribution of the exchange notes. If any holder is an "affiliate" of us within the meaning of Rule 405 under the Securities Act or tenders with the intent to participate, for the purpose of participating, or with an arrangement or understanding with any person to participate, in the distribution of the exchange notes to be acquired in accordance with the exchange offer, the holder (1) could not rely on the applicable interpretations of the staff of the Commission and (2) must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a secondary resale transaction. A broker-dealer who holds original notes that were acquired for its own account as a result of market-making or other trading activities may be deemed to be an "underwriter" within the meaning of the Securities Act and must, therefore, deliver a prospectus meeting the requirements of the Securities Act in connection with any resales of exchange notes. Each broker-dealer that receives exchange notes for its own account in exchange for original notes, where the original notes were acquired by the broker-dealer as a result of market-making activities or other trading activities, must acknowledge in the letter of transmittal that it will deliver a prospectus in connection with any resales of the exchange notes. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of exchange notes received in exchange for original notes where those original notes were acquired as a result of market-making activities or other trading activities. We will send to any "participating broker-dealer" (as defined below) who has delivered to us proper notification, without charge, additional copies of this prospectus and any amendment or supplement to this prospectus as such participating broker-dealer may reasonably request. We agreed to pay certain expenses incident to the exchange offer, other than commissions or concessions of any brokers or dealers, and will indemnify the holders of the exchange notes (including any broker-dealers) against certain liabilities, including liabilities under the Securities Act.

We will not receive any proceeds from any sales of the exchange notes by broker-dealers. Exchange notes received by broker-dealers for their own account pursuant to the exchange offer may be sold from time to time in negotiated transactions, through the writing of options on the exchange notes or a combination of such methods of resale, at market prices prevailing at the time of resale, at prices related to prevailing market prices or at negotiated prices. Any resale may be made directly to purchasers or to or through brokers or dealers who may receive compensation in the form of commissions or concessions from any broker-dealer and/or the purchasers of any exchange notes. Any broker-dealer that resells the exchange notes that were received by it for its own account pursuant to the exchange offer and any broker or dealer that participates in a distribution of the exchange notes may be deemed to be an "underwriter" within the meaning of the Securities Act, and any profit on any such resale of the exchange notes and any commissions or concessions received by any such persons may be deemed to be underwriting compensation under the Securities Act. The letter of transmittal states that by acknowledging that it will deliver and by delivering a prospectus a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

By acceptance of the exchange offer, each broker-dealer that receives exchange notes for its own account pursuant to the exchange offer agrees that, upon receipt of notice from us of:

- any request by the Commission or any state securities authority for amendments and supplements to this prospectus or for additional information,
- the issuance by the Commission of any stop order suspending the effectiveness of the registration statement of which this prospectus is a part or the initiation of any proceedings for that purpose,
- the happening of any event which makes any statement in this prospectus untrue in any material respect or which requires the making of any changes in this prospectus in order to make the statements herein not misleading or
- the reasonable determination by us that a post-effective amendment to the registration statement would be appropriate (in each case which notice we agree to deliver promptly to such broker-dealer),

such broker-dealer will suspend use of this prospectus until we have amended or supplemented this prospectus to correct such misstatement or omission and has furnished copies of the amended or supplemented prospectus to such broker-dealer or has advised such broker-dealer that it may resume using this prospectus.

"Participating broker-dealer" shall mean any of Merrill Lynch, Credit Suisse First Boston and JP Morgan, and any other broker-dealer which makes a market in the original notes and exchanges original notes in the exchange offer for exchange notes.

## LEGAL MATTERS

Legal matters with respect to the validity of the exchange notes will be passed upon for us by Fleischman and Walsh, L.L.P., Washington, D.C. Attorneys of Fleischman and Walsh, L.L.P. beneficially own shares of common stock of Southern Union that, in the aggregate, represent less than 2% of the outstanding shares of common stock of Southern Union.

## EXPERTS

The consolidated financial statements of Panhandle Eastern Pipe Line Company at December 31, 2002 and for each of the two years in the period ended December 31, 2002, appearing in Panhandle Eastern Pipe Line Company, LLC's Annual Report on Form 10-K for the year ended December 31, 2003, have been audited by Ernst & Young LLP, independent auditors, as set forth in their report thereon included therein and incorporated herein by references. Such consolidated financial statements are incorporated herein by reference in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

After the acquisition of Panhandle by Southern Union, we retained Southern Union's certifying accountant, PricewaterhouseCoopers LLP, as our certifying accountant, effective July 18, 2003.

The consolidated financial statements of Panhandle Eastern Pipe Line Company for the period from January 1, 2003 through June 11, 2003 (pre-acquisition) and the consolidated financial statements of Panhandle Eastern Pipe Line Company, LLC as of December 31, 2003 and for the period from June 12, 2003 through December 31, 2003 (post-acquisition) appearing in Panhandle Eastern Pipe Line Company, LLC's Annual Report on Form 10-K and incorporated herein by reference have been so incorporated in reliance on the reports of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

## WHERE YOU CAN FIND MORE INFORMATION

We are subject to the periodic reporting and other informational requirements of the Securities Exchange Act of 1934. We file, and as required under the terms of the indenture will continue to file, annual, quarterly and special reports and other information with the Securities and Exchange Commission. You may inspect and copy these reports and other information at the public reference facilities of the Commission in Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549. You may also obtain copies of these materials from the public reference section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Please call the Commission at 1-800-SEC-0330 for further information on the public reference rooms. The Commission also maintains a web site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission (<http://www.sec.gov>).

This prospectus also includes by reference the documents listed below that we previously have filed with the Commission and that are not delivered with this document. This means that we can disclose important information to you by referring you to another document filed separately with the Commission. The information incorporated by reference is considered to be part of and included in this prospectus, except for any information that is superseded by subsequent incorporated documents.

**Panhandle Eastern Pipe Line Company, LLC (File No. 1-2921)**

**Date Filed**

Annual Report on Form 10-K for the year ended December 31, 2003

March 8, 2004

This prospectus also includes by reference any documents filed by us with the Commission pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act on or after the date of this prospectus and on or before termination of the exchange offer. These documents include our periodic reports, such as Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. This means that we may disclose important information to you in the future through this reference to another document that may be filed separately with the Commission. The information incorporated by reference into this prospectus is considered to be part of and included in this prospectus, except for any information that is superseded by subsequent incorporated documents. Copies of any documents filed and incorporated by reference into this prospectus may be obtained from the Secretary of Panhandle, 5444 Westheimer Road, P.O. Box 4967, Houston, Texas 77210-4967.

This prospectus is part of a registration statement we have filed with the Commission relating to the exchange notes. As permitted by Commission rules, this prospectus does not contain all of the information included in the registration statement and the accompanying exhibits we file with the Commission. You may refer to the registration statement and the exhibits for more information about us and our exchange notes. The registration statement and exhibits are also available through the Commission's web site.

**WE HAVE NOT AUTHORIZED ANY DEALER, SALESPERSON OR OTHER PERSON TO GIVE YOU WRITTEN INFORMATION OTHER THAN THIS PROSPECTUS OR TO MAKE REPRESENTATIONS AS TO MATTERS NOT STATED IN THIS PROSPECTUS. YOU MUST NOT RELY ON UNAUTHORIZED INFORMATION. THIS PROSPECTUS IS NOT AN OFFER TO SELL THE NOTES OR OUR SOLICITATION OF YOUR OFFER TO BUY THE NOTES IN ANY JURISDICTION WHERE THAT WOULD NOT BE PERMITTED OR LEGAL. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALES MADE HEREUNDER AFTER THE DATE OF THIS PROSPECTUS SHALL CREATE AN IMPLICATION THAT THE INFORMATION CONTAINED HEREIN OR THE AFFAIRS OF THE COMPANY HAVE NOT CHANGED SINCE THE DATE OF THIS PROSPECTUS.**

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**PROSPECTUS**

**PANHANDLE EASTERN PIPE LINE COMPANY, LLC**

**Offer to Exchange Up to \$200,000,000 Aggregate Principal Amount of Our  
2.75% Senior Notes Due 2007, Series B  
for Any and All of the \$200,000,000 Aggregate Principal Amount of Our Outstanding  
2.75% Senior Notes Due 2007, Series A**

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**PART II**  
**INFORMATION NOT REQUIRED IN PROSPECTUS**

**ITEM 20. INDEMNIFICATION OF DIRECTORS AND OFFICERS.**

*Indemnification:* Section 18-108 of the Delaware Limited Liability Company Act (the "LLC Act") provides that a limited liability company may indemnify and hold harmless any member or manager or other persons from and against any and all claims and demands whatsoever, subject to such standards and restrictions set forth in the limited liability company agreement. Accordingly, Section 4.3 of the Limited Liability Company Agreement of Panhandle Eastern Pipe Line Company, LLC, dated as of June 16, 2003 (the "LLC Agreement"), provides that to the fullest permitted by applicable law, a Covered Person shall be entitled to indemnification for the Company for any loss, damage or claim incurred by a Covered Person by reason of any act or omission performed or omitted by a Covered Person in good faith on behalf of the Company and in a manner reasonably believed to be within the scope of authority conferred on a Covered Person by the LLC Agreement, except that no Covered Person shall be entitled to be indemnified in respect of any loss, damage or claim incurred by a Covered Person by reason of gross negligence or willful misconduct with respect to such acts or omissions provided, however, that any indemnity under Section 4.3 of the LLC Agreement shall be provided out of and to the extent of Company assets only, and no Covered Person shall have any personal liability on account thereof. The Company may purchase and maintain insurance covering the potential liabilities of the Covered Persons. For purposes of the LLC Agreement and as used herein, "Covered Person" means Southern Union Panhandle LLC, any affiliate of Southern Union Panhandle LLC, and any officer, director, shareholder, partner, member, employee or agent of Southern Union Panhandle LLC, any managers designated by Southern Union Panhandle LLC, and any officer, employee or expressly authorized agent of the Company or its affiliates.

**ITEM 21. EXHIBITS.**

See Index to Exhibits.

**ITEM 22. 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 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. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Securities and Exchange Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective 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;

- (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; and
  - (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.
  - (4) that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrants' 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.
  - (5) that prior to any public reoffering of the securities registered hereunder through use of a prospectus which is part of the registration statement, by any person or party who is deemed to be an underwriter within the meaning of Rule 145(c), the issuers undertake that such reoffering prospectus will contain the information called for by the applicable registration form with respect to reofferings by persons who may be deemed underwriters, in addition to the information called for by the other items of the applicable form.
  - (6) that every prospectus: (i) that is filed pursuant to paragraph (5) immediately preceding, or (ii) that purports to meet the requirements of Section 10(a)(3) of the Securities Act of 1933 and is used in connection with an offering of securities subject to Rule 415, will be filed as part of an amendment to the registration statement and will not be used until such amendment is effective, and that, for purposes 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 offering therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.
  - (7) insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to our directors, officers and controlling persons pursuant to the foregoing provisions, or otherwise, we have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by us of expenses incurred or paid by one of our directors, officers or controlling persons 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, we 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 Act and will be governed by the final adjudication of such issue.
- (b) The undersigned registrant hereby undertakes to respond to requests for information that is incorporated by reference into the prospectus pursuant to Items 4, 10(b), 11 or 13 of this Form, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the registration statement through the date of responding to the request.
- (c) The undersigned registrant hereby undertakes to supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the registration statement when it became effective.

**SIGNATURES**

Pursuant to the requirements of the Securities Act, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Wilkes-Barre, State of Pennsylvania, on May 12, 2004.

PANHANDLE EASTERN PIPE LINE COMPANY, LLC

By: /s/ DAVID J. KVAPIL

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David J. Kvapil,  
Executive Vice President and  
Chief Financial Officer

Pursuant to the requirements of the Securities Act, this registration statement has been signed by the following persons in the capacities and on the dates indicated on May 12, 2004.

<b>Signature/Name</b>	<b>Title</b>
<hr/>	<hr/>
* <hr/>	Manager
GEORGE L. LINDEMANN	
* <hr/>	Manager
JOHN E. BRENNAN	
* <hr/>	Manager and Chief Executive Officer
THOMAS F. KARAM	
*By: /s/ DAVID J. KVAPIL <hr/>	
Attorney-in-fact	

/s/ DAVID J. KVAPIL

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David J. Kvapil,  
Executive Vice President and  
Chief Financial Officer

/s/ GARY W. LEFELAR

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Gary W. Lefelar,  
Vice President, Controller and  
Principal Accounting Officer

## INDEX TO EXHIBITS

Exhibit Number	Description
3(a)	Certificate of Formation of Panhandle Eastern Pipe Line Company, LLC (Filed as Exhibit 3(a) to our Form 10-Q for the quarter ended June 30, 2003).
3(b)	Certificate of Conversion from a Corporation to a Limited Liability Company (Filed as Exhibit 3(b) to our Form 10-Q for the quarter ended June 30, 2003).
3(c)	Certificate of Amendment to Certificate of Formation (Filed as Exhibit 3(c) to our Form 10-Q for the quarter ended June 30, 2003).
3(d)	Limited Liability Company Agreement of Panhandle Eastern Pipe Line LLC, dated as of June 16, 2003, by Southern Union Panhandle LLC (Filed as Exhibit 3(d) to our Registration Statement on Form S-4, filed December 15, 2003 (SEC File No. 333-111178)).
4(a)	Indenture dated as of March 29, 1999, among CMS Panhandle Holding Company, Panhandle Eastern Pipe Line Company and NBD Bank, as Trustee (Filed as Exhibit 4(a) to our Form 10-Q for the quarter ended March 31, 1999).
4(b)	1 <sup>st</sup> Supplemental Indenture dated as of March 29, 1999, among CMS Panhandle Holding Company, Panhandle Eastern Pipe Line Company and NBD Bank, as Trustee, including a form of Guarantee by Panhandle Eastern Pipe Line Company of the obligations of CMS Panhandle Holding Company (Filed as Exhibit 4(b) to our Form 10-Q for the quarter ended March 31, 1999).
4(c)	2 <sup>nd</sup> Supplemental Indenture dated as of March 27, 2000, between Panhandle, as Issuer, and J.P. Morgan Trust Company, N.A. (formerly known as Bank One Trust Company, National Association), as Trustee (Filed as Exhibit 4(e) to our Form S-4 filed on June 22, 2000).
4(d)	3 <sup>rd</sup> Supplemental Indenture dated as of March 12, 2004, between Panhandle, as Issuer, and J.P. Morgan Trust Company, N.A. (formerly known as Bank One Trust Company, National Association), as Trustee (Filed as Exhibit 4(e) to our Form 10-Q for the quarter ended September 30, 2003).
4(e)	4 <sup>th</sup> Supplemental Indenture dated as of March 12, 2004, between Panhandle, as Issuer, and J.P. Morgan Trust Company, N.A. (formerly known as Bank One Trust Company, National Association), as Trustee (the "trustee.") (Filed herewith).
4(f)	Indenture dated as of February 1, 1993, between Panhandle and Morgan Guaranty Trust Company effective January 1, 1982, as amended December 3, 1999 (Filed as Exhibit 4 to our Form S-3 filed February 19, 1993).
4(g)	Form of 2.75% Senior Note Due 2007 (Filed herewith).
4(h)	Registration Rights Agreement, dated as of March 9, 2004, among the Company, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Credit Suisse First Boston, LLC, J.P. Morgan Securities, Inc., and Credit Lyonnais Securities (USA), Inc. (Filed herewith).
5	Opinion of Fleischman and Walsh, L.L.P. (Filed herewith).
10(a)	Supplemental Executive Retirement Plan for Employees of CMS Energy/Consumers Energy Company effective January 1, 1982, as amended December 9, 1999 (Filed as Exhibit 10(h) to our Form 10-K for the year ended December 31, 1999).
10(b)	Contract for Firm Transportation of Natural Gas between Consumers Power Company and Trunkline Gas Company, dated November 1, 1989, and Amendment, dated November 1, 1989 (Filed as Exhibit 10.41 to Form 10-K of PanEnergy Corp. for the year ended December 31, 1989).

- 10(c) Contract for Firm Transportation of Natural Gas between Consumers Power Company and Trunkline Gas Company, dated November 1, 1989 (Filed as Exhibit 10.41 to Form 10-K of PanEnergy Corp. for the year ended December 31, 1989).
  - 10(d) Contract for Firm Transportation of Natural Gas between Consumers Power Company and Trunkline Gas Company, dated September 1, 1993 (Filed as Exhibit 10.03 to our Form 10-K for the year ended December 31, 1993).
  - 12 Computation of Consolidated Ratio of Earnings to Fixed Charges (Filed herewith).
  - 23(a) Consent of Fleischman and Walsh, L.L.P. (Included in Exhibit 5).
  - 23(b) Consent of Ernst & Young LLP (Filed herewith).
  - 23(c) Consent of PricewaterhouseCoopers LLP (Filed herewith).
  - 24 Power of Attorney (Filed herewith).
  - 25 Form T-1 Statement of Eligibility under the Trust Indenture Act of 1939 of J.P. Morgan Trust Company, N.A. (formerly known as Bank One Trust Company, National Association) (Filed as Exhibit 25 to our Registration Statement on Form S-4, filed December 15, 2003 (SEC File No. 333-111178)).
  - 99(a) Letter of Transmittal (Filed herewith).
  - 99(b) Notice of Guaranteed Delivery (Filed herewith).
  - 99(c) Form of Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees (Filed herewith).
  - 99(d) Form of Letter from Registered Holders to Clients (Filed herewith).
  - 99(e) Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 (Filed herewith).
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FOURTH SUPPLEMENTAL INDENTURE

between

PANHANDLE EASTERN PIPE LINE COMPANY, LLC  
Issuer

and

J.P. MORGAN TRUST COMPANY, NATIONAL ASSOCIATION  
Trustee

Dated as of March 12, 2004

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FOURTH SUPPLEMENTAL INDENTURE, dated as of March 12, 2004 (the "Fourth Supplemental Indenture"), between Panhandle Eastern Pipe Line Company, LLC (formerly known as Panhandle Eastern Pipe Line Company), a Delaware limited liability company (the "Issuer"), and J.P. Morgan Trust Company, National Association, as trustee (the "Trustee") under the indenture, dated as of March 29, 1999, among the Issuer, CMS Panhandle Holding Company, a Michigan corporation, and NBD Bank, as trustee (the "Base Indenture" and, as so supplemented, the "Indenture").

WHEREAS, CMS Panhandle Holding Company and the Issuer executed and delivered the Base Indenture to NBD Bank to provide for the future issuance of CMS Panhandle Holding Company's unsecured debt securities guaranteed by the Issuer, to be issued from time to time in one or more series as might be determined by CMS Panhandle Holding Company under the Indenture, in an unlimited aggregate principal amount which may be authenticated and delivered as provided in the Base Indenture;

WHEREAS, the Issuer, CMS Panhandle Holding Company, and NBD Bank executed the First Supplemental Indenture, dated as of March 29, 1999, under which CMS Panhandle Holding Company issued a series of Debt Securities in three tranches known as its 6.125% Senior Notes due 2004, 6.500% Senior Notes due 2009 and 7.000% Senior Notes due 2029 in aggregate principal amounts of \$300,000,000, \$200,000,000 and \$300,000,000, respectively;

WHEREAS, Panhandle Eastern Pipe Line Company became the Issuer as provided for in the Base Indenture as a result of the merger of CMS Panhandle Holding Company into Panhandle Eastern Pipe Line Company, effective June 15, 1999, and Bank One Trust Company, National Association became the Trustee provided for in the Base Indenture as a result of the merger of NBD Bank into Bank One Trust Company, National Association;

WHEREAS, the Issuer and the Trustee executed the Second Supplemental Indenture, dated as of March 27, 2000, under which the Issuer issued a series of Debt Securities known as its 8.25% Senior Notes due 2010, Series A, in the principal amount of \$100,000,000 (the "2010 A Senior Notes"), and a series of Senior Notes to be issued in exchange for the 2010 A Senior Notes, known as the Issuer's "8.25% Senior Notes Due 2010, Series B," in the principal amount of \$100,000,000;

WHEREAS, in June, 2003, Southern Union Panhandle, LLC, a wholly-owned subsidiary of Southern Union Company ("Southern Union"), acquired all of the outstanding capital stock of the Issuer, after which Southern Union caused Panhandle Eastern Pipe Line Company to convert to a Delaware limited liability company;

WHEREAS, the Issuer and the Trustee executed the Third Supplemental Indenture, dated as of August 18, 2003, to provide for the establishment of two new series of its Debt Securities: (i) the 4.80% Senior Notes due 2008 in the initial principal amount of \$300,000,000, consisting of two tranches, the first tranche of 4.80% Senior Notes due 2008 known as "4.80% Senior Notes due 2008, Series A" (the "4.80% Series A Notes"), and the second tranche of 4.80% Senior Notes due 2008 to be issued in exchange for the 4.80% Series A Notes, known as "4.80% Senior Notes due 2008, Series B"; and (ii) the 6.05% Senior Notes due 2013 in the initial principal amount of \$250,000,000, consisting of two tranches, the first tranche of 6.05% Senior Notes due 2013 known as "6.05% Senior Notes due 2013, Series A" (the "6.05% Series A Notes"), and the second tranche of 6.05% Senior Notes due 2013 to be issued in exchange for the 6.05% Series A Notes, known as the "6.05% Senior Notes due 2013, Series B";

WHEREAS, J.P. Morgan Trust Company, National Association became the Trustee provided for in the Base Indenture as a result of the assumption of certain assets of Bank One Trust Company, National Association by a merger subsidiary which later merged with and into J.P. Morgan Trust Company, National Association;

WHEREAS, the Issuer desires to provide for the establishment of two new series of its Debt Securities: the first series, in the initial principal amount of \$200,000,000, known as "2.75% Senior Notes due 2007, Series A" (the "Series A Notes"), and the second series, to be issued in exchange for the Series A Notes, known as the "2.75% Senior Notes due 2007, Series B" (the "Series B Notes" and, together with the Series A Notes and any Additional Senior Notes (as defined below), the "Senior Notes"), the form and substance of such Senior Notes and the terms, provisions and conditions thereof to be set forth as provided in the Base Indenture and this Fourth Supplemental Indenture;

WHEREAS, there is no limit on the amount of Additional Senior Notes (as defined below) that may be issued after the initial issuance of the Initial Senior Notes (as defined below), *provided* that at the time of issuance of any Additional Senior Notes no Default or Event of Default shall have occurred and be continuing;

WHEREAS, the Issuer and the Initial Purchasers named therein have entered into a Registration Rights Agreement, dated as of March 9, 2004 (as amended, supplemented or otherwise modified from time to time, the "Registration Rights Agreement"), which requires the Issuer to use its reasonable best efforts to make an Exchange Offer (as defined below) which would enable holders of the Series A Notes to exchange such Senior Notes for Series B Notes, not subject to certain restrictions under the Securities Act, or to cause a Shelf Registration Statement to be declared effective with respect to the resale of the Series A Notes;

WHEREAS, the Issuer wishes to amend and add certain provisions to the Base Indenture for the benefit of the holders of the Senior Notes; and

WHEREAS, the Issuer has requested that the Trustee execute and deliver this Fourth Supplemental Indenture, and all requirements necessary to make this Fourth Supplemental Indenture a valid instrument, in accordance with its terms, and to make the Senior Notes, when executed by the Issuer and authenticated and delivered by the Trustee, the valid obligations of the Issuer, have been performed, and the execution and delivery of this Fourth Supplemental Indenture has been duly authorized in all respects:

NOW THEREFORE, in consideration of the purchase and acceptance of the Senior Notes to be issued hereunder by the holders thereof, and for the purpose of setting forth, as provided in the Indenture, the form and substance of the Senior Notes and the terms, provisions and conditions thereof, the Issuer covenants and agrees with the Trustee as follows:

## **ARTICLE I.**

### **DEFINITIONS**

#### **SECTION 1.1** Definition of Terms.

Unless the context otherwise requires:

- (a) a term defined in the Base Indenture has the same meaning when used in this Fourth Supplemental Indenture;
- (b) a term defined anywhere in this Fourth Supplemental Indenture has the same meaning throughout;
- (c) the singular includes the plural and vice versa;
- (d) a reference to a Section or Article is to a Section or Article of this Fourth Supplemental Indenture;
- (e) headings are for convenience of reference only and do not affect interpretation;

(f) the following terms have the meanings given to them in this Section 1.01(f):

"Additional Senior Notes" means any additional Senior Notes (other than Initial Senior Notes) issued from time to time under this Fourth Supplemental Indenture in accordance with Section 2.4 of the Base Indenture, as a part of the same series as the Initial Senior Notes; *provided*, that no Additional Senior Notes may be issued during the continuance of a Default or an Event of Default.

"Adjusted Consolidated Net Income" means, for any period, the net income of the Issuer and its Consolidated Subsidiaries, plus (i) depreciation and amortization expense of the Issuer and its Consolidated Subsidiaries, (ii) income taxes and deferred taxes of the Issuer and its Consolidated Subsidiaries and (iii) other non-cash charges, in each case, determined on a consolidated basis in accordance with generally accepted accounting principles; *provided, however*, that there shall not be included in such Adjusted Consolidated Net Income any net income of any Person if such Person is not a Subsidiary, except that (A) the Issuer's equity in the net income of any such Person for such period shall be included in such Adjusted Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Issuer or a Consolidated Subsidiary of the Issuer as a dividend or other distribution and (B) the Issuer's equity in a net loss of any such Person for such period shall be included in determining such Adjusted Consolidated Net Income.

"Capital Stock" means any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) corporate stock or limited liability company interests, including any Preferred Stock or letter stock; *provided* that Hybrid Preferred Securities are not considered Capital Stock for purposes of this definition.

"Comparable Treasury Issue" means the United States Treasury security or securities selected by an Independent Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the Senior Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of such Senior Notes.

"Comparable Treasury Price" means, with respect to any redemption date, (A) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (B) if the Trustee obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

"Consolidated Debt" means the total Debt of the Issuer and its Consolidated Subsidiaries, as set forth on the consolidated balance sheet of the Issuer and its Consolidated Subsidiaries for the Issuer's most recently completed fiscal quarter, prepared in accordance with generally accepted accounting principles.

"Consolidated Interest Expense" means, for any period, the total interest expense in respect of Consolidated Debt of the Issuer and its Consolidated Subsidiaries, including, without duplication, (i) interest expense attributable to capital leases, (ii) amortization of debt discount, (iii) capitalized interest, (iv) cash and noncash interest payments, (v) commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing, (vi) net costs under Interest Rate Protection Agreements (including amortization of discount), and (vii) interest expense in respect of obligations of other Persons that constitutes Debt of the Issuer or any of its Consolidated Subsidiaries, *provided, however*, that Consolidated Interest Expense shall exclude any costs otherwise included in interest expense recognized on early retirement of debt.

"Consolidated Net Tangible Assets" means, at any date of determination, the total amount of assets after deducting therefrom (i) all current liabilities (excluding (A) any current liabilities that by their terms are extendable 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 (B) current maturities of long-term debt), and (ii) the value (net of any applicable reserves) of all goodwill, trade names,

trademarks, patents and other like intangible assets, all as set forth on the consolidated balance sheet of the Issuer and its Consolidated Subsidiaries for the Issuer's most recently completed fiscal quarter, prepared in accordance with generally accepted accounting principles. "Intangible assets" does not include any value write-up of tangible assets in connection with acquisition transactions accounted for on a purchase method.

