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

FORM 10-K

X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended December 31, 2011

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM

Commission File No. 1-2921

PANHANDLE EASTERN PIPE LINE COMPANY, LP
(Exact name of registrant as specified in its charter)

Delaware	**44-0382470**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
5051 Westheimer Road **Houston, Texas** (Address of principal executive offices)	**77056-5622** (Zip Code)

Registrant's telephone number, including area code: **(713) 989-7000**

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each Class	**Name of each exchange in which registered**
6.05% Senior Notes due 2013, Series B	**New York Stock Exchange**

Securities Registered Pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes **£** No **R**

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes **£** No **R**

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes **R** No **£**

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. **R**

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer”, “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer **£** Accelerated filer **£** Non-accelerated filer **R** Smaller reporting company **£**

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).
Yes **£** No **R**

Panhandle Eastern Pipe Line Company, LP meets the conditions set forth in General Instructions I(1)(a) and (b) of Form 10-K and is therefore filing this Form 10-K with the reduced disclosure format. Items 1, 2 and 7 have been reduced and Items 4, 6, 10, 11, 12 and 13 have been omitted in accordance with Instruction I.

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PANHANDLE EASTERN PIPE LINE COMPANY, LP
FORM 10-K
DECEMBER 31, 2011

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GLOSSARY

The abbreviations, acronyms and industry terminology commonly used in this annual report on Form 10-K are defined as follows:

ARO	Asset retirement obligation
Bcf	Billion cubic feet
Bcf/d	Billion cubic feet per day
CFO	Chief Financial Officer
CIAC	Contribution in aid of construction
Code	Internal Revenue Code of 1986, as amended
Company	PEPL and its subsidiaries
COO	Chief Operating Officer
CrossCountry Citrus	CrossCountry Citrus, LLC
EITR	Effective income tax rate
EPA	United States Environmental Protection Agency
ETE	Energy Transfer Equity, L.P.
ETP	Energy Transfer Partners, L.P., a subsidiary of ETE
Exchange Act	Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
Florida Gas	Florida Gas Transmission Company, LLC
GAAP	Accounting principles generally accepted in the United States of America
HAPs	Hazardous air pollutants
HCAs	High consequence areas
KDHE	Kansas Department of Health and Environment
LNG	Liquefied Natural Gas
LNG Holdings	Trunkline LNG Holdings, LLC
MACT	Maximum achievable control technology
MMcf/d	Million cubic feet per day
Panhandle	PEPL and its subsidiaries
PCBs	Polychlorinate biphenyls
PEPL	Panhandle Eastern Pipe Line Company, LP
PRPs	Potentially responsible parties
SARs	Stock appreciation rights
Sea Robin	Sea Robin Pipeline Company, LLC
SEC	U.S. Securities and Exchange Commission
Southern Union	Southern Union Company and its subsidiaries
Southwest Gas Storage	Pan Gas Storage, LLC (d.b.a. Southwest Gas)
SPCC	Spill Prevention Control and Countermeasure
TBtu	Trillion British thermal units
Trunkline	Trunkline Gas Company, LLC
Trunkline LNG	Trunkline LNG Company, LLC

PART I

ITEM 1. Business.

Our Business

Introduction. Panhandle, a Delaware limited partnership, is an indirect wholly-owned subsidiary of Southern Union Company. The Company is subject to the rules and regulations of the FERC. The Company's entities include the following:

- PEPL, an indirect wholly-owned subsidiary of Southern Union Company;
- Trunkline, a direct wholly-owned subsidiary of PEPL;
  - Sea Robin, an indirect wholly-owned subsidiary of PEPL;
  - LNG Holdings, an indirect wholly-owned subsidiary of PEPL;
  - Trunkline LNG, a direct wholly-owned subsidiary of LNG Holdings; and
  - Southwest Gas Storage, a direct wholly-owned subsidiary of PEPL.

On July 19, 2011, Southern Union entered into a Second Amended and Restated Agreement and Plan of Merger with ETE and Sigma Acquisition Corporation, a wholly-owned subsidiary of ETE (*Merger Sub*) (as amended by Amendment No. 1 thereto dated as of September 14, 2011, the *Second Amended Merger Agreement*). The Second Amended Merger Agreement modifies certain terms of the Agreement and Plan of Merger entered into by Southern Union, ETE and Merger Sub on June 15, 2011 as amended on July 4, 2011. The Second Amended Merger Agreement provides for the merger of Merger Sub with and into Southern Union (*Merger*), with Southern Union continuing as the surviving corporation in the Merger. As a result of the Merger, Southern Union will become a wholly-owned subsidiary of ETE.

In addition, ETE and ETP, are parties to an Amended and Restated Agreement and Plan of Merger dated as of July 19, 2011 (as amended by Amendment No. 1 thereto dated as of September 14, 2011) (*Citrus Merger Agreement*). The Citrus Merger Agreement provides that the Company, CrossCountry Energy, LLC (*CrossCountry*), PEPL Holdings, LLC (*PEPL Holdings*) and Citrus ETP Acquisition, L.L.C. (*Citrus ETP*) will become parties by joinder at a time immediately prior to the closing of the Merger. Upon becoming a party to the Citrus Merger Agreement, the Company will assume the obligations and rights of ETE. Under the Citrus Merger Agreement, CrossCountry, a wholly-owned subsidiary of the Company that indirectly owns a 50 percent interest in Citrus, will be merged with and into Citrus ETP with CrossCountry surviving as a wholly-owned subsidiary of ETP (*Citrus Merger*).

Services. The Company owns and operates a large natural gas open-access interstate pipeline network. The pipeline network, consisting of the PEPL, Trunkline and Sea Robin transmission systems, serves customers in the Midwest, Gulf Coast and Midcontinent United States with a comprehensive array of transportation and storage services. PEPL's 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 Missouri, Illinois, Indiana, Ohio and into Michigan. Trunkline's transmission system consists of two large diameter pipelines extending approximately 1,400 miles from the Gulf Coast areas of Texas and Louisiana through Arkansas, Mississippi, Tennessee, Kentucky, Illinois, Indiana and to Michigan. Sea Robin's transmission system consists of two offshore Louisiana natural gas supply systems extending approximately 81 miles into the Gulf of Mexico. In connection with its natural gas pipeline transmission and storage systems, the Company has five natural gas storage fields located in Illinois, Kansas, Louisiana, Michigan and Oklahoma. Southwest Gas operates four of these fields and Trunkline operates one. Through Trunkline LNG, the Company owns and operates an LNG terminal in Lake Charles, Louisiana.

Panhandle earns most of its revenue by entering into firm transportation and storage contracts, providing capacity for customers to transport and store natural gas, or LNG, in its facilities. The Company provides firm transportation services under contractual arrangements to local distribution company customers and their affiliates, natural gas marketers, producers, other pipelines, electric power generators and a variety of end-users. The Company's pipelines offer both firm and interruptible transportation to customers on a short-term and long-term basis. Demand for natural gas transmission on the Company's pipeline systems peaks during the winter months, with the highest throughput and a higher portion of annual total operating revenues and net earnings occurring during the first and fourth calendar quarters. Average reservation revenue rates realized by the Company are dependent on certain factors, including but not limited to rate regulation, customer demand for capacity, and capacity sold for a given period and, in some cases, utilization of capacity. Commodity or utilization revenues, which are more variable in nature, are dependent upon a number of factors including weather, storage levels and pipeline capacity availability levels, and customer demand for firm and interruptible services, including parking services. The majority of Panhandle's revenues are related to firm capacity reservation charges, which reservation charges accounted for approximately 89 percent of total revenues in 2011.

The following table provides a summary of pipeline transportation (including deliveries made throughout the Company's pipeline network) and LNG terminal usage volumes (in TBtu).

	Years Ended December 31,		
	2011	**2010**	**2009**
PEPL transportation	564	563	676
Trunkline transportation	743	664	683
Sea Robin transportation	113	172	132
Trunkline LNG terminal usage	2	43	33

The following table provides a summary of certain statistical information associated with the Company at the date indicated:

	December 31, 2011
Approximate Miles of Pipelines	
PEPL	6,000
Trunkline	3,700
Sea Robin	400
Peak Day Delivery Capacity (Bcf/d)	
PEPL	2.8
Trunkline	1.7
Sea Robin	1.0
Trunkline LNG	2.1
Trunkline LNG Sustainable Send Out Capacity (Bcf/d)	1.8
Underground Storage Capacity-Owned (Bcf)	68.1
Underground Storage Capacity-Leased (Bcf)	33.3
Trunkline LNG Terminal Storage Capacity (Bcf)	9.0
Approximate Average Number of Transportation Customers	500
Weighted Average Remaining Life in Years of Firm Transportation Contracts (1)	
PEPL	6.2
Trunkline	9.3
Sea Robin (2)	N/A
Weighted Average Remaining Life in Years of Firm Storage Contracts (1)	
PEPL	9.2
Trunkline	1.6

(1) Weighted by firm capacity volumes.
(2) Sea Robin's contracts are primarily interruptible, with only four firm contracts in place.

Significant Customers. The following table provides the percentage and related average contract lives of the Company's significant customers for the period presented.

Customer	Percent of Revenues For Year Ended December 31, 2011	Weighted Average Life of Contracts at December 31, 2011
BG LNG Services	30%	18.3 years (LNG, transportation)
ProLiance	13	13.2 years (transportation), 14.1 years (storage)
Other top 10 customers	21	N/A
Remaining customers	36	N/A
Total percentage	100%	

The Company's customers are subject to change during the year as a result of capacity release provisions that allow customers to release all or part of their capacity, which generally occurs for a limited time period. Under the terms of the Company's tariffs, a temporary capacity release does not relieve the original customer from its payment obligations if the replacement customer fails to pay.

Regulation

The Company is subject to regulation by various federal, state and local governmental agencies, including those specifically described below.

FERC has comprehensive jurisdiction over PEPL, Trunkline, Sea Robin, Trunkline LNG and Southwest Gas. In accordance with the Natural Gas Act of 1938, FERC's jurisdiction over natural gas companies encompasses, among other things, the acquisition, operation and disposition of assets and facilities, the services provided and rates charged.

FERC has authority to regulate rates and charges for 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. PEPL, Trunkline, Sea Robin, Trunkline LNG and Southwest Gas hold certificates of public convenience and necessity issued by FERC, authorizing them to operate the pipelines, facilities and properties now in operation and to transport and store natural gas in interstate commerce.

The following table summarizes the status of rate proceedings applicable to the Company.

Company	Date of Last Rate Filing	Rate Proceedings Status
PEPL	May 1992	Settlement effective April 1997
Trunkline	January 1996	Settlement effective May 2001
Sea Robin	June 2007	Settlement effective December 2008 (1)
Trunkline LNG	June 2001	Settlement effective January 2002 (2)
Southwest Gas Storage	August 2007	Settlement effective February 2008

(1) Settlement requires another rate case to be filed by January 2014.
(2) Settlement provides for a rate moratorium through 2015. Current fixed rates apply through 2015 covering all facilities, except the IEP expansion facilities placed in service in March 2010 which have a negotiated rate through March 2030.

The Company is also subject to the Natural Gas Pipeline Safety Act of 1968 and the Pipeline Safety Improvement Act of 2002, which regulate the safety of natural gas pipelines.

For additional information regarding the Company's regulation and rates, see *Item 1. Business – Environmental, Item 1A. Risk Factors* and *Item 8. Financial Statements and Supplementary Data, Note 4 – Regulatory Matters.*

Competition

The interstate pipeline systems of the Company compete with those of 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, flexibility and reliability of service.

Natural gas competes with other forms of energy available to the Company's 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 regulation, the capability to convert to alternate fuels and other factors, including weather and natural gas storage levels, affect the ongoing demand for natural gas in the areas served by the Company. In order to meet these challenges, the Company will need to adapt its marketing strategies, the types of transportation and storage services provided and its pricing and rates to address competitive forces. In addition, FERC may authorize the construction of new interstate pipelines that compete with the Company's existing pipelines.

The Company's current direct competitors include Alliance Pipeline LP, ANR Pipeline Company, Natural Gas Pipeline Company of America, ONEOK Partners, Texas Gas Transmission Corporation, Northern Natural Gas Company, Vector Pipeline, Columbia Gulf Transmission, Rockies Express Pipeline and Midwestern Gas Transmission.

Environmental

The Company is subject to federal, state and local laws and regulations regarding water quality, hazardous and solid waste management, air quality control and other environmental matters. These laws and regulations require the Company to conduct its operations in a specified manner and to obtain and comply with a wide variety of environmental registrations, licenses, permits, inspections and other approvals. Failure to comply with environmental requirements may expose the Company to significant fines, penalties and/or interruptions in operations. The Company's environmental policies and procedures are designed to achieve compliance with such laws and regulations. These evolving laws and regulations and claims for damages to property, employees, other persons and the environment resulting from current or past operations may result in significant expenditures and liabilities in the future. The Company engages in a process of updating and revising its procedures for the ongoing evaluation of its operations to identify potential environmental exposures and enhance compliance with regulatory requirements. For additional information concerning the impact of environmental regulation on the Company, see *Item 1A. Risk Factors* and *Item 8. Financial Statements and Supplementary Data, Note 15 – Commitments and Contingencies*.

Insurance

The Company maintains insurance coverage provided under its policies similar to other comparable companies in the same lines of business. This includes, but is not limited to, insurance for potential liability to third parties, worker's compensation, automobile and property insurance. The insurance policies are subject to terms, conditions, limitations and exclusions that do not fully compensate the Company for all losses. Except for windstorm property insurance more fully described below, insurance deductibles range from $100,000 to $10 million for the various policies utilized by the Company. As the Company renews its policies, it is possible that some of the current insurance coverage may not be renewed or obtainable on commercially reasonable terms due to restrictive insurance markets.

Oil Insurance Limited (*OIL*), the Company's member mutual property insurer, revised its windstorm insurance coverage effective January 1, 2010. Based on the revised coverage, the per occurrence windstorm claims for onshore and offshore assets are limited to $250 million per member subject to a fixed 60 percent payout, up to $150 million per member, and are subject to the $750 million aggregate limit for total payout to members per incident and a $10 million deductible. The revised windstorm coverage also limits annual individual member recovery to $300 million in the aggregate. The Company has also purchased additional excess insurance coverage for its onshore assets arising from windstorm damage, which provides up to an additional $100 million of property insurance coverage over and above existing coverage or in excess of the base OIL coverage. In the event windstorm damage claims are made by the Company for its onshore assets and such damage claims are subject to a scaled or aggregate limit reduction by OIL, the Company may have additional uninsured exposure prior to application of the excess insurance coverage.

Employees

At December 31, 2011, the Company had 1,189 employees. Of these employees, 219 were represented by the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial, and Service Workers International AFL-CIO, CLC. The current union contract expires on May 27, 2012.

Available Information

PEPL files annual, quarterly and special reports and other information with the SEC as required. Any document that PEPL files with the SEC may be read or copied at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for information on the public reference room. PEPL's SEC filings are also available at the SEC's website at http://www.sec.gov and through its parent Southern Union's website at http://www.sug.com. The information on Southern Union's website is not incorporated by reference into and is not made a part of this report.

ITEM 1A. Risk Factors.

The risks and uncertainties described below are not the only ones faced by the Company. Additional risks and uncertainties that the Company is unaware of, or that it currently deems immaterial, may become important factors that affect it. If any of the following risks occurs, the Company's business, financial condition, results of operations or cash flows could be materially and adversely affected.

The failure to successfully complete the merger of ETE and Southern Union in the expected time frame may adversely affect the Company's business.

The Company has operated and, until the completion of the merger, will continue to operate (as a wholly-owned subsidiary of Southern Union) independently from ETE. It is possible that the integration process could result in the loss of key employees, as well as the disruption of the Company's ongoing businesses or inconsistencies in its standards, controls, procedures and policies. Any or all of those occurrences could adversely affect the Company's ability to maintain relationships with customers and employees after the merger or to achieve the anticipated benefits of the merger. Integration efforts associated with the merger will also divert management attention and resources. These integration matters could have an adverse effect on the Company.

The pendency of the merger could materially adversely affect the future business and operations of the Company or result in a loss of its employees or employees of Southern Union that provide certain support services for the Company.

In connection with the pending merger, it is possible that some customers, suppliers and other persons with whom the Company has a business relationship may delay or defer certain business decisions or might decide to seek to terminate, change or renegotiate their relationship with the Company as a result of the merger, which could negatively impact its revenues, earnings and cash flows, regardless of whether the merger is completed. Similarly, current and prospective employees of the Company and/or Southern Union may experience uncertainty about their future roles with ETE, the Company and/or Southern Union following completion of the merger, which may materially adversely affect the ability of the Company and Southern Union to attract and retain key employees. Additionally, under the merger agreement, the Company is subject to certain restrictions on the conduct of its business prior to completing the merger, which may adversely affect its ability to execute certain of its business strategies.

The Company has substantial debt and may not be able to obtain funding or obtain funding on acceptable terms because of deterioration in the credit and capital markets. This may hinder or prevent the Company from meeting its future capital needs.

The Company has a significant amount of debt outstanding. As of December 31, 2011, consolidated debt on the Consolidated Balance Sheet totalled $1.97 billion outstanding, compared to total capitalization (long- and short-term debt plus partners' capital) of $3.76 billion.

Some of the Company's debt obligations contain financial covenants concerning debt-to-capital ratios and interest coverage ratios. The Company's 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 outstanding debt obligations or render it unable to borrow under certain credit agreements. Any such acceleration or inability to borrow could cause a material adverse change in the Company's financial condition.

The Company relies on access to both short- and long-term credit as a significant source of liquidity for capital requirements not satisfied by the cash flow from its operations. A deterioration in the Company's financial condition could hamper its ability to access the capital markets.

Global financial markets and economic conditions have been, and may continue to be, disrupted and volatile. The current weak economic conditions have made, and may continue to make, obtaining funding more difficult.

Due to these factors, the Company cannot be certain that funding will be available if needed and, to the extent required, on acceptable terms. If funding is not available when needed, or is available only on unfavorable terms, the Company may be unable to grow its existing business, complete acquisitions, refinance its debt or otherwise take advantage of business opportunities or respond to competitive pressures, any of which could have a material adverse effect on the Company's revenues and results of operations.

Further, in order for the Company to receive equity contributions or loans from its parent, Southern Union Company, certain state regulatory approvals are required. This may limit the Company's overall access to sources of capital otherwise available. Restrictions on the Company's ability to access capital markets could affect its ability to execute its business plan or limit its ability to pursue improvements or acquisitions on which it may otherwise rely for future growth.

Credit ratings downgrades could increase the Company's financing costs and limit its ability to access the capital markets.

As of December 31, 2011, the Company's debt were rated Baa3 by Moody's Investor Services, Inc., BBB- by Standard & Poor's and BBB- by Fitch Ratings. Due to the merger activities involving the Company, Standard and Poor's has placed Panhandle on Credit Watch with developing implications and Fitch has placed Panhandle on Rating Watch Negative. The Company is not party to any lending agreement that would accelerate the maturity date of any obligation due to a failure to maintain any specific credit rating, nor would a reduction in any credit rating, by itself, cause an event of default under any of the Company's lending agreements. However, if its current credit ratings are downgraded below investment grade or if there are times when it is placed on "credit watch," the Company could be negatively impacted as follows:

- Borrowing costs associated with existing debt obligations could increase annually up to approximately $4.2 million in the event of a credit rating downgrade;
- The costs of refinancing debt that is maturing or any new debt issuances could increase due to being placed on credit watch or due to a credit rating downgrade; and
- FERC may be unwilling to allow the Company to pass along increased debt service costs to natural gas customers.

The Company's credit rating can be impacted by the credit rating and activities of its parent company, Southern Union Company. Thus, adverse impacts to Southern Union and its activities, which may include activities unrelated to the Company may have adverse impacts on the Company's credit rating and financing and operating costs.

The Company is controlled by Southern Union.

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

Federal, state and local jurisdictions may challenge the Company's tax return positions.

The positions taken by the Company and Southern Union in their tax return filings require significant judgment, use of estimates, and the interpretation and application of complex tax laws. Significant judgment is also required in assessing the timing and amounts of deductible and taxable items. Despite management's belief that the Company's tax return positions are fully supportable, certain positions may be challenged successfully by federal, state and local jurisdictions.

The Company is subject to operating risks.

The Company's operations are subject to all operating hazards and risks incident to handling, storing, transporting and providing customers with natural gas, including adverse weather conditions, explosions, pollution, release of toxic substances, fires and other hazards, each of which could result in damage to or destruction of its facilities or damage to persons and property. If any of these events were to occur, the Company could suffer substantial losses. Moreover, as a result, the Company has been, and likely will be, a defendant in legal proceedings and litigation arising in the ordinary course of business. While the Company maintains insurance against many of these risks to the extent and in amounts that it believes are reasonable, the Company's insurance coverages have significant deductibles and self-insurance levels, limits on maximum recovery, and do not cover all risks. There is also the risk that the coverages will change over time in light of increased premiums or changes in the terms of the insurance coverages that could result in the Company's decision to either terminate certain coverages, increase deductibles and self-insurance levels, or decrease maximum recoveries. In addition, there is a risk that the insurers may default on their coverage obligations. As a result, the Company's results of operations, cash flows or financial condition could be adversely affected if a significant event occurs that is not fully covered by insurance.

The inability to continue to access lands owned by third parties could adversely affect the Company's ability to operate and/or expand its pipeline business.

The ability of Panhandle to operate in certain geographic areas will depend on its success in maintaining existing rights-of-way and obtaining new rights-of-way. Securing additional rights-of-way is also critical to the Company's ability to pursue expansion projects. Even though Panhandle generally has the right of eminent domain, the Company cannot assure that it will be able to acquire all of the necessary new rights-of-way or maintain access to existing rights-of-way upon the expiration of the current rights-of-way or that all of the rights-of-way will be obtainable in a timely fashion. The Company's financial position could be adversely affected if the costs of new or extended rights-of-way materially increase or the Company is unable to obtain or extend the rights-of-way timely.

The Company is subject to extensive federal, state and local laws and regulations regulating the environmental aspects of its business that may increase its costs of operations, expose it to environmental liabilities and require it to make material unbudgeted expenditures.

The Company is subject to extensive federal, state and local laws and regulations regulating the environmental aspects of its business (including air emissions), which are complex, change from time to time and have tended to become increasingly strict. These laws and regulations have necessitated, and in the future may necessitate, increased capital expenditures and operating costs. In addition, certain environmental laws may result in liability without regard to fault concerning contamination at a broad range of properties, including those currently or formerly owned, leased or operated properties and properties where the Company disposed of, or arranged for the disposal of, waste.

The Company is currently monitoring or remediating contamination at several of its facilities and at waste disposal sites pursuant to environmental laws and regulations and indemnification agreements. The Company cannot predict with certainty the sites for which it may be responsible, the amount of resulting cleanup obligations that may be imposed on it 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 PRPs.

Costs and obligations also can arise from claims for toxic torts and natural resource damages or from releases of hazardous materials on other properties as a result of ongoing operations or disposal of waste. Compliance with amended, new or more stringently enforced existing environmental requirements, or the future discovery of contamination, may require material unbudgeted expenditures. These costs or expenditures could have a material adverse effect on the Company's business, financial condition, results of operations or cash flows, particularly if such costs or expenditures are not fully recoverable from insurance or through the rates charged to customers or if they exceed any amounts that have been reserved.

Terrorist attacks, such as the attacks that occurred on September 11, 2001, have resulted in increased costs, and the consequences of terrorism may adversely impact the Company's 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 the Company in particular, is not known at this time. Uncertainty surrounding military activity may affect the Company's operations in unpredictable ways, including disruptions of fuel supplies and markets and the possibility that infrastructure facilities, including pipelines, LNG facilities, gathering facilities and processing plants could be direct targets of, or indirect casualties of, an act of terror or a retaliatory strike. The Company may have to incur significant additional costs in the future to safeguard its physical assets.

The Company's business is highly regulated.

The Company's transportation and storage business is subject to regulation by federal, state and local regulatory authorities. FERC, the U.S. Department of Transportation and various state and local regulatory agencies regulate the interstate pipeline business. In particular, FERC has authority to regulate rates charged by the Company for the transportation and storage of natural gas in interstate commerce. FERC also has authority over the construction, acquisition, operation and disposition of these pipeline and storage assets. In addition, the U.S. Coast Guard has oversight over certain issues including the importation of LNG.

The Company's rates and operations are subject to extensive regulation by federal regulators as well as the actions of Congress and state legislatures and, in some respects, state regulators. The Company cannot predict or control what effect future actions of regulatory agencies may have on its business or its access to the capital markets. Furthermore, the nature and degree of regulation of natural gas companies has changed significantly during the past several decades and there is no assurance that further substantial changes will not occur or that existing policies and rules will not be applied in a new or different manner. Should new and more stringent regulatory requirements be imposed, the Company's business could be unfavorably impacted and the Company could be subject to additional costs that could adversely affect its financial condition or results of operations if these costs are not ultimately recovered through rates.

The Company's transportation and storage business is also influenced by fluctuations in costs, including operating costs such as insurance, postretirement and other benefit costs, wages, outside contractor services costs, asset retirement obligations for certain assets and other operating costs. The profitability of regulated operations depends on the business' ability to collect such increased costs as a part of the rates charged to its customers. To the extent that such operating costs increase in an amount greater than that for which revenue is received, or for which rate recovery is allowed, this differential could impact operating results. The lag between an increase in costs and the ability of the Company to file to obtain rate relief from FERC to recover those increased costs can have a direct negative impact on operating results. As with any request for an increase in rates in a regulatory filing, once granted, the rate increase may not be adequate. In addition, FERC may prevent the business from passing along certain costs in the form of higher rates.

FERC may also exercise its Section 5 authority to initiate proceedings to review rates that it believes may not be just and reasonable. FERC has recently exercised this authority with respect to several other pipeline companies, as it had in 2007 with respect to the Company's Southwest Gas Storage Company. If FERC were to initiate a Section 5 proceeding against the Company and find that the Company's rates at that time were not just and reasonable due to a lower rate base, reduced or disallowed operating costs, or other factors, the applicable maximum rates the Company is allowed to charge customers could be reduced and the reduction could potentially have a material adverse effect on the Company's business, financial condition, results of operations or cash flows. In 2010, in response to an intervention and protest filed by BG LNG Services (*BGLS*) regarding its rates with Trunkline LNG applicable to certain LNG expansions, FERC determined that there was no reason at that time to expend FERC's resources on a Section 5 proceeding with respect to Trunkline LNG even though cost and revenue studies provided by the Company to FERC indicated Trunkline LNG's revenues were in excess of its associated cost of service. However, since the current fixed rates expire at the end of 2015 and revert to tariff rate for these LNG expansions as well as the base LNG facilities for which rates were set in 2002, a Section 5 proceeding could be initiated at that time and result in significant revenue reductions if the cost of service remains lower than revenues. For additional related information, see *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Other Matters – Trunkline LNG Cost and Revenue Study*.