"Consolidated Subsidiary" means any Subsidiary whose accounts are or are required to be consolidated with the accounts of the Issuer in accordance with generally accepted accounting principles.

"DTC" means The Depository Trust Company, or any successor thereto.

"Debt" means any obligation created or assumed by any Person for the repayment of money borrowed and any purchase money obligation created or assumed by such Person.

"Depository" means, with respect to the Global Notes, DTC.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Exchange Notes" means the Series B Notes to be offered to Holders in exchange for the Series A Notes, pursuant to an Exchange Offer or otherwise pursuant to a Registration of Series B Notes containing terms identical in all material respects to the Series A Notes for which they are exchanged, except that (i) interest thereon shall accrue from the last date on which interest was paid on the Series A Notes or, if no such interest has been paid, from the date of issuance of the Series A Notes and (ii) the provisions relating to an increase in the stated rate of interest thereon upon the occurrence of a Registration Default shall be eliminated, (iii) the transfer restrictions and legends relating to restrictions on ownership and transfer thereof as a result of the issuance of the Series A Notes without Registration shall be eliminated, and (iv) each of the Exchange Notes so issued will be represented by one or more Global Notes in book-entry form unless exchanged for Exchange Notes in definitive certificated form under the circumstances provided hereunder.

"Exchange Offer" means the exchange offer by the Issuer of Exchange Notes for certain Senior Notes pursuant to the Registration Rights Agreement.

"Exchangeable Stock" means any Capital Stock of a corporation or a limited liability company that is exchangeable or convertible into another security (other than Capital Stock of such corporation or limited liability company that is neither Exchangeable Stock nor Redeemable Stock).

"Fixed Charge Coverage Ratio" means the ratio of Adjusted Consolidated Net Income plus Consolidated Interest Expense to Consolidated Interest Expense, for the four fiscal quarters of the Issuer ending immediately prior to the date of determination.

"Funded Debt" means all Debt maturing one year or more from the date of the creation thereof, all Debt directly or indirectly renewable or extendable, at the option of the debtor, by its terms or by the terms of any instrument or agreement relating thereto, to a date one year or more from the date of the creation thereof, and all Debt under a revolving credit or similar agreement obligating the lender or lenders to extend credit over a period of one year or more.

"Global Note" means a Senior Note bearing a legend specified in Section 6.1 evidencing all or part of a series of Senior Notes, issued to the Depository or its nominee with respect to such series of Senior Notes and registered in the name of such Depository or nominee.

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

"Hybrid Preferred Securities" means preferred securities issued by a Hybrid Preferred Securities Subsidiary, where such preferred securities have the following characteristics: (i) such Hybrid Preferred Securities Subsidiary lends substantially all of the proceeds from the issuance of such preferred

securities to the Issuer in exchange for subordinated debt issued by the Issuer; (ii) such preferred securities contain terms providing for the deferral of distributions corresponding to provisions providing for the deferral of interest payments on such subordinated debt; and (iii) the Issuer makes periodic interest payments on such subordinated debt, which interest payments are in turn used by the Hybrid Preferred Securities Subsidiary to make corresponding payments to the holders of the Hybrid Preferred Securities.

"Hybrid Preferred Securities Subsidiary" means any business trust or limited partnership (or similar entity) (i) all of the common equity interest of which is owned (either directly or indirectly through one or more wholly-owned Subsidiaries of the Issuer) at all times by the Issuer, (ii) that has been formed for the purpose of issuing Hybrid Preferred Securities and (iii) substantially all of the assets of which consist at all times solely of subordinated debt issued by the Issuer and payments made from time to time on such subordinated debt.

"Independent Investment Banker" means one of the Reference Treasury Dealers appointed by the Trustee after consultation with the Issuer.

"Initial Senior Notes" means the initial \$200,000,000 aggregate principal amount of Series A Notes issued under this Fourth Supplemental Indenture.

"Interest Rate Protection Agreement" means any interest rate swap agreement, interest rate cap agreement or other financial agreement or arrangement designed to protect the Issuer or any of its Subsidiaries against fluctuations in interest rates.

"Leverage Ratio" means 100% multiplied by the ratio of Consolidated Debt to Total Capital at the end of the most recent fiscal quarter preceding the date of determination.

"Lien" means any mortgage, pledge, security interest, charge, lien or other encumbrance of any kind, whether or not filed, recorded or perfected under applicable law.

"Loan" means any direct or indirect advance (other than advances to customers in the ordinary course of business that are recorded as receivables on the balance sheet of the Person making such advances), loan or other extension of credit (including by way of guarantee or similar arrangement) to another Person or any purchase of Debt issued by another Person, where such advance, loan, extension of credit or Debt is subordinated in right of payment to the senior creditors of the borrower.

"Moody's" means Moody's Investors Service, Inc., and any successor thereto which is a nationally recognized statistical rating organization, or if such entity shall cease to rate the Senior Notes or shall cease to exist and there shall be no such successor thereto, any other nationally recognized statistical rating organization selected by the Issuer which is acceptable to the Trustee.

"Non-Convertible Capital Stock" means, with respect to any corporation or any limited liability company, any non-convertible Capital Stock of such corporation or limited liability company and any Capital Stock of such corporation or limited liability company convertible solely into non-convertible Capital Stock other than Preferred Stock of such corporation or limited liability company; *provided, however*, that Non-Convertible Capital Stock shall not include any Redeemable Stock or Exchangeable Stock.

"Permitted Liens" means:

- (i) Liens upon rights-of-way for pipeline purposes;
- (ii) any governmental Lien, mechanics', materialmen's, carriers' or similar Lien incurred in the ordinary course of business which is not yet due or which is being contested in good faith by appropriate proceedings and any undetermined Lien which is incidental to construction;

(iii) the right reserved to, or vested in, any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or by any provision of law, to purchase or recapture or to designate a purchaser of, any property;

(iv) Liens for taxes and assessments which are (A) for the then current year, (B) not at the time delinquent, or (C) delinquent but the validity of which is being contested at the time by the Issuer or any of its Subsidiaries in good faith;

(v) Liens of, or to secure performance of, leases;

(vi) any Lien upon, or deposits of, any assets in favor of any surety company or clerk of court for the purpose of obtaining indemnity or stay of judicial proceedings;

(vii) any Lien upon property or assets acquired or sold by the Issuer or any Restricted Subsidiary resulting from the exercise of any rights arising out of defaults on receivables;

(viii) any Lien incurred in the ordinary course of business in connection with workmen's compensation, unemployment insurance, temporary disability, social security, retiree health or similar laws or regulations or to secure obligations imposed by statute or governmental regulations;

(ix) any Lien upon any property or assets in accordance with customary banking practice to secure any Debt incurred by the Issuer or any Restricted Subsidiary in connection with the exporting of goods to, or between, or the marketing of goods in, or the importing of goods from, foreign countries; or

(x) any Lien in favor of the United States of America or any state thereof, or any other country, or any political subdivision of any of the foregoing, to secure partial, progress, advance or other payments pursuant to any contract or statute, or any Lien securing industrial development, pollution control or similar revenue bonds.

"Principal Property" means any natural gas pipeline system, natural gas gathering system or natural gas storage facility located in the United States, except any such property that in the opinion of the Board of Directors is not of material importance to the business conducted by the Issuer and its Consolidated Subsidiaries taken as a whole.

"Private Exchange Notes" shall mean any Senior Notes issued to an Initial Purchaser (as defined in the Registration Rights Agreement) simultaneously with the delivery of the Exchange Notes in an Exchange Offer, in exchange for the Initial Senior Notes held by such Initial Purchaser, that are identical (except that such Private Exchange Notes shall bear transfer restrictions substantially in the form contained in Section 6.1 hereof with respect to Rule 144A Global Notes, and other appropriate transfer restrictions) to the Exchange Notes.

"Prospectus" shall mean the prospectus included in a Registration Statement, including any preliminary prospectus, and any such prospectus as amended or supplemented by any prospectus supplement, including any such prospectus supplement with respect to the terms of the offering of any portion of the Senior Notes covered by a Shelf Registration Statement, and by all other amendments and supplements to a prospectus, including post-effective amendments, and in each case including all material incorporated by reference therein.

"Redeemable Stock" means any Capital Stock that by its terms or otherwise is required to be redeemed prior to the 90th day before the stated maturity of any of the outstanding Senior Notes of any Series or is redeemable at the option of the holder thereof at any time prior to the 90th day before the stated maturity of any of the outstanding Senior Notes of either series.

"Reference Treasury Dealer" means each of Merrill Lynch, Pierce, Fenner & Smith Incorporated, Credit Suisse First Boston LLC and J.P. Morgan Securities Inc. or their affiliates plus three others which are primary U.S. Government securities dealers, and their respective successors; *provided*,

however, that if any of the foregoing or their affiliates shall cease to be a primary U.S. Government securities dealer in The City of New York (a "Primary Treasury Dealer"), the Issuer shall substitute therefor another Primary Treasury Dealer.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Trustee by such Reference Treasury Dealer at 3:30 p.m. New York time on the third Business Day preceding such redemption date.

"Registration" means a registered exchange offer for any Senior Notes by the Issuer pursuant to a Registration Statement or other registration for resale of any Senior Notes under the Securities Act pursuant to a Shelf Registration Statement, in each case in accordance with the terms of the Registration Rights Agreement.

"Registration Default" has the meaning set forth in the Registration Rights Agreement.

"Registration Rights Agreement" has the meaning set forth in the recitals to this Fourth Supplemental Indenture, and shall also include any registration rights agreements entered into by the Issuer in connection with the issuance of any Additional Senior Notes.

"Registration Statement" means a registration statement of the Issuer under the Securities Act registering (i) the exchange of Series A Notes, for Series B Notes, for distribution pursuant to the Exchange Offer, or (ii) the resale of the Initial Senior Notes or Private Exchange Notes pursuant to a Shelf Registration Statement.

"Restricted Subsidiary" means any Subsidiary of the Issuer owning or leasing any Principal Property.

"Rule 144A" means Rule 144A under the Securities Act.

"Sale-Leaseback Transaction" means, with respect to the Issuer or any Restricted Subsidiary, the sale or transfer by the Issuer or such Restricted Subsidiary of any Principal Property to a Person (other than the Issuer or a Subsidiary of the Issuer) and the taking back by the Issuer or such Restricted Subsidiary, as the case may be, of a lease of such Principal Property. With respect to the Issuer, "Sale-Leaseback Transaction" means the sale or transfer by the Issuer of any assets or property to another Person and the taking back by the Issuer of a lease of such assets or property.

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

"Securities Act" means the Securities Act of 1933, as amended.

"Senior Notes" has the meaning assigned to it in the recitals to this Fourth Supplemental Indenture. The Initial Senior Notes and the Additional Senior Notes shall be treated as a single class for all purposes under this Fourth Supplemental Indenture, and unless the context otherwise requires, all references to the Senior Notes shall include the Initial Senior Notes, the Exchange Notes, the Private Exchange Notes and any Additional Senior Notes.

"Shelf Registration Statement" shall mean a "shelf" registration statement of the Issuer which covers all or a portion of the Senior Notes (other than Exchange Notes) on an appropriate form under Rule 415 under the Securities Act, or any similar rule that may be adopted by the SEC, and all amendments and supplements to such registration statement, including post-effective amendments, in each case including the Prospectus contained therein, all exhibits thereto and all material incorporated by reference therein.

"Standard & Poor's" means Standard & Poor's, a division of The McGraw-Hill Companies, Inc., and any successor thereto which is a nationally recognized statistical rating organization, or if such entity shall cease to rate the Senior Notes or shall cease to exist and there shall be no such successor thereto, any other nationally recognized statistical rating organization selected by the Issuer which is acceptable to the Trustee.

"Subsidiary" means, with respect to any Person, (i) any corporation at least a majority of whose outstanding Voting Stock shall at the time be owned, directly or indirectly, by such Person or by one or more of its Subsidiaries or by such Person and one or more of its Subsidiaries, (ii) any limited liability company, general partnership, joint venture or similar entity, at least a majority of whose outstanding membership, partnership or similar interests shall at the time be owned by such Person, or by one or more of its Subsidiaries, or by such Person and one or more of its Subsidiaries and (iii) any limited partnership of which such Person or any of its Subsidiaries is a general partner.

"Total Capital" means the sum of (i) Consolidated Debt and (ii) Capital Stock, Hybrid Preferred Securities, premium on Capital Stock, capital surplus, capital in excess of par value and retained earnings (however the foregoing may be designated), less, to the extent not otherwise deducted, the cost of shares of Capital Stock of the Issuer held in treasury, all as set forth on the consolidated balance sheet of the Issuer and its Consolidated Subsidiaries for the Issuer's most recently completed fiscal quarter, prepared in accordance with generally accepted accounting principles.

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity or interpolated (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

"Voting Stock" means securities of any class or classes the holders of which are ordinarily, in the absence of contingencies, entitled to vote for corporate directors or managers (in the case of a limited liability company) (or persons performing similar functions).

(g) solely for purposes of this Fourth Supplemental Indenture,

(1) the defined term "Business Day" contained in Section 1.01 of the Base Indenture shall be replaced in its entirety by the following new definition:

"Business Day" means a day on which banking institutions in the Borough of Manhattan, New York, New York are not authorized or required by law or regulation to close; and

(2) the defined term "Board of Directors" contained in Section 1.01 of the Base Indenture shall be deemed to include the Board of Managers of a limited liability company.

## ARTICLE II.

### GENERAL TERMS AND CONDITIONS OF THE SENIOR NOTES

#### SECTION 2.1 Designation and Principal Amount of the Series A Notes.

There is hereby authorized a single series of Debt Securities designated as the "2.75% Senior Notes due 2007, Series A", the principal amount of which shall be as set forth in any written order of the Issuer for the authentication and delivery of Senior Notes pursuant to Section 2.4 of the Base Indenture; *provided, however,* that Additional Senior Notes may be issued by the Issuer at any time subject to the terms and conditions of the Base Indenture and this Fourth Supplemental Indenture, *provided,* that at the time of such issuance no Default or Event of Default shall have occurred and be continuing.



The initial principal amount of the Series A Notes shall be \$200,000,000.

SECTION 2.2 Maturity of the Series A Notes.

The Series A Notes will mature on March 15, 2007.

SECTION 2.3 Interest on the Series A Notes.

Interest shall accrue from the date set forth, and shall be payable on the Series A Notes in the amount and as otherwise set forth, in the form of such Senior Note appearing in Article VI of this Fourth Supplemental Indenture.

SECTION 2.4 Form of the Series A Notes.

The form of the Series A Notes shall be substantially in the form provided for in Article VI for such Senior Notes. The terms of the Series A Notes form part of this Fourth Supplemental Indenture. The Series A Notes shall be represented by one or more Global Notes in definitive, registered form, without interest coupons. The Series A Notes will be initially issued as Global Notes registered in the name of Cede & Co. (as nominee for DTC, New York, New York, which, together with its nominees and their successors, is hereby designated the Depository for the Series A Notes). The Series A Notes shall initially contain restrictions on transfer, substantially as described in the form set forth in Section 6.1. Each Series A Note, whether in the form of a Global Note or in certificated form, shall initially bear a non-registration legend and a Restricted Certificate of Transfer, in each case in substantially the form set forth in such form.

Beneficial interests in Series A Notes owned by qualified institutional buyers (as defined in Rule 144A) ("QIBs") or sold to QIBs in reliance upon Rule 144A will be represented by one or more Global Notes registered in the name of Cede & Co., as registered owner and as nominee for DTC, or another nominee designated by DTC in definitive, fully registered form without interest coupons in denominations of US\$1,000 and any integral multiples of US\$1,000. The Trustee and the Issuer will have no responsibility under the Indenture for transfers of beneficial interests in the Series A Notes. So long as a Senior Note bears a non-registration legend and a Restricted Certificate of Transfer the Trustee shall authenticate and issue new Senior Notes upon a registration of transfer only upon receipt of a Restricted Certificate of Transfer in the form set forth in Section 6.1 hereof. The Trustee shall refuse to register any transfer of a Senior Note in violation of the legend set forth on such Senior Note and without appropriate completion of the Restricted Certificate of Transfer on such Senior Note.

Subject to the conditions set forth therein and in the Indenture, pursuant to the Registration Rights Agreement, the non-registration legend and the Restricted Certificate of Transfer may be removed or rendered inapplicable in the event of the consummation of an Exchange Offer or upon a resale under an effective Shelf Registration Statement, in each case, in respect of the Series A Notes.

SECTION 2.5 Special Transfer Provisions.

For the purposes of this Fourth Supplemental Indenture, unless and until a Series A Note is exchanged for an Exchange Note or is resold, in each case in connection with an effective Registration Statement pursuant to the Registration Rights Agreement, the registration of any proposed transfer of an interest in a Series A Global Note may be effected only through the book entry system maintained by the Depository.

SECTION 2.6 Designation and Principal Amount of the Series B Notes.

There is hereby authorized a single series of Debt Securities designated as the "2.75% Senior Notes due 2007, Series B", the principal amount of which shall be as set forth in any written order of the Issuer for the authentication and delivery of Senior Notes pursuant to Section 2.4 of the Base Indenture; *provided, however,* that Additional Senior Notes may be issued by the Issuer at any time subject to the terms and conditions of the Base Indenture and this Fourth Supplemental Indenture,

provided, that at the time of such issuance no Default or Event of Default shall have occurred and be continuing.

The initial principal amount of the Series B Notes shall not exceed \$200,000,000.

**SECTION 2.7 Maturity of the Series B Notes.**

The Series B Notes will mature on March 15, 2007.

**SECTION 2.8 Interest on the Series B Notes.**

Interest shall accrue from the date set forth, and shall be payable on the Series B Notes in the amount and as otherwise set forth, in the form of such Senior Note appearing in Article VI of this Fourth Supplemental Indenture.

**SECTION 2.9 Form of the Series B Notes.**

The form of the Series B Notes shall be substantially in the form provided for in Article VI for such Senior Notes, and such Senior Notes, being Exchange Notes, shall not contain terms with respect to transfer restrictions (unless they are Private Exchange Notes) or additional interest payable upon the occurrence of a Registration Default. The terms of the Series B Notes form part of this Fourth Supplemental Indenture. The Series B Notes shall be represented by one or more Global Notes in definitive, registered form, without interest coupons. The Series B Notes will be initially issued as Global Notes registered in the name of Cede & Co. (as nominee for DTC, New York, New York, which, together with its nominees and their successors, is hereby designated the Depository for the Series B Notes).

**SECTION 2.10 Redemption of the Senior Notes.**

The Senior Notes will be redeemable as a whole or in part, at the option of the Issuer at any time, at a redemption price equal to the greater of (i) 100% of the principal amount of such Senior Notes and (ii) the sum of the present values of the remaining scheduled payments of principal and interest thereon (exclusive of interest accrued to the date of redemption) discounted to the redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 20 basis points, plus accrued and unpaid interest thereon to the date of redemption.

Notice of any redemption will be mailed at least 30 days but not more than 60 days before the redemption date by the Issuer or by the Trustee on the Issuer's behalf to each Holder of Senior Notes to be redeemed.

Unless the Issuer defaults in payment of the redemption price, on and after the applicable redemption date interest will cease to accrue on the Senior Notes or portions thereof called for redemption.

**ARTICLE III.**

**COVENANTS**

**SECTION 3.1 Limitation on Restricted Payments.**

(a) So long as any of the Senior Notes are outstanding and during any time that such Senior Notes are rated below Baa3 (or an equivalent rating) by Moody's and below BBB- (or an equivalent rating) by Standard & Poor's, the Issuer will not, and will not permit any of its Restricted Subsidiaries, directly or indirectly, to:

- (i) declare or pay any dividend or make any distribution on the Capital Stock of the Issuer to the direct or indirect holders of its Capital Stock (except dividends or distributions payable solely in its Non-Convertible Capital Stock or in options, warrants or other rights to purchase such

Non-Convertible Capital Stock and except dividends or distributions payable to the Issuer or a Subsidiary of the Issuer);

(ii) purchase, redeem or otherwise acquire or retire for value any Capital Stock of the Issuer; or

(iii) make any Loan to Southern Union or any of its Affiliates that is not a Subsidiary of the Issuer;

(any such dividend, distribution, purchase, redemption, other acquisition, retirement or Loan described in (i) through (iii) above being hereinafter referred to as a "Restricted Payment"), unless at the time the Issuer or such Restricted Subsidiary makes such Restricted Payment and after giving effect thereto:

(1) no Default or Event of Default shall have occurred and be continuing (or would result therefrom);

(2) the Issuer's Fixed Charge Coverage Ratio is greater than or equal to 2.2; and

(3) the Issuer's Leverage Ratio is less than or equal to 55%.

Notwithstanding the foregoing, the Issuer or any of its Restricted Subsidiaries may declare, make or pay any Restricted Payment, if at the time the Issuer or such Restricted Subsidiary makes such Restricted Payment and after giving effect thereto:

(1) no Default or Event of Default shall have occurred and be continuing (or would result therefrom); and

(2) the aggregate amount of such Restricted Payment and all other Restricted Payments made since the original date of issuance of the Initial Senior Notes would not exceed the sum of:

(A) \$175 million;

(B) 75% of Adjusted Consolidated Net Income accumulated since the original date of issuance of the Initial Senior Notes to the end of the most recent fiscal quarter ending at least 45 days prior to the date of such Restricted Payment; and

(C) the aggregate net cash proceeds received by the Issuer after the original date of issuance of the Initial Senior Notes from capital contributions or the issuance of Capital Stock of the Issuer to a Person who is not a Subsidiary of the Issuer, or from the issuance to such a Person of options, warrants or other rights to acquire such Capital Stock of the Issuer.

None of the foregoing provisions will prohibit:

(i) dividends or other distributions paid in respect of any class of Capital Stock issued by the Issuer in connection with the acquisition of any business or assets by the Issuer or a Restricted Subsidiary where the dividends or other distributions with respect to such Capital Stock are payable solely from the net earnings of such business or assets;

(ii) any purchase or redemption of Capital Stock of the Issuer made by exchange for, or out of the proceeds of the substantially concurrent sale of, Non-Convertible Capital Stock of the Issuer; or

(iii) dividends paid within 60 days after the date of declaration thereof if at such date of declaration such dividends would have complied with this covenant.

SECTION 3.2 Limitation on Liens.

(a) The Issuer shall not, nor will it permit any Restricted Subsidiary to, create, assume, incur or suffer to exist any Lien upon any Principal Property, whether owned or leased on the date of the Indenture or thereafter acquired, to secure any Debt of the Issuer or any other Person (other than the Senior Notes), without in any such case making effective provision whereby all of the Senior Notes outstanding shall be secured equally and ratably with, or prior to, such Debt so long as such Debt shall be so secured. There is excluded from this restriction:

(i) any Lien upon any property or assets of the Issuer or any Restricted Subsidiary in existence on the date of the Indenture or created pursuant to an "after-acquired property" clause or similar term in existence on the date of the Indenture or any mortgage, pledge agreement, security agreement or other similar instrument in existence on the date of the Indenture;

(ii) any Lien upon any property or assets created at the time of acquisition of such property or assets by the Issuer or any Restricted Subsidiary or within 18 months after such time to secure all or a portion of the purchase price for such property or assets or Debt incurred to finance such purchase price, whether such Debt was incurred prior to, at the time of or within 18 months of such acquisition;

(iii) any Lien upon any property or assets existing thereon at the time of the acquisition thereof by the Issuer or any Restricted Subsidiary (whether or not the obligations secured thereby are assumed by the Issuer or any Restricted Subsidiary);

(iv) any Lien upon any property or assets of a Person existing thereon at the time such Person becomes a Restricted Subsidiary by acquisition, merger or otherwise (whether or not such Lien was created in anticipation of such acquisition);

(v) any Lien securing obligations assumed by the Issuer or any Restricted Subsidiary existing at the time of the acquisition by the Issuer or any Restricted Subsidiary of the property or assets subject to such Lien or at the time of the acquisition of the Person which owns such property or assets;

(vi) any Lien on property to secure all or part of the cost of construction or improvements thereon or to secure Debt incurred prior to, at the time of, or within 18 months after completion of such construction or making of such improvements, to provide funds for any such purpose;

(vii) any Lien in favor of the Issuer or any Restricted Subsidiary;

(viii) any Lien created or assumed by the Issuer or any Restricted Subsidiary in connection with the issuance of Debt the interest on which is excludable from gross income of the holder of such Debt pursuant to the Internal Revenue Code of 1986, as amended, or any successor statute, for the purpose of financing, in whole or in part, the acquisition or construction of property or assets to be used by the Issuer or any Subsidiary;

(ix) any Lien upon property or assets of any foreign Restricted Subsidiary to secure Debt of that foreign Restricted Subsidiary;

(x) Permitted Liens;

(xi) any Lien created by any program providing for the financing, sale or other disposition of trade or other receivables classified as current assets in accordance with United States generally accepted accounting principles entered into by the Issuer or by a Subsidiary of the Issuer, *provided* that such program is on terms customary for similar transactions, or any document executed by any Subsidiary of the Issuer in connection therewith, *provided* that such Lien is limited to the trade or other receivables in respect of which such program is created or exists, and the proceeds thereof;

(xii) any Lien upon any additions, improvements, replacements, repairs, fixtures, appurtenances or component parts thereof attaching to or required to be attached to property or assets pursuant to the terms of any mortgage, pledge agreement, security agreement or other similar instrument, creating a Lien upon such property or assets permitted by clauses (i) through (xi), inclusive, above; or

(xiii) any extension, renewal, refinancing, refunding or replacement (or successive extensions, renewals, refinancing, refundings or replacements) of any Lien, in whole or in part, that is referred to in clauses (i) through (vi), inclusive, above (and Liens related thereto referred to in clause (xii) above), or of any Debt secured thereby; *provided, however*, that the principal amount of Debt secured thereby shall not exceed the greater of the principal amount of Debt so secured at the time of such extension, renewal, refinancing, refunding or replacement and the original principal amount of Debt so secured (plus in each case the aggregate amount of premiums, other payments, costs and expenses paid or incurred in connection with such extension, renewal, refinancing, refunding or replacement); *provided further, however*, that such extension, renewal, refinancing, refunding or replacement shall be limited to all or a part of the property (including improvements, alterations and repairs on such property) subject to the encumbrance so extended, renewed, refinanced, refunded or replaced (plus improvements, alterations and repairs on such property).

Notwithstanding the foregoing, the Issuer may, and may permit any Restricted Subsidiary to, create, assume, incur, or suffer to exist any Lien upon any Principal Property to secure Debt of the Issuer or any other Person (other than the Senior Notes) that is not otherwise excepted by clauses (i) through (xiii), inclusive, above without securing the Senior Notes, *provided* that the aggregate principal amount of all Debt then outstanding secured by such Lien and all similar Liens, together with all net sale proceeds from Sale-Leaseback Transactions (excluding Sale-Leaseback Transactions permitted by clauses (i) through (iv), inclusive, of Section 3.3(a) of this Fourth Supplemental Indenture) does not exceed the greater of 15% of Consolidated Net Tangible Assets or 15% of Total Capital.

### SECTION 3.3 Restriction on Sale-Leasebacks.

(a) The Issuer shall not, nor shall it permit any Restricted Subsidiary to, engage in a Sale-Leaseback Transaction, unless:

(i) the Sale-Leaseback Transaction occurs within 18 months from the date of acquisition of the Principal Property subject thereto or the date of the completion of construction or commencement of full operations on such Principal Property, whichever is later;

(ii) the Sale-Leaseback Transaction involves a lease for a period, including renewals, of not more than four years;

(iii) the Issuer or such Restricted Subsidiary would be entitled to incur Debt secured by a Lien on the Principal Property subject thereto (pursuant to clauses (i) through (xiii), inclusive, of the first paragraph of Section 3.2(a) of this Fourth Supplemental Indenture) in a principal amount equal to or exceeding the net sale proceeds from the Sale-Leaseback Transaction without securing the Senior Notes; or

(iv) the Issuer or such Restricted Subsidiary, within an 18-month period after such Sale-Leaseback Transaction, applies or causes to be applied an amount not less than the net sale proceeds from such Sale-Leaseback Transaction to (A) the repayment, redemption or retirement of Funded Debt of the Issuer or any Subsidiary of the Issuer, or (B) investment in another Principal Property or in a Subsidiary of the Issuer which owns another Principal Property.

Notwithstanding the foregoing, the Issuer may, and may permit any Restricted Subsidiary to, effect any Sale-Leaseback Transaction that is not otherwise excepted by clauses (i) through (iv), inclusive,

above, *provided* that the net sale proceeds from such Sale-Leaseback Transaction, together with the aggregate principal amount of outstanding Debt (other than the Senior Notes) secured by Liens upon any Principal Properties not excepted by clauses (i) through (xiii), inclusive, of Section 3.2(a) of this Fourth Supplemental Indenture, do not exceed the greater of 15% of Consolidated Net Tangible Assets or 15% of Total Capital.

#### SECTION 3.4 Financial Information.

Whether or not required by the SEC's rules and regulations, so long as any Senior Notes are outstanding, the Issuer shall furnish to the Holders of the Senior Notes, within the time periods specified in the SEC's rules and regulations:

(1) all quarterly and annual reports that would be required to be filed with the SEC on Forms 10-Q and 10-K if the Issuer was required to file such reports; and

(2) all current reports that would be required to be filed with the SEC on Form 8-K if the Issuer was required to file such reports.

The Issuer will be required to prepare all such reports in all material respects in accordance with all applicable rules and regulations. The Issuer will include in each annual report on Form 10-K a report on its consolidated financial statements by its certified independent public accountant. In addition, whether or not required by the SEC, the Issuer shall file a copy of each of the reports referred to in clauses (1) and (2) above with the SEC for public availability within the time periods specified in the SEC's applicable rules and regulations (unless the SEC will not accept such a filing) and make that information available to securities analysts and prospective investors upon request.

The Issuer is currently required under the Exchange Act to file reports with the SEC. If the Issuer is no longer subject to the periodic reporting requirements of the Exchange Act for any reason, the Issuer will nevertheless continue filing the reports specified in the preceding paragraphs with the SEC within the time periods specified above unless the SEC will not accept such a filing. The Issuer agrees not to take any action for the purpose of causing the SEC not to accept any such filings. If, notwithstanding the foregoing, the SEC will not accept the Issuer's filings for any reason, the Issuer will post the reports referred to in this Section 3.4 on the website [www.panhandleenergy.com](http://www.panhandleenergy.com) within the time periods that would apply if the Issuer was required to file those reports with the SEC.

For so long as any Senior Notes remain outstanding, at any time the Issuer is not required to file the reports required by this Section 3.4 with the SEC, the Issuer shall furnish at the Issuer's cost to the Holders and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

#### SECTION 3.5 Applicability of Covenants.

Unless otherwise stated herein, the foregoing covenants contained in this Article III shall only be in effect so long as any of the Senior Notes are outstanding.

### ARTICLE IV.

#### DEFAULT

##### SECTION 4.1 General.

All of the events specified in paragraphs (1) through (6) in Section 6.01(a) of the Base Indenture shall be "Events of Default" with respect to the Senior Notes.

##### SECTION 4.2 Additional Event of Default.

The following event shall be an "Event of Default" with respect to the Senior Notes: as a result of any action taken by the Issuer or its direct or indirect equity holders, there is a change in the Issuer's federal income tax status or a change in the deemed issuer of the indebtedness evidenced by the Senior Notes for federal income tax purposes, unless (i) Holders of more than 50% in principal amount of the Senior Notes consent to such change or (ii) (a) the Issuer certifies to the Trustee that it has received a ruling from the Internal Revenue Service or (b) the Issuer delivers to the Trustee an opinion of nationally recognized independent counsel reasonably acceptable in form and substance to the Trustee, in either case to the effect that the Holders of the Senior Notes will not recognize income, gain or loss for federal income tax purposes as a result of the change and that such Holders 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 the change had not occurred.

**ARTICLE V.**

**DEFEASANCE**

SECTION 5.1 General.

All of the provisions of Article XI of the Base Indenture shall be applicable to the Senior Notes.

SECTION 5.2 Covenant Defeasance.

With respect to and pursuant to the terms of Section 11.02(b) of the Base Indenture, the release of covenant obligations provided for therein shall, with respect to the Senior Notes, also apply to Section 3.1, Section 3.2, and Section 3.3 of this Fourth Supplemental Indenture.

**ARTICLE VI.**

**FORM OF SENIOR NOTES**

SECTION 6.1 Form of Senior Notes.

The Series A Notes and the Series B Notes, and the Trustee's Certificate of Authentication to be endorsed thereon, are to be substantially in the following forms:

[FORM OF FACE OF 2.75% SENIOR NOTES DUE 2007, SERIES A,  
AND PRIVATE EXCHANGE NOTES]

Unless and until a Senior Note is exchanged for an Exchange Note (except for a Private Exchange Note) or sold in connection with an effective Registration Statement pursuant to the Registration Rights Agreement, the Global Notes shall bear the legend set forth below on the face thereof.

THE SENIOR NOTES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE OR OTHER SECURITIES LAWS. NEITHER THIS SENIOR NOTE NOR ANY INTEREST HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. BY ITS ACQUISITION HEREOF, THE HOLDER (1) REPRESENTS THAT IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A ("RULE 144A") UNDER THE SECURITIES ACT), (2) AGREES NOT TO OFFER, SELL OR OTHERWISE TRANSFER THIS SENIOR NOTE EXCEPT (A) TO PANHANDLE EASTERN PIPE LINE COMPANY, LLC, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SENIOR NOTES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, IN EACH CASE TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A OR (D) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SENIOR NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND; *PROVIDED* THAT PANHANDLE EASTERN PIPE LINE COMPANY, LLC AND THE TRUSTEE SHALL HAVE THE RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (D) ABOVE TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, AND (II) IN EACH OF THE FOREGOING CASES,

BUT ONLY IF THIS SENIOR NOTE IS NOT A GLOBAL NOTE (AS DEFINED IN THE INDENTURE REFERRED TO HEREIN), TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SENIOR NOTE IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO PANHANDLE EASTERN PIPE LINE COMPANY, LLC AND THE TRUSTEE.

This Senior Note is a Global Note within the meaning of the Indenture hereinafter referred to and is registered in the name of the Depositary or a nominee of the Depositary. This Senior Note is exchangeable for Senior Notes registered in the name of a person other than the Depositary or its nominee only in the limited circumstances described in the Indenture, and may not be transferred except as a whole by the Depositary to a nominee of the Depositary, by a nominee of the Depositary to the Depositary or another nominee of the Depositary or by the Depositary or any such nominee to a successor Depositary or a nominee of such a successor Depositary.

Unless this certificate is presented by an authorized representative of The Depositary Trust Company, a New York corporation ("DTC"), to the Issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

Unless and until it is exchanged in whole or in part for Senior Notes in definitive registered form in accordance with the provisions of the Indenture applicable to such exchange, this certificate may not be transferred except as a whole by DTC to a nominee of DTC or by a nominee of DTC to DTC or another nominee of DTC or by DTC or any such nominee to a successor Depositary or a nominee of such successor Depositary.



## Panhandle Eastern Pipe Line Company, LLC

## 2.75% SENIOR NOTE DUE 2007, SERIES A

PANHANDLE EASTERN PIPE LINE COMPANY, LLC, a Delaware limited liability company (the "Issuer"), for value received, hereby promises to pay to Cede & Co., or registered assigns, the principal sum of [AMOUNT IN WORDS] dollars (\$[ ]) on March 15, 2007 ("Maturity") and to pay interest thereon from March 12, 2004 (the "Original Issue Date") or from the most recent interest payment date (each such date, an "Interest Payment Date") to which interest has been paid or duly provided for, semi-annually in arrears on March 15<sup>th</sup> and September 15<sup>th</sup> in each year, commencing September 15, 2004 and at Maturity at the rate of 2.75% per annum, until the principal hereof shall have become due and payable, and on any overdue principal and premium, if any, and (without duplication and to the extent that payment of such interest is enforceable under applicable law) on any overdue installment of interest at the same rate per annum; *provided* that if any Registration Default with respect to this Senior Note occurs under the Registration Rights Agreement, then the per annum interest rate on this Senior Note will increase for the period from the occurrence of such Registration Default until such time as no Registration Default is in effect with respect to this Senior Note (at which time the interest rate will be reduced to its initial rate) at a per annum rate of 0.25% for the first 90-day period following the occurrence of such Registration Default, and by an additional 0.25% thereafter (up to a maximum of 0.50%). The amount of interest payable on any Interest Payment Date shall be computed on the basis of a 360-day year of twelve 30-day months. In the event that any date on which interest is payable on this Senior Note is not a Business Day, then payment of interest payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay), except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date. The interest installment so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in the Indenture, be paid to the person in whose name this Senior Note (or one or more Predecessor Securities, as defined in said Indenture) is registered at the close of business on the regular record date for such interest installment which shall be the close of business on the 1<sup>st</sup> day of the calendar month in which such Interest Payment Date occurs. Any such interest installment not punctually paid or duly provided for shall forthwith cease to be payable to the registered holders 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 to be fixed by the Trustee (as defined below) for the payment of such defaulted interest, notice whereof shall be given to the registered holders of this series of Senior Notes 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 Senior Notes may be listed, and upon such notice as may be required by such exchange, all as more fully provided in the Indenture. Any accrued and unpaid interest (including any additional interest payable upon the occurrence of a Registration Default) on this Senior Note upon the issuance of an Exchange Note (as defined in the Indenture) or a Private Exchange Note (as defined in the Indenture) in exchange for this Senior Note shall cease to be payable to the holder hereof and shall be payable on the next Interest Payment Date for such Exchange Note or Private Exchange Note to the holder thereof on the related regular record date. The principal of (and premium, if any) and the interest on this Senior Note shall be payable at the office or agency of the Trustee maintained for that purpose in any coin or currency of the United States of America which at the time of payment is legal tender for payment of public and private debts; *provided, however*, that payment of interest may be made at the option of the Issuer by check mailed to the registered holder at such address as shall appear in the Security Register.

This Senior Note shall not be entitled to any benefit under the Indenture hereinafter referred to, be valid or become obligatory for any purpose until the Certificate of Authentication hereon shall have been signed by or on behalf of the Trustee.

The provisions of this Senior Note are continued on the reverse side hereof and such continued provisions shall for all purposes have the same effect as though fully set forth at this place.

IN WITNESS WHEREOF, the Issuer has caused this instrument to be executed.

Dated [ ]

PANHANDLE EASTERN PIPE LINE COMPANY, LLC

By \_\_\_\_\_

Name:

Title:

Attest:

By \_\_\_\_\_

Name:

Title:

[FORM OF CERTIFICATE OF AUTHENTICATION]  
CERTIFICATE OF AUTHENTICATION

This is one of the Senior Notes of the series of Senior Notes described in the within-mentioned Indenture.

J.P. MORGAN TRUST COMPANY, NATIONAL  
ASSOCIATION, as Trustee

By \_\_\_\_\_  
Authorized Signatory

This Senior Note is one of a duly authorized series of Securities of the Issuer (herein sometimes referred to as the "Senior Notes"), specified in the Indenture, issued or to be issued in one or more series under and pursuant to an indenture (the "Base Indenture") dated as of March 29, 1999 among the Issuer, CMS Panhandle Holding Company, a Michigan corporation (which has merged into the Issuer), and NBD Bank, as trustee (predecessor to J.P. Morgan Trust Company, National Association), further supplemented by the Fourth Supplemental Indenture dated as of March 12, 2004 between the Issuer and J.P. Morgan Trust Company, National Association, as trustee (the "Trustee") (the Base Indenture as so supplemented, hereinafter being referred to as the "Indenture"), to which Indenture and all indentures supplemental thereto reference is hereby made for a description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Trustee, the Issuer and the holders of the Senior Notes. By the terms of the Indenture, the Senior Notes are issuable in series which may vary as to amount, date of maturity, rate of interest and in other respects as in the Indenture provided. This series of Senior Notes is not limited in aggregate principal amount, as specified in said Fourth Supplemental Indenture.

The Senior Notes are redeemable at the option of the Issuer at any time and from time to time, in whole or in part, upon not less than 30 days nor more than 60 days notice to each holder of such Senior Notes, at a redemption price equal to the greater of (i) 100% of the principal amount of such Senior Notes to be redeemed and (ii) the sum of the present values of the remaining scheduled payments of principal and interest thereon (exclusive of interest accrued to the date of redemption) discounted to the redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 20 basis points plus accrued and unpaid interest thereon to the date of redemption. Unless there is a default in the payment of the redemption price, on and after the applicable redemption date, interest will cease to accrue on the Senior Notes or portions thereof called for redemption.

"Comparable Treasury Issue" means the United States Treasury security or securities selected by an Independent Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the Senior Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of such Senior Notes.

"Comparable Treasury Price" means, with respect to any redemption date, (A) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (B) if the Trustee obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

"Independent Investment Banker" means one of the Reference Treasury Dealers appointed by the Trustee after consultation with the Issuer.

"Reference Treasury Dealer" means each of Merrill Lynch, Pierce, Fenner & Smith Incorporated, Credit Suisse First Boston LLC and J.P. Morgan Securities Inc. or their affiliates plus three others which are primary U.S. Government securities dealers, and their respective successors; *provided, however*, that if any of the foregoing or their affiliates shall cease to be a primary U.S. Government securities dealer in The City of New York (a "Primary Treasury Dealer"), the Issuer shall substitute therefor another Primary Treasury Dealer.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Trustee by such Reference Treasury Dealer at 3:30 p.m. New York time on the third Business Day preceding such redemption date.

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity or interpolated (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

The Issuer may purchase the Senior Notes in the open market, by tender or otherwise. Senior Notes so purchased may be held, resold or surrendered to the Trustee for cancellation. If applicable, the Issuer will comply with the requirements of Rule 14e-1 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and other securities laws and regulations in connection with any such purchase.

No sinking fund is provided for the Senior Notes.

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

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

The Indenture permits, with certain exceptions as therein provided, modifications and amendments of the Indenture by the Issuer and the Trustee with the consent of the holders of a majority in aggregate principal amount of the outstanding Senior Notes.

The Indenture provides that the holders of a majority in aggregate principal amount of the outstanding Senior Notes may, on behalf of the holders of all Senior Notes, modify or eliminate restrictive covenants, which right includes the right to waive insofar as the Senior Notes are concerned, compliance by the Issuer with certain restrictive provisions of the Indenture.

The Indenture provides that the holders of a majority in aggregate principal amount of the outstanding Senior Notes may, on behalf of all holders of Senior Notes, waive any past default under the Indenture with respect to any Senior Notes, except a default (i) in the payment of principal of, or premium, if any, or any interest on any Senior Note; or (ii) in respect of a covenant or provision of the Indenture which cannot be modified or amended without the consent of the holder of each outstanding Senior Note affected.

The Indenture provides that, subject to the duty of the Trustee during default to act with the required standard of care, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request or direction of any of the holders, unless such holders shall have offered to the Trustee reasonable indemnity. Subject to such provisions for the indemnification of the Trustee, the holders of a majority in aggregate principal amount of the outstanding Senior Notes have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee, with respect to the Senior Notes; *provided, however*, that the Trustee shall not be obligated to take any action unduly prejudicial to holders not joining in such direction or involving the Trustee in personal liability.

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 Issuer, which is absolute and unconditional, to pay the principal of and any premium and interest on this Senior Note at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein and herein set forth, the transfer of this Senior Note is registrable in the Security Register, upon surrender of this Senior Note for registration of transfer at the office or agency of the Issuer in any place where the principal of and any premium and interest on this Senior Note are payable, duly endorsed by, or accompanied by a

written instrument of transfer in form satisfactory to the Issuer and the Security Registrar duly executed by, the holder hereof or his attorney duly authorized in writing, and thereupon one or more new Senior Notes of this series and of like tenor, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

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

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

The Issuer shall not be required to (a) issue, exchange or register the transfer of this Senior Note for a period of 15 days next preceding the mailing of the notice of redemption of Senior Notes or (b) exchange or register the transfer of any Senior Note or any portion thereof selected, called or being called for redemption, except in the case of any Senior Note to be redeemed in part, the portion thereof not so to be redeemed.

Prior to due presentment of this Senior Note for registration of transfer, the Issuer, the Trustee and any agent of the Issuer 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 Issuer, the Trustee nor any such agent shall be affected by notice to the contrary.

No recourse shall be had for the payment of the principal of or the interest on this Senior Note, or for any claim based hereon, or otherwise in respect hereof, or based on or in respect of the Indenture, against any incorporator, stockholder, officer or director, past, present or future, as such, of the Issuer or of any predecessor or successor corporation, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance hereof and as part of the consideration for the issuance hereof, expressly waived and released.

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

[IF SENIOR NOTE IS A RESTRICTED SENIOR NOTE]

RESTRICTED CERTIFICATE OF TRANSFER

FOR VALUE RECEIVED, THE UNDERSIGNED HEREBY SELL(S), ASSIGN(S) AND TRANSFER(S) UNTO \_\_\_\_\_

(Please print or typewrite name and address including postal zip code, of assignee)

\_\_\_\_\_

(PLEASE INSERT SOCIAL SECURITY NUMBER OR OTHER IDENTIFYING NUMBER OF ASSIGNEE)

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

the within Senior Note and all rights thereunder, and hereby irrevocably constitutes and appoints

\_\_\_\_\_

to transfer said Senior Note on the books of the Issuer, with full power of substitution in the premises.

The undersigned certifies that said Senior Note is being resold, pledged or otherwise transferred as follows: (check one)

- to the Issuer;
- to a Person whom the undersigned reasonably believes is a qualified institutional buyer within the meaning of Rule 144A under the Securities Act of 1933, as amended (the "Securities Act") purchasing for its own account or for the account of a qualified institutional buyer to whom notice is given that the resale, pledge or other transfer is being made in reliance on Rule 144A;
- as otherwise permitted by the non-registration legend appearing on this Senior Note; or
- as otherwise agreed by the Issuer, confirmed in writing to the Trustee, as follows: (describe)

\_\_\_\_\_

\_\_\_\_\_

Dated: \_\_\_\_\_ ]  
 [Name of Assignor]

[IF SENIOR NOTE IS NOT A RESTRICTED SENIOR NOTE]

CERTIFICATE OF TRANSFER

FOR VALUE RECEIVED, THE UNDERSIGNED HEREBY SELL(S), ASSIGN(S) AND TRANSFER(S) UNTO \_\_\_\_\_

(Please print or typewrite name and address including postal zip code, of assignee)

\_\_\_\_\_

\_\_\_\_\_

(PLEASE INSERT SOCIAL SECURITY NUMBER OR OTHER IDENTIFYING NUMBER OF ASSIGNEE)

\_\_\_\_\_

\_\_\_\_\_

the within Senior Note and all rights thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_ to transfer said Senior Note on the books of the Issuer, with full power of substitution in the premises.

Dated: \_\_\_\_\_ ]  
 [Name of Assignor]

[FORM OF FACE OF 2.75% SENIOR NOTES DUE 2007, SERIES B]

This Senior Note is a Global Note within the meaning of the Indenture hereinafter referred to and is registered in the name of the Depository or a nominee of the Depository. This Senior Note is exchangeable for Senior Notes registered in the name of a person other than the Depository or its nominee only in the limited circumstances described in the Indenture, and may not be transferred except as a whole by the Depository to a nominee of the Depository, by a nominee of the Depository to the Depository or another nominee of the Depository or by the Depository or any such nominee to a successor Depository or a nominee of such a successor Depository.

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO

ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

Unless and until it is exchanged in whole or in part for Senior Notes in definitive registered form in accordance with the provisions of the Indenture applicable to such exchange, this certificate may not be transferred except as a whole by DTC to a nominee of DTC or by a nominee of DTC to DTC or another nominee of DTC or by DTC or any such nominee to a successor Depository or a nominee of such successor Depository.

CUSIP No. 698465BL4

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Panhandle Eastern Pipe Line Company, LLC

2.75% SENIOR NOTE DUE 2007, SERIES B

PANHANDLE EASTERN PIPE LINE COMPANY, LLC, a Delaware limited liability company (the "Issuer"), for value received, hereby promises to pay to Cede & Co., or registered assigns, the principal sum of [AMOUNT IN WORDS] dollars (\$[ ]) on March 15, 2007 ("Maturity") and to pay interest thereon from March 12, 2004 (the "Original Issue Date") or from the most recent interest payment date (each such date, an "Interest Payment Date") to which interest has been paid or duly provided for, semi-annually in arrears on March 15<sup>th</sup> and September 15<sup>th</sup> in each year, commencing September 15, 2004 and at Maturity at the rate of 2.75% per annum, until the principal hereof shall have become due and payable, and on any overdue principal and premium, if any, and (without duplication and to the extent that payment of such interest is enforceable under applicable law) on any overdue installment of interest at the same rate per annum. The amount of interest payable on any Interest Payment Date shall be computed on the basis of a 360-day year of twelve 30-day months. In the event that any date on which interest is payable on this Senior Note is not a Business Day, then payment of interest payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay), except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date. The interest installment so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in the Indenture, be paid to the person in whose name this Senior Note (or one or more Predecessor Securities, as defined in said Indenture) is registered at the close of business on the regular record date for such interest installment which shall be the close of business on the 1<sup>st</sup> day of the calendar month in which such Interest Payment Date occurs. Any such interest installment not punctually paid or duly provided for shall forthwith cease to be payable to the registered holders 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 to be fixed by the Trustee (as defined below) for the payment of such defaulted interest, notice whereof shall be given to the registered holders of this series of Senior Notes 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 Senior Notes may be listed, and upon such notice as may be required by such exchange, all as more fully provided in the Indenture. The principal of (and premium, if any) and the interest on this Senior Note shall be payable at the office or agency of the Trustee maintained for that purpose in any coin or currency of the United States of America which at the time of payment is legal tender for payment of public and private debts; *provided, however*, that payment of interest may be made at the option of the Issuer by check mailed to the registered holder at such address as shall appear in the Security Register.

This Senior Note shall not be entitled to any benefit under the Indenture hereinafter referred to, be valid or become obligatory for any purpose until the Certificate of Authentication hereon shall have been signed by or on behalf of the Trustee.



The provisions of this Senior Note are continued on the reverse side hereof and such continued provisions shall for all purposes have the same effect as though fully set forth at this place.

IN WITNESS WHEREOF, the Issuer has caused this instrument to be executed.

Dated [ ]

PANHANDLE EASTERN PIPE LINE COMPANY, LLC

By \_\_\_\_\_

Name:

Title:

Attest:

By \_\_\_\_\_

Name:

Title:

CERTIFICATE OF AUTHENTICATION

This is one of the Senior Notes of the series of Senior Notes described in the within-mentioned Indenture.

J.P. MORGAN TRUST COMPANY, NATIONAL  
ASSOCIATION, as Trustee

By \_\_\_\_\_  
[Authorized Signatory]

[FORM OF REVERSE OF SENIOR NOTE]

This Senior Note is one of a duly authorized series of Securities of the Issuer (herein sometimes referred to as the "Senior Notes"), specified in the Indenture, issued or to be issued in one or more series under and pursuant to an indenture (the "Base Indenture") dated as of March 29, 1999 among the Issuer, CMS Panhandle Holding Company, a Michigan corporation (which has merged into the Issuer), and NBD Bank, as trustee (predecessor to J.P. Morgan Trust Company, National Association), further supplemented by the Fourth Supplemental Indenture dated as of March 12, 2004 between the Issuer and J.P. Morgan Trust Company, National Association, as trustee (the "Trustee") (the Base Indenture as so supplemented, hereinafter being referred to as the "Indenture"), to which Indenture and all indentures supplemental thereto reference is hereby made for a description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Trustee, the Issuer and the holders of the Senior Notes. By the terms of the Indenture, the Senior Notes are issuable in series which may vary as to amount, date of maturity, rate of interest and in other respects as in the Indenture provided. This series of Senior Notes is not limited in aggregate principal amount, as specified in said Fourth Supplemental Indenture.

The Senior Notes are redeemable at the option of the Issuer at any time and from time to time, in whole or in part, upon not less than 30 days nor more than 60 days notice to each holder of such Senior Notes, at a redemption price equal to the greater of (i) 100% of the principal amount of such Senior Notes to be redeemed and (ii) the sum of the present values of the remaining scheduled payments of principal and interest thereon (exclusive of interest accrued to the date of redemption) discounted to the redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 20 basis points, plus accrued and unpaid interest thereon to the date of redemption. Unless there is a default in the payment of the redemption price, on and after the applicable redemption date, interest will cease to accrue on the Senior Notes or portions thereof called for redemption.

"Comparable Treasury Issue" means the United States Treasury security or securities selected by an Independent Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the Senior Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of such Senior Notes.

"Comparable Treasury Price" means, with respect to any redemption date, (A) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (B) if the Trustee obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

"Independent Investment Banker" means one of the Reference Treasury Dealers appointed by the Trustee after consultation with the Issuer.

"Reference Treasury Dealer" means each of Merrill Lynch, Pierce, Fenner & Smith Incorporated, Credit Suisse First Boston LLC and J.P. Morgan Securities Inc. or their affiliates plus three others which are primary U.S. Government securities dealers, and their respective successors; *provided, however*, that if any of the foregoing or their affiliates shall cease to be a primary U.S. Government securities dealer in The City of New York (a "Primary Treasury Dealer"), the Issuer shall substitute therefor another Primary Treasury Dealer.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Trustee by such Reference Treasury Dealer at 3:30 p.m. New York time on the third Business Day preceding such redemption date.

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity or interpolated (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

The Issuer may purchase the Senior Notes in the open market, by tender or otherwise. Senior Notes so purchased may be held, resold or surrendered to the Trustee for cancellation. If applicable, the Issuer will comply with the requirements of Rule 14e-1 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and other securities laws and regulations in connection with any such purchase.

No sinking fund is provided for the Senior Notes.