A rate reduction is also a possible outcome with any Section 4 rate case proceeding for the regulated entities of the Company, including any rate case proceeding required to be filed as a result of a prior rate case settlement. A regulated entity's rate base, upon which a rate of return is allowed in the derivation of maximum rates, is primarily determined by a combination of accumulated capital investments, accumulated regulatory basis depreciation, and accumulated deferred income taxes. Such rate base can decline due to capital investments being less than depreciation over a period of time, or due to accelerated tax depreciation in excess of regulatory basis depreciation.

The pipeline business of the Company is subject to competition.

The interstate pipeline business of the Company competes with those of 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 the flexibility and reliability of service. Natural gas competes with other forms of energy available to the Company's 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 alternate fuels and other factors, including weather and natural gas storage levels, affect the demand for natural gas in the areas served by the Company.

The success of the pipeline business depends, in part, on factors beyond the Company's control.

Third parties own most of the natural gas transported and stored through the pipeline systems operated by the Company. As a result, the volume of natural gas transported and stored depends on the actions of those third parties and is beyond the Company's control. Further, other factors beyond the Company's and those third parties' control may unfavorably impact the Company's ability to maintain or increase current transmission and storage rates, to renegotiate existing contracts as they expire or to remarket unsubscribed capacity. High utilization of contracted capacity by firm customers reduces capacity available for interruptible transportation and parking services.

The success of the Company depends on the continued development of additional natural gas reserves in the vicinity of its facilities and its ability to access additional reserves to offset the natural decline from existing sources connected to its system.

The amount of revenue generated by the Company ultimately depends upon its access to reserves of available natural gas. As the reserves available through the supply basins connected to the Company's system naturally decline, a decrease in development or production activity could cause a decrease in the volume of natural gas available for transmission. If production from these natural gas reserves is substantially reduced and not replaced with other sources of natural gas, such as new wells or interconnections with other pipelines, and certain of the Company's assets are consequently not utilized, the Company may have to accelerate the recognition and settlement of asset retirement obligations. Investments by third parties in the development of new natural gas reserves or other sources of natural gas in proximity to the Company's facilities depend on many factors beyond the Company's control. Revenue reductions or the acceleration of asset retirement obligations resulting from the decline of natural gas reserves and the lack of new sources of natural gas may have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Fluctuations in energy commodity prices could adversely affect the business of the Company.

If natural gas prices in the supply basins connected to the pipeline systems of the Company are higher than prices in other natural gas producing regions able to serve the Company's customers, the volume of natural gas transported by the Company may be negatively impacted. Natural gas prices can also affect customer demand for the various services provided by the Company.

The pipeline business of the Company is dependent on a small number of customers for a significant percentage of its sales.

The Company's top two customers accounted for 43 percent of its 2011 revenue. The loss of any one or more of these customers could have a material adverse effect on the Company's business, financial condition, results of operations or cash flows.

The financial soundness of the Company's customers could affect its business and operating results and the Company's credit risk management may not be adequate to protect against customer risk.

As a result of the recent disruptions in the financial markets and other macroeconomic challenges that have impacted the economy of the United States and other parts of the world, the Company's customers may experience cash flow concerns. As a result, if customers' operating and financial performance deteriorates, or if they are unable to make scheduled payments or obtain credit, customers may not be able to pay, or may delay payment of, accounts receivable owed to the Company. The Company's credit procedures and policies may not be adequate to fully eliminate customer credit risk. In addition, in certain situations, the Company may assume certain additional credit risks for competitive reasons or otherwise. Any inability of the Company's customers to pay for services could adversely affect the Company's financial condition, results of operations and cash flows.

The pipeline revenues of the Company are generated under contracts that must be renegotiated periodically.

The pipeline revenues of the Company are generated under natural gas transportation contracts that expire periodically and must be replaced. Although the Company will actively pursue the renegotiation, extension and/or replacement of all of its contracts, it cannot assure that it 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. If the Company is unable to renew, extend or replace these contracts, or if the Company renews them on less favorable terms, it may suffer a material reduction in revenues and earnings.

Substantial risks are involved in operating a natural gas pipeline system.

Numerous operational risks are associated with the operation of a complex pipeline system. These include adverse weather conditions, accidents, the breakdown or failure of equipment or processes, the performance of pipeline facilities below expected levels of capacity and efficiency, the collision of equipment with pipeline facilities (such as may occur if a third party were to perform excavation or construction work near the facilities) and other catastrophic events beyond the Company's control. In particular, the Company's pipeline system, especially those portions that are located offshore, may be subject to adverse weather conditions, including hurricanes, earthquakes, tornadoes, extreme temperatures and other natural phenomena, making it more difficult for the Company to realize the historic rates of return associated with these assets and operations. A casualty occurrence might result in injury or loss of life, extensive property damage or environmental damage. Insurance proceeds may not be adequate to cover all liabilities or expenses incurred or revenues lost.

The expansion of the Company's pipeline systems by constructing new facilities subjects the Company to construction and other risks that may adversely affect the financial results of the pipeline businesses.

The Company may expand the capacity of its existing pipeline, storage and LNG facilities by constructing additional facilities. Construction of these facilities is subject to various regulatory, development and operational risks, including:

- the Company's ability to obtain necessary approvals and permits from FERC and other regulatory agencies on a timely basis and on terms that are acceptable to it;
- the ability to access sufficient capital at reasonable rates to fund expansion projects, especially in periods of prolonged economic decline when the Company may be unable to access capital markets;
- the availability of skilled labor, equipment, and materials to complete expansion projects;
- adverse weather conditions;
- potential changes in federal, state and local statutes, regulations, and orders, including environmental requirements that delay or prevent a project from proceeding or increase the anticipated cost of the project;
- impediments on the Company's ability to acquire rights-of-way or land rights or to commence and complete construction on a timely basis or on terms that are acceptable to it;
- the Company's ability to construct projects within anticipated costs, including the risk that the Company may incur cost overruns, resulting from inflation or increased costs of equipment, materials, labor, contractor productivity, delays in construction or other factors beyond its control, that the Company may not be able to recover from its customers;
- the lack of future growth in natural gas supply and/or demand; and
- the lack of transportation, storage and throughput commitments.

Any of these risks could prevent a project from proceeding, delay its completion or increase its anticipated costs. There is also the risk that a downturn in the economy and its potential negative impact on natural gas demand may result in either slower development in the Company's expansion projects or adjustments in the contractual commitments supporting such projects. As a result, new facilities could be delayed or may not achieve the Company's expected investment return, which may adversely affect the Company's business, financial condition, results of operations and cash flows.

The Company's business could be affected adversely by union disputes and strikes or work stoppages by its unionized employees.

As of December 31, 2011, approximately 219 of the Company's 1,189 employees were represented by collective bargaining units under collective bargaining agreements. In the coming months, the Company anticipates participating in discussions with United Steel Workers Local 348 with respect to the renewal of a collective bargaining agreement that expires on May 27, 2012. The Company cannot predict the results of any such collective bargaining negotiations or whether any such negotiations will result in a work stoppage. Any future work stoppage could, depending on the affected operations and the length of the work stoppage, have a material adverse effect on the Company's business, financial position, results of operations or cash flows.

The Company is subject to risks associated with climate change.

It has been advanced that emissions of "greenhouse gases" (*GHGs*) are linked to climate change. Climate change and the costs that may be associated with its impact and the regulation of GHGs have the potential to affect the Company's business in many ways, including negatively impacting (i) the costs it incurs in providing its products and services, including costs to operate and maintain its facilities, install new emission controls on its facilities, acquire allowances to authorize its GHG emissions, pay any taxes related to GHG emissions, administer and manage a GHG emissions program, pay higher insurance premiums or accept greater risk of loss in areas affected by adverse weather and coastal regions in the event of rising sea levels, (ii) the demand for and consumption of its products and services (due to change in both costs and weather patterns), and (iii) the economic health of the regions in which it operates, all of which could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

A 2009 EPA determination that emissions of carbon dioxide and other "greenhouse gases" present an endangerment to public health could result in regulatory initiatives that increase the Company's costs of doing business and the costs of its services.

On April 17, 2009, the EPA issued a notice of its proposed finding and determination that emissions of carbon dioxide, methane, and other GHGs presented an endangerment to human health and the environment because emissions of such gases contribute to warming of the earth's atmosphere and other climatic changes. Once finalized, EPA's finding and determination would allow the agency to begin regulating GHG emissions under existing provisions of the Clean Air Act. In late September 2009, EPA announced two sets of proposed regulations in anticipation of finalizing its findings and determination, one rule to reduce emissions of GHGs from motor vehicles and the other to control emissions of GHGs from stationary sources. The motor vehicle rule was adopted in March 2010, and the stationary source permitting rule was promulgated in May 2010. It may take the EPA several years to impose regulations limiting emissions of GHGs from existing stationary sources due to legal challenges on the stationary rule. In addition, on September 22, 2009, the EPA issued a final rule requiring the reporting of GHG emissions from specified large GHG emission sources in the United States, including the Company's processing plants and many compressor stations, beginning in 2011 for emissions occurring in 2010. Any limitation imposed by the EPA on GHG emissions from the Company's natural gas–fired compressor stations and processing facilities or from the combustion of natural gas or natural gas liquids that it produces could increase its costs of doing business and/or increase the cost and reduce demand for its services.

The adoption of climate change legislation or regulations restricting emissions of "greenhouse gases" could result in increased operating costs and reduced demand for the products and services the Company provides.

The Kyoto Protocol was adopted in 1997 by the United Nations to address global climate change by reducing emissions of carbon dioxide and other greenhouse gases. The treaty went into effect on February 16, 2005. The United States has not adopted the Kyoto Protocol. However on June 26, 2009, the United States House of Representatives approved adoption of the "American Clean Energy and Security Act of 2009," also known as the "Waxman-Markey cap-and-trade legislation" (*ACESA*), which would establish an economy-wide cap-and-trade program in the United States to reduce emissions of GHGs, including carbon dioxide and methane that may be contributing to warming of the Earth's atmosphere and other climatic changes. ACESA would require an overall reduction in GHG emissions of 17 percent (from 2005 levels) by 2020, and by over 80 percent by 2050. Under ACESA, covered sources of GHG emissions would be required to obtain GHG emission "allowances" corresponding to their annual emissions of GHGs. The number of emission allowances issued each year would decline as necessary to meet ACESA's overall emission reduction goals. As the number of GHG emission allowances declines each year, the cost or value of allowances is expected to escalate significantly. The net effect of ACESA would be to impose increasing costs on the combustion of carbon-based fuels such as oil, refined petroleum products, natural gas and NGLs.

The United States Senate attempted to pass its own legislation for controlling and reducing emissions of GHGs in the United States. The Senate failed to adopt GHG legislation in the last Congress. It is not possible to predict if the current or a future Congress will propose or pass climate change legislation as robust as the 2009 ACESA. President Obama has indicated that he continues to support the adoption of legislation to control and reduce emissions of GHGs through an emission allowance permitting system that results in fewer allowances being issued each year but that allows parties to buy, sell and trade allowances as needed to fulfill their GHG emission obligations. Any laws or regulations that may be adopted to restrict or reduce emissions of GHGs would likely require the Company to incur increased costs. Further, current or future rate structures or shipper or producer contracts and prevailing market conditions might not allow the Company to recover the additional costs incurred to comply with such laws and/or regulations and may affect the Company's ability to provide services. While the Company may be able to include some or all of such increased costs in its rate structures or shipper or producer contracts, such recovery of costs is uncertain and may depend on events beyond the Company's control. Such matters could have a material adverse effect on demand for the Company's transportation and storage services.

Even if such legislation is not adopted at the national level, more than one-third of the states have begun taking actions to control and/or reduce emissions of GHGs, with most of the state-level initiatives focused on large sources of GHG emissions, such as coal-fired electric plants. It is possible that smaller sources of emissions could become subject to GHG emission limitations or allowance purchase requirements in the future. Any one of these climate change regulatory and legislative initiatives could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

The Company is subject to risks resulting from the moratorium in 2010 on and the resulting increased costs of offshore deepwater drilling.

The United States Department of Interior (*DOI*) implemented a six-month moratorium on offshore drilling in water deeper than 500 feet in response to the blowout and explosion on April 20, 2010 at the British Petroleum Plc deepwater well in the Gulf of Mexico. The offshore drilling moratorium was implemented to permit the DOI to review the safety protocols and procedures used by offshore drilling companies, which review will enable the DOI to recommend enhanced safety and training needs for offshore drilling companies. The moratorium was lifted in October 2010. Additionally, the United States Bureau of Ocean Energy Management, Regulation and Enforcement (formerly the United States Mineral Management Service) has been fundamentally restructured by the DOI with the intent of providing enhanced oversight of onshore and offshore drilling operations for regulatory compliance enforcement, energy development and revenue collection. Certain enhanced regulatory mandates have been enacted with additional regulatory mandates expected. The new regulatory requirements will increase the cost of offshore drilling and production operations. The increased regulations and cost of drilling operations could result in decreased drilling activity in the areas serviced by the Company. Furthermore, the imposed moratorium did result in some offshore drilling companies relocating their offshore drilling operations for currently indeterminable periods of time to regions outside of the United States. Business decisions to not drill in the areas serviced by the Company resulting from the increased regulations and costs could result in a reduction in the future development and production of natural gas reserves in the vicinity of the Company's facilities, which could adversely affect the Company's business, financial condition, results of operations and cash flows.

The Company's businesses require the retention and recruitment of a skilled workforce and the loss of employees could result in the failure to implement its business plans.

The Company's businesses require the retention and recruitment of a skilled workforce including engineers and other technical personnel. If the Company is unable to retain its current employees (many of whom are retirement eligible) or recruit new employees of comparable knowledge and experience, the Company's business could be negatively impacted.

The costs of providing other postretirement health care benefits and related funding requirements are subject to changes in other postretirement fund values, changing demographics and fluctuating actuarial assumptions and may have a material adverse effect on the Company's financial results. In addition, the passage of the Health Care Reform Act in 2010 could significantly increase the cost of providing health care benefits for Company employees.

The Company provides other postretirement healthcare benefits to certain of its employees. The costs of providing other postretirement health care benefits and related funding requirements are subject to changes in other postretirement fund values, changing demographics and fluctuating actuarial assumptions that may have a material adverse effect on the Company's future financial results. In addition, the passage of the Health Care Reform Act of 2010 could significantly increase the cost of health care benefits for its employees. While certain of the costs incurred in providing such other postretirement healthcare benefits are recovered through the rates charged by the Company's regulated businesses, the Company may not recover all of its costs and those rates are generally not immediately responsive to current market conditions or funding requirements. Additionally, if the current cost recovery mechanisms are changed or eliminated, the impact of these benefits on operating results could significantly increase.

The Company is subject to risks related to cybersecurity.

The Company is subject to cybersecurity risks and may incur increasing costs in connection with its efforts to enhance and ensure security and in response to actual or attempted cybersecurity attacks.

Substantial aspects of the Company's business depend on the secure operation of its computer systems and websites. Security breaches could expose the Company to a risk of loss, misuse or interruption of sensitive and critical information and functions, including its own proprietary information and that of its customers, suppliers and employees and functions that affect the operation of the business. Such losses could result in operational impacts, reputational harm, competitive disadvantage, litigation, regulatory enforcement actions, and liability. While the Company devotes substantial resources to maintaining adequate levels of cybersecurity, there can be no assurance that it will be able to prevent all of the rapidly evolving types of cyber attacks. Actual or anticipated attacks and risks may cause the Company to incur increasing costs for technology, personnel and services to enhance security or to respond to occurrences.

If the Company's security measures are circumvented, proprietary information may be misappropriated, its operations may be disrupted, and its computers or those of its customers or other third parties may be damaged. Compromises of the Company's security may result in an interruption of operations, violation of applicable privacy and other laws, significant legal and financial exposure, damage to its reputation, and a loss of confidence in its security measures.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act. Forward-looking statements are based on management's beliefs and assumptions. These forward-looking statements, which address the Company's expected business and financial performance, among other matters, are identified by terms and phrases such as: anticipate, believe, intend, estimate, expect, continue, should, could, may, plan, project, predict, will, potential, forecast and similar expressions. Forward-looking statements involve risks and uncertainties that may or could cause actual results to be materially different from the results predicted. Factors that could cause actual results to differ materially from those indicated in any forward-looking statement include, but are not limited to:

- changes in demand for natural gas and related services by customers, in the composition of the Company's customer base and in the sources of natural gas accessible to the Company's system;
- the effects of inflation and the timing and extent of changes in the prices and overall demand for and availability of natural gas as well as electricity, oil, coal and other bulk materials and chemicals;
- adverse weather conditions, such as warmer or colder than normal weather in the Company's service territories, as applicable, and the operational impact of natural disasters;
- changes in laws or regulations, third-party relations and approvals, and decisions of courts, regulators and/or governmental bodies affecting or involving the Company, including deregulation initiatives and the impact of rate and tariff proceedings before FERC and various state regulatory commissions;
- the speed and degree to which additional competition, including competition from alternative forms of energy, is introduced to the Company's business and the resulting effect on revenues;
- the impact and outcome of pending and future litigation and/or regulatory investigations, proceedings or inquiries;
- the ability to comply with or to successfully challenge existing and/or or new environmental, safety and other laws and regulations;
- unanticipated environmental liabilities;
- the uncertainty of estimates, including accruals and costs of environmental remediation;
- the impact of potential impairment charges;
- the ability to acquire new businesses and assets and to integrate those operations into its existing operations, as well as its ability to expand its existing businesses and facilities;
- the timely receipt of required approvals by applicable governmental entities for the construction and operation of the pipelines and other projects;
- the ability to complete expansion projects on time and on budget;
- the ability to control costs successfully and achieve operating efficiencies, including the purchase and implementation of new technologies for achieving such efficiencies;
- the impact of factors affecting operations such as maintenance or repairs, environmental incidents, natural gas pipeline system constraints and relations with labor unions representing bargaining-unit employees;
- the performance of contractual obligations by customers, service providers and contractors;
- exposure to customer concentrations 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;
- changes in the ratings of the Company's debt securities;
- the risk of a prolonged slow-down in growth or decline in the United States economy or the risk of delay in growth or decline in the United States economy, including liquidity risks in United States credit markets;
- the impact of unsold pipeline capacity being greater than expected;
- changes in interest rates and other general market and economic conditions, and in the Company's ability to obtain additional financing on acceptable terms, whether in the capital markets or otherwise;
- declines in the market prices of equity and debt securities and resulting funding requirements for other postretirement benefit plans;
- acts of nature, sabotage, terrorism or other similar acts that cause damage to the facilities or those of the Company's suppliers' or customers' facilities;
- market risks beyond the Company's control affecting its risk management activities including market liquidity, commodity price volatility and counterparty creditworthiness;
- the availability/cost of insurance coverage and the ability to collect under existing insurance policies;
- the risk that material weaknesses or significant deficiencies in internal controls over financial reporting could emerge or that minor problems could become significant;
- changes in accounting rules, regulations and pronouncements that impact the measurement of the results of operations, the timing of when such measurements are to be made and recorded and the disclosures surrounding these activities;
- the effects of changes in governmental policies and regulatory actions, including changes with respect to income and other taxes, environmental compliance, climate change initiatives, authorized rates of recovery of costs (including pipeline relocation costs), and permitting for new natural gas production accessible to the Company's systems;
- market risks affecting the Company's pricing of its services provided and renewal of significant customer contracts;
- actions taken to protect species under the Endangered Species Act and the effect of those actions on the Company's operations;
- the impact of union disputes, employee strikes or work stoppages and other labor-related disruptions;
- the likelihood and timing of the completion of Southern Union's proposed merger with ETE, the terms and conditions of any required regulatory approvals of the proposed merger, the impact of the proposed merger on the Company's employees and potential diversion of the management's time and attention from ongoing business during this time period; and
- other risks and unforeseen events, including other financial, operational and legal risks and uncertainties detailed from time to time in filings with the SEC.

These factors are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in any of the Company's forward-looking statements. Other factors could also have material adverse effects on the Company's future results. In light of these risks, uncertainties and assumptions, the events described in forward-looking statements might not occur or might occur to a different extent or at a different time than the Company has described. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by law.

ITEM 1B. Unresolved Staff Comments.

N/A

ITEM 2. Properties.

See *Item 1. Business* for information concerning the general location and characteristics of the important physical properties and assets of the Company.

ITEM 3. Legal Proceedings.

The Company and certain of its affiliates are occasionally parties to lawsuits and administrative proceedings incidental to their businesses involving, for example, claims for personal injury and property damage, contractual matters, various tax matters, and rates and licensing. The Company and its affiliates are also subject to various federal, state and local laws and regulations relating to the environment, as described in *Item 1. Business – Regulation*. Several of these companies have been named parties to various actions involving environmental issues. Based on the Company's current knowledge and subject to future legal and factual developments, the Company's management believes that it is unlikely that these actions, individually or in the aggregate, will have a material adverse effect on its consolidated financial position, results of operations or cash flows. For additional information regarding various pending administrative and judicial proceedings involving regulatory, environmental and other legal matters, reference is made to *Item 8. Financial Statements and Supplementary Data, Note 4 – Regulatory Matters* and *Note 15 – Commitments and Contingencies.* Also see *Item 1A. Risk Factors – Cautionary Note Regarding Forward-Looking Statements*.

ITEM 4. Mine Safety Disclosures.

N/A

PART II

ITEM 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

All of the partnership interests in the Company are privately held by Southern Union Panhandle, LLC, a wholly-owned subsidiary of Southern Union Company. See *Item 8. Financial Statements and Supplementary Data, Note 1 - Corporate Structure*.

ITEM 6. Selected Financial Data.

Item 6, Selected Financial Data, has been omitted from this report pursuant to the reduced disclosure format permitted by General Instruction I to Form 10-K.

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operation.

This Management's Discussion and Analysis of Financial Condition and Results of Operations is provided as a supplement to the accompanying consolidated financial statements and notes to help provide an understanding of the Company's financial condition, changes in financial condition and results of operations. The following section includes an overview of the Company's business as well as recent developments that management of the Company believes are important in understanding its results of operations, and anticipating future trends in those operations. Subsequent sections include an analysis of the Company's results of operations on a consolidated basis and information relating to the Company's liquidity and capital resources, quantitative and qualitative disclosures about market risk and other matters. The information required by this Item is presented in a reduced disclosure format pursuant to General Instruction I to Form 10-K. The Notes to Consolidated Financial Statements contain information that is pertinent to the analysis of the Company's financial condition and its results of operations, including a discussion of the Company's significant accounting policies.

Overview

The Company's business purpose is to provide interstate transportation and storage of natural gas in a safe, efficient and dependable manner. The Company operates approximately 10,000 miles of interstate pipelines that transport up to 5.5 Bcf/d of natural gas. Demand for natural gas transmission services on the Company's pipeline system is seasonal, with the highest throughput and a higher portion of annual total operating revenues occurring in the traditional winter heating season, which occurs during the first and fourth calendar quarters. For additional information related to the Company's line of business, locations of operations and services provided, see *Item 1. Business*.

The Company's business is conducted through both short- and long-term contracts with customers. Shorter-term contracts, both firm and interruptible, tend to have a greater impact on the volatility of revenues. Short-term and long-term contracts are affected by changes in market conditions and competition with other pipelines, changing supply sources and volatility in natural gas prices and basis differentials. Since the majority of the Company's revenues are related to firm capacity reservation charges, which customers pay whether they utilize their contracted capacity or not, volumes transported do not have as significant an impact on revenues over the short-term. However, longer-term demand for capacity may be affected by changes in the customers' actual and anticipated utilization of their contracted capacity and other factors. For additional information concerning the Company's related risk factors and the weighted average remaining lives of firm transportation and storage contracts, see *Item 1A. Risk Factors* and *Item 1. Business*, respectively.

The Company's regulated transportation and storage businesses can file (or be required to file) for changes in their rates, which are subject to approval by FERC. Although a significant portion of the Company's contracts are discounted or negotiated rate contracts, changes in rates and other tariff provisions resulting from regulatory proceedings have the potential to impact negatively the Company's results of operations and financial condition. For information related to the status of current rate filings, see *Item 1. Business – Regulation*.

Results of Operations

The following table illustrates the results of operations of the Company for the periods presented.

	Years Ended December 31,		
	2011	**2010**	**2009**
	(In thousands)		
Operating revenues			
Transportation and storage of natural gas	$ 573,755	$ 561,354	$ 607,366
LNG terminalling	219,789	199,182	134,026
Other	10,106	8,914	7,769
Total operating revenues	803,650	769,450	749,161
Operating expenses			
Operating, maintenance and general	278,362	271,257	284,608
Depreciation and amortization	128,011	123,009	113,648
Taxes, other than on income	34,852	36,063	34,537
Total operating expenses	441,225	430,329	432,793
Operating income	362,425	339,121	316,368
Other income (expenses)			
Interest expense	(107,927)	(103,458)	(84,496)
Other, net	8,996	8,793	10,443
Total other expenses, net	(98,931)	(94,665)	(74,053)
Earnings before income taxes	263,494	244,456	242,315
Income taxes	94,839	96,801	92,100
Net earnings	$ 168,655	$ 147,655	$ 150,215

Year ended December 31, 2011 versus the year ended December 31, 2010

Operating Revenue. For the year ended December 31, 2011, operating revenue increased $34.2 million versus the same time period in 2010 primarily as the result of:

- Higher LNG revenues of $20.6 million in 2011 versus 2010 primarily due to the LNG terminal infrastructure enhancement project placed in service in March 2010; and
- Increased transportation and storage revenues of $12.4 million primarily attributable to:
  - Customer contract buyout revenues received by PEPL primarily in the fourth quarter of 2011 of approximately $13.9 million on four contracts with average remaining terms of approximately four years;
  - Higher transportation reservation revenues of $7.2 million primarily due to higher short-term capacity sold based on operational availability and increased Trunkline supply area capacity sold; and
  - Lower parking revenues of $7.3 million due to less favorable market conditions.

The capacity associated with the contract buyouts, which had been requested by two customers, is available for sale to PEPL's other customers at market rates. Such resold capacity may be lower than the approximately $4.1 million annual amount that would have been received from the four prior contracts. PEPL and Trunkline have also extended and restructured certain other contracts with a customer resulting in an additional term of 5 years at fixed rates, offset by lower current rates, which will result in an estimated $5.6 million reduction in 2012 reservation revenues versus 2011 levels.

Operating Expenses. Operating expenses for the year ended December 31, 2011 increased $10.9 million versus the same period in 2010 primarily as the result of:

- Higher operating, maintenance and general expenses of $7.1 million in 2011 versus 2010 primarily attributable to:
  - Impact of a net reduction in 2010 in the repair and abandonment expenses for Hurricane Ike of $12.2 million primarily due to insurance recoveries, project scope reductions, favorable weather conditions experienced, and realized project efficiencies;
  - A $3 million increase in fuel tracker costs primarily due to a net under-recovery in 2011 versus an over-recovery in 2010;
  - A $1.8 million increase in benefit expenses primarily due to higher medical costs;
  - Higher compensation expense of $1.7 million largely due to mark-to-market adjustments for liability stock-based compensation awards (settled in cash) resulting from an increase in the Southern Union stock price impacted by the potential merger with ETE; and
  - A $13.3 million reduction in legal expenses primarily resulting from the settlement, in the second quarter of 2011, of certain litigation with several contractors related to the Company's East End project, which settlement includes a prior year expense recovery of $9.4 million; and
- Increased depreciation and amortization expense of $5 million in 2011 versus 2010 primarily due to the LNG terminal infrastructure enhancement project placed in service in March 2010 and a $93.3 million increase in property, plant and equipment placed in service after December 31, 2010. Depreciation and amortization expense is expected to continue to increase primarily due to ongoing capital additions.

Other Expense, Net. Other expense, net for the year ended December 31, 2011 increased $4.3 million versus the same period in 2010 primarily as a result of higher interest expense of $4.5 million principally attributable to lower capitalized interest resulting from the LNG terminal infrastructure enhancement construction project placed in service in March 2010, partially offset by lower interest expense resulting from the repayment of the $40.5 million 8.25% Senior Notes in April 2010.

Income Taxes. The Company's EITR was 36 percent and 40 percent for the year ended December 31, 2011 and 2010, respectively. Income taxes during the 2011 period, versus the same period in 2010, decreased $2 million primarily due to the impact of $5.3 million of state investment tax credits recorded in 2011 and $2.9 million of higher income tax expense in 2010 resulting from the elimination of the Medicare Part D tax subsidy in the Patient Protection and Affordable Care Act legislation signed into law in March 2010, partially offset by the impact of higher pre-tax earnings.

Liquidity and Capital Resources

Cash generated from operations constitutes the Company's primary source of liquidity. Additional sources of liquidity include use of affiliate note receivables, project and bank financings, issuance of long-term debt and proceeds from asset dispositions. The $37.1 million working capital deficit at December 31, 2011 is expected to be funded from refinancing of existing indebtedness, cash flows from operations or from repayments from Southern Union of intercompany loans. Based on the Company's current level of operations, management believes that cash flow from operations, available existing cash, and other sources, including liquid working capital and new borrowings, will be adequate to meet liquidity needs for the next several years, although no assurances can be given as to the sufficiency of cash flows or the ability to refinance existing obligations.

Operating Activities. Cash flows provided by operating activities were $344.2 million for the year ended December 31, 2011 compared with cash flows provided by operating activities of $300.8 million for the same period in 2010, resulting in an increase in cash of $43.4 million in 2011 compared to 2010. Changes in operating assets and liabilities used cash of $28.2 million in 2011 and $21.7 million in 2010, resulting in a decrease of cash from changes in operating assets and liabilities of $6.5 million in 2011 compared to 2010.

Accelerated First-Year Tax Depreciation. As a result of recent federal income tax legislation, bonus depreciation is allowed for the cost of qualified property placed in service after 2007 and before 2014. The majority of such qualifying property has historically been depreciated over a seven- to fifteen-year period. The Company has realized an estimated $28.8 million tax benefit for the years 2009 through 2011 associated with additional first-year bonus tax depreciation in excess of historical tax depreciation. The Company received this tax benefit through its tax sharing agreement with Southern Union Company. The amount of tax benefit applicable to years 2012 through 2014 will be subject to the level of qualified property placed in service during those years. For additional information related to the tax sharing agreement, see *Item 8. Financial Statements and Supplementary Data, Note 2 – Summary of Significant Accounting Policies and Other Matters – Income Taxes*.

Investing Activities. The Company's current business strategy includes making prudent capital expenditures across its base of interstate transmission assets. Changes in cash flow resulting from investing activities associated with these objectives are significantly impacted by the ongoing expansion of the Company's existing asset base through additions to property, plant and equipment. Historically, the Company has utilized its operating cash flow to satisfy its general capital requirements and has accessed the capital markets only for extraordinary capital expenditures.

Cash flows used in investing activities for the year ended December 31, 2011 increased by $67.7 million versus the same period in 2010. Such increase in cash outlays from investing activities is primarily due to the impact of $233.1 million of net intercompany loans to Southern Union in 2011 versus $127.8 million of net loans in 2010, partially offset by lower net capital expenditures of $50.1 million in the 2011 period versus the 2010 period, largely attributable to placing the Trunkline LNG infrastructure enhancement construction project in service in March 2010. See *Item 8. Financial Statements and Supplementary Data*, *Note 5 – Related Party Transactions* for information related to the intercompany loans with Southern Union and *Note 15 – Commitments and Contingencies – Other Commitments and Contingencies – 2008 Hurricane Damage* for information related to insurance recoveries, which partially offset the capital and property retirement expenditures.

2008 Hurricane Damage. In September 2008, Hurricanes Gustav and Ike came ashore on the Louisiana and Texas coasts. Offshore transportation facilities, including Sea Robin and Trunkline, suffered damage to several platforms and gathering pipelines.

The capital replacement and retirement expenditures relating to Hurricane Ike, which were substantially completed in 2011, totalled approximately $141 million. Approximately $141 million, $134 million and $110 million of the capital replacement and retirement expenditures were incurred as of December 31, 2011, 2010 and 2009, respectively. The Company anticipates reimbursement from OIL for a significant portion of the damages in excess of its $10 million deductible; however, the recoverable amount is subject to pro rata reduction to the extent that the level of total accepted claims from all insureds exceeds the carrier's $750 million aggregate exposure limit. OIL announced that it has reached the $750 million aggregate exposure limit and currently calculates its estimated payout amount at 70 percent or less based on estimated claim information it has received. OIL is currently making interim payouts at the rate of 50 percent of accepted claims. As of December 31, 2011, OIL has paid a total of $64.7 million for claims submitted to date by the Company with respect to Hurricane Ike. The final amount of any applicable pro rata reduction cannot be determined until OIL has received and assessed all claims.

Financing Activities. Financing activities used cash of $16.2 million and used cash of $40.5 million for the years ended December 31, 2011 and 2010, respectively. The $24.3 million change is primarily due to net debt repayments of $18 million in 2011 versus $40.5 million in 2010.

As of December 31, 2011, the Company's debt was rated Baa3 by Moody's Investor Services, Inc., BBB- by Standard & Poor's and BBB- by Fitch Ratings. Due to the merger activities involving the Company, Standard and Poor's has placed Panhandle on Credit Watch with developing implications and Fitch has placed Panhandle on Rating Watch Negative. The Company is not party to any lending agreement that would accelerate the maturity date of any obligation due to a failure to maintain any specific credit rating, nor would a reduction in any credit rating, by itself, cause an event of default under any of the Company's lending agreements. However, if its current credit ratings are downgraded below investment grade or if there are times when it is placed on "credit watch," the Company could be negatively impacted as follows:

- Borrowing costs associated with debt obligations could increase annually up to approximately $4.2 million in the event of a credit rating downgrade;
- The costs of refinancing debt that is maturing or any new debt issuances could increase due to being placed on credit watch or due to a credit rating downgrade; and
- FERC may be unwilling to allow the Company to pass along increased debt service costs to natural gas customers.

The Company's notes are subject to certain requirements, such as the maintenance of a fixed charge coverage ratio and a leverage ratio, which if not maintained, restrict the ability of the Company to make certain payments and impose limitations on the ability of the Company to subject its property to liens. At December 31, 2011, the Company, based on the currently most restrictive debt covenant requirements, was subject to a $1.15 billion limitation on additional restricted payments including dividends and loans to affiliates, and a limitation of $436 million of additional secured or subsidiary level indebtedness or other defined liens based on a limitation on liens covenant. The Company is also subject to a limitation of $1.36 billion of total additional indebtedness. If the Company's debt ratings by Moody's Investor Services, Inc. were to fall below Baa3 or if its debt ratings by Standard & Poor's were to fall below BBB-, then the allowable restricted payments would be reduced to $430 million. At December 31, 2011, the Company was in compliance with all covenants.

Retirement of Debt Obligations

Retirement of Debt Obligations. The Company refinanced LNG Holdings' $455 million term loan due March 13, 2012 on February 23, 2012 with an unsecured three-year term loan facility due February 23, 2015, with LNG Holdings as borrower and PEPL and Trunkline LNG as guarantors and a floating interest rate tied to LIBOR plus a margin based on the rating of PEPL's senior unsecured debt. The Company expects to retire the $465 million term loan due June 2012 ($342.4 million of which is outstanding at December 31, 2011) utilizing a portion of the $445 million in merger consideration to be received by Southern Union in connection with the Citrus Merger. Should the Citrus Merger not occur by the June 2012 maturity date, the Company would expect to refinance and/or extend the $465 million term loan, or alternatively the Company might choose to retire such debt upon maturity by utilizing some combination of cash flows from operations, repayments from Southern Union of accumulated intercompany balances related to amounts previously advanced by the Company and altering the timing of controllable expenditures, among other things. The Company reasonably believes, based on its investment grade credit ratings and general financial condition, successful historical access to capital and debt markets and market expectations regarding the Company's future earnings and cash flows, that it will be able to refinance and/or retire these obligations, as applicable, under acceptable terms prior to their maturity. There can be no assurance, however, that the Company will be able to achieve acceptable refinancing terms in any negotiation of new capital market debt or bank financings. Moreover, there can be no assurance the Company will be successful in its implementation of these refinancing and/or retirement plans and the Company's inability to do so could cause a material adverse effect on the Company's financial condition and liquidity.

For additional information related to the Company's debt, see *Item 8. Financial Statements and Supplementary Data, Note 8 – Debt Obligations*.

Other Matters

Regulation. See *Item 8. Financial Statements and Supplementary Data, Note 4 – Regulatory Matters* for information related to the Company's rate matters.

Environmental Matters. The Company is subject to federal, state and local laws and regulations relating to the protection of the environment. These evolving laws and regulations may require expenditures over a long period of time to control environmental impacts. The Company has established procedures for the ongoing evaluation of its operations to identify potential environmental exposures. These procedures are designed to achieve compliance with such laws and regulations. For additional information concerning the impact of environmental regulation on the Company, see *Item 8. Financial Statements and Supplementary Data, Note 15 – Commitments and Contingencies.*

Contractual Obligations. The following table summarizes the Company's expected contractual obligations by payment due date as of December 31, 2011.

	Contractual Obligations						
	Total	**2012**	**2013**	**2014**	**2015**	**2016**	**2017 and thereafter**
	(In thousands)						
Operating leases (1)	$ 94,177	$ 11,341	$ 13,627	$ 12,887	$ 12,238	$ 12,091	$ 31,993
Total long term debt (2)	1,963,691	342,386	250,000	-	455,000	-	916,305
Interest payments on debt (3)	501,368	81,121	78,554	63,429	63,429	63,429	151,406
Firm capacity payments (4)	177,719	31,641	29,698	28,925	25,338	21,722	40,395
OPEB funding (5)	38,215	7,643	7,643	7,643	7,643	7,643	-
Total	$ 2,775,170	$ 474,132	$ 379,522	$ 112,884	$ 563,648	$ 104,885	$ 1,140,099

(1) Lease of various assets utilized for operations.
(2) The long-term debt cash obligations exclude $2.9 million of unamortized debt premium as of December 31, 2011.
(3) Interest payments on debt are based upon the applicable stated or variable interest rates as of December 31, 2011.
(4) Charges for third party storage capacity.
(5) Panhandle is committed to the funding levels of $7.6 million per year until modified by future rate proceedings, the timing of which is uncertain.

Inflation. The Company believes that inflation has caused, and may continue to cause, increases in certain operating expenses, and will continue to require higher capital replacement and construction costs. The Company continually reviews the adequacy of its rates in relation to such increasing cost of providing services, the inherent regulatory lag in adjusting its tariff rates and the rates it is actually able to charge in its markets.

Trunkline LNG Cost and Revenue Study. On July 1, 2009, Trunkline LNG filed a Cost and Revenue Study with respect to the Trunkline LNG facility expansions completed in 2006, in compliance with FERC orders. Such filing, which was as of March 31, 2009, reflected an annualized cost of service level for these expansions of $54.7 million, less than the associated actual revenues during the same period of $68.5 million. These expansion revenues are currently at negotiated rates totaling $72.6 million annually through 2015. BGLS filed a motion to intervene and protest on July 14, 2009. By order dated July 26, 2010, FERC determined that since (i) Trunkline LNG has fixed negotiated rates with BGLS through 2015, which would be unaffected by any rate change that might be determined through hearing at this time, and (ii) current costs and revenues are not necessarily representative of Trunkline LNG's costs and revenues at the termination of the negotiated rate period in 2015, there was no reason to expend FERC's and the parties' resources on a Natural Gas Act Section 5 proceeding at this time. The order is final and not subject to rehearing.

LNG Export License. On July 22, 2011, the United States Department of Energy, Office of Fossil Energy issued an order authorizing Lake Charles Exports, LLC, an entity owned by subsidiaries of the Company and BG Group plc, to export domestically produced LNG by vessel from Trunkline LNG's Lake Charles LNG terminal. The authorization, for a 25-year term beginning on the earlier of the date of first export or 10 years from the issuance of the order, permits export of up to approximately 2 Bcf/d to countries that have or will enter into a free trade agreement (*FTA*) with the United States that requires national treatment for trade in natural gas. Lake Charles Exports, LLC is permitted to use the authorization to export LNG on its own behalf or as an agent for BGLS. A proceeding for approval to export to non-FTA countries is ongoing. The companies are developing plans to install liquefaction facilities at the Lake Charles terminal to export LNG. Modifications to the Lake Charles terminal would be subject to approval by the FERC. The Company and BG Group plc have not finalized the economic terms of their arrangement, but the Company expects that any such arrangement will take into account, among other things, the December 31, 2015 termination of certain contracted rates at the existing Trunkline LNG terminal, which otherwise revert to tariff rates in 2016, and the term of BGLS contracts related to the Trunkline LNG terminal, which otherwise all expire in 2030.

New Accounting Pronouncements

See *Item 8. Financial Statements and Supplementary Data, Note 2 – Summary of Significant Accounting Policies and Other Matters – New Accounting Principles*.

ITEM 7A. Quantitative and Qualitative Disclosures About Market Risks.

Interest Rate Risk

The Company is subject to the risk of loss associated with movements in market interest rates. The Company manages this risk through the use of fixed-rate debt, floating-rate debt and interest rate swaps. Fixed-rate swaps are used to reduce the risk of increased interest costs during periods of rising interest rates. Floating-rate swaps are used to convert the fixed rates of long-term borrowings into short-term variable rates. At December 31, 2011, the interest rate on 83 percent of the Company's long-term debt was fixed after considering the impact of interest rate swaps.

At December 31, 2011, $4.1 million is included in *Other Current Liabilities* in the Consolidated Balance Sheet related to the fixed-rate interest rate swaps on the $455 million Term Loan due 2012.

At December 31, 2011, a 100 basis point change in the annual interest rate on all outstanding floating-rate debt would correspondingly change the Company's interest payments by approximately $300,000 for each month during which such change continued. If interest rates changed significantly, the Company may take actions to manage its exposure to the change.

The Company enters into treasury rate locks from time to time to manage its exposure against changes in future interest payments attributable to changes in the US treasury rates. By entering into these agreements, the Company locks in an agreed upon interest rate until the settlement of the contract, which typically occurs when the associated long-term debt is sold. The Company accounts for the treasury rate locks as cash flow hedges. The Company's most recent treasury rate locks were settled in February and June 2008.

The change in exposure to loss in earnings and cash flow related to interest rate risk for the year ended December 31, 2011 is not material to the Company.

See *Item 8. Financial Statements and Supplementary Data, Note 11 – Derivative Instruments and Hedging Activities* and *Note 8 – Debt Obligations*.

Commodity Price Risk

The Company is exposed to some commodity price risk with respect to natural gas used in operations by its interstate pipelines. Specifically, the pipelines receive natural gas from customers for use in generating compression to move the customers' natural gas. Additionally the pipelines may have to settle system imbalances when customers' actual receipts and deliveries do not match. When the amount of natural gas utilized in operations by the pipelines differs from the amount provided by customers, the pipelines may use natural gas from inventory or may have to buy or sell natural gas to cover these or other operational needs, resulting in commodity price risk exposure to the Company. In addition, there is other indirect exposure to the extent commodity price changes affect customer demand for and utilization of transportation and storage services provided by the Company. At December 31, 2011, there were no hedges in place with respect to natural gas price risk associated with the Company's interstate pipeline operations.

ITEM 8. Financial Statements and Supplementary Data.

The information required here is included in the report as set forth in the *Index to Consolidated Financial Statements* on page F-1.

ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

ITEM 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

The Company has established disclosure controls and procedures to ensure that information required to be disclosed by the Company, including consolidated entities, in reports filed or submitted under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. The Company's disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports it files or submits under the Exchange Act is accumulated and communicated to management, including the Company's COO and CFO, as appropriate, to allow timely decisions regarding required disclosure. The Company performed an evaluation under the supervision and with the participation of management, including its COO and CFO, and with the participation of personnel from its Legal, Internal Audit, Risk Management and Financial Reporting Departments, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) as of the end of the period covered by this report. Based on that evaluation, the Company's COO and CFO concluded that the Company's disclosure controls and procedures were effective as of December 31, 2011. Management has also communicated that determination to the board of managers and Southern Union's audit committee, which also serves as the Company's audit committee.

Management's Report on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Exchange Act Rule 13a-15(f) as a process designed by, or under the supervision of, the Company's principal executive officer and principal financial officers, or persons performing similar functions, and effected by the Company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP, and includes those policies and procedures that:

- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company;
- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company; and
- Provide reasonable assurance regarding the prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Exchange Act Rules 13a-15(c) and 15d-15(c) and Section 404 of the Sarbanes-Oxley Act of 2002 require management of the Company to conduct an annual evaluation of the Company's internal control over financial reporting and to provide a report on management's assessment, including a statement as to whether or not internal control over financial reporting is effective. Pursuant to the rules of the SEC, Management's attestation report regarding internal control over financial reporting was not subject to attestation by the Company's independent registered public accountant. As such, this Form 10-K does not contain an attestation report of the Company's independent registered public accountant regarding internal control over financial reporting.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management's evaluation of the effectiveness of the Company's internal control over financial reporting was based on the framework in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on its evaluation under that framework and applicable SEC rules, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2011.

Panhandle Eastern Pipe Line Company, LP
February 24, 2012

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting that occurred during the quarter ended December 31, 2011 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. Other Information.

All information required to be reported on Form 8-K for the quarter ended December 31, 2011 was appropriately reported.

PART III

ITEM 10. Directors, Executive Officers and Corporate Governance.

Item 10, Directors, Executive Officers and Corporate Governance, has been omitted from this report pursuant to the reduced disclosure format permitted by General Instruction I to Form 10-K.

ITEM 11. Executive Compensation.

Item 11, Executive Compensation, has been omitted from this report pursuant to the reduced disclosure format permitted by General Instruction I to Form 10-K.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Item 12, Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters, has been omitted from this report pursuant to the reduced disclosure format permitted by General Instruction I to Form 10-K.

ITEM 13. Certain Relationships and Related Transactions, and Director Independence.

Item 13, Certain Relationships and Related Transactions, and Director Independence, has been omitted from this report pursuant to the reduced disclosure format permitted by General Instruction I to Form 10-K.

ITEM 14. Principal Accounting Fees and Services.

Below is a summary of fees billed to the Company by its principal audit firm for the periods indicated.

	Years Ended December 31,	
	2011	2010
	(In thousands)	
Audit Fees (1)		
PricewaterhouseCoopers LLP	$ 924	$ 1,128
Audit-Related Fees (2)		
PricewaterhouseCoopers LLP	-	85
Total Fees	$ 924	$ 1,213

(1) Audit Fees represents fees billed for professional services rendered for the Company's integrated annual audit.
(2) Audit-Related Fees represents fees billed for the issuance of debt and audit of the Company's centralized data center procedures.

The audit committee has adopted a policy requiring pre-approval of all audit and non-audit services (including the fees and terms thereof) to be provided to the Company by its independent auditor, other than non-audit services not recognized to be non-audit services at the time of the engagement that meet the *de minimis* exceptions described in Section 10A(i)(1)(B)(i) of the Securities Exchange Act of 1934; provided that they are approved by the audit committee prior to the completion of the audit.

PART IV

ITEM 15. Exhibits, Financial Statement Schedules.

(a)(1) and (2) Financial Statements and Financial Statement Schedules.

(a)(3) Exhibits.

Exhibit No.	Description
3(a)	Certificate of Formation of Panhandle Eastern Pipe Line Company, LP. (Filed as Exhibit 3.A to the Form 10-K for the year ended December 31, 2004 and incorporated herein by reference.)
3(b)	Limited Partnership Agreement of Panhandle Eastern Pipe Line Company, LP, dated as of June 29, 2004, between Southern Union Company and Southern Union Panhandle LLC. (Filed as Exhibit 3.B to the Form 10-K for the year ended December 31, 2004 and incorporated herein by reference.)
4(a)	Indenture dated as of March 29, 1999, among CMS Panhandle Holding Company, Panhandle Eastern Pipe Line Company and NBD Bank (the predecessor to Bank One Trust Company, National Association, J.P. Morgan Trust Company, National Association, The Bank of New York Trust Company, N.A. and The Bank of New York Mellon Trust Company, N.A.), as Trustee. (Filed as Exhibit 4(a) to the Form 10-Q for the quarter ended March 31, 1999, and incorporated herein by reference.)
4(b)	First Supplemental Indenture dated as of March 29, 1999, among CMS Panhandle Holding Company, Panhandle Eastern Pipe Line Company and NBD Bank (the predecessor to Bank One Trust Company, National Association, J.P. Morgan Trust Company, National Association, The Bank of New York Trust Company, N.A. and The Bank of New York Mellon Trust Company, N.A.), 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 the Form 10-Q for the quarter ended March 31, 1999, and incorporated herein by reference.)
4(c)	Second Supplemental Indenture dated as of March 27, 2000, between Panhandle and Bank One Trust Company, National Association (succeeded to by The Bank of New York Mellon Trust Company, N.A., which changed its name to The Bank of New York Mellon Trust Company, N.A.), as Trustee. (Filed as Exhibit 4(e) to the Form S-4 (File No. 333-39850) filed on June 22, 2000, and incorporated herein by reference.)
4(d)	Third Supplemental Indenture dated as of August 18, 2003, between Panhandle and Bank One Trust Company, National Association (succeeded to by The Bank of New York Mellon Trust Company, N.A., which changed its name to The Bank of New York Mellon Trust Company, N.A.), as Trustee. (Filed as Exhibit 4(d) to the Form 10-Q for the quarter ended September 30, 2003, and incorporated herein by reference.)
4(e)	Fourth Supplemental Indenture dated as of March 12, 2004, between Panhandle and J.P. Morgan Trust Company, National Association (succeeded to by The Bank of New York Mellon Trust Company, N.A., which changed its name to The Bank of New York Mellon Trust Company, N.A.), as Trustee. (Filed as Exhibit 4.E to the Form 10-K for the year ended December 31, 2004 and incorporated herein by reference.)
4(f)	Fifth Supplemental Indenture dated as of October 26, 2007, between Panhandle and The Bank of New York Trust Company, N.A. (now known as The Bank of New York Mellon Trust Company, N.A.), as Trustee (Filed as Exhibit 4.1 to Panhandle's Current Report on Form 8-K filed on October 29, 2007 and incorporated herein by reference.)
4(g)	Form of Sixth Supplemental Indenture, dated as of June 12, 2008, between Panhandle and The Bank of New York Trust Company, N.A. (now known as The Bank of New York Mellon Trust Company, N.A.), as Trustee (Filed as Exhibit 4.1 to Panhandle's Current Report on Form 8-K filed on June 11, 2008 and incorporated herein by reference.)
10(a)	Credit Agreement between Trunkline LNG Holdings, LLC, as borrower, Panhandle Eastern Pipeline Company, LP and Trunkline LNG Company, LLC, as guarantors, the financial institutions listed therein and the Bank of Tokyo-Mitsubishi UFJ, Ltd., as administrative agent, dated as of February 23, 2012.
10(b)	Form of Seventh Supplemental Indenture, to be dated as of June 2, 2009, between Panhandle and The Bank of New York Mellon Trust Company, N.A. (Filed as Exhibit 4.1 to Panhandle's Current Report on Form 8-K filed on May 28, 2009 and incorporated herein by reference).
10(c)	Amended and Restated Credit Agreement between Trunkline LNG Holdings, LLC, as borrower, Panhandle Eastern Pipe Line Company, LP and CrossCountry Citrus, LLC, as guarantors, the financial institutions listed therein and Bayerische Hypo-Und Vereinsbank AG, New York Branch, as administrative agent, dated as of June 29, 2007 (Filed as Exhibit 10.1 to Panhandle's Current Report on Form 8-K filed on July 6, 2007 and incorporated herein by reference.)
10(d)	Amendment Number 1 to the Amended and Restated Credit Agreement between Trunkline LNG Holdings, LLC as borrower, Panhandle Eastern Pipe Line Company, LP and CrossCountry Citrus, LLC, as guarantors, the financial institutions listed therein and Bayerische Hypo-Und Vereinsbank AG, New York Branch, as administrative agent, dated as of June 13, 2008 (Filed as Exhibit 10(b) to the Form 10-Q for the quarter ended June 30, 2008 and incorporated herein by reference.)
10(e)	Amended and Restated Promissory Note made by CrossCountry Citrus, LLC, as borrower, in favor of Trunkline LNG Holdings LLC, as holder, dated as of June 13, 2008 (Filed as Exhibit 10(d) to the Form 10-Q for the quarter ended June 30, 2008 and incorporated herein by reference.)
12	Ratio of Earnings to Fixed Charges.