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

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

The Indenture permits, with certain exceptions as therein provided, modifications and amendments of the Indenture by the Issuer and the Trustee with the consent of the holders of a majority in aggregate principal amount of the outstanding Senior Notes.

The Indenture provides that the holders of a majority in aggregate principal amount of the outstanding Senior Notes may, on behalf of the holders of all Senior Notes,

modify or eliminate restrictive covenants, which right includes the right to waive insofar as the Senior Notes are concerned, compliance by the Issuer with certain restrictive provisions of the Indenture.

The Indenture provides that the holders of a majority in aggregate principal amount of the outstanding Senior Notes may, on behalf of all holders of Senior Notes, waive any past default under the Indenture with respect to any Senior Notes, except a default (i) in the payment of principal of, or premium, if any, or any interest on any Senior Note; or (ii) in respect of a covenant or provision of the Indenture which cannot be modified or amended without the consent of the holder of each outstanding Senior Note affected.

The Indenture provides that, subject to the duty of the Trustee during default to act with the required standard of care, the Trustee will be under no obligation to exercise any of its rights or powers

under the Indenture at the request or direction of any of the holders, unless such holders shall have offered to the Trustee reasonable indemnity. Subject to such provisions for the indemnification of the Trustee, the holders of a majority in aggregate principal amount of the outstanding Senior Notes have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee, with respect to the Senior Notes; *provided, however*, that the Trustee shall not be obligated to take any action unduly prejudicial to holders not joining in such direction or involving the Trustee in personal liability.

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 Issuer, which is absolute and unconditional, to pay the principal of and any premium and interest on this Senior Note at the times, place and rate, and in the coin or currency, herein prescribed.

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

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

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

The Issuer shall not be required to (a) issue, exchange or register the transfer of this Senior Note for a period of 15 days next preceding the mailing of the notice of redemption of Senior Notes or (b) exchange or register the transfer of any Senior Note or any portion thereof selected, called or being called for redemption, except in the case of any Senior Note to be redeemed in part, the portion thereof not so to be redeemed.

Prior to due presentment of this Senior Note for registration of transfer, the Issuer, the Trustee and any agent of the Issuer 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 Issuer, the Trustee nor any such agent shall be affected by notice to the contrary.

No recourse shall be had for the payment of the principal of or the interest on this Senior Note, or for any claim based hereon, or otherwise in respect hereof, or based on or in respect of the Indenture, against any incorporator, stockholder, officer or director, past, present or future, as such, of the Issuer or of any predecessor or successor corporation, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance hereof and as part of the consideration for the issuance hereof, expressly waived and released.

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

CERTIFICATE OF TRANSFER

FOR VALUE RECEIVED, THE UNDERSIGNED HEREBY SELL(S), ASSIGN(S) AND TRANSFER(S) UNTO \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(Please print or typewrite name and address including postal zip code, of assignee)

\_\_\_\_\_

(PLEASE INSERT SOCIAL SECURITY NUMBER OR OTHER IDENTIFYING NUMBER OF ASSIGNEE)

\_\_\_\_\_

the within Senior Note and all rights thereunder, and hereby irrevocably constitutes and appoints

\_\_\_\_\_  
\_\_\_\_\_

to transfer said Senior Note on the books of the Issuer, with full power of substitution in the premises.

Dated: \_\_\_\_\_ ]

[Name of Assignor]

**ARTICLE VII.**

**ISSUANCE OF SENIOR NOTES**

**SECTION 7.1 Original Issue of Senior Notes.**

Upon execution of this Fourth Supplemental Indenture, the Series A Notes in the initial principal amount of \$200,000,000 may be executed by the Issuer. Such Senior Notes may be delivered to the Trustee for authentication, and the Trustee shall thereupon authenticate and deliver said Senior Notes to or upon the written order of the Issuer, signed by its Chairman, President or any Vice President and its Secretary or an Assistant Secretary, without any further action by the Issuer. Further, upon execution of this Fourth Supplemental Indenture, the Series B Notes in the initial principal amount not to exceed \$200,000,000 may be executed by the Issuer. Such Senior Notes may be delivered to the Trustee to hold until a Registration Statement has been declared effective by the SEC and the Exchange Offer has been consummated or a resale has been effected under such Registration Statement, and the Trustee shall thereupon authenticate and deliver said Senior Notes to or upon the written order of the Issuer, signed by its Chairman, President or any Vice President and its Secretary or an Assistant Secretary, without any further action by the Issuer.

**SECTION 7.2 Additional Senior Notes.**

Upon execution of this Fourth Supplemental Indenture, subject to Section 2.1 and Section 2.6 hereof, Additional Senior Notes may be executed by the Issuer. Such Additional Senior Notes issued as Series A Notes may be delivered to the Trustee for authentication, and the Trustee shall thereupon authenticate and deliver said Additional Senior Notes to or upon the written order of the Issuer, signed by its Chairman, President or any Vice President and its Secretary or an Assistant Secretary, without any further action by the Issuer. Such Additional Senior Notes issued as Series B Notes may be delivered to the Trustee to hold until a Registration Statement has been declared effective by the SEC and the Exchange Offer has been consummated or a resale has been effected under such Registration Statement, and the Trustee shall thereupon authenticate and deliver said Senior Notes to or upon the

written order of the Issuer, signed by its Chairman, President or any Vice President and its Secretary or an Assistant Secretary, without any further action by the Issuer.

## ARTICLE VIII.

### MISCELLANEOUS

#### SECTION 8.1 Ratification of Indenture.

The Base Indenture, as supplemented by this Fourth Supplemental Indenture, is in all respects ratified and confirmed, and this Fourth Supplemental Indenture shall be deemed part of the Indenture in the manner and to the extent herein and therein provided. The provisions of this Fourth Supplemental Indenture shall supersede the provisions of the Indenture to the extent the Indenture is inconsistent herewith.

#### SECTION 8.2 Trustee Not Responsible for Recitals.

The recitals herein contained are made by the Issuer and not by the Trustee, and the Trustee assumes no responsibility for the correctness thereof. The Trustee makes no representation as to the validity or sufficiency of this Fourth Supplemental Indenture.

#### SECTION 8.3 Governing Law.

This Fourth Supplemental Indenture and each Senior Note shall be deemed to be a contract made under the internal laws of the State of New York, and for all purposes shall be construed in accordance with the laws of said State.

#### SECTION 8.4 Separability.

In case any one or more of the provisions contained in this Fourth Supplemental Indenture or in the Senior Notes shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Fourth Supplemental Indenture or of the Senior Notes, but this Fourth Supplemental Indenture and the Senior Notes shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein or therein.

#### SECTION 8.5 Counterparts.

This Fourth Supplemental Indenture may be executed in any number of counterparts each of which shall be an original; but such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Fourth Supplemental Indenture to be duly executed as of the day and year first above written.

PANHANDLE EASTERN PIPE LINE COMPANY, LLC,  
as Issuer

By: \_\_\_\_\_

Name:

J.P. MORGAN TRUST COMPANY, NATIONAL ASSOCIATION, as Trustee

By: \_\_\_\_\_

Name:

Title:

## QuickLinks

[ARTICLE I. DEFINITIONS](#)

[ARTICLE II. GENERAL TERMS AND CONDITIONS OF THE SENIOR NOTES](#)

[ARTICLE III. COVENANTS](#)

[ARTICLE IV. DEFAULT](#)

[ARTICLE V. DEFEASANCE](#)

[ARTICLE VI. FORM OF SENIOR NOTES](#)

[ARTICLE VII. ISSUANCE OF SENIOR NOTES](#)

[ARTICLE VIII. MISCELLANEOUS](#)



## (FORM OF FACE OF 2.75% SENIOR NOTES DUE 2007)

This Security is a Global Note within the meaning of the Indenture hereinafter referred to and is registered in the name of the Depository or a nominee of the Depository. This Security is exchangeable for Securities registered in the name of a person other than the Depository or its nominee only in the limited circumstances described in the Indenture, and may not be transferred except as a whole by the Depository to a nominee of the Depository, by a nominee of the Depository to the Depository or another nominee of the Depository or by the Depository or any such nominee to a successor Depository or a nominee of such a successor Depository.

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

Unless and until it is exchanged in whole or in part for Securities in definitive registered form in accordance with the provisions of the Indenture applicable to such exchange, this certificate may not be transferred except as a whole by DTC to a nominee of DTC or by a nominee of DTC to DTC or another nominee of DTC or by DTC or any such nominee to a successor Depository or a nominee of such successor Depository.

CUSIP No. 698465 BL 4

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Panhandle Eastern Pipe Line Company, LLC

2.75% SENIOR NOTE DUE 2007, SERIES B

PANHANDLE EASTERN PIPE LINE COMPANY, LLC, a Delaware limited liability company (the "Issuer"), for value received, hereby promises to pay to Cede & Co., or registered assigns, the principal sum of [Amount in Words] dollars (\$[ ]) on [ ], 20[ ] ("Maturity") and to pay interest thereon from [ ], 200[ ] (the "Original Issue Date") or from the most recent interest payment date (each such date, an "Interest Payment Date") to which interest has been paid or duly provided for, semi-annually in arrears on March 15th and September 15th in each year, commencing [ ] and at Maturity at the rate of [ ]% per annum, until the principal hereof shall have become due and payable, and on any overdue principal and premium, if any, and (without duplication and to the extent that payment of such interest is enforceable under applicable law) on any overdue installment of interest at the same rate per annum. The amount of interest payable on any Interest Payment Date shall be computed on the basis of a 360-day year of twelve 30-day months. In the event that any date on which interest is payable on this Senior Note is not a Business Day, then payment of interest payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay), except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date. The interest installment so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in the Indenture, be paid to the person in whose name this Senior Note (or one or more Predecessor Securities, as defined in said Indenture) is registered at the close of business on the regular record date for such interest installment which shall be the close of business on the 1st day of the calendar month

in which such Interest Payment Date occurs. Any such interest installment not punctually paid or duly provided for shall forthwith cease to be payable to the registered holders 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 to be fixed by the Trustee (as defined below) for the payment of such defaulted interest, notice whereof shall be given to the registered holders of this series of Senior Notes 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 Senior Notes may be listed, and upon such notice as may be required by such exchange, all as more fully provided in the Indenture. The principal of (and premium, if any) and the interest on this Senior Note shall be payable at the office or agency of the Trustee maintained for that purpose in any coin or currency of the United States of America which at the time of payment is legal tender for payment of public and private debts; provided, however, that payment of interest may be made at the option of the Issuer by check mailed to the registered holder at such address as shall appear in the Security Register.

This Senior Note shall not be entitled to any benefit under the Indenture hereinafter referred to, be valid or become obligatory for any purpose until the Certificate of Authentication hereon shall have been signed by or on behalf of the Trustee.

The provisions of this Senior Note are continued on the reverse side hereof and such continued provisions shall for all purposes have the same effect as though fully set forth at this place.

IN WITNESS WHEREOF, the Issuer has caused this instrument to be executed.

Dated [ ]

PANHANDLE EASTERN PIPE LINE COMPANY, LLC

By: \_\_\_\_\_

Name:

Title:

Attest:

By: \_\_\_\_\_

Name:

Title:

**(FORM OF CERTIFICATE OF AUTHENTICATION)**

**CERTIFICATE OF AUTHENTICATION**

This is one of the Senior Notes of the series of Senior Notes described in the within-mentioned Indenture.

J.P. MORGAN TRUST COMPANY,  
NATIONAL ASSOCIATION, as Trustee

By: \_\_\_\_\_

[Authorized Signatory]

This Senior Note is one of a duly authorized series of Securities of the Issuer (herein sometimes referred to as the "Senior Notes"), specified in the Indenture, issued or to be issued in one or more series under and pursuant to an indenture (the "Base Indenture") dated as of March 29, 1999 among the Issuer, CMS Panhandle Holding Company, a Michigan corporation (which has merged into the Issuer), and NBD Bank, as trustee (predecessor to J.P. Morgan Trust Company, N.A. (formerly known as Bank One Trust Company, National Association)), further supplemented by the Fourth Supplemental Indenture dated as of March 12, 2004 between the Issuer and J.P. Morgan Trust Company, N.A., as trustee (the "Trustee") (the Base Indenture as so supplemented, hereinafter being referred to as the "Indenture"), to which Indenture and all indentures supplemental thereto reference is hereby made for a description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Trustee, the Issuer and the holders of the Senior Notes. By the terms of the Indenture, the Senior Notes are issuable in series which may vary as to amount, date of maturity, rate of interest and in other respects as in the Indenture provided. This series of Senior Notes is not limited in aggregate principal amount, as specified in said Fourth Supplemental Indenture.

The Senior Notes are redeemable at the option of the Issuer at any time and from time to time, in whole or in part, upon not less than 30 days nor more than 60 days notice to each holder of such Senior Notes, at a redemption price equal to the greater of (i) 100% of the principal amount of such Senior Notes to be redeemed and (ii) the sum of the present values of the remaining scheduled payments of principal and interest thereon (exclusive of interest accrued to the date of redemption) discounted to the redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 20 basis points, plus in each case accrued and unpaid interest thereon to the date of redemption. Unless there is a default in the payment of the redemption price, on and after the applicable redemption date, interest will cease to accrue on the Senior Notes or portions thereof called for redemption.

"Comparable Treasury Issue" means the United States Treasury security or securities selected by an Independent Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the Senior Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of such Senior Notes.

"Comparable Treasury Price" means, with respect to any redemption date, (A) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (B) if the Trustee obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

"Independent Investment Banker" means one of the Reference Treasury Dealers appointed by the Trustee after consultation with the Issuer.

"Reference Treasury Dealer" means each of Merrill Lynch, Pierce, Fenner & Smith Incorporated, J.P. Morgan Securities Inc. or their affiliates plus three others which are primary U.S. Government securities dealers, and their respective successors; *provided, however*, that if any of the foregoing or their affiliates shall cease to be a primary U.S. Government securities dealer in The City of New York (a "Primary Treasury Dealer"), the Issuer shall substitute therefor another Primary Treasury Dealer.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Trustee by such Reference Treasury Dealer at 3:30 p.m. New York time on the third Business Day preceding such redemption date.

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity or interpolated (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

The Issuer may purchase the Senior Notes in the open market, by tender or otherwise. Senior Notes so purchased may be held, resold or surrendered to the Trustee for cancellation. If applicable, the Issuer will comply with the requirements of Rule 14e-1 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and other securities laws and regulations in connection with any such purchase.

No sinking fund is provided for the Senior Notes.

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

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

The Indenture permits, with certain exceptions as therein provided, modifications and amendments of the Indenture by the Issuer and the Trustee with the consent of the holders of a majority in aggregate principal amount of the outstanding Senior Notes.

The Indenture provides that the holders of a majority in aggregate principal amount of the outstanding Senior Notes may, on behalf of the holders of all Senior Notes, modify or eliminate restrictive covenants, which right includes the right to waive insofar as the Senior Notes are concerned, compliance by the Issuer with certain restrictive provisions of the Indenture.

The Indenture provides that the holders of a majority in aggregate principal amount of the outstanding Senior Notes may, on behalf of all holders of Senior Notes, waive any past default under the Indenture with respect to any Senior Notes, except a default (i) in the payment of principal of, or premium, if any, or any interest on any Senior Note; or (ii) in respect of a covenant or provision of the Indenture which cannot be modified or amended without the consent of the holder of each outstanding Senior Note affected.

The Indenture provides that, subject to the duty of the Trustee during default to act with the required standard of care, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request or direction of any of the holders, unless such holders shall have offered to the Trustee reasonable indemnity. Subject to such provisions for the indemnification of the Trustee, the holders of a majority in aggregate principal amount of the outstanding Senior Notes have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee, with respect to the Senior Notes; *provided, however*, that the Trustee shall not be obligated to take any action unduly prejudicial to holders not joining in such direction or involving the Trustee in personal liability.

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 Issuer, which is absolute and unconditional, to pay the principal of and any premium and interest on this Senior Note at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein and herein set forth, the transfer of this Senior Note is registrable in the Security Register, upon surrender of this Senior Note for registration of transfer at the office or agency of the Issuer in any place where the principal of and any premium and interest on this Senior Note are payable, duly endorsed by, or accompanied by a

written instrument of transfer in form satisfactory to the Issuer and the Security Registrar duly executed by, the holder hereof or his attorney duly authorized in writing, and thereupon one or more new Senior Notes of this series and of like tenor, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

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

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

The Issuer shall not be required to (a) issue, exchange or register the transfer of this Senior Note for a period of 15 days next preceding the mailing of the notice of redemption of Senior Notes or (b) exchange or register the transfer of any Senior Note or any portion thereof selected, called or being called for redemption, except in the case of any Senior Note to be redeemed in part, the portion thereof not so to be redeemed.

Prior to due presentment of this Senior Note for registration of transfer, the Issuer, the Trustee and any agent of the Issuer 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 Issuer, the Trustee nor any such agent shall be affected by notice to the contrary.

No recourse shall be had for the payment of the principal of or the interest on this Senior Note, or for any claim based hereon, or otherwise in respect hereof, or based on or in respect of the Indenture, against any incorporator, stockholder, officer or director, past, present or future, as such, of the Issuer or of any predecessor or successor corporation, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance hereof and as part of the consideration for the issuance hereof, expressly waived and released.

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

(CERTIFICATE OF TRANSFER)

FOR VALUE RECEIVED, THE UNDERSIGNED HEREBY SELL(S), ASSIGN(S) AND TRANSFER(S) UNTO \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

*(Please print or typewrite name and address including postal zip code, of assignee)*

\_\_\_\_\_

(PLEASE INSERT SOCIAL SECURITY NUMBER OR OTHER IDENTIFYING NUMBER OF ASSIGNEE)

\_\_\_\_\_

the within Senior Note and all rights thereunder, and hereby irrevocably constitutes and appoints

\_\_\_\_\_

to transfer said Senior Note on the books of the Issuer, with full power of substitution in the premises.

Dated: \_\_\_\_\_ ]

[Name of Assignor]



## REGISTRATION RIGHTS AGREEMENT

This Registration Rights Agreement (the "Agreement") is made and entered into this 9<sup>th</sup> day of March, 2004, between Panhandle Eastern Pipe Line Company, LLC, a Delaware limited liability (the "Company"), on the one hand and Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch"), Credit Suisse First Boston LLC ("Credit Suisse First Boston"), J.P. Morgan Securities Inc. ("JPMorgan"), and Credit Lyonnais Securities (USA) Inc., on the other hand (collectively, the "Initial Purchasers").

This Agreement is made pursuant to the Purchase Agreement, dated the date hereof and executed concurrently herewith, by and among the Company and the Initial Purchasers (the "Purchase Agreement"), which provides for, among other things, the sale by the Company to the Initial Purchasers of \$200,000,000 aggregate principal amount of the Company's 2.75% Senior Notes due 2007, Series A (the "2007 Notes" and together with any Additional Senior Notes (as defined below), Series A, issued in a transaction without registration under the 1933 Act (as defined below), the "Securities"). In order to induce the Initial Purchasers to enter into the Purchase Agreement, the Company has agreed to provide to the Initial Purchasers and their respective direct and indirect transferees and assigns the registration rights set forth in this Agreement.

In consideration of the foregoing, the parties hereto agree as follows:

1. Definitions.

As used in this Agreement, the following capitalized defined terms shall have the following meanings:

"1933 Act" shall mean the Securities Act of 1933, as amended from time to time, and the rules and regulations of the SEC promulgated thereunder.

"1934 Act" shall mean the Securities Exchange Act of 1934, as amended from time to time, and the rules and regulations of the SEC promulgated thereunder.

"Additional Interest" shall have the meaning set forth in Section 2.5 hereof.

"Additional Senior Notes" shall have the meaning set forth in the Indenture.

"Closing Date" shall mean the Closing Time as defined in the Purchase Agreement.

"Company" shall have the meaning set forth in the preamble to this Agreement and shall also include the Company's successors.

"Depository" shall mean The Depository Trust Company, or any other depository appointed by the Company, *provided, however*, that such depository must have an address in the Borough of Manhattan, in the City of New York.

"Exchange Offer" shall mean the exchange offer by the Company of Exchange Securities for Registrable Securities pursuant to Section 2.1 hereof.

"Exchange Offer Registration" shall mean a registration under the 1933 Act effected pursuant to Section 2.1 hereof.

"Exchange Offer Registration Statement" shall mean an exchange offer registration statement on Form S-4 (or, if applicable, on another appropriate form), and all amendments and supplements to such registration statement, including the Prospectus contained therein, all exhibits thereto and all documents incorporated by reference therein.

"Exchange Period" shall have the meaning set forth in Section 2.1 hereof.



"Exchange Securities" shall mean the 2.75% Senior Notes due 2007, Series B, issued by the Company under the Indenture containing terms identical to the Securities in all material respects (except for references to certain interest rate provisions, restrictions on transfers and restrictive legends), to be offered to Holders of Securities in exchange for Registrable Securities pursuant to the Exchange Offer. For the avoidance of doubt, Exchange Securities shall include any Additional Senior Notes, Series B, issued by the Company under the Indenture as described in the preceding sentence in exchange for Securities.

"Holder" shall mean an Initial Purchaser, for so long as it owns any Registrable Securities, and each of its successors, assigns and direct and indirect transferees who become registered owners of Registrable Securities under the Indenture and each Participating Broker-Dealer that holds Exchange Securities for so long as such Participating Broker-Dealer is required to deliver a prospectus meeting the requirements of the 1933 Act in connection with any resale of such Exchange Securities.

"Indenture" shall mean the Indenture relating to the Securities, dated as March 29, 1999 among the Company and J.P. Morgan Trust Company, National Association, as trustee, as amended and supplemented by the Fourth Supplemental Indenture to be dated as of March 12, 2004 as the same may be further amended or supplemented, waived or otherwise modified from time to time in accordance with the terms thereof.

"Initial Purchaser" or "Initial Purchasers" shall have the meaning set forth in the preamble to this Agreement.

"Majority Holders" shall mean the Holders of a majority of the aggregate principal amount of Outstanding (as defined in the Indenture) Registrable Securities; provided that whenever the consent or approval of Holders of a specified percentage of Registrable Securities is required hereunder, Registrable Securities held by the Company and other obligors on the Securities or any Affiliate (as defined in the Indenture) of the Company shall be disregarded in determining whether such consent or approval was given by the Holders of such required percentage amount.

"Participating Broker-Dealer" shall mean any of Merrill Lynch, Credit Suisse First Boston, JPMorgan, any of the other Initial Purchasers and any other broker-dealer which makes a market in the Securities and exchanges Registrable Securities in the Exchange Offer for Exchange Securities.

"Person" shall mean an individual, partnership (general or limited), corporation, limited liability company, trust or unincorporated organization, or a government or agency or political subdivision thereof.

"Private Exchange" shall have the meaning set forth in Section 2.1 hereof.

"Private Exchange Securities" shall have the meaning set forth in Section 2.1 hereof.

"Prospectus" shall mean the prospectus included in a Registration Statement, including any preliminary prospectus, and any such prospectus as amended or supplemented by any prospectus supplement, including any such prospectus supplement with respect to the terms of the offering of any portion of the Registrable Securities covered by a Shelf Registration Statement, and by all other amendments and supplements to a prospectus, including post-effective amendments, and in each case including all material incorporated by reference therein.

"Purchase Agreement" shall have the meaning set forth in the preamble to this Agreement.

"Registrable Securities" shall mean the Securities and, if issued, the Private Exchange Securities; *provided, however*, that Securities and, if issued, the Private Exchange Securities, shall cease to be Registrable Securities when (i) a Registration Statement with respect to such Registrable Securities shall have been declared effective under the 1933 Act and such Registrable Securities shall have been disposed of pursuant to such Registration Statement, (ii) such Registrable Securities have been sold to

the public pursuant to Rule 144 (or any similar provision then in force, but not Rule 144A) under the 1933 Act, (iii) such Registrable Securities shall have ceased to be outstanding or (iv) the Exchange Offer is consummated (except in the case of Securities purchased from the Company that continue to be held by the Initial Purchasers).

"Registration Default" shall have the meaning set forth in Section 2.5.

"Registration Expenses" shall mean any and all expenses incident to performance of or compliance by the Company with this Agreement, including without limitation: (i) all SEC, stock exchange or National Association of Securities Dealers, Inc. (the "NASD") registration and filing fees, including, if applicable, the fees and expenses of any "qualified independent underwriter" (and its counsel) that is required to be retained by any holder of Registrable Securities in accordance with the rules and regulations of the NASD, (ii) all fees and expenses incurred in connection with compliance with state securities or blue sky laws and compliance with the rules of the NASD (including reasonable fees and disbursements of counsel for any underwriters or Holders in connection with blue sky qualification of any of the Exchange Securities or Registrable Securities and any filings with the NASD), (iii) all expenses of any Persons in preparing or assisting in preparing, word processing, printing and distributing any Registration Statement, any Prospectus, any amendments or supplements thereto, any underwriting agreements, securities sales agreements, certificates and other documents relating to the performance of and compliance with this Agreement, (iv) all fees and expenses incurred in connection with the listing, if any, of any of the Registrable Securities on any securities exchange or exchanges, (v) all rating agency fees, (vi) the fees and disbursements of counsel for the Company and of the independent public accountants of the Company, including the expenses of any special audits or "cold comfort" letters required by or incident to such performance and compliance, (vii) the fees and expenses of the Trustee, and any escrow agent or custodian, (viii) the reasonable fees and expenses of the Initial Purchasers in connection with the Exchange Offer, including the reasonable fees and expenses of counsel to the Initial Purchasers in connection therewith, (ix) the reasonable fees and disbursements of Hughes Hubbard & Reed LLP, special counsel representing the Holders of Registrable Securities, or other counsel selected by the Majority Holders and (x) any fees and disbursements of the underwriters customarily required to be paid by issuers or sellers of securities and the fees and expenses of any special experts retained by the Company in connection with any Registration Statement, but excluding underwriting discounts and commissions and transfer taxes, if any, relating to the sale or disposition of Registrable Securities by a Holder.

"Registration Statement" shall mean any registration statement of the Company which covers any of the Exchange Securities or Registrable Securities pursuant to the provisions of this Agreement, and all amendments and supplements to any such Registration Statement, including post-effective amendments, in each case including the Prospectus contained therein, all exhibits thereto and all material incorporated by reference therein.

"Representatives" shall mean Merrill Lynch, Credit Suisse First Boston and JPMorgan.

"SEC" shall mean the Securities and Exchange Commission or any successor agency or government body performing the functions currently performed by the United States Securities and Exchange Commission.

"Shelf Registration" shall mean a registration effected pursuant to Section 2.2 hereof.

"Shelf Registration Statement" shall mean a "shelf" registration statement of the Company pursuant to the provisions of Section 2.2 of this Agreement which covers all of the Registrable Securities or all of the Private Exchange Securities on an appropriate form under Rule 415 under the 1933 Act, or any similar rule that may be adopted by the SEC, and all amendments and supplements to such registration statement, including post-effective amendments, in each case including the Prospectus contained therein, all exhibits thereto and all material incorporated by reference therein.

"Trustee" shall mean the trustee with respect to the Securities under the Indenture.