23.1	Consent of Independent Registered Public Accounting Firm for Panhandle Eastern Pipe Line Company, LP.
24	Power of Attorney.
31.1	Certificate by President and Chief Operating Officer pursuant to Rule 13a – 14(a) or 15d – 14(a) promulgated under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certificate by Senior Vice President and Chief Financial Officer pursuant to Rule 13a – 14(a) or 15d – 14(a) promulgated under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certificate by President and Chief Operating Officer pursuant to Rule 13a – 14(b) or 15d – 14(b) promulgated under the Securities Exchange Act of 1934 and Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.
32.2	Certificate by Senior Vice President and Chief Financial Officer pursuant to Rule 13a – 14(b) or 15d – 14(b) promulgated under the Securities Exchange Act of 1934 and Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.
101.INS	XBRL Instance Document *
101.SCH	XBRL Taxonomy Extension Schema Document *
101.CAL	XBRL Taxonomy Calculation Linkbase Document *
101.DEF	XBRL Taxonomy Extension Definitions Document *
101.LAB	XBRL Taxonomy Label Linkbase Document *
101.PRE	XBRL Taxonomy Presentation Linkbase Document *

* XBRL information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934, and is not subject to liability under those sections, is not part of any registration statement or prospectus to which it relates and is not incorporated or deemed to be incorporated by reference into any registration statement, prospectus or other document.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Panhandle Eastern Pipe Line Company, LP has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, on February 24, 2012.

PANHANDLE EASTERN PIPE LINE COMPANY, LP

By: /s/ ROBERT O. BOND
Robert O. Bond
President and Chief Operating Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report has been signed by the following persons on behalf of Panhandle Eastern Pipe Line Company, LP and in the capacities indicated as of February 24, 2012.

Signature	Title
(i) Principal executive officer:	
/s/ Robert O. Bond Robert O. Bond	President and Chief Operating Officer
(ii) Principal financial officer:	
/s/ Richard N. Marshall Richard N. Marshall	Vice President and Chief Financial Officer
(iii) Principal accounting officer:	
/s/ Gary W. Lefelar Gary W. Lefelar	Vice President and Chief Accounting Officer
(iv) A majority of the Board of Directors of Southern Union Company, Sole Member of Southern Union Panhandle, LLC, General Partner of Panhandle Eastern Pipe Line Company, L.P.	
/s/ George L. Lindemann* George L. Lindemann	Chairman, Southern Union Company
/s/ Eric Herschmann* Eric Herschmann	Vice Chairman, Southern Union Company
/s/ David Brodsky* David Brodsky	Director, Southern Union Company
/s/ Frank W. Denius* Frank W. Denius	Director, Southern Union Company
/s/Kurt A. Gitter, M.D.* Kurt A. Gitter, M.D.	Director, Southern Union Company
/s/ Herbert H. Jacobi* Herbert H. Jacobi	Director, Southern Union Company
/s/ Thomas N. McCarter, III* Thomas N. McCarter, III	Director, Southern Union Company
/s/ George Rountree, III* George Rountree, III	Director, Southern Union Company
/s/ Allan D. Scherer* Allan D. Scherer	Director, Southern Union Company
*By: /s/ RICHARD N. MARSHALL Vice President and Chief Financial Officer Attorney-in-fact	*By: /s/ ROBERT M. KERRIGAN, III Vice President and Secretary Attorney-in-fact

PANHANDLE EASTERN PIPE LINE, LP
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

All schedules are omitted as the required information is not applicable or the information is presented in the consolidated financial statements or related notes.

PANHANDLE EASTERN PIPE LINE COMPANY, LP
CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended December 31,		
	2011	**2010**	**2009**
		(In thousands)	
Operating revenues			
Transportation and storage of natural gas	$ 573,755	$ 561,354	$ 607,366
LNG terminalling	219,789	199,182	134,026
Other	10,106	8,914	7,769
Total operating revenues	803,650	769,450	749,161
Operating expenses			
Operating, maintenance and general	220,833	216,359	237,035
Operating, maintenance and general - affiliate (Note 5)	57,529	54,898	47,573
Depreciation and amortization	128,011	123,009	113,648
Taxes, other than on income	34,852	36,063	34,537
Total operating expenses	441,225	430,329	432,793
Operating income	362,425	339,121	316,368
Other income (expenses):			
Interest expense	(107,927)	(103,458)	(84,496)
Interest income - affiliates (Note 5)	8,777	8,642	8,970
Other, net	219	151	1,473
Total other expenses, net	(98,931)	(94,665)	(74,053)
Earnings before income taxes	263,494	244,456	242,315
Income taxes (Note 10)	94,839	96,801	92,100
Net earnings	$ 168,655	$ 147,655	$ 150,215

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

PANHANDLE EASTERN PIPE LINE COMPANY, LP
CONSOLIDATED BALANCE SHEETS

ASSETS

	December 31,	
	2011	**2010**
	(In thousands)	
Current assets		
Cash and cash equivalents	$ 50	$ 56
Accounts receivable, billed and unbilled, net of allowances of $993 and $897, respectively	75,775	77,888
Accounts receivable – related parties (Note 5)	6,319	5,922
Natural gas imbalances - receivable	52,939	51,607
Note receivable - related party	342,386	-
System natural gas and operating supplies	114,739	147,254
Other	20,886	22,261
Total current assets	613,094	304,988
Property, plant and equipment (Note 13)		
Plant in service	4,045,688	3,952,425
Construction work in progress	41,828	47,085
	4,087,516	3,999,510
Less accumulated depreciation and amortization	733,228	613,336
Net property, plant and equipment	3,354,288	3,386,174
Note receivable - related party (Note 5)	688,330	823,406
Other	19,325	24,361
Total assets	$ 4,675,037	$ 4,538,929

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

PANHANDLE EASTERN PIPE LINE COMPANY, LP
CONSOLIDATED BALANCE SHEETS

PARTNERS' CAPITAL AND LIABILITIES

	December 31,	
	2011	**2010**
	(In thousands)	
Partners' capital		
Partners' capital	$ 1,809,346	$ 1,640,691
Accumulated other comprehensive loss (Note 7)	(16,176)	(16,928)
Tax sharing note receivable - related party	(1,156)	(3,188)
Total partners' capital	1,792,014	1,620,575
Long-term debt (Note 8)	1,624,229	1,984,427
Total capitalization	3,416,243	3,605,002
Current liabilities		
Current portion of long-term debt (Note 8)	342,386	-
Accounts payable	13,295	9,811
Accounts payable - related parties (Note 5)	52,055	56,393
Natural gas imbalances - payable	144,697	177,192
Accrued taxes	17,541	15,423
Accrued interest	14,280	14,298
Capital accruals	10,814	33,038
Other	55,146	95,191
Total current liabilities	650,214	401,346
Deferred income taxes, net (Note 10)	538,284	466,309
Other	70,296	66,272
Commitments and contingencies (Note 15)		
Total partners' capital and liabilities	$ 4,675,037	$ 4,538,929

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

PANHANDLE EASTERN PIPE LINE COMPANY, LP
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
	2011	**2010**	**2009**
		(In thousands)	
Cash flows provided by (used in) operating activities:			
Net earnings	$ 168,655	$ 147,655	$ 150,215
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	128,011	123,009	113,648
Deferred income taxes, net	75,763	51,891	116,481
Changes in operating assets and liabilities:			
Accounts receivable	1,716	(10,242)	7,085
Inventory	4,027	1,332	12,692
Other assets	(1,714)	1,200	2,437
Accounts payable	(6,206)	10,678	4,970
Accrued taxes	4,151	(523)	7,757
Interest accrued	(18)	(827)	(736)
Other liabilities	(30,175)	(23,348)	(5,449)
Net cash flows provided by operating activities	344,210	300,825	409,100
Cash flows provided by (used in) investing activities:			
Net decrease (increase) in note receivable - related parties	(207,310)	(127,800)	(175,685)
Net increase (decrease) in income taxes payable - related parties (Note 5)	(10,125)	21,196	(34,347)
Additions to property, plant and equipment	(110,752)	(160,876)	(270,772)
Plant retirements and other	164	7,139	(16,271)
Net cash flows used in investing activities	(328,023)	(260,341)	(497,075)
Cash flows provided by (used in) financing activities:			
Increase (decrease) in book overdraft	1,812	17	(111)
Issuance of long-term debt	-	-	150,000
Repayment of debt	(18,005)	(40,500)	(60,623)
Issuance costs of debt	-	-	(1,264)
Net cash flows provided by (used in) financing activities	(16,193)	(40,483)	88,002
Change in cash and cash equivalents	(6)	1	27
Cash and cash equivalents at beginning of period	56	55	28
Cash and cash equivalents at end of period	$ 50	$ 56	$ 55
Supplemental disclosures of cash flow information			
Cash paid during the period for:			
Interest (net of interest rate swap and amounts capitalized)	$ 106,097	$ 102,444	$ 108,861
Income taxes (net of refunds)	35,349	21,684	6,623

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

PANHANDLE EASTERN PIPE LINE COMPANY, LP
CONSOLIDATED STATEMENTS OF PARTNERS' CAPITAL AND COMPREHENSIVE INCOME

	Partners' Capital	Accumulated Other Comprehensive Income (Loss)	Tax Sharing Note Receivable-Southern Union	Total
		(In thousands)		
Balance December 31, 2008	$ 1,342,821	$ (28,301)	$ (8,561)	$ 1,305,959
Tax sharing receivable - Southern Union (Note 5)	-	-	3,343	3,343
Comprehensive income:				
Net earnings	150,215	-	-	150,215
Net change in other comprehensive income (Note 7)	-	8,760	-	8,760
Comprehensive income	150,215	8,760	-	158,975
Balance December 31, 2009	$ 1,493,036	$ (19,541)	$ (5,218)	$ 1,468,277
Tax sharing receivable - Southern Union (Note 5)	-	-	2,030	2,030
Comprehensive income:				
Net earnings	147,655	-	-	147,655
Net change in other comprehensive income (Note 7)	-	2,613	-	2,613
Comprehensive income	147,655	2,613	-	150,268
Balance December 31, 2010	$ 1,640,691	$ (16,928)	$ (3,188)	$ 1,620,575
Tax sharing receivable - Southern Union (Note 5)	-	-	2,032	2,032
Comprehensive income:				
Net earnings	168,655	-	-	168,655
Net change in other comprehensive income (Note 7)	-	752	-	752
Comprehensive income	168,655	752	-	169,407
Balance December 31, 2011	$ 1,809,346	$ (16,176)	$ (1,156)	$ 1,792,014

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

1. Corporate Structure

Panhandle is primarily engaged in the interstate transportation and storage of natural gas and also provides LNG terminalling and regasification services. The Company is subject to the rules and regulations of the FERC. The Company's entities include the following:

- PEPL, an indirect wholly-owned subsidiary of Southern Union Company;
- Trunkline, a direct wholly-owned subsidiary of PEPL;
- Sea Robin, an indirect wholly-owned subsidiary of PEPL;
- LNG Holdings, an indirect wholly-owned subsidiary of PEPL;
- Trunkline LNG, a direct wholly-owned subsidiary of LNG Holdings; and
- Southwest Gas Storage, a direct wholly-owned subsidiary of PEPL.

The Company's pipeline assets include approximately 10,000 miles of interstate pipelines that transport natural gas from the Gulf of Mexico, South Texas and the panhandle regions of Texas and Oklahoma to major U.S. markets in the Midwest and Great Lakes region. The pipelines have a combined peak day delivery capacity of 5.5 Bcf/d and approximately 68.1 Bcf of owned underground storage capacity. The Company also owns and operates an LNG import terminal located on Louisiana's Gulf Coast, and has 9.0 Bcf of above ground LNG storage capacity.

Southern Union Panhandle, LLC, a direct wholly-owned subsidiary of Southern Union Company, serves as the general partner of PEPL and owns a one percent general partnership interest in PEPL. Southern Union Company owns a ninety-nine percent limited partnership interest in PEPL.

See *Note 3 – ETE Merger* for information related to Southern Union's intent to merge with ETE.

2. Summary of Significant Accounting Policies and Other Matters

Basis of Presentation. The Company's consolidated financial statements have been prepared in accordance with GAAP.

The Company is subject to regulation by certain state and federal authorities. The Company has accounting policies under GAAP that do not conform to authoritative guidance which are in accordance with the accounting requirements and ratemaking practices of the regulatory authorities. In 1999, the Company discontinued application of regulatory-based accounting policies for its units which had been applying such accounting policies, primarily due to the level of discounting from tariff rates and its inability to recover specific costs. The accounting required by the regulatory-based authoritative guidance differs from the accounting required for businesses that do not apply its provisions. Transactions that are generally recorded differently as a result of applying regulatory accounting requirements include, among others, recording of regulatory assets, the capitalization of an equity component of invested funds on regulated capital projects and depreciation differences. The Company periodically reviews its level of discounting and negotiated rate contracts, the length of rate moratoriums and other related factors to determine if the regulatory-based authoritative guidance should be applied.

Principles of Consolidation. The consolidated financial statements include the accounts of all majority-owned subsidiaries, after eliminating significant intercompany transactions and balances. Investments in businesses not controlled by PEPL, but over which it has significant influence, are accounted for using the equity method.

Use of Estimates. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents. Cash equivalents consist of highly liquid investments, which are readily convertible into cash and have original maturities of three months or less.

System Natural Gas and Operating Supplies. System natural gas and operating supplies consist of natural gas held for operations and materials and supplies, both of which are carried at the lower of weighted average cost or market, while natural gas owed back to customers is valued at market. The natural gas held for operations that the Company does not expect to consume in its operations in the next twelve months is reflected in non-current assets.

The following table presents the components of inventory at the dates indicated.

	December 31,	
	2011	2010
	(In thousands)	
Current		
Natural gas (1)	$ 95,916	$ 129,727
Materials and supplies	18,823	17,527
Total current	114,739	147,254
Non-Current		
Natural gas (1)	2,643	5,715
	$ 117,382	$ 152,969

(1) Natural gas volumes held for operations at December 31, 2011 and 2010 were 29,718,000 MMBtu and 30,598,000 MMBtu, respectively.

Natural Gas Imbalances. Natural gas imbalances occur as a result of differences in volumes of natural gas received and delivered. The Company records natural gas imbalance in-kind receivables and payables at cost or market, based on whether net imbalances have reduced or increased system natural gas balances, respectively. Net imbalances that have reduced system natural gas are valued at the cost basis of the system natural gas, while net imbalances that have increased system natural gas and are owed back to customers are priced, along with the corresponding system natural gas, at market.

Fuel Tracker. The fuel tracker is the cumulative balance of compressor fuel volumes owed to the Company by its customers or owed by the Company to its customers. The customers, pursuant to each pipeline's tariff and related contracts, provide all compressor fuel to the pipeline based on specified percentages of the customer's natural gas volumes delivered into the pipeline. The percentages are designed to match the actual natural gas consumed in moving the natural gas through the pipeline facilities, with any difference between the volumes provided versus volumes consumed reflected in the fuel tracker. The tariff of Trunkline Gas, in conjunction with the customers' contractual obligations, allows the Company to record an asset and direct bill customers for any fuel ultimately under-recovered. The other FERC-regulated Panhandle entities record an expense when fuel is under-recovered or record a credit to expense to the extent any under-recovered prior period balances are subsequently recouped as they do not have such explicit billing rights specified in their tariffs. Liability accounts are maintained for net volumes of compressor fuel natural gas owed to customers collectively. The pipelines' fuel reimbursement is in-kind and non-discountable.

Property, Plant and Equipment.

Additions. Ongoing additions of property, plant and equipment are stated at cost. The Company capitalizes all construction-related direct labor and material costs, as well as indirect construction costs. Such indirect construction costs primarily include capitalized interest costs (more fully described below in the Interest Cost Capitalized accounting policies disclosure) and labor and related costs of departments associated with supporting construction activities. The indirect capitalized labor and related costs are largely based upon results of periodic time studies or management reviews of time allocations, which provide an estimate of time spent supporting construction projects. The cost of replacements and betterments that extend the useful life of property, plant and equipment is also capitalized. The cost of repairs and replacements of minor property, plant and equipment items is charged to expense as incurred.

Retirements. When ordinary retirements of property, plant and equipment occur, the original cost less salvage value is removed by a charge to accumulated depreciation and amortization, with no gain or loss recorded. When entire regulated operating units of property, plant and equipment are retired or sold, the original cost less salvage value and related accumulated depreciation and amortization accounts are removed, with any resulting gain or loss recorded in earnings.

Depreciation. The Company computes depreciation expense using the straight-line method.

Computer Software. Computer software, which is a component of property, plant and equipment, is stated at cost and is generally amortized on a straight-line basis over its useful life on a product-by-product basis.

For additional information, see *Note 13 – Property, Plant and Equipment*.

Asset Impairment. An impairment loss is recognized when the carrying amount of a long-lived asset used in operations is not recoverable and exceeds its fair value. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. A long-lived asset is tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

Related Party Transactions. Related party expenses primarily include payments for services provided by Southern Union. Other income is primarily related to interest income from the Notes receivable from Southern Union and CrossCountry Citrus, an indirect wholly-owned subsidiary of Southern Union. See *Note 5 – Related Party Transactions*.

A portion of the Company's revenues for the transportation of natural gas includes revenues from Missouri Gas Energy, a division of Southern Union that is a natural gas utility having a service territory covering Kansas City, Missouri and parts of western Missouri.

PEPL and certain of its subsidiaries are not treated as separate taxpayers for federal and certain state income tax purposes. Instead, the Company's income is taxable to Southern Union. The Company has entered into a tax sharing agreement with Southern Union pursuant to which the Company will be required to make payments to Southern Union in order to reimburse Southern Union for federal and state taxes that it pays on the Company's income, or to receive payments from Southern Union to the extent that tax losses generated by the Company are utilized by Southern Union. In addition, the Company's subsidiaries that are corporations are included in consolidated and combined federal and state income tax returns filed by Southern Union. The Company's liability generally is equal to the liability that the Company and its subsidiaries would have incurred based upon the Company's taxable income if the Company was a taxpayer filing separately from Southern Union, except that the Company will receive credit under an intercompany note for any increased liability resulting from its tax basis in its assets having been reduced as a result of the like-kind exchange under Section 1031 of the Code. The tax sharing agreement may be amended from time to time.

Unamortized Debt Premium, Discount and Expense. The Company amortizes premiums, discounts and expenses incurred in connection with the issuance of long-term debt consistent with the terms of the respective debt instrument.

Environmental Expenditures. Environmental expenditures that relate to an existing condition caused by past operations that do not contribute to current or future revenue generation are expensed. Environmental expenditures relating to current or future revenues are expensed or capitalized as appropriate. Liabilities are recorded when environmental assessments and/or clean-ups are probable and the costs can be reasonably estimated. Remediation obligations are not discounted because the timing of future cash flow streams is not predictable.

Revenues. The Company's revenues from transportation and storage of natural gas and LNG terminalling are based on capacity reservation charges and, to a lesser extent, commodity usage charges. Reservation revenues are based on contracted rates and capacity reserved by the customers and are recognized monthly. Revenues from commodity usage charges are also recognized monthly, based on the volumes received from or delivered for the customer, based on the tariff of that particular Panhandle entity, with any differences in volumes received and delivered resulting in an imbalance. Volume imbalances generally are settled in-kind with no impact on revenues, with the exception of Trunkline, which settles certain imbalances in cash pursuant to its tariff, and records gains and losses on such cashout sales as a component of revenue, to the extent not owed back to customers.

Accounts Receivable and Allowance for Doubtful Accounts. The Company manages trade credit risks to minimize exposure to uncollectible trade receivables. Prospective and existing customers are reviewed for creditworthiness based upon pre-established standards. Customers that do not meet minimum standards are required to provide additional credit support. The Company utilizes the allowance method for recording its allowance for uncollectible accounts, which is primarily based on the application of historical bad debt percentages applied against its aged accounts receivable. Increases in the allowance are recorded as a component of operating expenses; reductions in the allowance are recorded when receivables are subsequently collected or written-off. Past due receivable balances are written-off when the Company's efforts have been unsuccessful in collecting the amount due.

The following table presents the balance in the allowance for doubtful accounts and activity for the periods presented.

	Years Ended December 31,		
	2011	2010	2009
	(In thousands)		
Beginning balance	$ 897	$ 1,147	$ 1,161
Additions: charged (credited) to expense	92	(250)	1
Deductions: write-off of uncollectible accounts	-	-	(15)
Other	4	-	-
Ending balance	$ 993	$ 897	$ 1,147

The following table presents the relative contribution to the Company's total operating revenue of each customer that comprised at least ten percent of its operating revenues for the periods presented.

	Percent of Operating Revenue for Years Ended December 31,		
	2011	2010	2009
BG LNG Services	30%	29%	22%
ProLiance	13	13	13
Other top 10 customers	21	23	26
Remaining customers	36	35	39
Total percentage	100%	100%	100%

Interest Cost Capitalized. The Company capitalizes a carrying cost on funds invested in its construction of long-lived assets that includes a return on the investment financed by debt, which is recorded as capitalized interest. The capitalized interest is calculated based on the Company's average cost of debt. Capitalized interest for the years ended December 31, 2011, 2010 and 2009 was $1.1 million, $6.6 million and $25.7 million, respectively. The capitalized interest amounts are included as a reduction of interest expense. Capitalized carrying cost for debt is reflected as an increase in the cost of the asset on the balance sheet.

Retirement Benefits. Employers are required to recognize in their balance sheets the overfunded or underfunded status of defined benefit other postretirement plans, measured as the difference between the fair value of the plan assets and the benefit obligation. Each overfunded plan is recognized as an asset and each underfunded plan is recognized as a liability. Employers must recognize the change in the funded status of the plan in the year in which the change occurs through *Accumulated other comprehensive income* in *Partners' capital*.

See *Note 9 – Benefits* for additional information.

Derivatives and Hedging Activities. All derivatives are recognized on the Consolidated Balance Sheet at their fair value. On the date the derivative contract is entered into, the Company designates the derivative as (i) a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment (*a fair value hedge*); (ii) a hedge of a forecasted transaction or the variability of cash flows to be received or paid in conjunction with a recognized asset or liability (*a cash flow hedge*); or (iii) an instrument that is held for trading or non-hedging purposes (*a trading or economic hedging instrument*). For derivatives treated as a fair value hedge, the effective portion of changes in fair value is recorded as an adjustment to the hedged item. The ineffective portion of a fair value hedge is recognized in earnings if the short cut method of assessing effectiveness is not used. Upon termination of a fair value hedge of a debt instrument, the resulting gain or loss is amortized to earnings through the maturity date of the debt instrument. For derivatives treated as a cash flow hedge, the effective portion of changes in fair value is recorded in *Accumulated other comprehensive income* until the related hedged items impact earnings. Any ineffective portion of a cash flow hedge is reported in current-period earnings. For derivatives treated as trading or economic hedging instruments, changes in fair value are reported in current-period earnings. Fair value is determined based upon quoted market prices and pricing models using assumptions that market participants would use. See *Note 11 – Derivative Instruments and Hedging Activities*.

Fair Value Measurement. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about nonperformance risk, which is primarily comprised of credit risk (both the Company's own credit risk and counterparty credit risk) and the risks inherent in the inputs to any applicable valuation techniques. The Company places more weight on current market information concerning credit risk (e.g. current credit default swap rates) as opposed to historical information (e.g. historical default probabilities and credit ratings). These inputs can be readily observable, market corroborated, or generally unobservable. The Company endeavors to utilize the best available information, including valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. A three-tier fair value hierarchy, which prioritizes the inputs used to measure fair value is as follows:

- Level 1 – Observable inputs such as quoted prices in active markets for identical assets or liabilities;

- Level 2 – Observable inputs such as: (i) quoted prices for similar assets or liabilities in active markets; (ii) quoted prices for identical or similar assets or liabilities in markets that are not active and do not require significant adjustment based on unobservable inputs; or (iii) valuations based on pricing models, discounted cash flow methodologies or similar techniques where significant inputs (e.g., interest rates, yield curves, etc.) are derived principally from observable market data, or can be corroborated by observable market data, for substantially the full term of the assets or liabilities; and

- Level 3 – Unobservable inputs, including valuations based on pricing models, discounted cash flow methodologies or similar techniques where at least one significant model assumption or input is unobservable. Unobservable inputs are used to the extent that observable inputs are not available and reflect the Company's own assumptions about the assumptions market participants would use in pricing the assets or liabilities. Unobservable inputs are based on the best information available in the circumstances, which might include the Company's own data.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of these assets and liabilities and their placement within the fair value hierarchy.

See *Note 12 – Fair Value Measurement and Note 9 – Benefits – Postretirement Benefit Plans – Plan Assets* for additional information regarding the assets and liabilities of the Company measured on a recurring and nonrecurring basis, respectively.

Asset Retirement Obligations. Legal obligations associated with the retirement of long-lived assets are recorded at fair value at the time the obligations are incurred, if a reasonable estimate of fair value can be made. Present value techniques are used which reflect assumptions such as removal and remediation costs, inflation, and profit margins that third parties would demand to settle the amount of the future obligation. The Company did not include a market risk premium for unforeseeable circumstances in its fair value estimates because such a premium could not be reliably estimated. Upon initial recognition of the liability, costs are capitalized as a part of the long-lived asset and allocated to expense over the useful life of the related asset. The liability is accreted to its present value each period with accretion being recorded to operating expense with a corresponding increase in the carrying amount of the liability. To the extent the Company is permitted to collect and has reflected in its financials amounts previously collected from customers and expensed, such amounts serve to reduce what would be reflected as capitalized costs at the initial establishment of an ARO.

For more information, see *Note 6 – Asset Retirement Obligations*.

Income Taxes. Income taxes are accounted for under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rate is recognized in earnings in the period that includes the enactment date. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts more likely than not to be realized.

The determination of the Company's provision for income taxes requires significant judgment, use of estimates, and the interpretation and application of complex tax laws. Significant judgment is required in assessing the timing and amounts of deductible and taxable items. Reserves are established when, despite management's belief that the Company's tax return positions are fully supportable, management believes that certain positions may be successfully challenged. When facts and circumstances change, these reserves are adjusted through the provision for income taxes.

As a limited partnership, PEPL is treated as a disregarded entity for federal income tax purposes. Accordingly, for federal and certain state income tax purposes, PEPL and its subsidiaries are not treated as separate taxpayers; instead, their income is directly taxable to Southern Union Company. Pursuant to a tax sharing agreement with Southern Union Company, the Company will pay its share of taxes based on its taxable income, which will generally equal the liability that the Company would have incurred as a separate taxpayer. The Company will receive credit under an intercompany note from Southern Union Company for differences in tax depreciation resulting from the like-kind exchange over the taxable life of the related assets. See *Note 10 – Income Taxes*.

Stock-Based Compensation. The Company measures all employee stock-based compensation using a fair value method and records the related expense in its Consolidated Statement of Operations. For more information, see *Note 14 – Stock-Based Compensation.*

New Accounting Principles

Accounting Principles Not Yet Adopted.

In December 2011, the FASB issued authoritative guidance that enhances current disclosures about offsetting asset and liabilities. The guidance requires entities to disclose both gross information and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. The guidance is effective for annual and interim reporting periods beginning on or after January 1, 2013. The Company does not expect the guidance to materially impact its consolidated financial statements.

In June 2011, the FASB issued authoritative guidance that changes how a company may present comprehensive income. The guidance allows entities to elect to present items of net income and other comprehensive income in one continuous statement or in two separate, but consecutive, statements and eliminates the current option to report other comprehensive income and its components in the statement of changes in equity. The entity is also required to present on the face of the financial statements reclassification adjustments for items that are reclassified from other comprehensive income to net income in the statement where the components of net income and the components of other comprehensive income are presented. The guidance is effective as of the beginning of a fiscal year that begins after December 15, 2011 and interim and annual periods thereafter, with early adoption permitted. In December 2011, the FASB issued authoritative guidance that defers the presentation requirements for reclassification adjustments to allow the FASB time to redeliberate these requirements. The Company does not expect the guidance to materially impact its consolidated financial statements as the guidance only requires a change in the placement of previously disclosed information.

In May 2011, the FASB issued authoritative guidance on fair value measurements that clarifies some existing concepts, eliminates wording differences between GAAP and International Financial Reporting Standards (*IFRS*), and in some limited cases, changes some principles to achieve convergence between GAAP and IFRS. The guidance provides a consistent definition of fair value and common requirements for measurement of and disclosure about fair value between GAAP and IFRS and also expands the disclosures for fair value measurements that are estimated using significant unobservable (Level 3) inputs. The guidance is effective for periods beginning after December 15, 2011. The Company is currently evaluating the impact of this guidance, but does not expect it will materially impact its consolidated financial statements.

3. ETE Merger

On July 19, 2011, Southern Union entered into a Second Amended and Restated Agreement and Plan of Merger with ETE and Sigma Acquisition Corporation, a wholly-owned subsidiary of ETE (*Merger Sub*) (as amended by Amendment No. 1 to Second Amended and Restated Agreement and Plan of Merger dated as of September 14, 2011, the *Second Amended Merger Agreement*). The Second Amended Merger Agreement modifies certain terms of the Agreement and Plan of Merger entered into by Southern Union, ETE and Merger Sub on June 15, 2011 as amended on July 4, 2011. The Second Amended Merger Agreement provides for the merger of Merger Sub with and into Southern Union (*Merger*), with Southern Union continuing as the surviving corporation in the Merger. As a result of the Merger, Southern Union will become a wholly-owned subsidiary of ETE. Under the terms of the Second Amended Merger Agreement, Southern Union shareholders can elect to exchange each issued and outstanding share of Southern Union common stock for $44.25 of cash or 1.00x ETE common unit, with no more than 60 percent of the aggregate merger consideration payable in cash and no more than 50 percent payable in ETE common units. Elections in excess of either the cash or common unit limits will be subject to proration. On February 17, 2012, the parties mailed merger consideration election forms to Southern Union shareholders of record as of February 10, 2012 and announced that the election deadline for Southern Union stockholders to make merger consideration elections is expected to be 5:00 p.m., Eastern Time, on March 19, 2012 (or such other later date as ETE and Southern Union shall agree).

In addition, ETE and ETP, are parties to an Amended and Restated Agreement and Plan of Merger dated as of July 19, 2011 (as amended by Amendment No. 1 to Agreement and Plan of Merger dated as of September 14, 2011) (*Citrus Merger Agreement*). The Citrus Merger Agreement provides that Southern Union, CrossCountry Energy, LLC (*CrossCountry*), PEPL Holdings, LLC (*PEPL Holdings*) and Citrus ETP Acquisition, L.L.C. (*Citrus ETP*) will become parties by joinder at a time immediately prior to the closing of the Merger. Upon becoming a party to the Citrus Merger Agreement, Southern Union will assume the obligations and rights of ETE. Under the Citrus Merger Agreement, CrossCountry, a wholly-owned subsidiary of Southern Union that indirectly owns a 50 percent interest in Citrus, will be merged with and into Citrus ETP with CrossCountry surviving as a wholly-owned subsidiary of ETP (*Citrus Merger*).

Immediately prior to the Citrus Merger and in connection with ETP's financing of the Citrus Merger consideration, Southern Union will contribute its ninety-nine percent interest in PEPL and its 100 percent membership interest in Southern Union Panhandle, LLC to PEPL Holdings. PEPL Holdings is a wholly-owned subsidiary of CCE Acquisition, LLC. PEPL Holdings will guarantee payment, on a contingent recourse basis, of up to $2.0 billion of indebtedness of ETP related to the Citrus Merger (or, in the alternative, will indemnify a subsidiary of ETP for payments made by such subsidiary with respect to a guarantee of up to $2.0 billion of indebtedness of ETP by such subsidiary).

As consideration for the Citrus Merger, Southern Union will receive from ETP approximately $2.0 billion, consisting of $1.895 billion in cash and $105 million of ETP common units, with the value of the ETP common units based on the volume-weighted average trading price for the ten consecutive trading days ending immediately prior to the date that is three trading days prior to the closing date of the Citrus Merger. After completion of the Citrus Merger, including receipt of the Citrus Merger consideration, Southern Union will contribute an amount not to exceed $1.45 billion from the Citrus Merger to Merger Sub in exchange for an equity interest in Merger Sub. The remaining cash proceeds of approximately $445 million in cash would be used to retire existing Southern Union and/or Company debt. It is further anticipated that Southern Union or one of its subsidiaries would retain the approximately $105 million of ETP units as an investment in an unconsolidated affiliate. The consummation of the Citrus Merger is not a condition to consummation of the Merger.

While consummation of the Merger is subject to certain customary conditions, the parties have already satisfied a number of conditions, including without limitation: (i) the receipt of stockholder approval, which occurred on December 9, 2011, (ii) the expiration of the waiting period applicable to the merger under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, which expiration occurred on July 28, 2011, and (iii) the effectiveness, on October 27, 2011 of ETE's Registration Statement on Form S-4 relating to the ETE common units to be issued in connection with the Merger.

4. Regulatory Matters

Trunkline LNG commenced construction of an enhancement at its LNG terminal in February 2007. The key components of the enhancement are an ambient air vaporizer system and NGL recovery units. On March 11, 2010, Trunkline LNG received approval from FERC to place the infrastructure enhancement construction project in service. Total construction costs were approximately $440 million plus capitalized interest, which includes additional costs incurred during final commissioning. The negotiated rate with the project's customer, BG LNG Services, has been adjusted based on final capital costs pursuant to a contract-based formula. In addition, Trunkline LNG and BG LNG Services have extended the existing terminal and pipeline services agreements to coincide with the infrastructure enhancement construction project contract, which runs 20 years from the in-service date.

On August 31, 2009, Sea Robin filed with FERC to implement a rate surcharge to recover Hurricane Ike-related costs not otherwise recovered from insurance proceeds or from other third parties. The surcharge is primarily related to recovery of property, plant and equipment costs. On September 30, 2009, FERC approved the surcharge to be effective March 1, 2010, subject to refund and the outcome of hearings with FERC to explore issues set forth in certain customer protests, including the costs to be included and the applicability of the surcharge to discounted contracts. The Administrative Law Judge (*ALJ*) issued an initial decision on December 13, 2010, approving the surcharge for recovery from all shippers, including discounted and non-discounted shippers, over a recovery period of 21.4 years and including applicable carrying charges. The Company, as well as other parties, filed briefs for exception on certain aspects of the decision. On December 15, 2011, FERC issued an order changing the 21.4 year recovery period to a four-year recovery period and held that the commencement of carrying charges should begin the later of August 31, 2009 and the date the associated cost is incurred. FERC also determined that Sea Robin's discount agreements with certain shippers permit it to recover the surcharge from those shippers.

In December 2011, Sea Robin reversed all outstanding reserves for refund associated with the surcharge filing, approximately $17.7 million of which had been reserved as of September 30, 2011. As of December 31, 2011, Sea Robin has incurred approximately $44 million of costs remaining to be recovered via the surcharge, including carrying charges and net of insurance and surcharge recoveries to date.

In October 2011, Trunkline and Sea Robin jointly filed with FERC to transfer all of Trunkline's offshore facilities, and certain related onshore facilities, by abandonment and sale to Sea Robin to consolidate and streamline the ownership and operation of all regulated offshore assets under one entity and better position the offshore assets competitively. Several parties have filed interventions and protests of this filing. The Company is responding to information requests from FERC on this filing. The transfer is subject to approval by FERC.

In November 2011, FERC commenced an audit of PEPL to evaluate its compliance with the Uniform System of Accounts as prescribed by FERC, annual and quarterly financial reporting to FERC, reservation charge crediting policy and record retention. The audit is related to the period from January 1, 2010 to present and is estimated to take approximately one year to complete.

On December 15, 2003, the U.S. Department of Transportation issued a final rule requiring pipeline operators to develop integrity management programs to comprehensively evaluate their pipelines, and take measures to protect pipeline segments located in what the rule defines as HCAs. This rule resulted from the enactment of the Pipeline Safety Improvement Act of 2002. The rule requires operators to identify HCAs along their pipelines and to complete baseline integrity assessments, comprised of in-line inspection (smart pigging), hydrostatic testing or direct assessment, by December 2012. Operators were required to rank the risk of their pipeline segments containing HCAs; assessments are generally conducted on the higher risk segments first. In addition, some system modifications will be necessary to accommodate the in-line inspections. As of December 31, 2011, the Company had completed approximately 93 percent of the baseline risk assessments required to be completed by December 2012. While identification and location of all the HCAs has been completed, it is not practicable to determine with certainty the total scope of required remediation activities prior to completion of the assessments and inspections. The required modifications and inspections are currently estimated to be in the range of approximately $20 million to $30 million per year through 2012.

5. Related Party Transactions

Related Party Transactions	Years Ended December 31, 2011	2010	2009
		(In thousands)	
Transportation and storage of natural gas (1)	$ 3,224	$ 3,477	$ 3,821
Operation and maintenance:			
Management and royalty fees	20,088	19,237	18,718
Other expenses (2)	37,441	35,661	28,855
Other income, net:			
Interest income - Southern Union	1,767	1,373	1,376
Interest income - CrossCountry Citrus	7,010	7,269	7,594
Other	208	237	224

(1) Represents transportation and storage revenues with Missouri Gas Energy, a Southern Union division.
(2) Primarily includes allocations of corporate charges from Southern Union, partially offset for expenses attributable to services provided by Panhandle on behalf of other affiliate companies.

Pursuant to a demand note with Southern Union Company under a cash management program, the Company loans excess cash, net of repayments, to Southern Union. The Company is credited with interest on the note at a one month LIBOR rate. Given the uncertainties regarding the timing of the Company's cash flows, including financings, capital expenditures and operating cash flows, the Company has reported the note receivable as a non-current asset. The Company has access to the funds via the demand note and expects repayment to ultimately occur to primarily fund capital expenditures or debt retirements.

The interest rate under the note receivable with CrossCountry Citrus is based on the variable interest rate under the term loan facility due in 2012 plus a credit spread over LIBOR of 112.5 basis points. See Note *8. Debt Obligations – LNG Holdings Term Loans* for more information regarding this note receivable.

The counterparty to the notes receivable is the parent of the Company, Southern Union, whose debt is rated BBB- by Fitch Ratings, Baa3 by Moody's Investor Services, Inc. and BBB- by Standard & Poor's.

Southern Union structured the acquisition of PEPL in a manner which qualified as a like-kind exchange of property under Section 1031 of the Code. For tax purposes, the Company's assets that were part of the exchange were recorded at the tax basis of the Southern Union Company assets for which they were exchanged. The resulting transaction generated an estimated deferred tax liability at the acquisition date and a corresponding receivable from Southern Union Company reflected as a reduction to *Partners' Capital* on the Company's Consolidated Balance Sheet. Repayment of the receivable from Southern Union Company is limited to actual tax liabilities otherwise payable by the Company pursuant to the tax sharing agreement with Southern Union Company. For the years ended December 31, 2011 and 2010, the Company recorded $2 million and $2 million of income tax liability settlements against the tax sharing note receivable, respectively, with a balance of $1.2 million remaining at December 31, 2011. The Company settles the intercompany income tax liability with Southern Union on an annual basis. The settlements, which are settled against the demand note with Southern Union, are reported as investing activities in the Consolidated Statement of Cash Flows.

The following table provides a summary of the related party balances included in the Consolidated Balance Sheet at the dates indicated.

	December 31, 2011	December 31, 2010
	(In thousands)	
Notes receivable - related parties:		
Current:		
CrossCountry Citrus	$ 342,386	$ -
Noncurrent:		
Southern Union	688,330	455,280
CrossCountry Citrus	-	368,126
	$ 688,330	$ 823,406
Accounts receivable - related parties (1)	$ 6,319	$ 5,922
Accounts payable - related parties:		
Southern Union - income taxes (2)	$ 33,148	$ 43,273
Southern Union - other (3)	18,729	12,940
Other (4)	178	180
	$ 52,055	$ 56,393

(1) Primarily related to interest income associated with the *Note receivable – CrossCountry Citrus* and services provided for Citrus.
(2) Related to income taxes payable to Southern Union per the tax sharing agreement to provide for taxes to be remitted upon the filing of the tax return.
(3) Primarily related to payroll funding provided by Southern Union. The December 31, 2011 and 2010 amounts are net of insurance proceeds of $2.2 million and $13.9 million, respectively, owed by Southern Union to the Company.
(4) Primarily related to various administrative and operating costs paid by other affiliate companies on behalf of the Company.

6. Asset Retirement Obligations

The Company's recorded asset retirement obligations are primarily related to owned natural gas storage wells and offshore lines and platforms. At the end of the useful life of these underlying assets, the Company is legally or contractually required to abandon in place or remove the asset. An ARO is required to be recorded when a legal obligation to retire an asset exists and such obligation can be reasonably estimated. Although a number of other onshore assets in the Company's system are subject to agreements or regulations that give rise to an ARO upon the Company's discontinued use of these assets, AROs were not recorded because these assets have an indeterminate removal or abandonment date given the expected continued use of the assets with proper maintenance or replacement.

Individual component assets have been and will continue to be replaced, but the pipeline system will continue in operation as long as supply and demand for natural gas exists. Based on the widespread use of natural gas in industrial and power generation activities, management expects supply and demand to exist for the foreseeable future. The Company has in place a rigorous repair and maintenance program that keeps the pipeline system in good working order. Therefore, although some of the individual assets may be replaced, the pipeline system itself will remain intact indefinitely.

The following table is a general description of ARO and associated long-lived assets at December 31, 2011.

ARO Description	In Service Date	Long-Lived Assets	Amount
			(In thousands)
Retire natural gas storage wells	Various	Natural gas storage wells	$ 517
Retire offshore platforms and lines	Various	Offshore lines	3,180
Remove asbestos	Various	Mainlines and compressors	872

As of December 31, 2011, the Company had no legally restricted funds for the purpose of settling AROs.

The following table is a reconciliation of the carrying amount of the ARO liability for the periods presented. Changes in assumptions regarding the timing, amount, and probabilities associated with the expected cash flows, as well as the difference in actual versus estimated costs, will result in a change in the amount of the liability recognized.

	Years Ended December 31,		
	2011	2010	2009
		(In thousands)	
Beginning balance	$ 56,751	$ 58,449	$ 50,941
Incurred	1,162	28,605	8,289
Revisions	(412)	(11,395)	(3,246)
Settled	(16,624)	(19,721)	(1,553)
Accretion expense	180	813	4,018
Ending balance	$ 41,057	$ 56,751	$ 58,449

In 2010, additional AROs of $28.6 million were established primarily for the Company's offshore assets. During 2010, the Company largely completed its assessment and repairs of the property damaged by Hurricane Ike in 2008, which resulted in accelerated abandonments of such property, and determined that the estimated third party abandonment costs for all of its offshore property needed to be increased. Also in 2010, the Company recorded an $11.4 million downward revision to its prior ARO liability estimates, primarily for the costs of abandoning certain other specific offshore properties as a result of favorable weather conditions, changes in equipment used, and some changes in scope of the respective projects, which were primarily related to abandonments required as a result of permanent damage from Hurricane Ike. The ARO liability associated with Hurricane Ike was further reduced by settlements of $19.7 million. Such revisions and settlements were primarily associated with AROs of $8.3 million and $33.8 million recorded in 2009 and 2008, respectively, associated with damage caused by Hurricane Ike. During 2011, the Company recorded settlements of approximately $16.6 million, primarily associated with the abandonment of certain offshore properties damaged by Hurricane Ike. See *Note 15 – Commitments and Contingencies – Other Commitments and Contingencies – 2008 Hurricane Damage* for additional related information.

7. Comprehensive Income

The table presents comprehensive income for the periods presented.

	Years Ended December 31,		
	2011	2010	2009
	(In thousands)		
Net earnings	$ 168,655	$ 147,655	$ 150,215
Reclassification of unrealized loss on interest rate hedges into earnings, net of tax of $8,757, $8,711 and $7,537, respectively	13,038	12,968	11,223
Change in fair value of interest rate hedges, net of tax of $(540), $(5,237) and $(3,051), respectively	(787)	(7,790)	(4,538)
Actuarial gain (loss) relating to other postretirement benefits, net of tax of $(6,316), $(427) and $2,545, respectively	(10,192)	(1,285)	3,266
Reclassification of net actuarial gain and prior service credit relating to other postretirement benefits into earnings, net of tax of $(575), $(809) and $(400), respectively	(1,307)	(1,280)	(1,191)
Total other comprehensive income (loss)	752	2,613	8,760
Total comprehensive income	$ 169,407	$ 150,268	$ 158,975

	December 31,	
	2011	2010
	(In thousands)	
Other postretirement plan - net actuarial loss and prior service costs, net of tax	$ (12,781)	$ (1,282)
Interest rate hedges, net of tax	(3,395)	(15,646)
Total Accumulated other comprehensive loss, net of tax	$ (16,176)	$ (16,928)

8. Debt Obligations

The following table sets forth the debt obligations of the Company at the dates indicated.

	December 31, 2011		December 31, 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In thousands)			
6.05% Senior Notes due 2013	$ 250,000	$ 265,573	$ 250,000	$ 268,988
6.20% Senior Notes due 2017	300,000	340,494	300,000	322,893
8.125% Senior Notes due 2019	150,000	185,301	150,000	169,671
7.00% Senior Notes due 2029	66,305	75,128	66,305	69,911
7.00% Senior Notes due 2018	400,000	467,072	400,000	442,120
Term Loans due 2012 (1)	797,386	794,751	815,391	799,084
Net premiums on long-term debt	2,924	2,924	2,731	2,731
Total debt outstanding	1,966,615	$ 2,131,243	1,984,427	$ 2,075,398
Current portion of long-term debt (2)	(342,386)		-	
Total long-term debt	$ 1,624,229		$ 1,984,427	

(1) See the LNG Holdings Term Loans discussion below for information related to these Term Loans.
(2) Excludes $455 million related to the 2012 Term Loan that was refinanced in February 2012 resulting in a change of the maturity date to February 2016. See *Retirement of Debt Obligations* below for more information.

The fair value of the Company's term loans as of December 31, 2011 and 2010 was determined using the market approach, which utilized reported recent loan transactions for parties of similar credit quality and remaining life, as there is no active secondary market for loans of that type and size.

The fair value of the Company's other long-term debt as of December 31, 2011 and 2010 was also determined using the market approach, which utilized observable market data to corroborate the estimated credit spreads and prices for the Company's non-bank long-term debt securities in the secondary market. Those valuations were based in part upon the reported trades of the Company's non-bank long-term debt securities where available and the actual trades of debt securities of similar credit quality and remaining life where no secondary market trades were reported for the Company's non-bank long-term debt securities.

LNG Holdings Term Loans. On March 15, 2007, LNG Holdings, as borrower, and PEPL and Trunkline LNG, as guarantors, entered into a $455 million unsecured term loan facility due March 13, 2012 (*2012 Term Loan*). The interest rate under the 2012 Term Loan is a floating rate based on LIBOR or the prime rate, at the Company's option, in addition to a margin tied to the rating of PEPL's senior unsecured debt. LNG Holdings has entered into interest rate swap agreements that effectively fix the interest rate applicable to the 2012 Term Loan at 4.98 percent plus a credit spread of 0.625 percent, based upon PEPL's credit rating for its senior unsecured debt. The balance of the 2012 Term Loan was $455 million at December 31, 2011 and 2010. See *Note 11 – Derivative Instruments and Hedging Activities – Interest Rate Swaps* for information regarding interest rate swaps.

On December 1, 2006, LNG Holdings, as borrower, and PEPL and CrossCountry Citrus, as guarantors, entered into a $465 million unsecured term loan facility due April 4, 2008 (*2006 Term Loan*). On December 1, 2006, LNG Holdings loaned the proceeds of the 2006 Term Loan to CrossCountry Citrus in exchange for an interest-bearing promissory note with a principal amount of $465 million, the amount of the proceeds of the 2006 Term Loan. On June 29, 2007, the parties entered into an amended and restated term loan facility (*Amended Credit Agreement*). The Amended Credit Agreement extended the maturity of the term loan from April 4, 2008 to June 29, 2012, and decreased the interest rate from LIBOR plus 87.5 basis points to LIBOR plus 55 basis points, based upon the current credit rating of PEPL's senior unsecured debt. The balance of the Amended Credit Agreement was $342.4 million and $360.4 million at effective interest rates of 0.85 percent and 0.81 percent at December 31, 2011 and 2010, respectively. The balance and effective interest rate of the Amended Credit Agreement at February 17, 2012 were $342.4 million and 0.82 percent, respectively.

Other. The Company's notes are subject to certain requirements, such as the maintenance of a fixed charge coverage ratio and a leverage ratio, which if not maintained, restrict the ability of the Company to make certain payments and impose limitations on the ability of the Company to subject its property to liens. At December 31, 2011 the Company, based on the currently most restrictive debt covenant requirements, was subject to a $1.15 billion limitation on additional restricted payments including dividends and loans to affiliates, and a limitation of $436 million of additional secured or subsidiary level indebtedness or other defined liens based on a limitation on liens covenant. The Company is also subject to a limitation of $1.36 billion of total additional indebtedness.

As of December 31, 2011, the Company has scheduled long-term debt payments, excluding credit facility payments and net premiums on debt, as follows:

Year ended December 31:	(In thousands)
2012	$ 342,386
2013	250,000
2014	-
2015	455,000
2016	-
Thereafter	916,305

Retirement of Debt Obligations

The Company refinanced LNG Holdings' $455 million term loan due March 13, 2012 on February 23, 2012 with an unsecured three-year term loan facility due February 23, 2015, with LNG Holdings as borrower and PEPL and Trunkline LNG as guarantors and a floating interest rate tied to LIBOR plus a margin based on the rating of PEPL's senior unsecured debt. The Company expects to retire the $465 million term loan due June 2012 ($342.4 million of which is outstanding at December 31, 2011) utilizing a portion of the $445 million in merger consideration to be received by Southern Union in connection with the Citrus Merger. Should the Citrus Merger not occur by the June 2012 maturity date, the Company would expect to refinance and/or extend the $465 million term loan, or alternatively the Company might choose to retire such debt upon maturity by utilizing some combination of cash flows from operations, repayments from Southern Union of accumulated intercompany balances related to amounts previously advanced by the Company and altering the timing of controllable expenditures, among other things. The Company reasonably believes, based on its investment grade credit ratings and general financial condition, successful historical access to capital and debt markets and market expectations regarding the Company's future earnings and cash flows, that it will be able to refinance and/or retire these obligations, as applicable, under acceptable terms prior to their maturity. There can be no assurance, however, that the Company will be able to achieve acceptable refinancing terms in any negotiation of new capital market debt or bank financings. Moreover, there can be no assurance the Company will be successful in its implementation of these refinancing and/or retirement plans and the Company's inability to do so could cause a material adverse effect on the Company's financial condition and liquidity.

9. Benefits

***Postretirement Benefit Plans*.**

The Company has postretirement health care and life insurance plans (*other postretirement plans*) that cover substantially all employees. The health care plans generally provide for cost sharing between the Company and its retirees in the form of retiree contributions, deductibles and coinsurance on the amount the Company pays annually to provide future retiree health care coverage under certain of these plans.

Obligations and Funded Status. Other postretirement benefit liabilities are accrued on an actuarial basis during the years an employee provides services. The following tables contain information at the dates indicated about the obligations and funded status of the Company's other postretirement plans.

	Other Postretirement Benefits December 31,	
	2011	2010
	(In thousands)	
Change in benefit obligation:		
Benefit obligation at beginning of period	$ 69,124	$ 58,929
Service cost	2,475	2,215
Interest cost	3,999	3,515
Actuarial loss and other	12,704	4,665
Benefits paid, net	(481)	(220)
Medicare Part D subsidy receipts	12	20
Benefit obligation at end of period	$ 87,833	$ 69,124
Change in plan assets:		
Fair value of plan assets at beginning of period	$ 68,128	$ 54,361
Return on plan assets and other	74	6,308
Employer contributions	7,643	7,679
Benefits paid, net	(481)	(220)
Fair value of plan assets at end of period	$ 75,364	$ 68,128
Amount underfunded at end of period (1)	$ 12,469	$ 996
Amounts recognized in Accumulated other comprehensive income (pre-tax basis) consist of:		
Net actuarial loss	$ 22,701	$ 6,399
Prior service cost (credit)	935	(1,153)
	$ 23,636	$ 5,246

(1) Underfunded balance is recognized as a noncurrent liability in the Consolidated Balance Sheet.