## 2. Registration Under the 1933 Act.

2.1 Exchange Offer. The Company shall, for the benefit of the Holders, at the Company's cost, (A) prepare and, as soon as practicable but not later than 120 days following the Closing Date, file with the SEC an Exchange Offer Registration Statement on an appropriate form under the 1933 Act with respect to a proposed Exchange Offer and the issuance and delivery to the Holders, in exchange for the Registrable Securities (other than Private Exchange Securities), of a like principal amount of Exchange Securities, (B) use its reasonable best efforts to cause the Exchange Offer Registration Statement to be declared effective under the 1933 Act within 180 days of the Closing Date, (C) use its reasonable best efforts to keep the Exchange Offer Registration Statement effective until the closing of the Exchange Offer and (D) use its reasonable best efforts to cause the Exchange Offer to be consummated not later than 40 days after the effective date of the Exchange Offer Registration Statement. The Exchange Securities will be issued under the Indenture. Upon the effectiveness of the Exchange Offer Registration Statement, the Company shall promptly commence the Exchange Offer, it being the objective of such Exchange Offer to enable each Holder eligible and electing to exchange Registrable Securities for Exchange Securities (assuming that such Holder (a) is not an affiliate of the Company within the meaning of Rule 405 under the 1933 Act, (b) is not a broker-dealer tendering Registrable Securities acquired directly from the Company for its own account, (c) acquired the Exchange Securities in the ordinary course of such Holder's business and (d) has no arrangements or understandings with any Person to participate in the Exchange Offer for the purpose of distributing the Exchange Securities) to transfer such Exchange Securities from and after their receipt without any limitations or restrictions under the 1933 Act and under state securities or blue sky laws.

In connection with the Exchange Offer, the Company shall:

(a) mail or cause to be mailed as promptly as practicable to each Holder a copy of the Prospectus forming part of the Exchange Offer Registration Statement, together with an appropriate letter of transmittal and related documents;

(b) keep the Exchange Offer open for acceptance for a period of not less than 20 business days (or longer, if required by applicable law or otherwise extended by the Company, at its option) after the date notice thereof is mailed to the Holders (or longer if required by applicable law) (such period referred to herein as the "Exchange Period");

(c) utilize the services of the Depository for the Exchange Offer;

(d) permit Holders to withdraw tendered Registrable Securities at any time prior to 5:00 p.m. (Eastern Time), on the last business day of the Exchange Period, by sending to the institution specified in the notice, a telegram, telex, facsimile transmission or letter setting forth the name of such Holder, the principal amount of Registrable Securities delivered for exchange, and a statement that such Holder is withdrawing such Holder's election to have such Securities exchanged;

(e) notify each Holder that any Registrable Security not tendered will remain outstanding and continue to accrue interest, but will not retain any rights under this Agreement (except in the case of the Initial Purchasers and Participating Broker-Dealers as provided herein); and

(f) otherwise comply in all respects with all applicable laws relating to the Exchange Offer.

If, prior to consummation of the Exchange Offer, the Initial Purchasers hold any Securities acquired by them and having the status of an unsold allotment in the initial distribution, the Company upon the request of any Initial Purchaser shall, simultaneously with the delivery of the Exchange Securities in the Exchange Offer, issue and deliver to such Initial Purchaser in exchange (the "Private Exchange") for the Securities held by such Initial Purchaser, a like principal amount of senior debt

securities of the Company, that are identical (except that such securities shall bear appropriate transfer restrictions) to the Exchange Securities (the "Private Exchange Securities").

The Exchange Securities and the Private Exchange Securities shall be issued under (i) the Indenture or (ii) an indenture identical in all material respects to the Indenture and which, in either case, has been qualified under the Trust Indenture Act of 1939, as amended (the "TIA"), or is exempt from such qualification and shall provide that the Exchange Securities shall not be subject to the transfer restrictions set forth in the Indenture but that the Private Exchange Securities shall be subject to such transfer restrictions. The Indenture or such indenture shall provide that the 2007 Notes (including any Additional Senior Notes of the same series) and the Exchange Securities and Private Exchange Securities (if any) corresponding thereto shall vote and consent together on all matters as a single class and shall constitute a single series of debt securities issued under the Indenture, and that none of the Exchange Securities, Private Exchange Securities or Securities within the series of such securities will have the right to vote or consent as a separate class on any matter. The Private Exchange Securities shall be of the same series as and the Company shall use all commercially reasonable efforts to have the Private Exchange Securities bear the same CUSIP number as the Exchange Securities to which they relate. The Company shall not have any liability under this Agreement solely as a result of such Private Exchange Securities not bearing the same CUSIP number as the Exchange Securities to which they relate.

As soon as practicable after the close of the Exchange Offer and/or the Private Exchange, as the case may be, the Company shall:

- (i) accept for exchange all Registrable Securities duly tendered and not validly withdrawn pursuant to the Exchange Offer in accordance with the terms of the Exchange Offer Registration Statement and the letter of transmittal which shall be an exhibit thereto;
- (ii) accept for exchange all Securities properly tendered pursuant to the Private Exchange;
- (iii) deliver to the Trustee for cancellation all Registrable Securities so accepted for exchange; and
- (iv) cause the Trustee promptly to authenticate and deliver Exchange Securities or Private Exchange Securities, as the case may be, to each Holder of Registrable Securities so accepted for exchange in a principal amount equal to the principal amount of the Registrable Securities of such Holder so accepted for exchange.

Interest on each Exchange Security and Private Exchange Security will accrue from the last date on which interest was paid on the Registrable Securities surrendered in exchange therefor or, if no interest has been paid on the Registrable Securities, from the date of original issuance. The Exchange Offer and the Private Exchange shall not be subject to any conditions, other than (i) that the Exchange Offer or the Private Exchange, or the making of any exchange by a Holder, does not violate applicable law or any applicable interpretation of the staff of the SEC, (ii) the due tendering of Registrable Securities in accordance with the Exchange Offer and the Private Exchange, (iii) that each Holder of Registrable Securities exchanged in the Exchange Offer shall have represented that all Exchange Securities to be received by it shall be acquired in the ordinary course of its business, that at the time of the consummation of the Exchange Offer it shall have no arrangement or understanding with any person to participate in the distribution (within the meaning of the 1933 Act) of the Exchange Securities), that it is not an affiliate (as defined in Rule 405 under the 1933 Act) of the Company, and that it is not acting on behalf of any Person that could not truthfully make the representations in this clause (iii) and shall have made such other representations as may be reasonably necessary under applicable SEC rules, regulations or interpretations to render the use of Form S-4 or other appropriate form under the 1933 Act available and (iv) that no action or proceeding shall have been instituted or threatened in any court or by or before any governmental agency with respect to the Exchange Offer or

the Private Exchange which, in the Company's judgment, would reasonably be expected to impair the ability of the Company to proceed with the Exchange Offer or the Private Exchange. The Company shall inform the Initial Purchasers of the names and addresses of the Holders to whom the Exchange Offer is made, and the Initial Purchasers shall have the right to contact such Holders and otherwise facilitate the tender of Registrable Securities in the Exchange Offer.

2.2 **Shelf Registration.** (i) If, because of any changes in law, SEC rules or regulations or applicable interpretations thereof by the staff of the SEC, the Company is not permitted to effect the Exchange Offer as contemplated by Section 2.1 hereof, (ii) if for any other reason the Exchange Offer Registration Statement is not declared effective within 180 days following the original issue of the Registrable Securities or the Exchange Offer is not consummated within 40 days after the Exchange Offer Registration Statement is declared effective, (iii) upon the written request of any of the Initial Purchasers within 90 days after the consummation of the Exchange Offer with respect to the Registrable Securities acquired by it directly from the Company or (iv) if a Holder, other than an Initial Purchaser holding Registrable Securities acquired directly from the Company, is not eligible to participate in the Exchange Offer or elects to participate but does not receive freely transferable Exchange Securities pursuant to the Exchange Offer, then in case of each of clauses (i) through (iv) the Company shall, at its cost:

(a) File with the SEC no later than the 60<sup>th</sup> day after such filing obligation arises, and thereafter shall use its reasonable best efforts to cause to be declared effective by the SEC as promptly as practicable but no later than the 90<sup>th</sup> day after such filing obligation arises, a Shelf Registration Statement relating to the offer and sale of the Registrable Securities by the Holders from time to time in accordance with the methods of distribution elected by the Majority Holders participating in the Shelf Registration and set forth in such Shelf Registration Statement.

(b) Use its reasonable best efforts to keep the Shelf Registration Statement continuously effective in order to permit the Prospectus forming part thereof to be usable by Holders for a period of two years from the date on which any Registrable Securities are originally issued by the Company, or for such shorter period that will terminate when all Registrable Securities covered by the Shelf Registration Statement have been sold pursuant to the Shelf Registration Statement, become eligible for resale pursuant to Rule 144(k) under the 1933 Act or cease to be outstanding or otherwise to be Registrable Securities (the "Effectiveness Period"); *provided, however*, that the Effectiveness Period in respect of the Shelf Registration Statement shall be extended to the extent required to permit dealers to comply with the applicable prospectus delivery requirements of Rule 174 under the 1933 Act and as otherwise provided herein.

(c) Notwithstanding any other provisions hereof, use its best efforts to ensure that (i) any Shelf Registration Statement and any amendment thereto and any Prospectus forming part thereof and any supplement thereto complies in all material respects with the 1933 Act and the rules and regulations thereunder, (ii) any Shelf Registration Statement and any amendment thereto does not, when it becomes effective, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading and (iii) any Prospectus forming part of any Shelf Registration Statement, and any supplement to such Prospectus (as amended or supplemented from time to time), does not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements, in light of the circumstances under which they were made, not misleading.

The Company shall not permit any securities other than Registrable Securities to be included in the Shelf Registration Statement. The Company further agrees, if necessary, to supplement or amend the Shelf Registration Statement, as required by Section 3(b) below, and to furnish to the Holders of Registrable Securities copies of any such supplement or amendment promptly after its being used or filed with the SEC.

2.3 Expenses. The Company shall pay all Registration Expenses in connection with the registration pursuant to Section 2.1 or 2.2. Each Holder shall pay all underwriting discounts and commissions and transfer taxes, if any, relating to the sale or disposition of such Holder's Registrable Securities pursuant to the Shelf Registration Statement.

2.4 Effectiveness. (a) The Company will be deemed not have used its reasonable best efforts to cause the Exchange Offer Registration Statement or the Shelf Registration Statement, as the case may be, to become, or to remain, effective during the requisite period if the Company voluntarily takes any action that would, or omits to take any action which omission would result in any such Registration Statement not being declared effective or in the Holders of Registrable Securities covered thereby not being able to exchange or offer and sell such Registrable Securities during that period as and to the extent contemplated hereby, unless such action is required by applicable law.

(b) An Exchange Offer Registration Statement pursuant to Section 2.1 hereof or a Shelf Registration Statement pursuant to Section 2.2 hereof will not be deemed to have become effective unless it has been declared effective by the SEC; *provided, however*, that if, after it has been declared effective, the offering of Registrable Securities pursuant to an Exchange Offer Registration Statement or a Shelf Registration Statement is interfered with by any stop order, injunction or other order or requirement of the SEC or any other governmental agency or court, such Registration Statement will be deemed not to have become effective during the period of such interference, until the offering of Registrable Securities pursuant to such Registration Statement may legally resume.

(c) During any 365-day period, the Company may, by notice as described in Section 3(e), suspend the availability of a Shelf Registration Statement and the use of the related Prospectus for not more than an aggregate of 30 days during any 365-day period, if the action is required by applicable law, the action is taken by the Company in good faith and for valid business reasons, including the acquisition or divestiture of assets or a material corporate transaction or event, or upon the happening of any event or the discovery of any fact referred to in Sections 3(e)(v) or 3(e)(vi), subject to compliance by the Company with its obligations under Section 3(k).

2.5 Interest. The Indenture executed in connection with the Securities will provide that in the event that either (a) the Exchange Offer Registration Statement is not filed with the Commission on or prior to the 120<sup>th</sup> calendar day following the date of original issue of the Securities, (b) the Exchange Offer Registration Statement has not been declared effective on or prior to the 180<sup>th</sup> calendar day following the date of original issue of the Securities, (c) the Exchange Offer is not consummated on or prior to the 40<sup>th</sup> calendar day after the Exchange Offer Registration Statement is declared effective, (d) a Shelf Registration Statement is not filed with the Commission on or prior to the 60<sup>th</sup> calendar day after the date such filing obligation arises, or (e) a Shelf Registration Statement is not declared effective on or prior to the 90<sup>th</sup> calendar day after the date the obligation to file such Shelf Registration Statement arises (each such event referred to in clauses (a) through (e) above, a "Registration Default"), the interest rate borne by the Securities shall be increased ("Additional Interest") by one-quarter of one percent (.25%) per annum upon the occurrence of each Registration Default, which rate will increase by one quarter of one percent (.25%) per annum each 90-day period that such Additional Interest continues to accrue under any such circumstance, provided that the maximum aggregate increase in the interest rate will in no event exceed one-half of one percent (.50%) per annum. Following the cure of all Registration Defaults the accrual of Additional Interest will cease and the interest rate will revert to the original rate.

If the Shelf Registration Statement is declared effective but thereafter ceases to be effective or is unusable by the Holders for any reason (except for the exercise by the Company of its rights under Section 2.4(c) above), and the aggregate number of days in any consecutive twelve-month period for which the Shelf Registration Statement shall not be usable exceeds 30 days in the aggregate, then the interest rate borne by the Securities will be increased by 0.25% per annum of the principal amount of

the Securities for the first 90-day period (or portion thereof) beginning on the 31<sup>st</sup> such date that such Shelf Registration Statement ceases to be effective or usable, which rate shall be increased by an additional 0.25% per annum of the principal amount of the Securities at the beginning of each subsequent 90-day period, provided that the maximum aggregate increase in the interest rate will in no event exceed one percent (.50%) per annum. Any amounts payable under this paragraph shall also be deemed "Additional Interest" for purposes of this Agreement. Upon the Shelf Registration Statement once again becoming usable, the interest rate borne by the Securities will be reduced to the original interest rate if the Company is otherwise in compliance with this Agreement at such time. Additional Interest shall be computed based on the actual number of days elapsed in each 90-day period in which the Shelf Registration Statement is unusable.

The Company shall notify the Trustee within three business days after each and every date on which an event occurs in respect of which Additional Interest is required to be paid (an "Event Date"). Additional Interest shall be paid by depositing with the Trustee, in trust, for the benefit of the Holders of Registrable Securities, on or before the applicable semiannual interest payment date, immediately available funds in sums sufficient to pay the Additional Interest then due. The Additional Interest due shall be payable on each interest payment date to the record Holder of Securities entitled to receive the interest payment to be paid on such date as set forth in the Indenture. Each obligation to pay Additional Interest shall be deemed to accrue from and including the day following the applicable Event Date.

### 3. Registration Procedures.

In connection with the obligations of the Company with respect to Registration Statements pursuant to Sections 2.1 and 2.2 hereof, the Company shall:

(a) prepare and file with the SEC a Registration Statement, within the relevant time period specified in Section 2, on the appropriate form under the 1933 Act, which form (i) shall be selected by the Company, (ii) shall, in the case of a Shelf Registration, be available for the sale of the Registrable Securities by the selling Holders thereof, (iii) shall comply as to form in all material respects with the requirements of the applicable form and include or incorporate by reference all financial statements required by the SEC to be filed therewith or incorporated by reference therein, and (iv) shall comply in all respects with the requirements of Regulation S-T under the 1933 Act, and use its best efforts to cause such Registration Statement to become effective and remain effective in accordance with Section 2 hereof;

(b) prepare and file with the SEC such amendments and post-effective amendments to each Registration Statement as may be necessary under applicable law to keep such Registration Statement effective for the applicable period; and cause each Prospectus to be supplemented by any required prospectus supplement, and as so supplemented to be filed pursuant to Rule 424 (or any similar provision then in force) under the 1933 Act and comply with the provisions of the 1933 Act, the 1934 Act and the rules and regulations thereunder applicable to them with respect to the disposition of all securities covered by each Registration Statement during the applicable period in accordance with the intended method or methods of distribution by the selling Holders thereof (including sales by any Participating Broker-Dealer);

(c) in the case of a Shelf Registration, (i) notify each Holder of Registrable Securities, at least ten business days prior to filing, that a Shelf Registration Statement with respect to the Registrable Securities is being filed and advising such Holders that the distribution of Registrable Securities will be made in accordance with the method selected by the Majority Holders participating in the Shelf Registration; (ii) furnish to each Holder of Registrable Securities, to counsel to the Initial Purchasers, to counsel to the Holders and to each underwriter of an underwritten offering of Registrable Securities, if any, without charge, as many copies of each Prospectus, including each preliminary Prospectus, and any amendment or supplement thereto and such other documents as such Holder, counsel or

underwriter may reasonably request, including financial statements and schedules and, if the Holder, counsel or underwriter so requests, all exhibits (including those incorporated by reference) in order to facilitate the public sale or other disposition of the Registrable Securities; and (iii) hereby consent to the use of the Prospectus or any amendment or supplement thereto by each of the selling Holders or underwriters of Registrable Securities in connection with the offering and sale of the Registrable Securities covered by the Prospectus or any amendment or supplement thereto;

(d) use its best efforts to register or qualify the Registrable Securities under all applicable state securities or "blue sky" laws of such jurisdictions as any Holder of Registrable Securities covered by a Registration Statement and each underwriter of an underwritten offering of Registrable Securities shall reasonably request by the time the applicable Registration Statement is declared effective by the SEC, and do any and all other acts and things which may be reasonably necessary or advisable to enable each such Holder and underwriter to consummate the disposition in each such jurisdiction of such Registrable Securities owned by such Holder; *provided, however*, that the Company shall not be required to (i) qualify as a foreign corporation or as a dealer in securities in any jurisdiction where it would not otherwise be required to qualify but for this Section 3(d), or (ii) take any action which would subject it to general service of process or taxation in any such jurisdiction where it is not then so subject;

(e) notify promptly each Holder of Registrable Securities under a Shelf Registration or any Participating Broker-Dealer who has notified the Company that it is utilizing the Exchange Offer Registration Statement as provided in paragraph (f) below and, if requested by such Holder or Participating Broker-Dealer, confirm such advice in writing promptly (i) when a Registration Statement has become effective and when any post-effective amendments and supplements thereto become effective, (ii) of any request by the SEC or any state securities authority for post-effective amendments and supplements to a Registration Statement and Prospectus or for additional information after the Registration Statement has become effective, (iii) of the issuance by the SEC or any state securities authority of any stop order suspending the effectiveness of a Registration Statement or the initiation of any proceedings for that purpose, (iv) in the case of a Shelf Registration, if, between the effective date of a Registration Statement and the closing of any sale of Registrable Securities covered thereby, the representations and warranties of the Company contained in any underwriting agreement, securities sales agreement or other similar agreement, if any, relating to the offering cease to be true and correct in all material respects, (v) of the happening of any event or the discovery of any facts during the period a Shelf Registration Statement is effective which makes any statement made in such Registration Statement or the related Prospectus untrue in any material respect or which requires the making of any changes in such Registration Statement or Prospectus in order to make the statements therein not misleading, (vi) of the receipt by the Company of any notification with respect to the suspension of the qualification of the Registrable Securities or the Exchange Securities, as the case may be, for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose and (vii) of any determination by the Company that a post-effective amendment to such Registration Statement would be appropriate;

(f) (A) in the case of the Exchange Offer Registration Statement (i) include in the Exchange Offer Registration Statement a section entitled "Plan of Distribution" which section shall be reasonably acceptable to the Representatives on behalf of the Participating Broker-Dealers, and which shall contain a summary statement of the positions taken or policies made by the staff of the SEC with respect to the potential "underwriter" status of any broker-dealer that holds Registrable Securities acquired for its own account as a result of market-making activities or other trading activities and that will be the beneficial owner (as defined in Rule 13d-3 under the Exchange Act) of Exchange Securities to be received by such broker-dealer in the Exchange Offer, whether such positions or policies have been publicly disseminated by the staff of the SEC or such positions or policies, in the reasonable judgment of the Representatives on behalf of the Participating Broker-Dealers and its counsel,



represent the prevailing views of the staff of the SEC, including a statement that any such broker-dealer who receives Exchange Securities for Registrable Securities pursuant to the Exchange Offer may be deemed a statutory underwriter and must deliver a prospectus meeting the requirements of the 1933 Act in connection with any resale of such Exchange Securities, (ii) furnish to each Participating Broker-Dealer who has delivered to the Company the notice referred to in Section 3(e), without charge, as many copies of each Prospectus included in the Exchange Offer Registration Statement, including any preliminary prospectus, and any amendment or supplement thereto, as such Participating Broker-Dealer may reasonably request, (iii) hereby consent to the use of the Prospectus forming part of the Exchange Offer Registration Statement or any amendment or supplement thereto, by any Person subject to the prospectus delivery requirements of the SEC, including all Participating Broker-Dealers, in connection with the sale or transfer of the Exchange Securities covered by the Prospectus or any amendment or supplement thereto, and (iv) include in the transmittal letter or similar documentation to be executed by an exchange offeree in order to participate in the Exchange Offer (x) the following provision:

"If the exchange offeree is a broker-dealer holding Registrable Securities acquired for its own account as a result of market-making activities or other trading activities, it will deliver a prospectus meeting the requirements of the 1933 Act in connection with any resale of Exchange Securities received in respect of such Registrable Securities pursuant to the Exchange Offer;" and

(y) a statement to the effect that by a broker-dealer making the acknowledgment described in clause (x) and by delivering a Prospectus in connection with the exchange of Registrable Securities, the broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the 1933 Act; and

(B) in the case of any Exchange Offer Registration Statement, the Company agrees to deliver to the Initial Purchasers on behalf of the Participating Broker-Dealers upon the closing of the Exchange Offer (i) an opinion of counsel or opinions of counsel substantially in the form attached hereto as Exhibit A and (ii) officers' certificates substantially in the form customarily delivered in a public offering of debt securities;

(g) (i) in the case of an Exchange Offer, furnish counsel for the Initial Purchasers and (ii) in the case of a Shelf Registration, furnish counsel for the Holders of Registrable Securities copies of any comment letters received from the SEC or any other request by the SEC or any state securities authority for amendments or supplements to a Registration Statement and Prospectus or for additional information;

(h) make every reasonable effort to obtain the withdrawal of any order suspending the effectiveness of a Registration Statement at the earliest possible moment;

(i) in the case of a Shelf Registration, furnish to each Holder of Registrable Securities, and each underwriter, if any, without charge, at least one conformed copy of each Registration Statement and any post-effective amendment thereto, including financial statements and schedules (without documents incorporated therein by reference and all exhibits thereto, unless requested);

(j) in the case of a Shelf Registration, cooperate with the selling Holders of Registrable Securities to facilitate the timely preparation and delivery of certificates representing Registrable Securities to be sold and not bearing any restrictive legends; and enable such Registrable Securities to be in such denominations (consistent with the provisions of the Indenture) and registered in such names as the selling Holders or the underwriters, if any, may reasonably request at least three business days prior to the closing of any sale of Registrable Securities;

(k) in the case of a Shelf Registration, upon the occurrence of any event or the discovery of any facts, each as contemplated by Sections 3(e)(v) and 3(e)(vi) hereof, as promptly as practicable after the occurrence of such an event, use its best efforts to prepare a supplement or post-effective amendment to the Registration Statement or the related Prospectus or any document incorporated therein by reference or file any other required document so that, as thereafter delivered to the purchasers of the Registrable Securities or Participating Broker-Dealers, such Prospectus will not contain at the time of such delivery any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading or will remain so qualified. At such time as such public disclosure is otherwise made or the Company determines that such disclosure is not necessary, in each case to correct any misstatement of a material fact or to include any omitted material fact, the Company agrees promptly to notify each Holder of such determination and to furnish each Holder such number of copies of the Prospectus as amended or supplemented, as such Holder may reasonably request;

(l) in the case of a Shelf Registration, a reasonable time prior to the filing of any Registration Statement, any Prospectus, any amendment to a Registration Statement or amendment or supplement to a Prospectus or any document which is to be incorporated by reference into a Registration Statement or a Prospectus after initial filing of a Registration Statement, provide copies of such document to the Initial Purchasers on behalf of such Holders; and make representatives of the Company as shall be reasonably requested by the Holders of Registrable Securities, or the Initial Purchasers on behalf of such Holders, available for discussion of such document;

(m) obtain a CUSIP number for all Exchange Securities, Private Exchange Securities or Registrable Securities, as the case may be, not later than the effective date of a Registration Statement, and provide the Trustee with printed certificates for the Exchange Securities, Private Exchange Securities or the Registrable Securities, as the case may be, in a form eligible for deposit with the Depository;

(n) (i) cause the Indenture to be qualified under the TIA in connection with the registration of the Exchange Securities or Registrable Securities, as the case may be, (ii) cooperate with the Trustee and the Holders to effect such changes to the Indenture as may be required for the Indenture to be so qualified in accordance with the terms of the TIA and (iii) execute, and use its best efforts to cause the Trustee to execute, all documents as may be required to effect such changes, and all other forms and documents required to be filed with the SEC to enable the Indenture to be so qualified in a timely manner;

(o) in the case of a Shelf Registration, enter into agreements (including underwriting agreements) and take all other customary and appropriate actions in order to expedite or facilitate the disposition of such Registrable Securities and in such connection whether or not an underwriting agreement is entered into and whether or not the registration is an underwritten registration:

(i) make such representations and warranties to the Holders of such Registrable Securities and the underwriters, if any, in form, substance and scope as are customarily made by issuers to underwriters in similar underwritten offerings as may be reasonably requested by them;

(ii) obtain opinions of counsel to the Company and updates thereof (which counsel and opinions (in form, scope and substance) shall be reasonably satisfactory to the managing underwriters, if any, and the holders of a majority in principal amount of the Registrable Securities being sold) addressed to each selling Holder and the underwriters, if any, covering the matters customarily covered in opinions requested in sales of securities or underwritten offerings and such other matters as may be reasonably requested by such Holders and underwriters;

(iii) obtain "cold comfort" letters and updates thereof from the Company's independent certified public accountants (including both Ernst & Young LLP and PricewaterhouseCoopers LLP and, if necessary, any other independent certified public accountants of any subsidiary of the Company or of any business acquired by the Company for which financial statements are, or are required to be, included in the Registration Statement) addressed to the underwriters, if any, and use reasonable efforts to have such letter addressed to the selling Holders of Registrable Securities (to the extent consistent with Statement on Auditing Standards No. 72 of the American Institute of Certified Public Accounts), such letters to be in customary form and covering matters of the type customarily covered in "cold comfort" letters to underwriters in connection with similar underwritten offerings;

(iv) enter into a securities sales agreement with the Holders and an agent of the Holders providing for, among other things, the appointment of such agent for the selling Holders for the purpose of soliciting purchases of Registrable Securities, which agreement shall be in form, substance and scope customary for similar offerings;

(v) if an underwriting agreement is entered into, cause the same to set forth indemnification and contribution provisions and procedures substantially equivalent to the indemnification and contribution provisions and procedures set forth in Section 4 hereof with respect to the underwriters and all other parties to be indemnified pursuant to said Section or, at the request of any underwriters, in the form customarily provided to such underwriters in similar types of transactions; and

(vi) deliver such documents and certificates as may be reasonably requested and as are customarily delivered in similar offerings to the Holders of a majority in principal amount of the Registrable Securities being sold and the managing underwriters, if any.