Net Periodic Benefit Cost. Net periodic benefit cost of the Company's other postretirement benefit plan for the periods presented includes the components noted in the table below.

	Years Ended December 31,		
	2011	2010	2009
	(In thousands)		
Service cost	$ 2,475	$ 2,215	$ 2,230
Interest cost	3,999	3,515	3,245
Expected return on plan assets	(3,879)	(3,355)	(2,435)
Prior service credit amortization	(2,089)	(2,089)	(2,089)
Actuarial loss amortization	207	-	498
Net periodic benefit cost	$ 713	$ 286	$ 1,449

The estimated net actuarial loss and prior service credit for other postretirement plans that will be amortized from *Accumulated other comprehensive income* into net periodic benefit cost during 2012 are $1.4 million and $(1.4) million, respectively.

Assumptions. The weighted-average discount rate used in determining benefit obligations was 4.26 percent and 5.54 percent at December 31, 2011 and 2010, respectively.

The weighted-average assumptions used in determining net periodic benefit cost for the periods presented are shown in the table below.

	Years Ended December 31,		
	2011	2010	2009
Discount rate	5.54%	6.00%	5.90%
Expected return on assets:			
Tax exempt accounts	7.00%	7.00%	7.00%
Taxable accounts	4.50%	5.00%	5.00%

The Company employs a building block approach in determining the expected long-term rate of return on the plans' assets with proper consideration for diversification and rebalancing. Historical markets are studied and long-term historical relationships between equities and fixed-income are preserved consistent with the widely accepted capital market principle that assets with higher volatility generate a greater return over the long run. Current market factors such as inflation and interest rates are evaluated before long-term market assumptions are determined. Peer data and historical returns are reviewed to check for reasonableness and appropriateness.

The assumed health care cost trend rates used to measure the expected cost of benefits covered by the plans are shown in the table below.

	December 31,	
	2011	2010
Health care cost trend rate assumed for next year	8.50%	9.00%
Rate to which the cost trend is assumed to decline (the ultimate trend rate)	4.75%	4.75%
Year that the rate reaches the ultimate trend rate	2019	2019

Assumed health care cost trend rates have a significant effect on the amounts reported for health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	One Percentage Point Increase	One Percentage Point Decrease
	(In thousands)	
Effect on total of service and interest cost	$ 771	$ (743)
Effect on accumulated postretirement benefit obligation	10,808	(9,846)

Plan Assets. The Company's overall investment strategy is to maintain an appropriate balance of actively managed investments with the objective of optimizing longer-term returns while maintaining a high standard of portfolio quality and achieving proper diversification. To achieve diversity within its other postretirement plan asset portfolio, the Company has targeted the following asset allocations: equity of 25 percent to 35 percent, fixed income of 65 percent to 75 percent and cash and cash equivalents of 0 percent to 10 percent. These target allocations are monitored by the Investment Committee of Southern Union Company's Board of Directors in conjunction with an external investment advisor. On occasion, the asset allocations may fluctuate as compared to these guidelines as a result of Investment Committee actions.

The fair value of the Company's other postretirement plan assets at the dates indicated by asset category is as follows:

	Fair Value as of December 31,	
	2011	2010
	(In thousands)	
Asset Category:		
Cash and cash equivalents	$ 2,118	$ 1,919
Mutual fund (1)	73,246	66,209
Total	$ 75,364	$ 68,128

(1) This fund of funds invests primarily in a diversified portfolio of equity, fixed income and short-term mutual funds. As of December 31, 2011, the fund was primarily comprised of approximately 19 percent large-cap U.S. equities, 2 percent small-cap U.S. equities,10 percent international equities, 55 percent fixed income securities, 8 percent cash, and 6 percent in other investments. As of December 31, 2010, the fund was primarily comprised of approximately 17 percent large-cap U.S. equities, 4 percent small-cap U.S. equities,10 percent international equities, 57 percent fixed income securities, 10 percent cash, and 2 percent in other investments.

The other postretirement plan assets are classified as Level 1 assets within the fair-value hierarchy as their fair values are based on active market quotes. See *Note 2 – Summary of Significant Accounting Policies and Other Matters – Fair Value Measurement* for information related to the framework used by the Company to measure the fair value of its other postretirement plan assets.

Contributions. The Company expects to contribute approximately $7.6 million to its other postretirement plans in 2012 and approximately $7.6 million annually thereafter until modified by rate case proceedings.

Benefit Payments. The Company's estimate of expected benefit payments, which reflect expected future service, as appropriate, in each of the next five years and in the aggregate for the five years thereafter are shown in the table below.

Years	Expected Benefits Before Effect of Medicare Part D	Payments Medicare Part D Subsidy Receipts	Net
		(In thousands)	
2012	$ 1,513	$ 24	$ 1,489
2013	2,134	32	2,102
2014	2,773	83	2,690
2015	3,411	139	3,272
2016	3,992	224	3,768
2017 -2021	27,611	2,780	24,831

The Medicare Prescription Drug Act provides for a prescription drug benefit under Medicare (*Medicare Part D*) as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a prescription drug benefit that is at least actuarially equivalent to Medicare Part D.

Defined Contribution Plan

The Company sponsors a defined contribution savings plan (*Savings Plan*) that is available to all employees. The Company provided matching contributions of 100 percent of the first five percent of the participant's compensation paid into the Savings Plan beginning January 16, 2009. Prior to that date, the Company provided matching contributions of 100 percent of the first two percent and 50 percent of the next three percent of the participant's compensation paid into the Savings Plan. Company contributions are 100 percent vested after five years of continuous service. Company contributions to the Savings Plan during the years ended December 31, 2011, 2010 and 2009 were $4.6 million, $4.5 million and $4.4 million, respectively.

In addition, the Company makes employer contributions to separate accounts, referred to as Retirement Power Accounts, within the defined contribution plan. The contribution amounts are determined as a percentage of compensation with the amount generally varying based on age and years of service. Company contributions are 100 percent vested after five years of continuous service. Company contributions to Retirement Power Accounts during the years ended December 31, 2011, 2010 and 2009 were $5.5 million, $5.4 million and $5.5 million, respectively.

10. Income Taxes

The following table provides a summary of the current and deferred components of income tax expense for the periods presented.

	Years Ended December 31,		
	2011	2010	2009
	(In thousands)		
Current income taxes			
Federal	$ 24,174	$ 33,656	$ (25,027)
State	(5,098)	11,254	646
Total current income taxes	19,076	44,910	(24,381)
Deferred income taxes			
Federal	66,925	50,551	102,871
State	8,838	1,340	13,610
Total deferred income taxes	75,763	51,891	116,481
Total income tax expense	$ 94,839	$ 96,801	$ 92,100
Effective tax rate	36%	40%	38%

The principal components of the Company's deferred tax assets (liabilities) at the dates indicated are as follows:

	December 31,	
	2011	2010
	(In thousands)	
Deferred income tax assets:		
Other post retirement benefits	$ 12,773	$ 3,948
Derivative financial instruments (interest rates)	3,580	11,799
Other	19,877	21,180
Total deferred income tax assets	36,230	36,927
Deferred income tax liabilities:		
Property, plant and equipment	(559,133)	(476,680)
Other	(6,601)	(12,662)
Total deferred income tax liabilities	(565,734)	(489,342)
Net deferred income tax liability	(529,504)	(452,415)
Less current income tax assets	8,780	13,894
Accumulated deferred income taxes	$ (538,284)	$ (466,309)

The actual income tax expense differs from the amount computed by applying the statutory federal tax rate of 35 percent to income before income taxes as follows:

	Years Ended December 31,		
	2011	2010	2009
	(In thousands)		
Computed statutory income tax expense at 35%	$ 92,223	$ 85,560	$ 84,810
Changes in income taxes resulting from:			
State income taxes, net of federal income tax benefit	2,431	8,436	9,267
Permanent differences and other	185	2,805	(1,977)
Total income tax expense	$ 94,839	$ 96,801	$ 92,100

A reconciliation of the changes in unrecognized tax benefits for the periods presented is as follows:

	Years ended December 31,	
	2011	2010
	(In thousands)	
Beginning of the year	$ 1,478	$ 1,478
Additions:		
Tax positions taken in prior years	-	-
Tax positions taken in current year	-	-
Reductions:		
Lapse of statute of limitations	-	-
End of year	$ 1,478	$ 1,478

As of December 31, 2011, the Company has $ 1.5 million ($1.4 million, net of federal tax) of unrecognized tax benefits, none of which would impact the Company's EITR if recognized. The Company does not expect that its unrecognized tax benefits will be reduced within the next twelve months.

The Company's policy is to classify and accrue interest expense and penalties on income tax underpayments (overpayments) as a component of income tax expense in its Consolidated Statement of Operations, which is consistent with the recognition of these items in prior reporting periods.

Southern Union and the Company are no longer subject to U.S. federal, state or local examinations for the tax period ended December 31, 2004 and prior years, except June 30, 2004, to the extent of $1.3 million of refund claims.

11. Derivative Instruments and Hedging Activities

The Company is exposed to certain risks in its ongoing business operations. The primary risk managed by using derivative instruments is interest rate risk. Interest rate swaps and treasury rate locks are the principal derivative instruments used by the Company to manage interest rate risk associated with its long-term borrowings, although other interest rate derivative contracts may also be used from time to time. The Company recognizes all derivative instruments as assets or liabilities at fair value in the Consolidated Balance Sheet.

Interest Rate Contracts

The Company may enter into interest rate swaps to manage its exposure to changes in interest payments on long-term debt attributable to movements in market interest rates, and may enter into treasury rate locks to manage its exposure to changes in future interest payments attributable to changes in treasury rates prior to the issuance of new long-term debt instruments.

Interest Rate Swaps. As of December 31, 2011, the Company had outstanding pay-fixed interest rate swaps with a total notional amount of $455 million applicable to the 2012 Term Loan. These interest rate swaps are accounted for as cash flow hedges, with the effective portion of changes in their fair value recorded in *Accumulated other comprehensive loss* and reclassified into *Interest expense* in the same periods during which the related interest payments on long-term debt impact earnings. As of December 31, 2011, approximately $2.5 million of net after-tax losses in *Accumulated other comprehensive loss* related to these interest rate swaps is expected to be amortized into *Interest expense* during the next twelve months. Any ineffective portion of the cash flow hedge is reported in current-period earnings.

Treasury Rate Locks. As of December 31, 2011, the Company had no outstanding treasury rate locks. However, certain of its treasury rate locks that settled in prior periods are associated with interest payments on outstanding long-term debt. These treasury rate locks are accounted for as cash flow hedges, with the effective portion of their settled value recorded in *Accumulated other comprehensive loss* and reclassified into *Interest expense* in the same periods during which the related interest payments on long-term debt impact earnings. As of December 31, 2011, approximately $166,000 of net after-tax losses in *Accumulated other comprehensive loss* related to these treasury rate locks will be amortized into *Interest expense* during the next twelve months.

The Company had no asset derivative instruments at December 31, 2011 and 2010. The following table summarizes the fair value amounts of the Company's liability derivative instruments and their location in the Consolidated Balance Sheet at the dates indicated.

	Balance Sheet Location	Fair Value (1) December 31, 2011	Fair Value (1) December 31, 2010
		(In thousands)	
Cash Flow Hedges:			
Interest rate contracts	Other current liabilities	$ 4,148	$ 19,694
	Other noncurrent liabilities	-	4,652
		$ 4,148	$ 24,346

The following table summarizes the location and amount of derivative instrument gains and losses reported in the Company's consolidated financial statements for the periods presented.

	Years Ended December 31, 2011	2010	2009
		(In thousands)	
Cash Flow Hedges: (1)			
Change in fair value - increase in *Accumulated other comprehensive loss*, excluding tax expense effect of $540, $5,237 and $3,051, respectively	$ 1,327	$ 13,027	$ 7,589
Reclassification of unrealized loss from *Accumulated other comprehensive loss* - increase of *Interest expense*, excluding tax expense effect of $8,757, $8,711 and $7,537, respectively	21,795	21,679	18,760

(1) See *Note 7 – Comprehensive Income* for additional related information.

12. Fair Value Measurement

The following tables set forth the Company's liabilities that are measured at fair value on a recurring basis at the dates indicated.

	Fair Value as of December 31, 2011	Fair Value Measurements Using Fair Value Hierarchy		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(In thousands)			
Liabilities:				
Interest-rate swap derivatives	$ 4,148	$ -	$ 4,148	$ -
Total	$ 4,148	$ -	$ 4,148	$ -

	Fair Value as of December 31, 2010	Fair Value Measurements Using Fair Value Hierarchy		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(In thousands)			
Liabilities:				
Interest-rate swap derivatives	$ 24,346	$ -	$ 24,346	$ -
Total	$ 24,346	$ -	$ 24,346	$ -

The Company's Level 2 interest-rate swap derivative instruments are valued using pricing models based on an income approach that discounts future cash flows to a present value amount. The significant pricing model inputs for interest-rate swaps include published rates for U.S. Dollar LIBOR interest rate swaps. The pricing model also adjusts for nonperformance risk associated with the counterparty or Company, as applicable, through the use of credit risk adjusted discount rates based on published default rates. The Company did not have any Level 3 instruments measured at fair value at December 31, 2011 or December 31, 2010.

The approximate fair value of the Company's cash and cash equivalents, accounts receivable and accounts payable is equal to book value, due to this short-term nature.

13. Property, Plant and Equipment

The following table provides a summary of property, plant and equipment at the dates indicated.

	Lives in Years	December 31, 2011	December 31, 2010
		(In thousands)	
Transmission	5-46	$ 2,321,009	$ 2,239,762
Gathering	26	107,670	124,227
Underground storage	5-46	321,921	314,744
General plant - LNG	5-40	1,118,790	1,117,418
General plant - other (1)	3-40	176,298	156,274
Plant in service (2)		4,045,688	3,952,425
Construction work in progress		41,828	47,085
Total property, plant and equipment		4,087,516	3,999,510
Less accumulated depreciation and amortization		733,228	613,336
Net property, plant and equipment		$ 3,354,288	$ 3,386,174

(1) Includes capitalized computer software costs, CIAC and other intangible costs totaling:

Computer software cost	$ 85,394	$ 77,776
Less accumulated amortization	51,325	45,032
Net computer software costs	34,069	32,744
CIAC and other	54,444	52,857
Less accumulated amortization	5,023	5,906
Net CIAC and other	49,421	46,951
Total net intangible assets	$ 83,490	$ 79,695

(2) The composite weighted-average depreciation rates for the years ended December 31, 2011, 2010 and 2009 were 3.2 percent, 3.4 percent and 3.5 percent, respectively.

Amortization expense of capitalized computer software costs for the years ended December 31, 2011, 2010 and 2009 was $6.9 million, $7.2 million and $9.4 million, respectively. The estimated amortization expense of capitalized computer software costs for the next five years ending December 31 are as follows: 2012 -- $6.3 million; 2013 -- $6 million; 2014 -- $5.4 million; 2015 -- $4.8 million; and 2016 -- $3.8 million. Amortization expense for CIAC and other intangible assets for the years ended December 31, 2011, 2010 and 2009 was $1.8 million, $1.6 million and $1.6 million, respectively. The estimated amortization expense of CIAC and other intangible assets for the next five years ending December 31 are as follows: 2012 -- $1.6 million; 2013 -- $1.6 million; 2014 -- $1.6 million; 2015 -- $1.6 million; and 2016 -- $1.6 million. Computer software costs are amortized between 3 and 10 years. CIAC and other intangible assets are amortized between 2 and 40 years.

14. Stock-Based Compensation

Stock Award Plans. The Third Amended 2003 Plan adopted by the stockholders of Southern Union Company allows for awards in the form of stock options (either incentive stock options or non-qualified options), SARs, stock bonus awards, restricted stock, performance units or other equity-based rights. The persons eligible to receive awards under the Third Amended 2003 Plan include all of the employees, directors, officers and agents of, and other service providers to, Southern Union Company and its affiliates and subsidiaries. Under the Third Amended 2003 Plan: (i) no participant may receive any calendar year awards covering more than 500,000 shares; (ii) the exercise price for a stock option may not be less than 100 percent of the fair market value of the common stock on the date of grant; and (iii) no award may be granted after September 28, 2013.

The fair value of each stock option and SAR award is estimated on the date of grant using a Black-Scholes option pricing model. The Company's expected volatilities are based on historical volatility of Southern Union Company's common stock. To the extent that volatility of Southern Union Company's common stock price increases in the future, the estimates of the fair value of stock options and SARs granted in the future could increase, thereby increasing stock-based compensation expense in future periods. Additionally, the expected dividend yield is considered for each grant on the date of grant. The Company's uses the simplified method in determining the expected term of stock options and SARs granted, which results in the use of the average midpoint between vesting of the awards and their contractual term for such estimate. The Company utilizes the simplified method primarily because Southern Union has experienced several acquisitions and divestitures during the contractual period for the current awards outstanding, resulting in a change in the employee mix and an acceleration of certain stock option and SAR exercise activity. Additionally, Southern Union has not experienced a full life cycle of exercise activity for employees associated with certain of its acquisitions. Because of the impact of these significant structural changes in Southern Union's business operations and the resulting variations in employee exercise activity, the historical patterns of such exercise activity is not believed to be indicative of future behavior. In the future, as information regarding post-vesting termination becomes more accessible, the Company may change the method of deriving the expected term. This change could impact the fair value of stock options and SARs granted in the future. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant.

The following table represents the Black-Scholes estimated ranges under the Company's plans for stock options and SARs awards for periods in which awards were granted.

	Years ended December 31,	
	2010	2009
Expected volatility	32.79% to 32.82%	32.22%
Expected dividend yield	2.47%	2.45%
Risk-free interest rate	2.28% to 2.40%	2.72%
Expected life	6 years	6 years

Stock Options. The following table provides information on stock options granted, exercised, forfeited, outstanding and exercisable for the periods presented.

	Shares Under Option	Weighted-Average Exercise Price
Outstanding December 31, 2008	269,520	$ 20.34
Granted	-	-
Exercised	(6,461)	16.83
Forfeited	-	-
Outstanding December 31, 2009	263,059	$ 20.42
Granted	-	-
Exercised	(59,156)	20.92
Forfeited	-	-
Outstanding December 31, 2010	203,903	$ 20.27
Granted	-	-
Exercised	(38,596)	17.56
Forfeited	-	-
Outstanding December 31, 2011	165,307	$ 20.90
Exercisable December 31, 2009	263,059	20.42
Exercisable December 31, 2010	203,903	20.27
Exercisable December 31, 2011	165,307	20.90

SARS. The following table provides information on SARs granted, exercised, forfeited, outstanding and exercisable for the periods presented.

	SARs	Weighted-Average Exercise Price
Outstanding December 31, 2008	414,146	$ 18.10
Granted	147,004	21.64
Exercised	(4,347)	12.55
Outstanding December 31, 2009	556,803	$ 19.08
Granted	138,181	24.54
Exercised	(49,366)	12.55
Forfeited	(28,815)	19.35
Outstanding December 31, 2010	616,803	$ 20.71
Granted	-	-
Exercised	(27,389)	15.87
Forfeited	(30,512)	27.41
Outstanding December 31, 2011	558,902	$ 20.58
Exercisable December 31, 2009	194,458	21.41
Exercisable December 31, 2010	308,799	20.90
Exercisable December 31, 2011	423,815	19.61

The SARs that have been awarded vest in equal installments on the first three anniversaries of the grant date. Each SAR entitles the holder to shares of Southern Union's common stock equal to the fair market value of Southern Union's common stock on the applicable exercise date in excess of the grant date price for each SAR.

As of December 31, 2011, there was $ 807,000 of total unrecognized compensation cost related to non-vested SARs compensation arrangements granted under the stock option plans. That cost is expected to be recognized over a weighted-average contractual period of 1.62 years. The total fair value of options and SARs vested as of December 31, 2011 was $3.8 million. Compensation expense recognized related to stock options and SARs totaled $791,000 ($488,000, net of tax), $778,000 million ($480,000, net of tax) and $1.1 million ($732,000, net of tax) for the years ended December 31, 2011, 2010 and 2009, respectively. The aggregate intrinsic value of total options and SARs outstanding and exercisable at December 31, 2011 was $15.5 million and $13 million, respectively. The intrinsic value of options and SARs exercised during the year ended December 31, 2011 was approximately $1 million.

Restricted Stock Equity and Liability Units. The Third Amended 2003 Plan also provides for grants of restricted stock equity units, which are settled in shares of Southern Union Company common stock, and restricted stock liability units, which are settled in cash. The restrictions associated with a grant of restricted stock equity units under the Third Amended 2003 Plan generally expire equally over a period of three years. Restrictions on restricted stock liability units expire at the end of the applicable period, which is also the requisite service period.

The following table provides information on restricted stock equity awards granted, released and forfeited for the periods presented.

	Number of Restricted Stock Equity Units Outstanding	Weighted-Average Grant Date Fair Value
Restricted shares at December 31, 2008	8,381	$ 24.08
Granted	-	-
Released	(8,381)	24.08
Forfeited	-	-
Restricted shares at December 31, 2009	-	$ -

There were no restricted stock equity awards granted during the years ended December 31, 2011 and 2010.

The following table provides information on restricted stock liability awards granted, released and forfeited for the periods presented.

	Number of Restricted Stock Liability Units Outstanding	Weighted-Average Grant Date Fair Value
Restricted shares at December 31, 2008	200,014	$ 18.03
Granted	94,189	21.54
Released	(87,620)	20.31
Forfeited	(463)	25.06
Restricted shares at December 31, 2009	206,120	$ 18.53
Granted	70,110	24.57
Released	(101,420)	19.27
Forfeited	(8,940)	18.49
Restricted shares at December 31, 2010	165,870	$ 20.68
Granted	51,611	42.08
Released	(87,509)	18.47
Forfeited	(4,918)	18.97
Restricted shares at December 31, 2011	125,054	$ 31.15

As of December 31, 2011, there was $5 million of total unrecognized compensation cost related to non-expired, restricted stock liability units compensation arrangements granted under the restricted stock plans. That cost is expected to be recognized over a weighted-average contractual period of 2.09 years. The total fair value of restricted stock liability units that were released during the year ended December 31, 2011 was $3.7 million. Compensation expense recognized related to restricted stock equity and liability units totaled $3.8 million ($2.4 million, net of tax), $2.2 million ($1.3 million, net of tax) and $2.1 million ($1.3 million, net of tax) for the years ended December 31, 2011, 2010 and 2009, respectively.

The Company settled the restricted stock liability units released in 2011, 2010 and 2009 with cash payments of $3.7 million, $2.2 million and $1.9 million, respectively.

15. Commitments and Contingencies

Litigation and Other Claims

The Company is involved in legal, tax and regulatory proceedings before various courts, regulatory commissions and governmental agencies regarding matters arising in the ordinary course of business.

Will Price. Will Price, an individual, filed actions in the U.S. District Court for the District of Kansas for damages against a number of companies, including the Company, alleging mis-measurement of natural gas volumes and Btu content, resulting in lower royalties to mineral interest owners. On September 19, 2009, the Court denied plaintiffs' request for class certification. Plaintiffs have filed a motion for reconsideration, which the Court denied on March 31, 2010. The Company believes that its measurement practices conformed to the terms of its FERC natural gas tariffs, which were filed with and approved by FERC. As a result, the Company believes that it has meritorious defenses to the Will Price lawsuit (including FERC-related affirmative defenses, such as the filed rate/tariff doctrine, the primary/exclusive jurisdiction of FERC, and the defense that the Company complied with the terms of its tariffs). In the event that Plaintiffs refuse Panhandle's pending request for voluntary dismissal, Panhandle will continue to vigorously defend the case. The Company believes it has no liability associated with this proceeding.

East End Project. The East End Project involved the installation of a total of approximately 31 miles of pipeline in and around Tuscola, Illinois, Montezuma, Indiana and Zionsville, Indiana. Construction began in 2007 and was completed in the second quarter of 2008. The Company sought recovery of each contractor's share of approximately $50 million of cost overruns from the construction contractor, an inspection contractor and the construction management contractor for improper welding, inspection and construction management of the East End Project. Certain of the contractors filed counterclaims against the Company for alleged underpayments of approximately $18 million. The Company settled with three defendants prior to trial in Harris County, Texas. Trial began on May 16, 2011 and after the fourth week of trial a settlement was reached with the last defendant, Acuren. The various settlements resulted in the Company receiving a total of approximately $16 million and $9 million for reimbursement of previously incurred legal expenses associated with the proceeding and project cost overruns, respectively.

Liabilities for Litigation and Other Claims

The Company records accrued liabilities for litigation and other claim costs when management believes a loss is probable and reasonably estimable. When management believes there is at least a reasonable possibility that a material loss or an additional material loss may have been incurred, the Company discloses (i) an estimate of the possible loss or range of loss in excess of the amount accrued; or (ii) a statement that such an estimate cannot be made. As of December 31, 2011 and 2010, the Company recorded litigation and other claim-related accrued liabilities of $1.3 million and $1.8 million, respectively. The Company does not have any material litigation or other claim contingency matters assessed as probable or reasonably possible that would require disclosure in the financial statements.

Environmental Matters

The Company's operations are subject to federal, state and local laws, rules and regulations regarding water quality, hazardous and solid waste management, air quality control and other environmental matters. These laws, rules and regulations require the Company to conduct its operations in a specified manner and to obtain and comply with a wide variety of environmental registrations, licenses, permits, inspections and other approvals. Failure to comply with environmental laws, rules and regulations may expose the Company to significant fines, penalties and/or interruptions in operations. The Company's environmental policies and procedures are designed to achieve compliance with such applicable laws and regulations. These evolving laws and regulations and claims for damages to property, employees, other persons and the environment resulting from current or past operations may result in significant expenditures and liabilities in the future. The Company engages in a process of updating and revising its procedures for the ongoing evaluation of its operations to identify potential environmental exposures and enhance compliance with regulatory requirements.

Environmental Remediation

The Company is responsible for environmental remediation at certain sites on its natural gas transmission systems for contamination resulting from the past use of lubricants containing PCBs in compressed air systems; the past use of paints containing PCBs; and the prior use of wastewater collection facilities and other on-site disposal areas. The Company has implemented a program to remediate such contamination. The primary remaining remediation activity on the Panhandle systems is associated with past use of paints containing PCBs or PCB impacts to equipment surfaces and to a building at one location. The PCB assessments are ongoing and the related estimated remediation costs are subject to further change.

Other remediation typically involves the management of contaminated soils and may involve remediation of groundwater. Activities vary with site conditions and locations, the extent and nature of the contamination, remedial requirements, complexity and sharing of responsibility. The ultimate liability and total costs associated with these sites will depend upon many factors. If remediation activities involve statutory joint and several liability provisions, strict liability, or cost recovery or contribution actions, the Company could potentially be held responsible for contamination caused by other parties. In some instances, the Company may share liability associated with contamination with other PRPs. The Company may also benefit from contractual indemnities that cover some or all of the cleanup costs. These sites are generally managed in the normal course of business or operations.

The Company's environmental remediation activities are undertaken in cooperation with and under the oversight of appropriate regulatory agencies, enabling the Company under certain circumstances to take advantage of various voluntary cleanup programs in order to perform the remediation in the most effective and efficient manner.

Environmental Remediation Liabilities

The table below reflects the amount of accrued liabilities recorded in the Consolidated Balance Sheet at the dates indicated to cover environmental remediation actions where management believes a loss is probable and reasonably estimable. The Company does not have any material environmental remediation matters assessed as reasonably possible.

	December 31,	
	2011	2010
	(In thousands)	
Current	$ 2,848	$ 4,273
Noncurrent	4,287	4,498
Total environmental liabilities	$ 7,135	$ 8,771

Other Commitments and Contingencies

2008 Hurricane Damage. In September 2008, Hurricanes Gustav and Ike came ashore on the Louisiana and Texas coasts. Offshore transportation facilities, including Sea Robin and Trunkline's Terrebonne system, suffered damage to several platforms and gathering pipelines. Sea Robin experienced reduced volumes until January 2010 when the remainder of the damaged facilities were back in service.

The capital replacement and retirement expenditure related to Hurricane Ike, which were substantially completed in 2011, totaled approximately $141 million. Approximately $141 million, $134 million and $110 million of the capital replacement and retirement expenditures were incurred as of December 31, 2011, 2010 and 2009, respectively. The Company anticipates reimbursement from OIL for a significant portion of the damages in excess of its $10 million deductible; however, the recoverable amount is subject to pro rata reduction to the extent that the level of total accepted claims from all insureds exceeds the carrier's $750 million aggregate exposure limit. OIL announced that it has reached the $750 million aggregate exposure limit and currently calculates its estimated payout amount at 70 percent or less based on estimated claim information it has received. OIL is currently making interim payouts at the rate of 50 percent of accepted claims. As of December 31, 2011, OIL has paid a total of $64.7 million for claims submitted to date by the Company with respect to Hurricane Ike. The final amount of any applicable pro rata reduction cannot be determined until OIL has received and assessed all claims.

Controlled Group Pension Liabilities. Southern Union Company (including certain of its divisions) sponsors a number of defined benefit pension plans for employees. Under applicable pension and tax laws, upon being acquired by Southern Union, the Company became a member of Southern Union Company's "controlled group" with respect to those plans and, along with Southern Union Company and any other members of that group, is jointly and severally liable for any failure by Southern Union (along with any other persons that may be or become a sponsor of any such plan) to fund any of these pension plans or to pay any unfunded liabilities that these plans may have if they are ever terminated. In addition, if any of the obligations of any of these pension plans is not paid when due, a lien in favor of that plan or the Pension Benefit Guaranty Corporation may be created against the assets of each member of Southern Union Company's controlled group, including the Company and each of its subsidiaries. Based on the latest actuarial information available as of December 31, 2011, the aggregate amount of the projected benefit obligations of these pension plans was approximately $225.1 million and the estimated fair value of all of the assets of these plans was approximately $132.8 million.

Unclaimed Property Audits. The Company is subject to the laws and regulations of states and other jurisdictions concerning the identification, reporting and escheatment (the transfer of property to the state) of unclaimed or abandoned funds, and is subject to audit and examination for compliance with these requirements. The Company is currently being examined by a third party auditor on behalf of nine states for compliance with unclaimed property laws.

See *Note 4 – Regulatory Matters* for other potential contingent matters applicable to the Company.

Future Regulatory Compliance Commitments

Air Quality Control. In August 2010, the EPA finalized a rule that requires reductions in a number of pollutants, including formaldehyde and carbon monoxide, for certain engines regardless of size at Area Sources (sources that emit less than ten tons per year of any one Hazardous Air Pollutant (*HAP*) or twenty-five tons per year of all HAPs) and engines less than 500 horsepower at Major Sources (sources that emit ten tons per year or more of any one HAP or twenty-five tons per year of all HAPs). Compliance is required by October 2013. It is anticipated that the limits adopted in this rule will be used in a future EPA rule that is scheduled to be finalized in 2013, with compliance required in 2016. This future rule is expected to require reductions in formaldehyde and carbon monoxide emissions from engines greater than 500 horsepower at Major Sources.

Nitrogen oxides are the primary air pollutant from natural gas-fired engines. Nitrogen oxide emissions may form ozone in the atmosphere. In 2008, the EPA lowered the ozone standard to seventy-five parts per billion (*ppb*) with compliance anticipated in 2013 to 2015. In January 2010, the EPA proposed lowering the standard to sixty to seventy ppb in lieu of the seventy-five ppb standard, with compliance required in 2014 or later. In September 2011, the EPA decided to rescind the proposed lower ozone standard and begin the process to implement the 75 ppb ozone standard established in 2008.

In January 2010, the EPA finalized a 100 ppb one-hour nitrogen dioxide standard. The rule requires the installation of new nitrogen dioxide monitors in urban communities and roadways by 2013. This new monitoring may result in additional nitrogen dioxide non-attainment areas. In addition, ambient air quality modeling may be required to demonstrate compliance with the new standard.

The Company is currently reviewing the potential impacts of the August 2010 Area Source National Emissions Standards for Hazardous Air Pollutants rule, implementation of the 2008 ozone standard and the new nitrogen dioxide standard on its operations and the potential costs associated with the installation of emission control systems on its existing engines. The ultimate costs associated with these activities cannot be estimated with any certainty at this time, but the Company believes, based on the current understanding of the current and proposed rules, such costs will not have a material adverse effect on its consolidated financial position, results of operations or cash flows.

The KDHE set certain contingency measures as part of the agency’s ozone maintenance plan for the Kansas City area. Previously, it was anticipated that these measures would be revised to conform to the requirements of the EPA ozone standard discussed above. KDHE recently indicated that the Kansas City area will be designated as attainment for the ozone standard in 2012, and will not be pursing any emissions reductions from the Company’s operations unless there are changes in the future regarding the status of the Kansas City area.

SPCC Rules. In 2008 and 2009, the EPA adopted amendments to the SPCC rules with the stated intention of providing greater clarity, tailoring requirements and streamlining requirements. On November 10, 2011, the amendments to the SPCC rules went into effect. The Company modified its programs, assets and operations and is finalizing implementation in accordance with the provisions found in the rule. Costs associated with these activities have not had a material adverse effect on the Company’s consolidated financial position, results of operations or cash flows.

16. Quarterly Operations (Unaudited)

The following table provides certain quarterly financial information for the periods presented.

	Quarters Ended			
2011	**March 31**	**June 30**	**September 30**	**December 31**
	(In thousands)			
Operating revenues	$ 202,294	$ 189,760	$ 192,699	$ 218,897
Operating income	91,016	87,705	82,024	101,680
Net earnings	45,612	40,219	35,425	47,399

	Quarters Ended			
2010	**March 31**	**June 30**	**September 30**	**December 31**
	(In thousands)			
Operating revenues	$ 186,675	$ 187,090	$ 186,563	$ 209,122
Operating income	80,509	80,811	76,642	101,159
Net earnings	33,592	33,753	31,512	48,798

Report of Independent Registered Public Accounting Firm

To Southern Union Company and Board of Managers of
Panhandle Eastern Pipe Line Company, LP

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of partners' capital and comprehensive income and of cash flows present fairly, in all material respects, the financial position of Panhandle Eastern Pipe Line Company, LP and its subsidiaries (the "Company") at December 31, 2011 and December 31, 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP
Houston, Texas
February 24, 2012

Exhibit 10(a)

Execution Version

CREDIT AGREEMENT

dated as of February 23, 2012

by and among

TRUNKLINE LNG HOLDINGS LLC
as the Borrower

PANHANDLE EASTERN PIPE LINE COMPANY, LP
as a Guarantor

TRUNKLINE LNG COMPANY, LLC
as a Guarantor

THE BANKS NAMED HEREIN
as the Banks

and

THE BANK OF TOKYO-MITSUBISHI UFJ, LTD.
as the Administrative Agent

THE BANK OF TOKYO-MITSUBISHI UFJ, LTD.
PNC CAPITAL MARKETS LLC
and
MIZUHO CORPORATE BANK (USA)
as the Joint Lead Arrangers and the Joint Bookrunners

PNC BANK, NATIONAL ASSOCIATION
MIZUHO CORPORATE BANK (USA)
as the Syndication Agents

JPMORGAN CHASE BANK, N.A.
ROYAL BANK OF CANADA
as the Documentation Agents

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CREDIT AGREEMENT

CREDIT AGREEMENT dated as of February 23, 2012, among TRUNKLINE LNG HOLDINGS LLC, a limited liability company organized under the laws of Delaware (the "**Borrower**"), PANHANDLE EASTERN PIPE LINE COMPANY, LP, a limited partnership organized under the laws of Delaware ("**Panhandle**"), TRUNKLINE LNG COMPANY, LLC, a limited liability company organized under the laws of Delaware ("**TLNG**"), the financial institutions listed on the signature pages hereof and any other Person that shall have become a party hereto pursuant to an Assignment and Acceptance, other than any such Person that ceases to be a party hereto pursuant to an Assignment and Acceptance (collectively, the "**Banks**" and, individually, a "**Bank**"), and THE BANK OF TOKYO-MITSUBISHI UFJ, LTD. ("**BTMU**"), in its capacity as administrative agent (the "**Agent**") for the Banks hereunder.

PRELIMINARY STATEMENTS:

1. The Borrower desires to obtain from the Banks a senior term loan financing (the "**Financing**") in an aggregate principal amount of $455,000,000, the proceeds of which will be used by the Borrower solely to repay in full the March 2007 Credit Agreement (as defined below).

2. The Banks have indicated their willingness to provide the Financing, subject to the terms and conditions of this Agreement, including the guaranty set forth herein.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements contained herein, the parties hereto hereby agree as follows:

1. CERTAIN DEFINITIONS.

1.1 Defined Terms. As used in this Agreement, the following terms shall have the following meanings:

"**Administrative Questionnaire**" shall mean an administrative questionnaire in a form supplied by the Agent.

"**Affiliate**" shall mean any Person controlling, controlled by or under common control with any other Person. For purposes of this definition, "control" (including "controlled by" and "under common control with") shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or otherwise. If any Person shall own, directly or indirectly, beneficially or of record, twenty percent (20%) or more of the voting equity (whether outstanding capital stock, partnership interests or otherwise) of another Person, such Person shall be deemed to be an Affiliate.

"**Agent**" shall have the meaning set forth in the preamble hereto.

"**Agreement**" shall mean this Credit Agreement, as the same may be amended, restated, amended and restated, supplemented or otherwise modified from time to time.

"**Alternate Base Rate**" shall mean, for any day, a rate per annum equal to the greatest of: (a) the Prime Rate in effect on such day; (b) 1/2 of 1% per annum above the Federal Funds Rate in effect on such day; and (c) the Eurodollar Rate plus 1%. The Alternate Base Rate is an index rate and is not necessarily intended to be the lowest or best rate of interest charged to other customers in connection with extensions of credit or to other banks. Any change in the Alternate Base Rate due to a change in the Prime Rate, the Federal Funds Rate or the Eurodollar Rate shall be effective from and including the effective date of such change in the Prime Rate, the Federal Funds Rate or the Eurodollar Rate, respectively.

"**Alternate Base Rate Loan**" shall mean any Loan which bears interest as described in Section 2.6(a)(i) (Interest).

"**Applicable Lending Office**" shall mean, with respect to each Bank, such Bank's (a) Domestic Lending Office in the case of an Alternate Base Rate Loan; and (b) Eurodollar Lending Office in the case of a Eurodollar Rate Loan.

"**Applicable Margin**" shall mean with respect to (a) Alternate Base Rate Loans, a percentage per annum set forth below under the caption "Alternate Base Rate Loan" and (b) Eurodollar Rate Loans, subject to the provisos set forth below, a percentage per annum set forth below under the caption "Eurodollar Rate Loan," in each case determined by reference to the rating of Panhandle's unsecured, non-credit enhanced Senior Funded Debt (effective from and after the date the applicable change of such a debt rating is first announced by the applicable rating agency):

Rating of Panhandle's unsecured, non-credit enhanced Senior Funded Debt	Eurodollar Rate Loan	Alternate Base Rate Loan
Equal to or higher than Baa1 by Moody's Investors Service, Inc. / Equal to or higher than BBB+ by Standard and Poor's Ratings Group	1.125%	0.125%
Baa2 by Moody's Investors Service, Inc. / BBB by Standard and Poor's Ratings Group	1.375%	0.375%
Baa3 by Moody's Investors Service, Inc. / BBB- by Standard and Poor's Ratings Group	1.625%	0.625%
Ba1 by Moody's Investors Service, Inc. / BB+ by Standard and Poor's Ratings Group	1.875%	0.875%
Below Ba1 by Moody's Investors Service, Inc. / Below BB+ by Standard and Poor's Ratings Group	2.25%	1.25%

Notwithstanding the foregoing provisions, in the event that ratings of Panhandle's unsecured, non-credit enhanced Senior Funded Debt under Standard & Poor's Ratings Group and under Moody's Investors Service, Inc. fall within different rating categories which are not functional equivalents, the Applicable Margin shall be based on the higher of such ratings if there is only one category differential between the functional equivalents of such ratings, and if there is a two category differential between the functional equivalents of such ratings, the component of pricing from the grid set forth above shall be based on the rating category which is then in the middle of or between the two category ratings which are then in effect, and if there is greater than a two category differential between the functional equivalents of such ratings, the component of pricing from the grid set forth above shall be based on the rating category which is then one rating category below the higher of the two category ratings which are then in effect. Additionally, in the event that Panhandle withdraws from having its unsecured, non-credit enhanced Senior Funded Debt being rated by Moody's Investors Service, Inc. or Standard and Poor's Ratings Group, so that one or both of such ratings services fails to rate Panhandle's unsecured, non-credit enhanced Senior Funded Debt, (a) if there is only one rating, then such rating shall apply, and (b) if there is no rating, then the Agent and the Borrower shall negotiate in good faith to amend the definition of Applicable Margin to reflect such change in circumstances, and until such time as the Agent and the Borrower shall reach agreement with respect thereto, the Applicable Margin for all Eurodollar Rate Loans for all Interest Periods commencing thereafter shall be 2.25% and the Applicable Margin for all Alternate Base Rate Loans shall be 1.25% effective immediately.

"**Approved Fund**" shall mean any Person (other than a natural person) that is engaged in making, purchasing, holding or investing in bank loans and similar extensions of credit in the ordinary course of its business and that is administered or managed by (a) a Bank, (b) an Affiliate of a Bank or (c) an entity or an Affiliate of an entity that administers or manages a Bank.

"**Assignment and Acceptance**" shall mean an Assignment and Acceptance substantially in the form of Exhibit B hereto or any other form approved by the Agent.

"**Attributable Indebtedness**" shall mean, with respect to any Sale-Leaseback Transaction, the present value (discounted at the rate set forth or implicit in the terms of the lease included in such Sale-Leaseback Transaction) of the total obligations of the lessee for rental payments (other than amounts required to be paid on account of taxes, maintenance, repairs, insurance, assessments, utilities, operating and labor costs and other items that do not constitute payments for property rights) during the remaining term of the lease included in such Sale-Leaseback Transaction (including any period for which such lease has been extended). In the case of any lease that is terminable by the lessee upon payment of a penalty, the Attributable Indebtedness shall be the lesser of the (a) Attributable Indebtedness determined assuming termination on the first date such lease may be terminated (in which case the Attributable Indebtedness shall also include the amount of the penalty, but no rent shall be considered as required to be paid under such lease subsequent to the first date on which it may be so terminated) and (b) the Attributable Indebtedness determined assuming no such termination.

"**Bank**" shall have the meaning set forth in the preamble hereto and shall include the Agent, in its individual capacity.

"**Borrower**" shall have the meaning set forth in the preamble hereto.

"**Borrowing**" shall mean the borrowing of Loans on the Funding Date pursuant to Section 2.1 (The Loans).

"**BTMU**" shall have the meaning set forth in the preamble.

"**Business Day**" shall mean a day when the Agent is open for business, *provided* that, if the applicable Business Day relates to any Eurodollar Rate Loan, it shall mean a day when the Agent is open for business and banks are open for business in the London interbank market and in New York City.

"**Capital Lease**" shall mean any lease of any Property (whether real, personal, or mixed) which, in conformity with GAAP, is accounted for as a capital lease on the balance sheet of the lessee.

"**Capitalized Lease Obligations**" shall mean, for any Person, any of their obligations that should, in accordance with GAAP, be recorded as Capital Leases.

"**CERCLA**" shall mean the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C.A. § 9601 *et seq.*), as amended from time to time, and any and all rules and regulations issued or promulgated thereunder.

"**Change in Law**" shall mean (a) the adoption of any law, rule or regulation after the date of this Agreement, (b) any change in any law, rule or regulation or in the interpretation or application thereof by any Governmental Authority after such date or (c) compliance by any Bank with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after such date; *provided* that, notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a "Change in Law", regardless of the date enacted, adopted or issued.

"**Closing Date**" shall mean the date hereof.

"**Code**" shall mean the Internal Revenue Code of 1986, as amended, as now or hereafter in effect, together with all regulations, rulings and interpretations thereof or thereunder issued by the Internal Revenue Service.

"**Commitment**" shall mean, with respect to any Bank, the commitment of such Bank to make a Loan on the Funding Date, in the amount set forth opposite such Bank's name on Annex I hereto, and the aggregate amount of all the Commitments is $455,000,000.

"**Consolidated**" shall refer to the consolidation of accounts in accordance with GAAP.

"**Consolidated EBITDA**" shall mean, for any period, for Panhandle and its Subsidiaries on a Consolidated basis, an amount equal to Consolidated Net Income for such period plus (a) the following to the extent deducted in calculating such Consolidated Net Income: (i) Consolidated Interest Charges for such period, (ii) the provision for Federal, state, local and foreign income taxes payable by Panhandle and its Subsidiaries for such period (including any franchise taxes to the extent based upon net income), (iii) depreciation and amortization expense (including amortization of intangible assets), (iv) other extraordinary and non-recurring expenses of Panhandle and its Subsidiaries reducing such Consolidated Net Income which do not represent a cash item in such period or any future period and (v) any other non-cash charges or losses of Panhandle and its Subsidiaries (including any non-cash losses resulting from the impairment of long-lived assets, goodwill or intangible assets) and minus (b) the following to the extent included in calculating such Consolidated Net Income: (i) Federal, state, local and foreign income tax credits of Panhandle and its Subsidiaries for such period and (ii) all non-cash items increasing Consolidated Net Income for such period. Consolidated EBITDA shall be subject to the following adjustment:

If, since the beginning of the four fiscal quarter period ending on the date for which Consolidated EBITDA is determined, Panhandle or any Subsidiary thereof shall have made any disposition or acquisition of assets, shall have consolidated or merged with or into any Person (other than a Subsidiary of Panhandle), or shall have made any disposition of Equity Interests or an acquisition of Equity Interests, Consolidated EBITDA shall be calculated giving pro forma effect thereto as if the disposition, acquisition, consolidation or merger had occurred on the first day of such period. Such pro forma effect shall be determined (A) in good faith by the chief financial officer, principal accounting officer or treasurer of Panhandle and (B) giving effect to any anticipated or proposed cost savings related to such disposition, acquisition, consolidation or merger, to the extent approved by Agent, such approval not to be unreasonably withheld or delayed.

"**Consolidated Funded Debt**" shall mean, as of any date, the sum of the following (without duplication): (a) all Debt which is classified as "long-term indebtedness" on a Consolidated balance sheet of Panhandle and its Subsidiaries prepared as of such date in accordance with GAAP and any current maturities and other principal amount in respect of such Debt due within one year but which was classified as "long-term indebtedness" at the creation thereof, (b) Debt for

borrowed money of Panhandle and its Subsidiaries outstanding under a revolving credit or similar agreement, notwithstanding the fact that any such borrowing is made within one year of the expiration of such agreement, (c) Capitalized Lease Obligations of Panhandle and its Subsidiaries, and (d) all Debt in respect of any Guaranty by Panhandle or any of its Subsidiaries of Debt of any Person other than Panhandle or any of its Subsidiaries. The calculation of Consolidated Funded Debt will not give effect to any fair value adjustments to Debt under purchase accounting principles in connection with the Transactions.

"**Consolidated Interest Charges**" shall mean, for any period, for Panhandle and its Subsidiaries on a Consolidated basis, the sum of (a) all interest, premium payments, debt discount, fees, charges and related expenses of Panhandle and its Subsidiaries in connection with borrowed money (including capitalized interest) or in connection with the deferred purchase price of assets, in each case to the extent treated as interest in accordance with GAAP, and (b) the portion of rent expense of Panhandle and its Subsidiaries with respect to such period under capital leases that is treated as interest in accordance with GAAP.

"**Consolidated Net Income**" shall mean, for any period, for Panhandle and its Subsidiaries on a Consolidated basis, the net income of Panhandle and its Subsidiaries (excluding extraordinary gains and extraordinary losses) for that period.

"**Consolidated Net Tangible Assets**" shall mean, at any date of determination, the total amount of assets of Panhandle and its Subsidiaries after deducting therefrom:

(a) all current liabilities (excluding (i) 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 (ii) current maturities of Long-Term Debt); and

(b) 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 Subsidiaries for Panhandle's most recently completed fiscal quarter, prepared in accordance with GAAP.

"**Conversion**", "**Convert**" and "**Converted**" each shall refer to a conversion of Loans of one Type into Loans of the other Type pursuant to Section 2.8 (Conversion of Loans).

"**Debt**" shall mean (without duplication), for any Person, indebtedness for money borrowed determined in accordance with GAAP but in any event including (a) indebtedness of such Person for borrowed money or arising out of any extension of credit to or for the account of such Person (including, without limitation, extensions of credit in the form of reimbursement or payment obligations of such Person relating to letters of credit issued for the account of such Person) or for the deferred purchase price of property or services, except indebtedness which is owing to trade creditors in the ordinary course of business; (b) indebtedness of the kind described in clause (a) of this definition which is secured by (or for which the holder of such Debt has any existing right, contingent or otherwise, to be secured by) any Lien upon or in Property (including, without limitation, accounts and contract rights) owned by such Person, whether or not such Person has assumed or become liable for the payment of such indebtedness or obligations; (c) Capitalized Lease Obligations of such Person; and (d) obligations under direct or indirect Guaranties. Whenever the definition of Debt is being used herein in order to compute a financial ratio or covenant applicable to the consolidated business of Panhandle and its Subsidiaries, Debt which is already included in such computation by virtue of the fact that it is owed by a Subsidiary of Panhandle will not also be added by virtue of the fact that Panhandle has executed a guaranty with respect to such Debt that would otherwise require such guaranteed indebtedness to be considered Debt hereunder. Nothing contained in the foregoing sentence is intended to limit the other provisions of this Agreement which contain limitations on the amount and types of Debt which may be incurred by any Loan Party.

"**Debtor Laws**" shall mean all applicable liquidation, conservatorship, bankruptcy, moratorium, arrangement, receivership, insolvency, reorganization, or similar laws, or general equitable principles from time to time in effect affecting the rights of creditors generally.

"**Default**" shall mean any of the events specified in Section 8 (Events of Default; Remedies), whether or not there has been satisfied any requirement in connection with such event for the giving of notice, or the lapse of time, or the happening of any further condition, event or act.

"**Defaulting Bank**" shall mean, subject to Section 2.16 (Defaulting Banks), any Bank that (a) has failed to (i) fund all or any portion of its Loan within two Business Days of the date such Loan was required to be funded hereunder unless such Bank notifies the Agent and the Borrower in writing that such failure is a result of such Bank's determination that one or more conditions precedent to funding (each of which conditions precedent, together with any applicable default, shall be specifically identified in such writing) has not been satisfied, or (ii) pay to the Agent or any other Bank any other amount required to be paid by it hereunder within two Business Days of the date when due, (b) has notified the Borrower or the Agent in writing that it does not intend to comply with its funding obligations hereunder, or has made a public statement to that effect (unless such writing or public statement relates to such Bank's obligation to fund its Loan hereunder and states that such position is based on such Bank's determination that a condition precedent to funding (which condition precedent, together with any applicable default, shall be specifically identified in such writing or public statement) cannot be satisfied), (c) has failed, within three Business Days after written request by the Agent or the Borrower, to confirm in writing to the Agent and the Borrower that it will comply with its prospective funding obligations hereunder (*provided* that such Bank shall cease to be a Defaulting Bank pursuant to this clause (c) upon receipt of such written confirmation by the Agent and the Borrower), (d) has, or has a direct or indirect parent company that has, (i) become the subject of a proceeding under any Debtor Laws, or (ii) had appointed for it a receiver, custodian, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or assets, including the Federal Deposit Insurance Corporation or any other state or federal regulatory authority acting in such a capacity; *provided* that a Bank shall not be a Defaulting Bank solely by virtue of the ownership or acquisition of any equity interest in that Bank or any direct or indirect parent company thereof by a Governmental Authority so long as such ownership interest does not result in or provide such Bank with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Bank (or such Governmental Authority) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Bank. Any determination by the Agent that a Bank is a Defaulting Bank under any one or more of clauses (a) through (d) above shall be conclusive and binding absent manifest error, and such Bank shall be deemed to be a Defaulting Bank (subject to Section 2.16 (Defaulting Banks)) as of the date established therefor by the Agent in written notice of such determination, which shall be delivered by the Agent to the Borrower and each Bank promptly following such determination.

"**Dollars**" and "**$**" shall mean lawful currency of the United States of America.

"**Domestic Lending Office**" shall mean, with respect to each Bank, such office of such Bank as shall be specified in its Administrative Questionnaire or such other office of such Bank as such Bank may from time to time specify to the Borrower and the Agent.