The above shall be done at (i) the effectiveness of such Registration Statement (and each post-effective amendment thereto) and (ii) each closing under any underwriting or similar agreement as and to the extent required thereunder;

(p) in the case of a Shelf Registration or if a Prospectus is required to be delivered by any Participating Broker-Dealer in the case of an Exchange Offer, make available for inspection by representatives of the Holders of the Registrable Securities, any underwriters participating in any disposition pursuant to a Shelf Registration Statement, any Participating Broker-Dealer and any counsel or accountant retained by any of the foregoing, all financial and other records, pertinent corporate documents and properties of the Company reasonably requested by any such persons, and cause the respective officers, directors, managers, employees, and any other agents of the Company to supply all information reasonably requested by any such representative, underwriter, special counsel or accountant in connection with a Registration Statement, and make such representatives of the Company available for discussion of such documents and for participation in road show presentations as shall be reasonably requested by the Initial Purchasers;

(q) (i) in the case of an Exchange Offer Registration Statement, a reasonable time prior to the filing of any Exchange Offer Registration Statement, any Prospectus forming a part thereof, any amendment to an Exchange Offer Registration Statement or amendment or supplement to such Prospectus, provide copies of such document to the Initial Purchasers and to counsel to the Holders of Registrable Securities and make such changes in any such document prior to the filing thereof as the Initial Purchasers, counsel to the Initial Purchasers or counsel to the Holders of Registrable Securities may reasonably request and, except as otherwise required by applicable law, not file any such document in a form to which the Initial Purchasers on behalf of the Holders of Registrable Securities, counsel to the Initial Purchasers and counsel to the Holders of Registrable Securities shall not have previously been advised and furnished a copy of or to which the Initial Purchasers on behalf of the Holders of Registrable Securities, counsel to the Initial Purchasers or counsel to the Holders of Registrable Securities shall reasonably object, and make the representatives of the Company available for discussion of such documents as shall be reasonably requested by the Initial Purchasers; and

(ii) in the case of a Shelf Registration, a reasonable time prior to filing any Shelf Registration Statement, any Prospectus forming a part thereof, any amendment to such Shelf Registration Statement or amendment or supplement to such Prospectus, provide copies of such document to the Holders of Registrable Securities, to the Initial Purchasers, to counsel to the Initial Purchasers, to counsel for the Holders and to the underwriter or underwriters of an underwritten offering of Registrable Securities, if any, make such changes in any such document prior to the filing thereof as the Initial Purchasers, counsel to the Initial Purchasers, the counsel to the Holders or the underwriter or underwriters reasonably request and not file any such document in a form to which the Majority Holders, the Initial Purchasers on behalf of the Holders of Registrable Securities, counsel to the Initial Purchasers, counsel for the Holders of Registrable Securities or any underwriter shall not have previously been advised and furnished a copy of or to which the Majority Holders, the Initial Purchasers of behalf of the Holders of Registrable Securities, counsel

to the Initial Purchasers, counsel to the Holders of Registrable Securities or any underwriter shall reasonably object, and make the representatives of the Company available for discussion of such document as shall be reasonably requested by the Holders of Registrable Securities, the Initial Purchasers on behalf of such Holders, counsel to the Initial Purchasers, counsel for the Holders of Registrable Securities or any underwriter.

(r) in the case of a Shelf Registration, use its best efforts to cause all Registrable Securities to be listed on any securities exchange on which similar debt securities issued by the Company are then listed if requested by the Majority Holders, or if requested by the underwriter or underwriters of an underwritten offering of Registrable Securities, if any;

(s) in the case of a Shelf Registration, use its best efforts to cause the Registrable Securities to be rated by the appropriate rating agencies, if so requested by the Majority Holders, or if requested by the underwriter or underwriters of an underwritten offering of Registrable Securities, if any;

(t) otherwise comply with all applicable rules and regulations of the SEC and make available to its security holders, as soon as reasonably practicable, an earnings statement covering at least 12 months which shall satisfy the provisions of Section 11(a) of the 1933 Act and Rule 158 thereunder;

(u) cooperate and assist in any filings required to be made with the NASD and, in the case of a Shelf Registration, in the performance of any due diligence investigation by any underwriter and its counsel (including any "qualified independent underwriter" that is required to be retained in accordance with the rules and regulations of the NASD); and

(v) upon consummation of an Exchange Offer or a Private Exchange, obtain a customary opinion of counsel to the Company addressed to the Trustee for the benefit of all Holders of Registrable Securities participating in the Exchange Offer or Private Exchange, and which includes an opinion that (i) the Company has duly authorized, executed and delivered the Exchange Securities and/or Private Exchange Securities, as applicable, and the related indenture, and (ii) each of the Exchange Securities and related indenture constitute a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its respective terms (with customary exceptions).

In the case of a Shelf Registration Statement, the Company may (as a condition to such Holder's participation in the Shelf Registration) require each Holder of Registrable Securities to furnish to the Company such information regarding the Holder and the proposed distribution by such Holder of such Registrable Securities as the Company may from time to time reasonably request in writing and agree in writing to be bound by the terms of this Agreement.

In the case of a Shelf Registration Statement, each Holder agrees that, upon receipt of any notice from the Company of the happening of any event or the discovery of any facts, each of the kind described in Section 3(e)(v) hereof, such Holder will forthwith discontinue disposition of Registrable Securities pursuant to a Registration Statement until such Holder's receipt of the copies of the supplemented or amended Prospectus contemplated by Section 3(k) hereof, and, if so directed by the Company, such Holder will deliver to the Company (at the Company's expense) all copies in such Holder's possession, other than permanent file copies then in such Holder's possession, of the Prospectus covering such Registrable Securities current at the time of receipt of such notice.

In the event that the Company fails to effect the Exchange Offer or file any Shelf Registration Statement and maintain the effectiveness of any Shelf Registration Statement as provided herein, the Company shall not file any Registration Statement with respect to any securities (within the meaning of Section 2(1) of the 1933 Act) of the Company other than Registrable Securities.

If any of the Registrable Securities covered by any Shelf Registration Statement are to be sold in an underwritten offering, the underwriter or underwriters and manager or managers that will manage such offering will be selected by the Majority Holders of such Registrable Securities included in such

offering and shall be acceptable to the Company. No Holder of Registrable Securities may participate in any underwritten registration hereunder unless such Holder (a) agrees to sell such Holder's Registrable Securities on the basis provided in any underwriting arrangements approved by the persons entitled hereunder to approve such arrangements and (b) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents required under the terms of such underwriting arrangements.

4. Indemnification; Contribution.

(a) The Company agrees to indemnify and hold harmless the Initial Purchasers, each Holder, each Participating Broker-Dealer, each Person who participates as an underwriter, each of their respective affiliates, directors, officers, employees and agents (any such Person being an "Underwriter") and each Person, if any, who controls any Holder or Underwriter within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act as follows:

(i) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, arising out of any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement (or any amendment or supplement thereto) pursuant to which Exchange Securities or Registrable Securities were registered under the 1933 Act, including 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 any untrue statement or alleged untrue statement of a material fact contained in any 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 any 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; provided that (subject to Section 4(d) below) any such settlement is effected with the written consent of the Company; and

(iii) against any and all expense whatsoever, as incurred (including the fees and disbursements of counsel chosen by any indemnified party), reasonably incurred in investigating, preparing or defending against any litigation, or any 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 shall not apply to any loss, liability, claim, damage or expense to the extent arising out of any 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 the Holder or Underwriter expressly for use in a Registration Statement (or any amendment thereto) or any Prospectus (or any amendment or supplement thereto).

(b) Each Holder severally, but not jointly, agrees to indemnify and hold harmless the Company, each of the other Initial Purchasers, each other Underwriter and the other selling Holders, and each of their respective affiliates, directors, officers, employees and agents, and each Person, if any, who controls the Company, any of the other Initial Purchasers, any other Underwriter or any other selling Holder within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act, against any and all loss, liability, claim, damage and expense described in the indemnity contained in Section 4(a) hereof, as incurred, but only with respect to untrue statements or omissions, or alleged untrue statements or omissions, made in the Shelf Registration Statement (or any amendment thereto) or any

Prospectus included therein (or any amendment or supplement thereto) in reliance upon and in conformity with written information with respect to such Holder furnished to the Company by such Holder expressly for use in the Shelf Registration Statement (or any amendment thereto) or such Prospectus (or any amendment or supplement thereto); *provided, however*, that no such Holder shall be liable for any claims hereunder in excess of the amount of net proceeds received by such Holder from the sale of Registrable Securities pursuant to such Shelf Registration Statement.

(c) Each indemnified party shall give notice as promptly as reasonably practicable to each indemnifying party of any action or proceeding commenced against it in respect of which indemnity may be sought hereunder, but failure so to notify an indemnifying party shall not relieve such indemnifying party from any liability hereunder to the extent it is not materially prejudiced as a result thereof and in any event 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; provided, however, that counsel to the indemnifying party shall not (except with the consent of the indemnified party) also be counsel to the indemnified party. In no event shall the indemnifying party or parties be liable for the fees and expenses of more than one counsel (in addition to any local counsel) separate from their own 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. No indemnifying party shall, without the prior written consent of the indemnified parties, settle or compromise or consent to the entry of any judgment with respect to any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever in respect of which indemnification or contribution could be sought under this Section 4 (whether or not the indemnified parties are actual or potential parties thereto), unless such settlement, compromise or consent (i) includes an unconditional release of each indemnified party from all liability arising out of such litigation, investigation, proceeding or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of any indemnified party.

(d) If at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel, such indemnifying party agrees that it shall be liable for any settlement of the nature contemplated by Section 4(a)(ii) effected without its written consent if (i) such settlement is entered into more than 45 days after receipt by such indemnifying party of the aforesaid request, (ii) such indemnifying party shall have received notice of the terms of such settlement at least 30 days prior to such settlement being entered into and (iii) such indemnifying party shall not have reimbursed such indemnified party in accordance with such request prior to the date of such settlement.

(e) If the indemnification provided for in this Section 4 is for any reason unavailable to or insufficient to hold harmless an indemnified party in respect of any losses, liabilities, claims, damages or expenses referred to therein, then each indemnifying party shall contribute to the aggregate amount of such losses, liabilities, claims, damages and expenses incurred by such indemnified party, as incurred, in such proportion as is appropriate to reflect the relative fault of the Company on the one hand and the Holders, the Underwriters and the Initial Purchasers on the other hand in connection with the statements or omissions which resulted in such losses, liabilities, claims, damages or expenses, as well as any other relevant equitable considerations.

The relative fault of the Company on the one hand and the Holders, the Underwriters and the Initial Purchasers on the other hand shall be determined by reference to, among other things, whether any such untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company, the Holders, the Underwriters or the Initial Purchasers and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Company, the Holders and the Initial Purchasers agree that it would not be just and equitable if contribution pursuant to this Section 4 were determined by pro rata allocation (even if the Initial Purchasers were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this Section 4. The aggregate amount of losses, liabilities, claims, damages and expenses incurred by an indemnified party and referred to above in this Section 4 shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue or alleged untrue statement or omission or alleged omission.

Notwithstanding the provisions of this Section 4, no Initial Purchaser or Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Securities sold by it were offered exceeds the amount of any damages which such Initial Purchaser or Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission.

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 4, each Person, if any, who controls an Initial Purchaser, Underwriter or Holder within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act shall have the same rights to contribution as such Initial Purchaser, Underwriter or Holder, and each member of the board of managers of the Company, and each Person, if any, who controls the Company within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act shall have the same rights to contribution as the Company. The Initial Purchasers' respective obligations to contribute pursuant to this Section 4 are several in proportion to the principal amount of Securities set forth opposite their respective names in Schedule A to the Purchase Agreement and not joint.

## 5. Miscellaneous.

5.1 Rule 144 and Rule 144A. The Company covenants that it will file the reports required to be filed by reporting Persons under the 1933 Act and Section 13(a) or 15(d) of the 1934 Act and the rules and regulations adopted by the SEC thereunder, whether or not it is required to so report. If the Company is not permitted to file such reports, the Company covenants that it will upon the request of any Holder of Registrable Securities (a) make publicly available such information as is necessary to permit sales pursuant to Rule 144 under the 1933 Act, (b) deliver such information to a prospective purchaser as is necessary to permit sales pursuant to Rule 144A under the 1933 Act and it will take such further action as any Holder of Registrable Securities may reasonably request, and (c) take such further action that is reasonable in the circumstances, in each case, to the extent required from time to time to enable such Holder to sell its Registrable Securities without registration under the 1933 Act within the limitation of the exemptions provided by (i) Rule 144 under the 1933 Act, as such Rule may be amended from time to time, (ii) Rule 144A under the 1933 Act, as such Rule may be amended from time to time, or (iii) any similar rules or regulations hereafter adopted by the SEC. Upon the request of any Holder of Registrable Securities, the Company will deliver to such Holder a written statement as to whether it has complied with such requirements.

5.2 No Inconsistent Agreements. The Company has not entered into and the Company will not after the date of this Agreement enter into any agreement which is inconsistent with the rights granted to the Initial Purchasers and Holders of Registrable Securities in this Agreement or otherwise conflicts with the provisions hereof. The rights granted to the Holders hereunder do not and will not for the term of this Agreement in any way conflict with the rights granted to the holders of the Company's other issued and outstanding securities under any such agreements.

5.3 Amendments and Waivers. The provisions of this Agreement, including the provisions of this sentence, may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given unless the Company has obtained the written consent of Holders of at least a majority in aggregate principal amount of the outstanding Registrable Securities affected by such amendment, modification, supplement, waiver or departure.

5.4 Notices. All notices and other communications provided for or permitted hereunder shall be made in writing by hand delivery, registered first-class mail, telex, telecopier, or any courier guaranteeing overnight delivery (a) if to a Holder, at the most current address given by such Holder to the Company by means of a notice given in accordance with the provisions of this Section 5.4, which address initially is the address set forth in the Purchase Agreement with respect to the Initial Purchasers; and (b) if to the Company, initially at the Company's address set forth in the Purchase Agreement, and thereafter at such other address of which notice is given in accordance with the provisions of this Section 5.4.

All such notices and communications shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; four business days after being deposited in the mail, postage prepaid, if mailed; when answered back, if telexed; when receipt is acknowledged, if telecopied; and on the next business day if timely delivered to an air courier guaranteeing overnight delivery.

Copies of all such notices, demands, or other communications shall be concurrently delivered by the Person giving the same to the Trustee under the Indenture, at the address specified in such Indenture.

5.5 Successor and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors, assigns and transferees of each of the parties, including, without limitation and without the need for an express assignment, subsequent Holders; provided that nothing herein shall be deemed to permit any assignment, transfer or other disposition of Registrable Securities in violation of the terms hereof or of the Purchase Agreement or the Indenture. If any transferee of any Holder shall acquire Registrable Securities, in any manner, whether by operation of law or otherwise, such Registrable Securities shall be held subject to all of the terms of this Agreement, and by taking and holding such Registrable Securities such Person shall be conclusively deemed to have agreed to be bound by and to perform all of the terms and provisions of this Agreement, including the restrictions on resale set forth in this Agreement and, if applicable, the Purchase Agreement, and such Person shall be entitled to receive the benefits hereof.

5.6 Third Party Beneficiaries. The Initial Purchasers and the Underwriters (even if they are not Holders of Registrable Securities) shall be third party beneficiaries to the agreements made hereunder between the Company, on the one hand, and the Holders, on the other hand, and shall have the right to enforce such agreements directly to the extent they deem such enforcement necessary or advisable to protect their rights or the rights of Holders hereunder. Each Holder of Registrable Securities shall be a third party beneficiary to the agreements made hereunder between the Company, on the one hand, and the Initial Purchasers, on the other hand, and shall have the right to enforce such agreements directly to the extent it deems such enforcement necessary or advisable to protect its rights hereunder.

5.7 Specific Enforcement. Without limiting the remedies available to the Initial Purchasers and the Holders, the Company acknowledges that any failure by the Company to comply with its obligations under Sections 2.1 through 2.4 hereof may result in material irreparable injury to the Initial Purchasers or the Holders for which there is no adequate remedy at law, that it would not be possible to measure damages for such injuries precisely and that, in the event of any such failure, the Initial Purchasers or any Holder may obtain such relief as may be required to specifically enforce the Company's obligations under Sections 2.1 through 2.4 hereof without the requirement of posting any bond.



5.8. Restriction on Resales. Until the expiration of two years after the original issuance of the Securities, the Company will not, and will cause its "affiliates" (as such term is defined in Rule 144(a)(1) under the 1933 Act) not to, resell any Securities which are "restricted securities" (as such term is defined under Rule 144(a)(3) under the 1933 Act) that have been reacquired by any of them and shall immediately upon any purchase of any such Securities submit such Securities to the Trustee for cancellation.

5.9. Counterparts. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

5.10. Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

5.11. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK WITHOUT REGARD TO THE PRINCIPLES OF CONFLICT OF LAWS THEREOF.

5.12. Severability. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be affected or impaired thereby.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

PANHANDLE EASTERN PIPE LINE COMPANY, LLC

By: \_\_\_\_\_

Name: David J. Kvapil  
Title: Executive Vice President and Chief Financial Officer

Confirmed and accepted as of the date first above written:

BY: MERRILL LYNCH, PIERCE, FENNER & SMITH  
INCORPORATED

By: /s/ KARL NEWLIN

\_\_\_\_\_  
Name: Karl Newlin  
Title: Vice President

BY: CREDIT SUISSE FIRST BOSTON LLC

By: \_\_\_\_\_

Name:  
Title:

BY: J.P. MORGAN SECURITIES INC.

By: \_\_\_\_\_

Name: Robert Bottamedi  
Title: Vice President

For themselves and as Representatives  
of the other Initial Purchasers

## Form of Opinion of Counsel

Merrill Lynch, Pierce, Fenner & Smith  
Incorporated  
Credit Suisse First Boston LLC  
J.P. Morgan Securities Inc.  
Credit Lyonnais Securities (USA) Inc.

c/o Merrill Lynch, Pierce, Fenner & Smith  
Incorporated  
Merrill Lynch World Headquarters  
North Tower  
4 World Financial Center  
New York, New York 10281-1209

Ladies and Gentlemen:

We have acted as counsel for Panhandle Eastern Pipe Line Company, LLC, a Delaware limited liability company (the "Company"), in connection with (i) the sale by the Company to the Initial Purchasers (as defined below) of \$200,000,000 aggregate principal amount of 2.75% Senior Notes due 2007, Series A (the "Notes"), of the Company pursuant to the Purchase Agreement, dated as of March 9, 2004 (the "Purchase Agreement"), among the Company and Merrill Lynch, Pierce, Fenner & Smith Incorporated, Credit Suisse First Boston LLC, J.P. Morgan Securities Inc. and Credit Lyonnais Securities (USA) Inc. (collectively, the "Initial Purchasers"), and (ii) the filing by the Company of an Exchange Offer Registration Statement (the "Registration Statement") in connection with an Exchange Offer to be effected pursuant to the Registration Rights Agreement (the "Registration Rights Agreement"), dated as of March 9, 2004 between the Company and the Initial Purchasers. This opinion is furnished to you pursuant to Section 3(f)(B) of the Registration Rights Agreement. In connection therewith, this opinion is delivered to you on behalf of the Participating Broker-Dealers pursuant to Section 3(f)(B)(i) of the Registration Rights Agreement Unless otherwise defined herein, capitalized terms used in this opinion that are defined in the Registration Rights Agreement are used herein as so defined.

As counsel to the Company in this matter, we have examined originals or copies, certified or otherwise identified to our satisfaction, of the following documents: the Registration Rights Agreement; the Purchase Agreement; the DTC Agreement; and the Indenture, dated as of March 29, 1999, between J.P. Morgan Trust Company, National Association (successor to Bank One Trust Company, National Association, and NBD Bank), as trustee, and the Company, as amended and supplemented by the Fourth Supplemental Indenture dated as of March 12, 2004. In addition, we have examined such other documents and records of the Company and its subsidiaries, and have conducted such other investigations, as we have deemed appropriate to our rendering of the opinions provided herein. With respect to matters of fact (but not including legal conclusions), we have relied upon (i) statements of officers, directors, managers, members or representatives, as applicable, of the Company and its subsidiaries and (ii) certificates of public officials. In our examinations, we have assumed the authenticity of all documents submitted to us as original documents and the conformity to original documents of all documents submitted to us as conformed, certified or photocopied copies thereof. Finally, we have assumed, except with respect to the Company and its subsidiaries and the officers, directors, managers or members thereof, as applicable, that the signatures on all documents examined by us are genuine, and that all signatories to such documents have all requisite power and authority to so execute and deliver such documents.

Based upon and subject entirely to the foregoing, and any other limitation and qualifications set forth herein, we are of the opinion that:

1. The Registration Statement and the Prospectus contained therein (other than the financial statements, notes and schedules thereto and other financial data and supplemental schedules included or incorporated by reference therein or omitted therefrom and the Form T-1, as to which such counsel need express no opinion), comply as to form in all material respects with the requirements of the 1933 Act and the applicable rules and regulations promulgated under the 1933 Act.

2. We have participated in the preparation of the Registration Statement, including the Prospectus contained therein, and in the course thereof have had discussions with [representatives of and counsel to the Underwriters,] officers, managers and other representatives of the Company and PricewaterhouseCoopers LLP, the Company's independent accountants, during which the contents of the Registration Statement, including the Prospectus contained therein, were discussed. We have not, however, independently verified and are not passing upon, and do not assume any responsibility, explicitly or implicitly, for the accuracy, completeness or fairness of the statements contained in the Registration Statement, including the Prospectus contained therein. Based on our participation as described above and subject to the foregoing, nothing has come to our attention that would lead us to believe that the Registration Statement (except for financial statements, notes and schedules thereto and other financial data and supplemental schedules included or incorporated by reference therein and for the Form T-1, as to which we make no statement), as of the date of its effectiveness and as of the date hereof, contained or contains an untrue statement of a material fact or omitted or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading or that the Prospectus [or any amendment or supplement thereto] (except for financial statements, notes and schedules thereto and other financial data and supplemental schedules included or incorporated by reference therein, as to which we make no statement), at the time the Prospectus was issued[, at the time any such amended or supplemented Prospectus was issued] or at the date hereof, 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.

The foregoing opinions are specifically limited to the existing federal laws of the United States and the laws of the District of Columbia, insofar as such laws apply.

The opinions set forth above are being furnished to you solely for the benefit of the Participating Broker-Dealers in connection with the transactions contemplated by the Registration Rights Agreement and may not be used for any other purpose or relied upon in whole or in part by any person other than the Participating Broker-Dealers. The opinions herein are given only as of the date hereof, and we undertake no obligation and hereby disclaim any obligation to update or supplement any opinion herein in response to any subsequent change in the law or future events affecting such opinions. Except with our prior written consent, the opinions herein expressed are not to be used, circulated, quoted or otherwise referred to in connection with any transactions other than those contemplated by the Registration Rights Agreement by or to any other person.

Please be advised that attorneys with Fleischman and Walsh, L.L.P. hold beneficial interests in shares of common stock of Southern Union Company, which indirectly owns all of the membership interests in the Company.

Very truly yours,

QuickLinks

[REGISTRATION RIGHTS AGREEMENT](#)

**[Fleischman and Walsh, L.L.P. letterhead]**

May 11, 2004

Panhandle Eastern Pipe Line Company, LLC  
5444 Westheimer Road  
P.O. Box 4967  
Houston, Texas 77210-4967

**RE: Registration Statement on Form S-4 Relating to the Registration of Exchange Notes (as defined below) of Panhandle Eastern Pipe Line Company, LLC**

Ladies and Gentlemen:

We have acted as counsel to Panhandle Eastern Pipe Line Company, LLC, a Delaware limited liability company (the "Company"), in connection with the preparation and filing with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Act"), of a Registration Statement on Form S-4 (together with any amendments thereto, the "Registration Statement"), relating to the proposed issuance and sale by the Company of up to \$200,000,000 aggregate principal amount of its 2.75% Senior Notes due 2007, Series B (the "Exchange Notes"). The Exchange Notes are to be issued in exchange for an equal aggregate amount of the Original Notes pursuant to a Registration Rights Agreement, dated as of March 9, 2004 (the "Registration Rights Agreement"), among the Company, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Credit Suisse First Boston, LLC, J.P. Morgan Securities, Inc. and Credit Lyonnais Securities (USA), Inc. The Exchange Notes are to be issued pursuant to the terms of the Indenture, dated as of March 29, 1999, between J.P. Morgan Trust Company, N.A. (as successor to NBD Bank), as trustee (the "Trustee"), and the Company, as amended and supplemented by the Fourth Supplemental Indenture, dated as of March 9, 2004 (as so amended and supplemented, the "Indenture"). Capitalized terms that are used but not defined herein have the meanings ascribed to them in the prospectus that forms a part of the Registration Statement.

As counsel to the Company, we have examined: (i) the Registration Statement and exhibits thereto, including the prospectus, in the form filed with the Commission; (ii) the Indenture; (iii) the Registration Rights Agreement; (iv) the Company's certificate of formation and limited liability company agreement as in effect on the date hereof; (v) pertinent resolutions heretofore adopted by the Company's Board of Managers; (vi) certificates and other representations of public officials and the Company's officers, managers and representatives; and (vii) such other documents and records of the Company and such matters of law as we have considered necessary or appropriate for the purpose of rendering this opinion.

In our examination of documents submitted to us, we have assumed: (i) the genuineness of all such documents submitted to us as originals and the conformity to original and certified documents of all copies submitted to us as forms, or conformed or photocopied copies, thereof; (ii) the genuineness of all signatures thereon; (iii) the legal capacity of natural persons who are parties to documents that we reviewed; (iv) the power and authority of all signatories thereto other than the Company to execute and deliver, and perform under, the documents that we have reviewed; and (v) the due execution and delivery of all documents that we reviewed by all parties thereto other than the Company. We have also assumed that the Indenture has been duly authorized, executed and delivered by the Trustee and constitutes a legal, valid and binding agreement of the Trustee. In addition, we have assumed that there will be no changes in applicable law between the date of this opinion and the date of issuance and delivery of the Exchange Notes. As to various questions of fact material to our opinion, we conducted no independent investigation and we have relied solely upon representations, statements or certificates of officers, managers and representatives of the Company and other persons with responsibility for such matters.

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Based upon and subject to the foregoing and the limitations, qualifications, exceptions and assumptions set forth herein, we are of the opinion that the Exchange Notes have been duly authorized by the Company and, when (a) the Registration Statement has been declared effective, (b) the Exchange Notes have been duly executed by the Company and (c) the Exchange Notes have been duly authenticated by the Trustee in accordance with the terms of the Indenture and issued and delivered in exchange for the Original Notes in accordance with the Registration Rights Agreement and the terms set forth in the prospectus which is included in the Registration Statement, the Exchange Notes will constitute valid and legally binding obligations of the Company, subject to applicable bankruptcy, insolvency, fraudulent conveyance, moratorium, reorganization and other similar laws affecting creditors' rights generally or debtors' obligations generally, general principles of equity (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

The opinions we have expressed herein are limited to the laws of the District of Columbia, applicable federal securities laws and the Limited Liability Company Act of the State of Delaware, in each case as in effect as of the date of this opinion. We assume no responsibility as to the applicability of any other laws (including conflicts of law rules) or the laws of any other jurisdiction, including application of the securities laws or blue sky laws of the various states, to the subject transaction or the effect of such laws. We express no opinion as to the effect on the Exchange Notes of any law that purports to limit the rate of interest that legally may be contracted for, charged or collected.

The opinion expressed herein is rendered to the Company in connection with the filing of the Registration Statement and for no other purpose. The opinion expressed herein may not be used or relied on by any other person, nor may this letter or any copies thereof be furnished to a third party, filed with a government agency, quoted, cited or otherwise referred to without our prior written consent, except as noted below.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the use of our name under the heading "Legal Matters" in the prospectus that forms a part of the Registration Statement. In giving such consent, we do not thereby concede that we are within the category of persons whose consent is required under Section 7 of the Act or the Rules and Regulations of the Commission thereunder.

Please be advised that Fleischman and Walsh, L.L.P., and certain attorneys associated with Fleischman and Walsh, L.L.P., have beneficial interests in shares of common stock of Southern Union Company, which indirectly owns all of the membership interests in the Company.

Questions regarding the opinions expressed herein should be directed to Sean P. McGuinness, a partner with this firm.

Sincerely,

/s/ FLEISCHMAN AND WALSH, L.L.P.





**PANHANDLE EASTERN PIPE LINE COMPANY**  
**COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES**

	For Period of June 12- December 31, 2003	For Period of January 1- June 11, 2003	Years Ended December 31,			For Period of March 29- December 31, 1999	For Period of January 1- March 28, 1999
			2002	2001	2000		
(dollars in millions)							
<b>EARNINGS:</b>							
Consolidated pre-tax income from continuing operations before minority interest and equity earnings (losses)	\$ 84.8	\$ 78.1	\$ 125.5	\$ 95.1	\$ 107.1	\$ 68.5	\$ 52.8
Equity earnings (losses)	—	0.4	(7.0)	(0.8)	0.2	(0.2)	0.2
SFAS 145 adjustment			0.9	(3.2)			
Fixed charges	27.9	37.0	81.2	87.3	86.7	62.9	19.7
Minority interest	—	—	(3.5)	—	—	—	—
Capitalized interest	(1.6)	(1.0)	(3.0)	(3.0)	(0.2)	(0.3)	(0.1)
<b>Earnings</b>	<b>\$ 111.1</b>	<b>\$ 114.5</b>	<b>\$ 194.1</b>	<b>\$ 175.4</b>	<b>\$ 193.8</b>	<b>\$ 130.9</b>	<b>\$ 72.6</b>
<b>FIXED CHARGES:</b>							
Interest	\$ 25.6	\$ 33.0	\$ 73.8	\$ 82.0	\$ 84.1	\$ 58.1	\$ 18.4
Net amortization of debt discount and premium and issuance expense		2.4	2.6	0.8	0.6	0.7	0.2
Capitalized interest	1.6	1.0	3.0	3.0	0.2	0.3	0.1
Interest portion of rental expense	0.7	0.6	1.8	1.5	1.8	3.8	1.0
<b>Fixed charges</b>	<b>\$ 27.9</b>	<b>\$ 37.0</b>	<b>\$ 81.2</b>	<b>\$ 87.3</b>	<b>\$ 86.7</b>	<b>\$ 62.9</b>	<b>\$ 19.7</b>
<b>Ratio of earnings to fixed charges</b>	<b>4.0</b>	<b>3.1</b>	<b>2.4</b>	<b>2.0</b>	<b>2.2</b>	<b>2.1</b>	<b>3.6</b>

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[PANHANDLE EASTERN PIPE LINE COMPANY COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES](#)

**CONSENT OF INDEPENDENT AUDITORS**

We consent to the reference to our firm under the caption "Experts" in the Registration Statement (Form S-4) and related Prospectus of Panhandle Eastern Pipe Line Company, LLC for the registration of \$200,000,000 in principal amount of 2.75% Senior Notes due 2007, Series B, and to the incorporation by reference therein of our report dated March 14, 2003, with respect to the consolidated financial statements of Panhandle Eastern Pipe Line Company at December 31, 2002 and for each of the two years in the period ended December 31, 2002, included in its Annual Report (Form 10-K) for the year ended December 31, 2003, filed with the Securities and Exchange Commission.

ERNST & YOUNG LLP

Houston, Texas

May 11, 2004

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[CONSENT OF INDEPENDENT AUDITORS](#)

**CONSENT OF INDEPENDENT AUDITORS**

We hereby consent to the incorporation by reference in this Registration Statement on Form S-4 and related Prospectus of Panhandle Eastern Pipe Line Company, LLC (the "Company") for the registration of \$200,000,000 in principal amount of 2.75% Senior Notes due 2007, Series B, of our reports dated March 5, 2004 relating to the consolidated financial statements of Panhandle Eastern Pipe Line Company for the period from January 1, 2003 through June 11, 2003 (pre-acquisition) and the consolidated financial statements of Panhandle Eastern Pipe Line Company, LLC as of December 31, 2003 and for the period from June 12, 2003 through December 31, 2003 (post-acquisition), which appear in the Company's Annual Report on Form 10-K for the year ended December 31, 2003. We also consent to the reference to us under the heading "Experts" in such Registration Statement.

PricewaterhouseCoopers LLP

Houston, Texas

May 11, 2004

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[CONSENT OF INDEPENDENT AUDITORS](#)

**POWER OF ATTORNEY**

KNOW ALL PERSONS BY THESE PRESENTS that each person whose signature appears below constitutes and appoints Thomas F. Karam, André C. Bouchard and David J. Kvapil, acting individually or together, as such person's true and lawful attorney(s)-in-fact and agent(s), with full power of substitution and revocation, to act in any capacity for such person and in such person's name, place, and stead in executing a Registration Statement on Form S-4 and any amendments thereto, and filing said Registration Statement, together with all exhibits thereto and any other documents connected therewith, with the Securities and Exchange Commission for the purpose of registering debt securities of Panhandle Eastern Pipe Line Company, LLC.

Dated: May 10, 2004

/s/ GEORGE L. LINDEMANN

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George L. Lindemann

/s/ JOHN E. BRENNAN

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John E. Brennan

/s/ THOMAS F. KARAM

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Thomas F. Karam

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[POWER OF ATTORNEY](#)



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**THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON \_\_\_\_\_, 2004, UNLESS EXTENDED (THE "EXPIRATION DATE"). TENDERS OF ORIGINAL NOTES MAY BE WITHDRAWN AT ANY TIME PRIOR TO 5:00 P.M. ON THE EXPIRATION DATE.**

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**PANHANDLE EASTERN PIPE LINE COMPANY, LLC**

**LETTER OF TRANSMITTAL  
2.75% Senior Notes Due 2007**

**TO: J.P. MORGAN TRUST COMPANY, N.A.  
THE EXCHANGE AGENT**

*By Registered or Certified Mail, Hand Delivery or Overnight Courier:*

J.P. Morgan Trust Company, N.A.  
Institutional Trust Services  
Attn: Louis Runnels  
2001 Bryant Street, 9<sup>th</sup> Floor  
Dallas, Texas 75201

*Confirm by Telephone:*  
800-275-2048

**DELIVERY OF THIS INSTRUMENT TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR TRANSMISSION OF INSTRUCTIONS VIA A FACSIMILE NUMBER OTHER THAN THE ONE LISTED ABOVE WILL NOT CONSTITUTE A VALID DELIVERY. THE INSTRUCTIONS ACCOMPANYING THIS LETTER OF TRANSMITTAL SHOULD BE READ CAREFULLY BEFORE THIS LETTER OF TRANSMITTAL IS COMPLETED.**

HOLDERS WHO WISH TO BE ELIGIBLE TO RECEIVE NEW NOTES FOR THEIR ORIGINAL NOTES PURSUANT TO THE EXCHANGE OFFER MUST VALIDLY TENDER (AND NOT WITHDRAW) THEIR ORIGINAL NOTES TO THE EXCHANGE AGENT PRIOR TO THE EXPIRATION DATE.

The undersigned acknowledges receipt of the Prospectus dated \_\_\_\_\_, 200 (the "Prospectus") of Panhandle Eastern Pipe Line Company, LLC (the "Issuer") and this Letter of Transmittal (the "Letter of Transmittal"), which together constitute the Issuer's Offer to Exchange (the "Exchange Offer") \$200,000,000 aggregate principal amount of our 2.75% senior notes due 2007, series B (the 2.75% Exchange Notes) which have been registered under the Securities Act of 1933, as amended (the "Securities Act"), pursuant to a Registration Statement of which the Prospectus is a part, for each \$1,000 principal amount of its outstanding 2.75% senior notes due 2007, series A (the "2.75% Original Notes") of which \$200,000,000 principal amount is outstanding upon the terms and conditions set forth in the Prospectus and this Letter of Transmittal. Other capitalized terms used but not defined herein have the meaning given to them in the Prospectus.

For each Original Note accepted for exchange, the holder of such Original Note will receive an Exchange Note having a principal amount equal to that of the surrendered Original Note. Interest on the Exchange Notes will accrue from the last interest payment date on which interest was paid on the Original Notes surrendered in exchange therefor. Holders of Original Notes accepted for exchange will be deemed to have waived the right to receive any other payments or accrued interest on the Original Notes. The Issuer reserve the right, at any time or from time to time, to extend the Exchange Offer at their discretion, in which event the term "Expiration Date" shall mean the latest time and date to which the Exchange Offer is extended. The Issuer shall notify holders of the Original Notes of any extension by means of a press release or other public announcement prior to 9:00 a.m., Eastern Time, on the next business day after the previously scheduled Expiration Date.

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This Letter of Transmittal is to be used by Holders if: (i) certificates representing Original Notes are to be physically delivered to the Exchange Agent herewith by Holders; (ii) tender of Original Notes is to be made by book-entry transfer to the Exchange Agent's account at The Depository Trust Company ("DTC"), pursuant to the procedures set forth in the Prospectus under "The Exchange Offer—Procedures for Tendering Original Notes" by any financial institution that is a participant in DTC and whose name appears a security position listing as the owner of Original Notes or (iii) tender of Original Notes is to be made according to the guaranteed delivery procedures set forth in the Prospectus under "The Exchange Offer—Guaranteed Delivery Procedures." DELIVERY OF DOCUMENTS TO DTC DOES NOT CONSTITUTE DELIVERY TO THE EXCHANGE AGENT.

The term "Holder" with respect to the Exchange Offer means any person: (i) in whose name Original Notes are registered on the books of the Issuer or any other person who has obtained a properly completed bond power from the registered Holder, or (ii) whose Original Notes are held of record by DTC (or its nominee) who desires to deliver such Original Notes by book-entry transfer at DTC. The undersigned has completed, executed and delivered this Letter of Transmittal to indicate the action the undersigned desires to take with respect to the Exchange Offer.

Holders of Original Notes that are tendering by book-entry transfer to the Exchange Agent's account at DTC can execute the tender through the DTC Automated Tender Offer Program ("ATOP"), for which the transaction will be eligible. DTC participants that are accepting the Exchange Offer must transmit their acceptance to DTC, which will verify the acceptance and execute a book-entry delivery to the Exchange Agent's DTC account. DTC will then send an Agent's Message to the Exchange Agent for its acceptance. DTC participants may also accept the Exchange Offer prior to the Expiration Date by submitting a Notice of Guaranteed Delivery or Agent's Message relating thereto as described herein under Instruction 1, "Guaranteed Delivery Procedures."

The instructions included with this Letter of Transmittal must be followed. Questions and requests for assistance or for additional copies of the Prospectus, this Letter of Transmittal or the Notice of Guaranteed Delivery may be directed to the Exchange Agent. See Instruction 11 herein.

**HOLDERS WHO WISH TO ACCEPT THE EXCHANGE OFFER AND TENDER THEIR ORIGINAL NOTES MUST COMPLETE THIS LETTER OF TRANSMITTAL IN ITS ENTIRETY. PLEASE READ THIS ENTIRE LETTER OF TRANSMITTAL CAREFULLY BEFORE CHECKING ANY BOX BELOW**

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**DESCRIPTION OF 2.75% SENIOR NOTES DUE 2007, SERIES A (ORIGINAL NOTES)**

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Name(s) and Address(es) of Registered Holder(s) (Please fill-in, if blank)	Certificate Number(s)*	Aggregate Principal Amount Represented By Certificate(s)	Principal Amount Tendered (If Less Than All)**
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\* Need not be completed by Holders tendering by book-entry transfer.

\*\* Unless indicated in the column labeled "Principal Amount Tendered," any tendering Holder of Original Notes will be deemed to have tendered the entire aggregate principal amount represented by the column labeled "Aggregate Principal Amount Represented by Certificate(s)." If the space provided above is inadequate, list the certificate numbers and principal amounts on a separate signed schedule and affix the list to this Letter of Transmittal.

**The minimum permitted tender is \$1,000 in principal amount of Original Notes.  
All other tenders must be integral multiples of \$1,000.**

**SPECIAL ISSUANCE INSTRUCTIONS  
(See Instructions 4, 5, and 6)**

To be completed ONLY if certificates for Exchange Notes issued in exchange for Original Notes accepted for exchange, or Original Notes not tendered or not accepted for exchange, are to be issued in the name of someone other than the undersigned or, if such Original Notes are being tendered by book-entry transfer, to someone other than DTC or to another account maintained by DTC.

Issue certificate(s) to:

Name

---

Address

---

---

(Include Zip Code)

---

(Taxpayer Identification or Social Security No.)

**SPECIAL DELIVERY INSTRUCTIONS  
(See Instructions 1, 5, 6 and 7)**

To be completed ONLY if certificates for Original Notes in a principal amount not tendered or not accepted for exchange, are to be sent to someone other than the undersigned, or to the undersigned at an address other than that shown above.

Mail certificate(s) to:

Name

---

Address

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(Include Zip Code)

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(Taxpayer Identification or Social Security No.)

CHECK HERE IF TENDERED ORIGINAL NOTES ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER TO THE EXCHANGE AGENT'S ACCOUNT AT DTC AND COMPLETE THE FOLLOWING:

Name of Tendering Institution

---

DTC Book-Entry Account

---

Transaction Code No.

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o CHECK HERE IF TENDERED ORIGINAL NOTES ARE BEING DELIVERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY PREVIOUSLY SENT TO THE EXCHANGE AGENT AND COMPLETE THE FOLLOWING:

Name(s) of Registered Holder(s)

---

Window Ticket Number (if any)

---

Date of Execution of Notice of Guaranteed Delivery

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IF DELIVERED BY BOOK-ENTRY TRANSFER, PLEASE COMPLETE THE FOLLOWING:

Account Number

---

Transaction Code No.

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o CHECK HERE IF YOU ARE A BROKER-DEALER AND ARE RECEIVING NEW NOTES FOR YOUR OWN ACCOUNT IN EXCHANGE FOR ORIGINAL NOTES THAT WERE ACQUIRED AS A RESULT OF MARKET-MAKING ACTIVITIES OR OTHER TRADING ACTIVITIES.

Name

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Address

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Ladies and Gentlemen:

Subject to the terms and conditions of the Exchange Offer, the undersigned hereby tenders to the Issuer the principal amount of Original Notes indicated above. Subject to and effective upon the acceptance for exchange of the principal amount of Original Notes tendered in accordance with this Letter of Transmittal, the undersigned sells, assigns and transfers to, or upon the order of, the Issuer all right, title and interest in and to the Original Notes tendered hereby. The undersigned hereby irrevocably constitutes and appoints the Exchange Agent its agent and attorney-in-fact (with full knowledge that the Exchange Agent also acts as the agent of the Issuer and as Trustee under the Indenture for the Original Notes and Exchange Notes) with respect to the tendered Original Notes with full power of substitution to (i) deliver certificates for such Original Notes to the Issuer, or transfer ownership of such Original Notes on the account books maintained by DTC and deliver all accompanying evidence of transfer and authenticity to, or upon the order of, the Issuer and (ii) present such Original Notes for transfer on the books of the Issuer and receive all benefits and otherwise exercise all rights of beneficial ownership of such Original Notes, all in accordance with the terms and subject to the conditions of the Exchange Offer. The power of attorney granted in this paragraph shall be deemed irrevocable and coupled with an interest.

The undersigned hereby represents and warrants that the undersigned has full power and authority to tender, sell, assign and transfer the Original Notes tendered hereby and that the Issuer will acquire good and unencumbered title thereto, free and clear of all liens, restrictions, charges and encumbrances and not subject to any adverse claim, when the same are acquired by the Issuer. The undersigned hereby further represents that any Exchange Notes acquired in exchange for Original Notes tendered hereby will have been acquired in the ordinary course of business of the Holder receiving such Exchange Notes, whether or not such person is the Holder, that neither the Holder nor any such other person has any arrangement or understanding with any person to participate in the distribution of such

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Exchange Notes and that neither the Holder nor any such other person is an "affiliate," as defined in Rule 405 under the Securities Act, of the Issuer or any of its subsidiaries.

The undersigned also acknowledges that this Exchange Offer is being made in reliance on an interpretation by the staff of the Securities and Exchange Commission (the "SEC") that the Exchange Notes issued in exchange for the Original Notes pursuant to the Exchange Offer may be offered for resale, resold and otherwise transferred by holders thereof (other than any such holder that is an "affiliate" of the Issuer within the meaning of Rule 405 under the Securities Act), without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that such Exchange Notes are acquired in the ordinary course of such holders' business and such holders have no arrangements or understandings with any person to participate in the distribution of such Exchange Notes. If the undersigned is not a broker-dealer, the undersigned represents that it is not engaged in, and does not intend to engage in, a distribution of Exchange Notes. If the undersigned is a broker-dealer that will receive Exchange Notes for its own account in exchange for Original Notes that were acquired as a result of market-making activities or other trading activities, it acknowledges that it will deliver a prospectus in connection with any resale of such Exchange Notes; however, by so acknowledging and by delivering a prospectus, the undersigned will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

The undersigned will, upon request, execute and deliver any additional documents deemed by the Exchange Agent or the Issuer to be necessary or desirable to complete the assignment, transfer and purchase of the Original Notes tendered hereby. All authority conferred or agreed to be conferred by this Letter of Transmittal shall survive the death, incapacity or dissolution of the undersigned and every obligation of the undersigned under this Letter of Transmittal shall be binding upon the undersigned's heirs, personal representatives, successors and assigns, trustees in bankruptcy or other legal representatives of the undersigned. This tender may be withdrawn only in accordance with the procedures set forth in "The Exchange Offer—Withdrawal of Tenders" section of the Prospectus.

For purposes of the Exchange Offer, the Issuer shall be deemed to have accepted validly tendered Original Notes when, as and if the Issuer have given oral or written notice thereof to the Exchange Agent.

If any tendered Original Notes are not accepted for exchange pursuant to the Exchange Offer for any reason, certificates for any such unaccepted Original Notes will be returned (except as noted below with respect to tenders through DTC), without expense, to the undersigned at the address shown below or at such different address as may be indicated under "Special Delivery Instructions" as promptly as practicable after the Expiration Date.

The undersigned understands that tenders of Original Notes pursuant to the procedures described under the caption "The Exchange Offer—Procedures for Tendering Original Notes" in the Prospectus and in the instructions hereto will constitute a binding agreement between the undersigned and the Issuer upon the terms and subject to the conditions of the Exchange Offer.

Unless otherwise indicated under "Special Issuance Instructions," please issue the certificates representing the Exchange Notes issued in exchange for the Original Notes accepted for exchange and return any Original Notes not tendered or not accepted for exchange in the name(s) of the undersigned (or in either such event in the case of the Original Notes tendered through DTC, by credit to the undersigned's account at DTC). Similarly, unless otherwise indicated under "Special Delivery Instructions," please send the certificates representing the Exchange Notes issued in exchange for the Original Notes accepted for exchange and any certificates for Original Notes not tendered or not accepted for exchange (and accompanying documents, as appropriate) to the undersigned at the address shown below the undersigned's signature(s), unless, in either event, tender is being made through DTC. In the event that both "Special Issuance Instructions" and "Special Delivery Instructions" are completed, please issue the certificates representing the Exchange Notes issued in

exchange for the Original Notes accepted for exchange and return any Original Notes not tendered or not accepted for exchange in the name(s) of, and send said certificates to, the person(s) so indicated. The undersigned recognizes that the Issuer have no obligation pursuant to the "Special Issuance Instructions" and "Special Delivery Instructions" to transfer any Original Notes from the name of the registered Holder(s) thereof if the Issuer do not accept for exchange any of the Original Notes so tendered.

Holders of Original Notes who wish to tender their Original Notes and (i) whose Original Notes are not immediately available or (ii) who cannot deliver their Original Notes, this Letter of Transmittal or any other documents required hereby to the Exchange Agent, or cannot complete the procedure for book-entry transfer, prior to the Expiration Date, may tender their Original Notes according to the guaranteed delivery procedures set forth in the Prospectus under the caption "The Exchange Offer—Guaranteed Delivery Procedures." See Instruction 1 regarding the completion of the Letter of Transmittal printed below.

SIGNATURE PAGE

PLEASE SIGN HERE WHETHER OR NOT  
ORIGINAL NOTES ARE BEING PHYSICALLY TENDERED HEREBY

X \_\_\_\_\_, 200  
Date

X \_\_\_\_\_, 200  
Signature(s) of Registered Holder(s) or Authorized Signatory Date

Area Code and Telephone Number: \_\_\_\_\_

The above lines must be signed by the registered Holder(s) of Original Notes as their name(s) appear(s) on the Original Notes or, if the Original Notes are tendered by a participant in DTC, as such participant's name appears on a security position listing as the owner of Original Notes, or by a person or persons authorized to become registered Holder(s) by a properly completed bond power from the registered Holder(s), a copy of which must be transmitted with this Letter of Transmittal. If Original Notes to which this Letter of Transmittal relates are held of record by two or more joint Holders, then all such holders must sign this Letter of Transmittal. If signature is by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation or other person acting in a fiduciary or representative capacity, such person must (i) set forth his or her full title below and (ii) unless waived by the Issuer, submit evidence satisfactory to the Issuer of such person's authority to act. See Instruction 4 regarding the completion of this Letter of Transmittal printed below.

Name \_\_\_\_\_  
(Please Print)

Capacity \_\_\_\_\_  
(Title)

Address \_\_\_\_\_  
\_\_\_\_\_  
(Include Zip Code)



Signature(s) Guaranteed by an Eligible Institution (if required by Instruction 4):

\_\_\_\_\_  
(Authorized Signature)

\_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Name of Firm)

Dated: \_\_\_\_\_, 200

## INSTRUCTIONS

### Forming Part of the Terms and Conditions of the Exchange Offer

**1. Delivery of this Letter of Transmittal and Original Notes; Guaranteed Delivery Procedures.** This Letter of Transmittal is to be completed by Holders, either if certificates are to be forwarded herewith or if tenders are to be made pursuant to the procedures for delivery by book-entry transfer set forth in "The Exchange Offer—Book-Entry Transfer" section of the Prospectus. Certificates for all physically tendered Original Notes, or Book-Entry Confirmation, as the case may be, as well as a properly completed and duly executed Letter of Transmittal (or manually signed facsimile hereof) and any other documents required by this Letter of Transmittal, must be received by the Exchange Agent at one of the addresses set forth herein on or prior to the Expiration Date, or the tendering Holder must comply with the guaranteed delivery procedures set forth below. Original Notes tendered hereby must be in denominations of principal amount of \$1,000 and any integral multiple thereof.

Holders whose certificates for Original Notes are not immediately available or who cannot deliver their certificates and all other required documents to the Exchange Agent on or prior to the Expiration Date, or who cannot complete the procedure for book-entry transfer on a timely basis, may tender their Original Notes pursuant to the guaranteed delivery procedures set forth in "The Exchange Offer—Guaranteed Delivery Procedures" section of the Prospectus. Pursuant to such procedures, (i) such tender must be made through an Eligible Institution (as defined in Instruction 4 below), (ii) prior to the Expiration Date, the Exchange Agent must receive from such Eligible Institution a properly completed and duly executed Letter of Transmittal (or facsimile thereof) and Notice of Guaranteed Delivery (by facsimile transmission, mail or hand delivery), substantially in the form provided by the Issuer, setting forth the name and address of the Holder of Original Notes and the amount of Original Notes tendered, stating that the tender is being made thereby and guaranteeing that, within five New York Stock Exchange ("NYSE") trading days after the date of execution of the Notice of Guaranteed Delivery, the certificates for all physically tendered Original Notes, or a Book-Entry Confirmation, and any other documents required by this Letter of Transmittal will be deposited by the Eligible Institution with the Exchange Agent, and (iii) the certificates for all physically tendered Original Notes, in proper form for transfer, or a Book-Entry Confirmation, as the case may be, and all other documents required by this Letter of Transmittal, are received by the Exchange Agent within five NYSE trading days after the date of execution of the Notice of Guaranteed Delivery.

THE METHOD OF DELIVERY OF THIS LETTER OF TRANSMITTAL, THE ORIGINAL NOTES AND ALL OTHER REQUIRED DOCUMENTS IS AT THE ELECTION AND RISK OF THE TENDERING HOLDERS, BUT THE DELIVERY WILL BE DEEMED MADE ONLY WHEN ACTUALLY RECEIVED OR CONFIRMED BY THE EXCHANGE AGENT. IF ORIGINAL NOTES ARE SENT BY MAIL, IT IS SUGGESTED THAT THE MAILING BE MADE SUFFICIENTLY IN ADVANCE OF THE EXPIRATION DATE TO PERMIT THE DELIVERY TO THE EXCHANGE AGENT PRIOR TO 5:00 P.M., NEW YORK CITY TIME, ON THE EXPIRATION DATE.

See "The Exchange Offer" section in the Prospectus.

**2. Tender by Holder.** Only a Holder of Original Notes may tender such Original Notes in the Exchange Offer. Any beneficial holder of Original Notes who is not the registered Holder and who wishes to tender should arrange with the registered Holder to execute and deliver this Letter of Transmittal on his or her behalf or must, prior to completing and executing this Letter of Transmittal and delivering his or her Original Notes, either make appropriate arrangements to register ownership of the Original Notes in such holder's name or obtain a properly completed bond power from the registered Holder.

**3. Partial Tenders.** Tenders of Original Notes will be accepted only in integral multiples of \$1,000. If less than the entire principal amount of any Original Notes is tendered, the tendering Holder should fill in the principal amount tendered in the fourth column of the box entitled "Description of 2.75% Senior Notes due 2007, Series A (Original Notes)" above. The entire principal amount of Original Notes delivered to the Exchange Agent will be deemed to have been tendered unless otherwise indicated. If the entire principal amount of a Holder's Original Notes is not tendered, then Original Notes for the principal amount of Original Notes not tendered and a certificate or certificates representing Exchange Notes issued in exchange for any Original Notes accepted for exchange will be sent to the Holder at his or her registered address (unless a different address is provided in the appropriate box on this Letter of Transmittal) promptly after the Original Notes are accepted for exchange.

**4. Signatures on this Letter of Transmittal; Endorsements and Powers of Attorney; Guarantee of Signatures.** If this Letter of Transmittal is signed by the registered Holder of the Original Notes tendered hereby, the signature must correspond exactly with the name as written on the face of the certificates without any change whatsoever.

If any tendered Original Notes are owned of record by two or more joint owners, all such owners must sign this Letter of Transmittal.

If any tendered Original Notes are registered in different names on several certificates, it will be necessary to complete, sign and submit as many separate copies of this Letter of Transmittal as there are different registrations of certificates.

When this Letter of Transmittal is signed by the registered Holder(s) of the Original Notes specified herein and tendered hereby, no endorsements of certificates or separate bond powers are required. If, however, the Exchange Notes are to be issued, or any Original Notes not tendered or not accepted for exchange are to be reissued, to a person or persons other than the registered Holder(s), then endorsements of any certificate(s) transmitted hereby or separate bond powers are required. Signatures on such certificate(s) or power(s) must be guaranteed by an Eligible Institution.

If this Letter of Transmittal is signed by a person other than the registered Holder(s) of any certificate(s) specified herein, such certificate(s) must be endorsed or accompanied by appropriate bond powers or powers of attorney, in each case signed exactly as the name or names on the registered Holder(s) appear(s) on the certificate(s) and signatures on such certificate(s) or power(s) must be guaranteed by an Eligible Institution.

If this Letter of Transmittal or any certificates, bond powers or powers of attorney are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing and, unless waived by the Issuer, proper evidence satisfactory to the Issuer of their authority to so act must be submitted.

Endorsements on certificates for Original Notes or signatures on bond powers or powers of attorney required by this Instruction 4 must be guaranteed by a firm which is a participant in a recognized signature guarantee medallion program (an "Eligible Institution").

Signatures on this Letter of Transmittal must be guaranteed by an Eligible Institution unless the Original Notes are tendered (i) by a registered Holder of Original Notes (which term, for purposes of the Exchange Offer, includes any DTC participant whose name appears on a security position listing as the Holder of such Original Notes) who has not completed the box entitled "Special Issuance Instructions" or "Special Delivery Instructions" on this Letter of Transmittal, or (ii) for the account of an Eligible Institution.

**5. Special Issuance and Delivery Instructions.** Tendering Holders should indicate, in the applicable box or boxes, the name and address to which Exchange Notes or substitute Original Notes not tendered or not accepted for exchange are to be issued or sent, if different from the name and address of the person signing this Letter of Transmittal (or in the case of a tender of Original Notes through DTC, if different from DTC). In the case of issuance in a different name, the taxpayer identification or social security number of the person named must also be indicated. Holders tendering Original Notes by book-entry transfer may request that Exchange Notes issued in exchange for Original Notes accepted for exchange or Original Notes not tendered or accepted for exchange be credited to such account maintained at DTC as such Holder may designate hereon. If no such instructions are given, such Exchange Notes or Original Notes not exchanged will be returned to the name and address of the person signing this Letter of Transmittal.

**6. Tax Identification Number.** Federal income tax law requires that a Holder whose Original Notes are accepted for exchange must provide the Issuer (as payer) with his, her or its correct Taxpayer Identification Number ("TIN"), which, in the case of an exchanging Holder who is an individual, is his or her social security number. If the Issuer are not provided with the correct TIN or an adequate basis for exemption, such Holder may be subject to a \$50 penalty imposed by the Internal Revenue Service (the "IRS"), and payments made with respect to the Exchange Notes or Exchange Offer may be subject to backup withholding. If withholding results in an overpayment of taxes, a refund may be obtained by timely filing the required information with the IRS. Exempt Holders (including, among others, all corporations and certain foreign individuals) are not subject to these backup withholding and reporting requirements. See the enclosed "Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9."

To prevent backup withholding, each exchanging Holder must provide his, her or its correct TIN by completing the Substitute Form W-9 included below in this Letter of Transmittal, certifying that the TIN provided is correct (or that such Holder is awaiting a TIN) and that the Holder is exempt from backup withholding because (i) the Holder has not been notified by the IRS that he, she or it is subject to backup withholding as a result of a failure to report all interest or dividends, or (ii) the IRS has notified the Holder that he, she or it is no longer subject to backup withholding. In order to satisfy the Issuer that a foreign individual qualifies as an exempt recipient, such Holder must submit a statement signed under penalty of perjury attesting to such exempt status. Such statements may be obtained from the Exchange Agent. If the Original Notes are in more than one name or are not in the name of the actual owner, consult the substitute Form W-9 for information on which TIN to report. If you do not provide your TIN to the Issuer within 60 days, backup withholding may begin and continue until you furnish your TIN to the Issuer.

**7. Transfer Taxes.** The Issuer will pay all transfer taxes, if any, applicable to the exchange of Original Notes pursuant to the Exchange Offer. If, however, certificates representing Exchange Notes or Original Notes not tendered or accepted for exchange are to be delivered to, or are to be registered or issued in the name of, any person(s) other than the registered Holder(s) of the Original Notes tendered hereby, or if tendered Original Notes are registered in the name of any person other than the person signing this Letter of Transmittal, or if a transfer tax is imposed for any reason other than the exchange of Original Notes pursuant to the Exchange Offer, then the amount of any such transfer taxes (whether imposed on the registered Holder(s) or on any other person(s)) will be payable by the tendering Holder(s). If satisfactory evidence of payment of such taxes or exemption therefrom is not submitted herewith, the amount of such transfer taxes will be billed directly to such tendering Holder(s).

Except as provided in this Instruction 7, it will not be necessary for transfer tax stamps to be affixed to the Original Notes listed in this Letter of Transmittal.

**8. Waiver of Conditions.** The Issuer reserve the absolute right to amend, waive or modify conditions to the Exchange Offer in the case of any Original Notes tendered (and to refuse to do so).

**9. No Conditional Transfers.** No alternative, conditional, irregular or contingent tenders will be accepted. All tendering Holders of Original Notes, by execution of this Letter of Transmittal, shall waive any right to receive notice of the acceptance of their Original Notes for exchange.

Neither the Issuer, the Exchange Agent nor any other person is obligated to give notice of any defect or irregularity with respect to any tender of Original Notes, nor shall any of them incur any liability for failure to give any such notice.

**10. Mutilated, Lost, Stolen or Destroyed Original Notes.** Any tendering Holder whose Original Notes have been mutilated, lost, stolen or destroyed should contact the Exchange Agent at one of the addresses indicated herein for further instructions.

**11. Requests for Assistance or Additional Copies.** Questions and requests for assistance or additional copies of the Prospectus, this Letter of Transmittal, the Notice of Guaranteed Delivery or the "Guidelines for Certification of Taxpayer Identification Number" on Substitute Form W-9 may be directed to the Exchange Agent at one of the addresses specified in the Prospectus.

**(DO NOT WRITE IN THE SPACE BELOW)**

Account Number \_\_\_\_\_ Transaction Code No. \_\_\_\_\_

Certificate Surrendered Existing Notes Tendered Existing Notes Accepted

Delivery Prepared By: \_\_\_\_\_ Checked By: \_\_\_\_\_ Dated: \_\_\_\_\_

**SUBSTITUTE FORM W-9**

Name (if joint names, list first and circle the name of the person or entity whose number you enter in Part 1 below. See instructions if your name has changed.)

**Department of the Treasury  
Internal Revenue Service**

Address  
City, State and Zip code  
List account number(s) here (optional)

**Payer's Request for TIN**

**Part 1:** PLEASE PROVIDE YOUR TAXPAYER IDENTIFICATION NUMBER ("TIN") IN THE BOX AT THE RIGHT AND CERTIFY BY SIGNING AND DATING BELOW.

Social Security Number or TIN

**Part 2:** Check the box if you are not subject to backup because (1) you have not been notified that you are subject to backup withholding as a result of failure to report all interest or dividends or (2) the Internal Revenue Service has notified you that you are no longer subject to backup withholding o.

CERTIFICATION—UNDER PENALTIES OF PERJURY, I CERTIFY THAT I AM A U.S. PERSON (INCLUDING A U.S. EXEMPT RESIDENT ALIEN) AND THAT THE INFORMATION PROVIDED ON THIS FORM IS TRUE, CORRECT AND COMPLETE.

**Part 3:**

- Exempt
- AWAITING TIN

**Signature**

**Date**

NOTE: FAILURE TO COMPLETE AND RETURN THIS FORM MAY RESULT IN BACKUP WITHHOLDING WITH RESPECT TO ANY PAYMENTS MADE TO YOU PURSUANT TO THE EXCHANGE OFFER OR WITH RESPECT TO THE EXCHANGE NOTES. PLEASE REVIEW THE ENCLOSED GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9 FOR ADDITIONAL DETAILS.

If you are an exempt recipient, check the "Exempt" box in Part 3, sign and date the form. You should still complete this form to avoid possible erroneous backup withholding.

**Check the "Awaiting TIN" box in Part 3 if you have applied for a TIN or intend to apply for a TIN in the near future. Payments made to you may be subject to withholding until you provide a TIN and you will, in any event, be subject to backup withholding on further payments if you do not provide a TIN within 60 days.**



**NOTICE OF GUARANTEED DELIVERY  
FOR  
2.75% SENIOR NOTES DUE 2007, SERIES A  
OF  
PANHANDLE EASTERN PIPE LINE COMPANY, LLC**

As set forth in the Prospectus dated \_\_\_\_\_, 200 (the "Prospectus") of Panhandle Eastern Pipe Line Company, LLC (the "Issuer") and in the accompanying Letter of Transmittal (the "Letter of Transmittal"), this form or one substantially equivalent hereto must be used to accept the Issuer's offer to exchange (the "Exchange Offer") up to \$200,000,000 aggregate principal amount of our 2.75% senior notes due 2007, series B, which have been registered under the Securities Act of 1933, as amended, for \$200,000,000 aggregate principal amount of our outstanding 2.75% senior notes due 2007, series A (the "2.75% Original Notes" or the "Original Notes"), if certificates for the Original Notes are not immediately available or if the Original Notes, the Letter of Transmittal or any other documents required thereby cannot be delivered to the Exchange Agent, or the procedure for book-entry transfer cannot be completed, prior to 5:00 p.m., Eastern Time, on the Expiration Date (as defined below). This form may be delivered by an Eligible Institution by hand or transmitted by facsimile transmission, overnight courier or mail to the Exchange Agent as set forth below. Capitalized terms used but not defined herein have the meaning given to them in the Prospectus.

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**THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M., EASTERN TIME, ON \_\_\_\_\_, 2004, UNLESS THE OFFER IS EXTENDED (THE "EXPIRATION DATE"). TENDERS OF ORIGINAL NOTES MAY BE WITHDRAWN AT ANY TIME PRIOR TO 5:00 P.M. ON THE EXPIRATION DATE.**

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To: J.P. Morgan Trust Company, N.A., the Exchange Agent

*By Mail (Certified, Registered, Overnight or  
First Class) or Hand Delivery*  
J.P. Morgan Trust Company, N.A.  
Institutional Trust Services  
Attn: Louis Runnels  
2001 Bryant Street, 9<sup>th</sup> Floor  
Dallas, Texas 75201

*Telephone Number*  
800-275-2048

DELIVERY OF THIS INSTRUMENT TO AN ADDRESS, OR TRANSMISSION OF INSTRUCTIONS VIA FACSIMILE, OTHER THAN AS SET FORTH ABOVE DOES NOT CONSTITUTE A VALID DELIVERY.

This form is not to be used to guarantee signatures. If a signature on the Letter of Transmittal to be used to tender Original Notes is required to be guaranteed by an "Eligible Institution" under the instructions thereto, such signature guarantee must appear in the space provided therefor in the Letter of Transmittal.

The undersigned hereby tenders to the Issuer, upon the terms and subject to the conditions set forth in the Prospectus and the Letter of Transmittal (which together constitute the "Exchange Offer"), receipt of which are hereby acknowledged, [fill in number of Original Notes] Original Notes pursuant to the guaranteed delivery procedures set forth in the Prospectus and Instruction 1 of the Letter of Transmittal.

The undersigned understands that tenders of Original Notes will be accepted only in principal amounts equal to \$1,000 or integral multiples thereof. The undersigned understands that tenders of Original Notes pursuant to the Exchange Offer may not be withdrawn after 5:00 p.m., Eastern Time, on the Expiration Date.

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All authority herein conferred or agreed to be conferred by this Notice of Guaranteed Delivery shall survive the death, incapacity or dissolution of the undersigned and every obligation of the undersigned under this Notice of Guaranteed Delivery shall be binding upon the heirs, personal representatives, executors, administrators, successors, assigns, trustees in bankruptcy and other legal representatives of the undersigned.

**NOTE: SIGNATURES MUST BE PROVIDED WHERE INDICATED BELOW.**

Certificate No(s). for Existing Notes  
(if available):

Name(s) of Record Holder(s)

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Principal Amount of Existing Notes:

**PLEASE PRINT OR TYPE**

Address:

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If Existing Notes will be delivered by book-entry transfer at the  
Depositor Trust Company, Depository Account No.:

Area Code and Tel. No.

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Signature(s):

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Dated: \_\_\_\_\_, 2003

This Notice of Guaranteed Delivery must be signed by the registered holder(s) of Original Notes exactly as its (their) name(s) appear(s) on the certificate(s) for Original Notes covered hereby or on a DTC security position listing naming it (them) as the owner of such Original Notes, or by person(s) authorized to become registered holder(s) by endorsements and documents transmitted with this Notice of Guaranteed Delivery. If signature is by a trustee, executor, administrator, guardian, attorney-in-fact, officer or other person acting in a fiduciary or representative capacity, such person(s) must provide the following information:

**PLEASE PRINT NAME(S), TITLE(S) AND ADDRESS(ES)**

Name(s):

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Capacity(ies):

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Address(es):

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**GUARANTEE**

**(NOT TO BE USED FOR SIGNATURE GUARANTEE)**

The undersigned, a member firm of a registered national securities exchange or of the National Association of Securities Dealers, Inc., or a commercial bank or trust company having an office or correspondent in the United States or an "Eligible Guarantor Institution" as defined in Rule 17Ad-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), hereby (a) represents that the tender of Original Notes effected hereby complies with Rule 14e-4 under the Exchange Act and (b) guarantees to deliver to the Exchange Agent a certificate or certificates representing the Original Notes tendered hereby, in proper form for transfer (or a confirmation of the book-entry transfer of such Original Notes into the Exchange Agent's account at DTC, pursuant to the procedures for book-entry transfer set forth in the Prospectus), and a properly completed and duly executed Letter of Transmittal (or manually signed facsimile thereof) together with any required signatures and any other required documents, at one of the Exchange Agent's addresses set forth above, within five New York Stock Exchange trading days after the date of execution of this Notice of Guaranteed Delivery.

THE UNDERSIGNED ACKNOWLEDGES THAT IT MUST DELIVER THE LETTER OF TRANSMITTAL AND ORIGINAL NOTES TENDERED HEREBY TO THE EXCHANGE AGENT WITHIN THE TIME PERIOD SPECIFIED FORTH ABOVE AND THAT ANY FAILURE TO DO SO COULD RESULT IN FINANCIAL LOSS TO THE UNDERSIGNED.

Name of Firm:

\_\_\_\_\_

\_\_\_\_\_

**Authorized Signature**

Address:

\_\_\_\_\_

Name:

\_\_\_\_\_

**Please Print or Type**

Area Code and Tel. No:

\_\_\_\_\_

Date:

\_\_\_\_\_

, 200

**NOTE: DO NOT SEND ORIGINAL NOTES WITH THIS FORM; ORIGINAL NOTES SHOULD BE SENT WITH YOUR LETTER OF TRANSMITTAL SO THAT THEY ARE RECEIVED BY THE EXCHANGE AGENT WITHIN THE TIME PERIOD SET FORTH ABOVE.**



**PANHANDLE EASTERN PIPE LINE COMPANY, LLC**

**Offer to Exchange Up to \$200,000,000 Aggregate Principal Amount of Our  
2.75% Senior Notes Due 2007, Series B  
for Any and All of the \$200,000,000 Aggregate Principal Amount of Our Outstanding  
2.75% Senior Notes Due 2007, Series A**

To: Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.

Panhandle Eastern Pipe Line Company, LLC (the "Issuer") is offering upon and subject to the terms and conditions set forth in the Prospectus, dated \_\_\_\_\_, 200\_\_ (the "Prospectus"), and the enclosed Letter of Transmittal (the "Letter of Transmittal"), to exchange (the "Exchange Offer") up to \$200,000,000 aggregate principal amount of our 2.75% senior notes due 2007, series B, which have been registered under the Securities Act of 1933, as amended, for \$200,000,000 aggregate principal amount of our outstanding 2.75% senior notes due 2007, series A (the "2.75% Original Notes" or the "Original Notes"). The Exchange Offer is being made in order to satisfy certain obligations of the Issuer contained in the Registration Rights Agreement, dated as of March 9, 2004, by and among the Issuer and Merrill Lynch, Pierce, Fenner & Smith Incorporated, Credit Suisse First Boston, LLC, J.P. Morgan Securities Inc., and Credit Lyonnais Securities (USA) Inc.

We are requesting that you contact your clients for whom you hold Original Notes regarding the Exchange Offer. For your information and for forwarding to your clients for whom you hold Original Notes registered in your name or in the name of your nominee, or who hold Original Notes registered in their own names, we are enclosing the following documents:

1. Prospectus dated \_\_\_\_\_, 200\_\_ ,
2. The Letter of Transmittal for your use and for the information of your clients,
3. A Notice of Guaranteed Delivery to be used to accept the Exchange Offer if certificates for Original Notes are not immediately available or time will not permit all required documents to reach the Exchange Agent prior to the Expiration Date (as defined below) or if the procedure for book-entry transfer cannot be completed on a timely basis,
4. A form of letter which may be sent to your clients for whose account you hold Original Notes registered in your name or the name of your nominee, with space provided for obtaining such clients' instructions with regard to the Exchange Offer, and
5. Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9.

**Your prompt action is requested. The Exchange Offer will expire at 5:00 p.m., Eastern Time on \_\_\_\_\_, 2004, unless extended by the Issuer (the "Expiration Date"). Original Notes tendered pursuant to the Exchange Offer may be withdrawn at any time before the Expiration Date.**

To participate in the Exchange Offer, a duly executed and properly completed Letter of Transmittal (or facsimile thereof), with any required signature guarantees and any other required documents, should be sent to the Exchange Agent and certificates representing the Original Notes should be delivered to the Exchange Agent, all in accordance with the instructions set forth in the Letter of Transmittal and the Prospectus.

If holders of Original Notes wish to tender, but it is impracticable for them to forward their certificates for Original Notes prior to the expiration of the Exchange Offer or to comply with the book-entry transfer procedures on a timely basis, a tender may be effected by following the guaranteed delivery procedures described in the Prospectus under "The Exchange Offer—Guaranteed Delivery Procedures."

The Issuer will, upon request, reimburse brokers, dealers, commercial banks and trust companies for reasonable and necessary costs and expenses incurred by them in forwarding the Prospectus and the related documents to the beneficial owners of Original Notes held by them as nominee or in a fiduciary capacity. The Issuer will pay or cause to be paid all stock transfer taxes applicable to the exchange of

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Original Notes pursuant to the Exchange Offer, except as set forth in Instruction 7 of the Letter of Transmittal.

Any inquiries you may have with respect to the Exchange Offer, or requests for additional copies of the enclosed materials, should be directed to J.P. Morgan Trust Company, N.A., the Exchange Agent for the Original Notes, at its address and telephone number set forth on the front of the Letter of Transmittal.

Very truly yours,

Panhandle Eastern Pipe Line Company, LLC

**NOTHING HEREIN OR IN THE ENCLOSED DOCUMENTS SHALL CONSTITUTE YOU OR ANY PERSON AS AN AGENT OF THE ISSUER OR THE EXCHANGE AGENT, OR AUTHORIZE YOU OR ANY OTHER PERSON TO USE ANY DOCUMENT OR MAKE ANY STATEMENTS ON BEHALF OF EITHER OF THEM WITH RESPECT TO THE EXCHANGE OFFER, EXCEPT FOR STATEMENTS EXPRESSLY MADE IN THE PROSPECTUS OR THE LETTER OF TRANSMITTAL.**

Enclosures

## QuickLinks

[PANHANDLE EASTERN PIPE LINE COMPANY, LLC Offer to Exchange Up to \\$200,000,000 Aggregate Principal Amount of Our 2.75% Senior Notes Due 2007, Series B for Any and All of the \\$200,000,000 Aggregate Principal Amount of Our Outstanding 2.75% Senior Notes Due 2007, Series A](#)

**PANHANDLE EASTERN PIPE LINE COMPANY, LLC**

**Offer to Exchange Up to \$200,000,000 Aggregate Principal Amount of Our  
2.75% Senior Notes Due 2007, Series B  
for Any and All of the \$200,000,000 Aggregate Principal Amount of Our Outstanding  
2.75% Senior Notes Due 2007, Series A**

To Our Clients:

Enclosed for your consideration is a Prospectus, dated \_\_\_\_\_, 200\_\_\_\_ (the "Prospectus"), and the related Letter of Transmittal (the "Letter of Transmittal"), relating to the offer (the "Exchange Offer") of Panhandle Eastern Pipe Line Company, LLC (the "Issuer") to exchange up to \$200,000,000 aggregate principal amount of our 2.75% senior notes due 2007, series B, which have been registered under the Securities Act of 1933, as amended (the "2.75% Exchange Notes"), for \$200,000,000 aggregate principal amount of our outstanding 2.75% senior notes due 2007, series A (the "2.75% Original Notes" or the "Original Notes"), upon the terms and subject to the conditions described in the Prospectus and the Letter of Transmittal. The Exchange Offer is being made in order to satisfy certain obligations of the Issuers contained in the Registration Rights Agreement, dated as of August 18, 2003, by and among the Issuer and Merrill Lynch, Pierce, Fenner & Smith Incorporated, Credit Suisse First Boston, LLC, J.P. Morgan Securities Inc., and Credit Lyonnais Securities (USA) Inc.

This material is being forwarded to you as the beneficial owner of the Original Notes carried by us in your account but not registered in your name. A tender of such Original Notes may only be made by us as the holder of record and pursuant to your instructions.

Accordingly, we request instructions as to whether you wish us to tender on your behalf the Original Notes held by us for your account, pursuant to the terms and conditions set forth in the enclosed Prospectus and Letter of Transmittal.

Your instructions should be forwarded to us as promptly as possible in order to permit us to tender the Original Notes on your behalf in accordance with the provisions of the Exchange Offer. The Exchange Offer will expire at 5:00 p.m., Eastern Time, on \_\_\_\_\_, 2004, unless extended by the Issuer (the "Expiration Date"). Any Original Notes tendered pursuant to the Exchange Offer may be withdrawn at any time before the Expiration Date.

Your attention is directed to the following:

1. The Exchange Offer is for any and all Original Notes.
2. The Exchange Offer is subject to certain conditions set forth in the Prospectus in the section captioned "The Exchange Offer—Conditions of the Exchange Offer".
3. Any transfer taxes incident to the transfer of Original Notes from the holder to the Issuers will be paid by the Issuer, except as otherwise provided in the Instructions in the Letter of Transmittal.
4. The Exchange Offer expires at 5:00 p.m., Eastern Time, on \_\_\_\_\_, 2004, unless extended by the Issuer.

If you wish to have us tender your Original Notes, please so instruct us by completing, executing and returning to us the instruction form on the back of this letter. The Letter of Transmittal is furnished to you for information only and may not be used directly by you to tender Original Notes.

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**INSTRUCTIONS WITH RESPECT TO  
THE EXCHANGE OFFER**

The undersigned acknowledge(s) receipt of your letter and the enclosed material referred to therein relating to the Exchange Offer made by Panhandle Eastern Pipe Line Company, LLC with respect to their Original Notes.

This will instruct you to tender the Original Notes held by you for the account of the undersigned, upon and subject to the terms and conditions set forth in the Prospectus and the related Letter of Transmittal.

Please tender the Original Notes held by you for any account as indicated below:

**Aggregate Principal Amount of Original Notes**

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2.75% Senior Notes Due 2007

o Please do not tender any Original Notes held by you for my account

Dated:           , 200

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**Signature(s)**

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**Please print name(s) here**

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**Address(es)**

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**Area Code and Telephone Number**

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**Tax Identification or Social Security Number(s)**

None of the Original Notes held by us for your account will be tendered unless we receive written instructions from you to do so. Unless specific contrary instructions are given in the space provided, your signature(s) hereon shall constitute an instruction to us to tender all the Original Notes held by us for your account.



## QuickLinks

[PANHANDLE EASTERN PIPE LINE COMPANY, LLC Offer to Exchange Up to \\$200,000,000 Aggregate Principal Amount of Our 2.75% Senior Notes Due 2007, Series B for Any and All of the \\$200,000,000 Aggregate Principal Amount of Our Outstanding 2.75% Senior Notes Due 2007, Series A INSTRUCTIONS WITH RESPECT TO THE EXCHANGE OFFER](#)

**GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION  
NUMBER ON SUBSTITUTE FORM W-9**

**Guidelines for Determining the Proper Identification Number to Give the Payer.** Social Security numbers have nine digits separated by two hyphens: *i.e.* 000-00-0000. Employer identification numbers have nine digits separated by only one hyphen: *i.e.* 00-0000000. The table below will help determine the number to give the payer.

For this type of account:	Give the SOCIAL SECURITY number of—	For this type of account:	Give the EMPLOYER IDENTIFICATION number of—
1. An individual's account	The individual	7. A valid trust, estate or pension trust	The legal entity (Do not furnish the identifying number of the personal representative or trustee unless the legal entity itself is not designated in the account title.)(5)
2. Two or more individuals (joint account)	The actual owner of the account or, if combined funds, any one of the individuals(1)	8. Corporate account or LLC electing corporate status	The corporation
3. Custodian account of a minor (Uniform Gift to Minors Act)	The minor(2)	9. Religious, charitable, or educational organization account	The organization
4. Account in the name of guardian or committee for a designated ward, minor or incompetent person	The ward, minor or incompetent person(3)	10. Partnership account held in the name of the business	The partnership
5. a. The usual revocable savings trust account (grantor is also trustee)	The grantor-trustee(1)	11. Association, club or other tax-exempt organization	The organization
b. So-called trust account that is not a legal or valid trust under state law.	The actual owner(1)		
6. Sole proprietorship or single-owned LLC account	The Owner(4)	12. A broker or registered nominee	The broker or nominee
		13. Account with the Department of Agriculture in the name of a public entity (such as a state or local government, school district, or prison) that receives agricultural program payments	The public entity

- (1) List first and circle the name of the person whose number you furnish.
- (2) Circle the minor's name and furnish the minor's social security number.
- (3) Circle the ward's, minor's or incompetent person's name and furnish such person's social security number.
- (4) Show the name of the owner. You may use either your social security number or employer identification number (if you have one).
- (5) List first and circle the name of the legal trust, estate or pension trust.

QuickLinks

[GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9](#)