"**Eligible Assignee**" shall mean: (i) any Bank, or any Affiliate of any Bank, any Approved Fund, or any institution 100% of the voting stock of which is directly or indirectly owned by such Bank or by the immediate or remote parent of such Bank; or (ii) a commercial bank, a foreign branch of a United States commercial bank, a domestic branch of a foreign commercial bank or other financial institution having in each case assets in excess of $1,000,000,000. None of the Borrower or any of the Borrower's Affiliates or Subsidiaries, any Defaulting Bank or any of its Subsidiaries or any Person who, upon becoming a Bank hereunder, would constitute a Defaulting Bank or a Subsidiary of a Defaulting Bank, or a natural Person shall be an Eligible Assignee.

"**Environmental Law**" shall mean (a) CERCLA; (b) the Resource Conservation and Recovery Act (as amended by the Hazardous and Solid Waste Amendment of 1984, 42 U.S.C.A. § 6901 *et seq.*), as amended from time to time, and any and all rules and regulations promulgated thereunder ("RCRA"); (c) the Clean Air Act, 42 U.S.C.A. § 7401 *et seq.*, as amended from time to time, and any and all rules and regulations promulgated thereunder; (d) the Clean Water Act of 1977, 33 U.S.CA § 1251 *et seq.*, as amended from time to time, and any and all rules and regulations promulgated thereunder; (e) the Toxic Substances Control Act, 15 U.S.C.A. § 2601 *et seq.*, as amended from time to time, and any and all rules and regulations promulgated thereunder; or (f) any other federal or state law, statute, rule, or emulation enacted in connection with or relating to the protection or regulation of the environment (including, without limitation, those laws, statutes, rules, and regulations regulating the disposal, removal, production, storing, refining, handling, transferring, processing, or transporting of Hazardous Materials) and any rules and regulations issued or promulgated in connection with any of the foregoing by any governmental authority, and "**Environmental Laws**" shall mean each of the foregoing.

"**EPA**" shall mean the Environmental Protection Agency or any successor organization.

"**Equity Interests**" shall mean, with respect to any Person, shares of capital stock of (or other ownership or profit interests in) such Person, warrants, options or other rights for the purchase or other acquisition from such Person of shares of capital stock of (or other ownership or profit interests in) such Person, securities convertible into or exchangeable for shares of capital stock of (or other ownership or profit interests in) such Person or warrants, rights or options for the purchase or other acquisition from such Person of such shares (or such other interests), and other ownership or profit interests in such Person (including, without limitation, partnership, member or trust interests therein), whether voting or non-voting, and whether or not such shares, warrants, options, rights or other interests are authorized or otherwise existing on any date of determination.

"**ERISA**" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time, and all rules, regulations, rulings and interpretations thereof issued by the Internal Revenue Service or the Department of Labor thereunder.

"**Eurocurrency Liabilities**" shall have the meaning assigned to that term in Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"**Eurodollar Lending Office**" shall mean, with respect to each Bank, such office of such Bank as shall be specified in its Administrative Questionnaire or such other office of such Bank as such Bank may from time to time specify to the Borrower and the Agent.

"**Eurodollar Rate**" shall mean, (a) for any Interest Period in effect for each Eurodollar Rate Loan, an interest rate per annum equal to (i) the rate determined by the Agent to be the offered rate which appears on the display designated as page "Libor01" on the Bloomberg service ("**Libor01 Rate**") (or on any successor or substitute page of such display, or any successor to or substitute for such display, providing rate quotations comparable to those currently provided on such page of such screen, as determined by the Agent from time to time for purposes of providing quotations of interest rates applicable to dollar deposits in the London interbank market) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, as the rate for dollar deposits with a maturity comparable to such Interest Period; or (ii) in the event that such rate is not available at such time for any reason, then the "Eurodollar Rate" with respect to such Eurodollar Rate Loans for such Interest Period shall be the rate at which dollar deposits of $5,000,000 and for a maturity comparable to such Interest Period are offered by the principal London office of the Agent in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period; and (b) for any interest calculation with respect to an Alternate Base Rate Loan on any date, the interest rate per annum equal to (i) the Libor01 Rate at approximately 11:00 a.m., London time, two Business Days prior to such date for dollar deposits being delivered in the London interbank market for a term of one month; or (ii) in the event that such rate is not available at such time for any reason, then the "Eurodollar Rate" with respect to such Alternate Base Rate Loan shall be the rate at which dollar deposits of $5,000,000 and for a term of one month are offered by the principal London office of the Agent in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, two Business Days prior to such date.

"**Eurodollar Rate Loan**" shall mean a Loan that bears interest as provided in Section 2.6(a)(ii) (Interest).

"**Event of Default**" shall mean any of the events specified in Section 8 (Events of Default; Remedies), *provided* that there has been satisfied any requirement in connection with such event for the giving of notice, or the lapse of time, or the happening of any further condition, event or act.

"**FATCA**" shall mean Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with) and any current or future regulations or official interpretations thereof.

"**Federal Funds Rate**" shall mean, for any day, the weighted average (rounded upwards, if necessary, to the next 1/100 of 1%) of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for such day for such transactions received by the Agent from three federal funds brokers of recognized standing selected by it.

"**Fee Letter**" shall mean that certain fee letter dated as of January 25, 2012, by and between the Borrower and BTMU.

"**Funded Debt**" shall mean all Debt of a Person which matures more than one year from the date of creation or matures within one year from such date but is renewable or extendible, at the option of such Person, by its terms or by the terms of any instrument or agreement relating thereto, to a date more than one year from such date or arises under a revolving credit or similar agreement which obligates Banks to extend credit during a period of more than one year from such date, including, without limitation, all amounts of any Funded Debt required to be paid or prepaid within one year from the date of determination of the existence of any such Funded Debt.

"**Funding Date**" shall mean the date on which each of the conditions precedent set forth in Section 4 (Conditions to Funding) shall have been satisfied or waived by the Banks*; provided* that the Funding Date shall be no later than March 13, 2012.

"**GAAP**" shall mean generally accepted accounting principles, as in effect from time to time, applicable to the circumstances as of the date of determination, applied consistently with such principles as applied in the preparation of the audited financial statements referred to in Section 5.1 (Financial Statements and Information).

"**Governmental Authority**" shall mean any (domestic or foreign) federal, state, county, municipal, parish, provincial, or other government, or any department, commission, board, court, agency (including, without limitation, the EPA), or any other instrumentality of any of them or any other political subdivision thereof, and any entity exercising executive, legislative, judicial, regulatory, or administrative functions of, or pertaining to, government, including, without limitation, any arbitration panel, any court, or any commission (including any supra-national bodies such as the European Union or the European Central Bank).

"**Governmental Requirement**" shall mean any order, permit, law, statute (including, without limitation, any Environmental Protection Statute), code, ordinance, rule, regulation, certificate, or other direction or requirement of any Governmental Authority.

"**Guaranteed Obligations**" shall have the meaning set forth in Section 10.1.

"**Guarantor**" shall mean each of Panhandle and TLNG.

"**Guaranty**" shall mean, with respect to any Person, any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Debt of another Person, including, without limitation, by means of an agreement to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or to maintain financial covenants, or to assure the payment of such Debt by an agreement to make payments in respect of goods or services regardless of whether delivered or to purchase or acquire the Debt of another, or otherwise, *provided* that the term "Guaranty" shall not include endorsements for deposit or collection in the ordinary course of business.

"**Hazardous Materials**" shall mean any substance which, pursuant to any Environmental Laws, requires special handling in its collection, use, storage, treatment or disposal, including but not limited to any of the following: (a) any "hazardous waste" as defined by RCRA; (b) any "hazardous substance" as defined by CERCLA; (c) asbestos; (d) polychlorinated biphenyls; (e) any flammables, explosives or radioactive materials; and (f) any substance, the presence of which on any of Loan Parties' properties is prohibited by any Governmental Authority.

"**Highest Lawful Rate**" shall mean, with respect to each Bank, the maximum non-usurious interest rate, if any, that at any time or from time to time may be contracted for, taken, reserved, charged, or received with respect to the Notes or on other amounts, if any, due to such Bank pursuant to this Agreement, under laws applicable to such Bank which are presently in effect, or, to the extent allowed by law, under such applicable laws which may hereafter be in effect and which allow a higher maximum non-usurious interest rate than applicable laws now allow.

"**Indemnified Parties**" shall have the meaning set forth in Section 11.16 (Indemnification).

"**Indemnified Taxes**" shall have the meaning set forth in Section 2.11(a) (Taxes).

"**Interest Period**" shall mean, for each Eurodollar Rate Loan, the period commencing on the date of such Eurodollar Rate Loan or the date of the Conversion of any Alternate Base Rate Loan into such Eurodollar Rate Loan, and ending on the last day of the period selected by the Borrower pursuant to the provisions below and, thereafter, each subsequent period commencing on the last day of the immediately preceding Interest Period and ending on the last day of the period selected by the Borrower pursuant to the provisions below. The duration of each such Interest Period shall be one, two, three or six months (or, if available to each Bank, nine or twelve months), as the Borrower may, upon notice received by the Agent not later than 11:00 A.M. (New York City time) on the third Business Day prior to the first day of such Interest Period, select; *provided* that:

(a) whenever the last day of any Interest Period would otherwise occur on a day other than a Business Day, the last day of such Interest Period shall be extended to occur on the next succeeding Business Day, *provided* that, if such extension would cause the last day of such Interest Period to occur in the next following calendar month, the last day of such Interest Period shall occur on the next preceding Business Day; and

(b) whenever the first day of any Interest Period occurs on a day of an initial calendar month for which there is no numerically corresponding day in the calendar month that succeeds such initial calendar month by the number of months equal to the number of months in such Interest Period, such Interest Period shall end on the last Business Day of such succeeding calendar month.

"**Inventory**" shall mean, with respect to the Borrower or any Subsidiary, all of such Person's now owned or hereafter acquired or created inventory in all of its forms and of every nature, wherever located, whether acquired by purchase, merger, or otherwise, and all raw materials, work in process therefor and finished goods thereof, and all supplies, materials, and products of every nature and description used, usable, or consumed in connection with the manufacture, packing, shipping, advertising, selling, leasing, furnishing, or production of such goods, and shall include, in any event, all "inventory" (within the meaning of such term in the Uniform Commercial Code in effect in any applicable jurisdiction), whether in mass or joint, or other interest or right of any kind in goods which are returned to, repossessed by, or stopped in transit by such Person, and all accessions to any of the foregoing and all products of any of the foregoing.

"**Investment**" of any Person shall mean any investment so classified under GAAP, and, whether or not so classified, includes (a) any direct or indirect loan advance made by it to any other Person; (b) any direct or indirect Guaranty for the benefit of such Person; (c) any capital contribution to any other Person; and (d) any ownership or similar interest in any other Person; and the amount of any Investment shall be the original principal or capital amount thereof (*plus* any subsequent principal or capital amount) *minus* all cash returns of principal or capital thereof.

"**Lead Arrangers**" shall mean BTMU, PNC Capital Markets LLC and Mizuho Capital Bank (USA).

"**Leverage Ratio**" shall mean, as of any date of determination, the ratio of (a) the aggregate amount of outstanding Consolidated Funded Debt of Panhandle and its Subsidiaries as of such date to (b) Consolidated EBITDA of Panhandle and its Subsidiaries for the period of the four fiscal quarters most recently ended.

"**Lien**" shall mean any mortgage, deed of trust, pledge, security interest, encumbrance, lien (including, without limitation, any such interest arising under any Environmental Law), or similar charge of any kind (including, without limitation, any agreement to give any of the foregoing, any conditional sale or other title retention agreement or any lease in the nature thereof), or the interest of the lessor under any Capital Lease.

"**Loan**" or "**Loans**" shall mean a loan or loans, respectively, from the Banks to the Borrower made under Section 2.1 (The Loans).

"**Loan Document**" shall mean this Agreement, any Note, the Fee Letter and any other document, agreement or instrument now or hereafter executed and delivered by any Loan Party in connection with any of the transactions contemplated by any of the foregoing, as any of the foregoing may hereafter be amended, restated, amended and restated, supplemented or otherwise modified from time to time, and "**Loan Documents**" shall mean, collectively, each of the foregoing.

"**Loan Party**" shall mean TLNG, Panhandle, the Borrower and its Subsidiaries.

"**Long-Term Debt**" shall mean any Debt that, in accordance with GAAP, constitutes (or, when incurred, constituted) a long-term liability.

"**Majority Banks**" shall mean at any time Banks holding more than 50% of the unpaid principal amounts outstanding under the Loans, or, if no such amounts are outstanding, more than 50% of the Pro Rata Percentages. The Loan held by and the Pro Rata Percentage of any Defaulting Bank shall be disregarded in determining Majority Banks at any time.

"**March 2007 Credit Agreement**" shall mean the Credit Agreement dated as of March 13, 2007, by and among the Borrower, as the borrower, Panhandle, as a guarantor, TLNG, as a guarantor, the financial institutions party thereto, and Bayerische Hypo- Und Vereinsbank AG, New York Branch, as the administrative agent, as amended, restated, amended and restated, supplemented or otherwise modified and in effect on the Funding Date.

"**Material Adverse Effect**" shall mean any material adverse effect on (a) the financial condition, business, properties, assets or operations of Panhandle and its Subsidiaries, taken as a whole, or (b) the ability of Panhandle, the Borrower or TLNG to perform its obligations under this Agreement, any Note or any other Loan Document on a timely basis.

"**Maturity Date**" shall mean February 23, 2015.

"**Non-Defaulting Bank**" shall mean, at any time, each Bank that is not a Defaulting Bank at such time.

"**Note**" or "**Notes**" shall mean a promissory note or notes, respectively, of the Borrower, executed and delivered under this Agreement.

"**Notice of Borrowing**" shall have the meaning set forth in Section 2.2(a) (Making the Loans).

"**Obligations**" shall mean all obligations of Panhandle, the Borrower and TLNG to the Banks under this Agreement, the Notes and all other Loan Documents to which any of them is a party.

"**Officer's Certificate**" shall mean a certificate signed in the name of the applicable Loan Party, by either its President, one of its Vice Presidents, its Treasurer, its Secretary, or one of its Assistant Treasurers or Assistant Secretaries.

"**Other Taxes**" shall have the meaning set forth in Section 2.11(b) (Taxes).

"**Panhandle**" shall have the meaning set forth in the preamble hereto.

"**Participant Register**" shall have the meaning set forth in Section 11.14(f) (Sale or Assignment).

"**Permitted Liens**" shall mean any of the following Liens:

(a) Any Lien:

(i) arising by reason of deposits with or the giving of any form of security to any Governmental Authority in connection with the financing of the acquisition or construction of property to be used in the business of a Loan Party;

(ii) for current taxes and assessments or taxes and assessments not at the time delinquent and for which adequate reserves have been established to the extent required by GAAP; or

(iii) for taxes and assessments which are delinquent but the validity of which is being contested at the time by a Loan Party in good faith and by appropriate proceedings and for which adequate reserves have been established to the extent required by GAAP;

(b) Leases, whether now or hereafter existing, in the ordinary course of business, of property and assets now and hereafter owned by a Loan Party (excluding Capitalized Leases) and any renewals or extensions thereof;

(c) Liens reserved in leases, or arising by operation of law, for rent and for compliance with the terms of the lease in the case of the leasehold estates;

(d) Liens arising by reason of deposits with or the giving of any form of security to any Governmental Authority or any other governmental body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable a Loan Party to maintain self-insurance or to participate in any fund for liability on any insurance risks or in connection with workmen's compensation, unemployment insurance, old age pensions or other social security or to share in the privileges or benefits required for companies participating in such arrangements;

(e) (i) Mechanics', materialmen's, warehousemen's, landlord's or similar Liens or any Lien arising by reason of pledges or deposits to secure payment of workmen's compensation or other insurance or social security legislation, (ii) good faith deposits or downpayments in connection with tenders or leases of real estate, bids or contracts (other than contracts for the payment of money), including contracts for the acquisition of machinery and equipment, (iii) deposits to secure public or statutory obligations, (iv) deposits to secure or in lieu of surety, stay or appeal bonds, (v) margin deposits (*provided* that all such margin deposits shall not exceed $2,000,000 in the aggregate at any time) and (vi) deposits as security for the payment of taxes or assessments or other similar charges;

(f) Liens of any judgments not constituting an Event of Default under Section 8.9 (Undischarged Judgment);

(g) Any obligation or duties, affecting the property of a Loan Party, to any Governmental Authority with respect to any franchise, grant, lease, license, permit or similar arrangement with such Governmental Authority;

(h) Rights reserved to or vested in any Governmental Authority by the terms of any right, power, franchise, grant, license or permit or by any provision of law, to terminate or to require annual or other periodic payments as a condition to the continuance of such right, power, franchise, grant, license or permit;

(i) Rights reserved to or vested in any Governmental Authority to control or regulate any property of a Loan Party, or to use such property in any manner which does not materially impair the use of such property for the purpose for which it is held by a Loan Party;

(j) Zoning laws and ordinances;

(k) Restrictive covenants, easements on, exceptions to or reservations in respect of any property of a Loan Party granted or reserved for the purpose of electric lines, fiber optic lines, water and sewer lines, pipelines, other utilities, roads, streets, alleys, highways, railroad purposes, the removal of oil, gas, hydrocarbon, coal or other minerals, and other like purposes, or for the use of real property or interests therein, facilities and equipment, which do not materially impair the use thereof for the purposes for which it is held by a Loan Party, and any and all rents, royalties, reservations, Liens and rights or interests of third parties, in each case not securing any Debt, arising in the ordinary course of business of a Loan Party by virtue of any lease or exploration, development, drilling, unitization, communitization or operating agreement relating to or affecting any oil, gas, hydrocarbon, coal or other mineral properties in which a Loan Party has an interest;

(l) Defects or irregularities of title, and inaccuracies of legal descriptions, affecting any portion of the property of a Loan Party or any of its Subsidiaries that individually or in the aggregate do not materially interfere with the operation, value of use of the properties of such Loan Party or such Subsidiaries taken as a whole;

(m) Liens securing Debt with respect to Debt of any Person that becomes a Subsidiary of a Loan Party, *provided* that such Liens were in existence prior to the date on which such Person becomes a Subsidiary of such Loan Party and were not created in contemplation of such Person becoming a Subsidiary of such Loan Party;

(n) Liens on any office equipment, data processing equipment (including computer and computer peripheral equipment), or motor vehicles purchased in the ordinary course of the applicable Loan Party's business; and

(o) Liens created in the ordinary course of business in favor of banks and other financial institutions over credit balances or any bank accounts of a Loan Party held at such banks or financial institutions.

"**Person**" shall mean an individual, partnership, joint venture, corporation, joint stock company, bank, trust, unincorporated organization and/or a government or any department or agency thereof.

"**Plan**" shall mean any plan subject to Title IV of ERISA and maintained for employees of any Loan Party or of any member of a "controlled group of corporations," as such term is defined in the Code, of which a Loan Party is a member, or any such plan to which a Loan Party thereof is required to contribute on behalf of its employees.

"**Prime Rate**" shall mean, on any day, the rate determined by the Agent and announced to its customers as being its prime rate for that day. Without notice to the Borrower or any other Person, the Prime Rate shall change automatically from time to time as and in the amount by which said Prime Rate shall fluctuate, with each such change to be effective as of the date of each change in such Prime Rate. The Prime Rate is a reference rate and does not necessarily represent the lowest or best rate actually charged to any customer. The Agent may make commercial or other loans at rates of interest at, above or below the Prime Rate.

"**Priority Obligations Amount**" shall mean the sum (without duplication) of (i) all Attributable Indebtedness with respect to any Sale-Leaseback Transaction entered into by Panhandle or any of its Subsidiaries, (ii) all Debt of Panhandle or any of its Subsidiaries secured by a Lien (other than Liens permitted by clauses (a) through (c) of Section 6.2 (Liens, Etc.)) and (iii) all Debt of Subsidiaries of Panhandle (other than the Borrower or TLNG), other than such Debt owed to Panhandle or another Subsidiary.

"**Pro-Rata Percentage**" shall mean with respect to any Bank, a fraction (expressed as a percentage), the numerator of which shall be the amount of such Bank's outstanding Loans (or Commitment) and the denominator of which shall be the aggregate amount of all the outstanding Loans (or Commitments) of the Banks, as adjusted from time to time in accordance herewith.

"**Property**" shall mean any interest or right in any kind of property or asset, whether real, personal, or mixed, owned or leased, tangible or intangible, and whether now held or hereafter acquired.

"**Register**" shall have the meaning set forth in Section 11.14(d).

"**Release**" shall mean a "release", as such term is defined in CERCLA.

"**Restricted Payment**" shall mean a Person's declaration or payment of any dividends, the purchase, redemption, retirement, defeasance or other acquisition for value of any of its Equity Interests now or hereafter outstanding, return any capital to its stockholders, partners or members (or the equivalent Persons thereof) as such, making any distribution of assets, Equity Interests, obligations or securities to its stockholders, partners or members (or the equivalent Persons thereof) as such or making of any interest payment on any Debt owing to its direct or indirect parent (or any equity owner thereof).

"**Required Banks**" shall mean at any time Banks holding more than 66-2/3% of the unpaid principal amounts outstanding under the Loans, or, if no such amounts are outstanding, more than 66-2/3% of the Pro Rata Percentages. The Loan held by and the Pro Rata Percentage of any Defaulting Bank shall be disregarded in determining Required Banks at any time.

"**Sale-Leaseback Transaction**" has the meaning set forth in Section 6.8 (Sales and Leasebacks).

"**Senior Funded Debt**" shall mean Funded Debt of Panhandle excluding Debt that is contractually subordinated in right of payment to any other Debt of Panhandle.

"**Southern Union**" shall mean Southern Union Company.

"**Subsidiary**" of any Person shall mean any corporation, partnership, joint venture, limited liability company, trust or estate of which (or in which) more than 50% of (a) the issued and outstanding capital stock having ordinary voting power to elect a majority of the Board of Directors (or similar board) of such Person (irrespective of whether at the time capital stock of any other class or classes of such Person shall or might have voting power upon the occurrence of any contingency), (b) the interest in the capital or profits of such partnership, joint venture or limited liability company or (c) the beneficial interest in such trust or estate is at the time directly or indirectly owned or controlled by such Person, by such Person and one or more of its other Subsidiaries or by one or more of such Person's other Subsidiaries.

"**Taxes**" shall have the meaning set forth in Section 2.11(a) (Taxes).

"**TLNG**" shall have the meaning set forth in the preamble hereto.

"**Transactions**" shall mean, collectively, (a) the merger of Southern Union with and into Sigma Acquisition Corporation, a wholly-owned subsidiary of Energy Transfer Equity, L.P., with Southern Union surviving as a subsidiary of Energy Transfer Equity, L.P. in accordance with the terms of that certain Second Amended and Restated Agreement and Plan of Merger dated as of July 19, 2011, by and among Energy Transfer Equity, L.P., Sigma Acquisition Corporation and Southern Union, as amended by Amendment No. 1 thereto dated as of September 14, 2011; (b) the merger of Cross Country Energy, LLC with and into Citrus ETP Acquisition, L.L.C. in accordance with the terms of that certain Amended and Restated Agreement and Plan of Merger dated as of July 19, 2011, by and between Energy Transfer Equity, L.P. and Energy Transfer Partners, L.P., as amended by Amendment No. 1 thereto dated as of September 14, 2011; (c) the contribution by Southern Union, immediately prior to the merger described in clause (b) above, of its 99% interest in Panhandle and its 100% membership interest in Southern Union Panhandle, LLC to PEPL Holdings, LLC, a wholly owned subsidiary of CCE Acquisition, LLC; and (d) the guarantee by PEPL Holdings, LLC of payment, on a contingent recourse basis, of up to $2,000,000,000 of Debt of Energy Transfer Partners, L.P. related to the merger described in clause (b) above.

"**Type**" shall mean, with respect to any Loan, any Alternate Base Rate Loan or any Eurodollar Rate Loan.

1.2 Computation of Time Periods; Other Definitional Provisions. In this Agreement and the other Loan Documents in the computation of periods of time from a specified date to a later specified date, the word "**from**" shall mean "from and including" and the words "**to**" and "**until**" each shall mean "to but excluding". References in the Loan Documents to any agreement or contract "**as amended**" shall mean and be a reference to such agreement or contract as amended, restated, amended and restated, supplemented or otherwise modified from time to time in accordance with its terms.

1.3 Accounting Terms. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP; *provided* that, if the Borrower notifies the Agent that the Borrower requests to eliminate the effect of any change in GAAP occurring after the date hereof or to eliminate the application of such change on the operation of such provision (or if the Agent notifies the Borrower that the Required Banks request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application of such change, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith.

2. AMOUNTS AND TERMS OF THE LOANS

2.1 The Loans. Each Bank severally agrees, on the terms and conditions hereinafter set forth, to make a single Loan (a "**Loan**") to the Borrower on the Funding Date in an amount equal to such Bank's Commitment at such time. The Borrowing shall consist of Loans made simultaneously by the Banks ratably according to their Commitments. Amounts borrowed under this Section 2.1 and repaid or prepaid may not be reborrowed.

2.2 Making of the Loans.

(a) The Borrowing shall be made on notice, given not later than 11:00 A.M. (New York City time) on the third Business Day prior to the date of the Borrowing if the Borrowing consists of Eurodollar Rate Loans, or not later than 9:00 A.M. (New York City time) on the date of the Borrowing if Borrowing consists of Alternate Base Rate Loans, by the Borrower to the Agent, which shall give to each Bank prompt notice thereof. The notice of the Borrowing (the "**Notice of Borrowing**") shall be in writing, in form and substance satisfactory to the Agent, specifying therein the requested (i) date of the Borrowing, (ii) Type of Loans comprising the Borrowing, (iii) aggregate amount of the Borrowing, which shall not exceed the aggregate amount of the Commitments and (iv) if the Borrowing consists of Eurodollar Rate Loans, initial Interest Period for each such Loan. Each Bank shall, before 11:00 A.M. (New York City time) on the date of the Borrowing, make available for the account of its Applicable Lending Office to the Agent at the Agent's account, in same day funds, such Bank's portion of the Borrowing in accordance with Section 2.1 (The Loans). After the Agent's receipt of such funds and upon fulfillment of the applicable conditions set forth in Section 4 (Conditions to Funding), the Agent will make such funds available to the Borrower by electronic transfer of same day funds to the Borrower's account.

(b) The Notice of Borrowing shall be irrevocable and binding on the Borrower. If the Notice of Borrowing specifies the Borrowing is to be comprised of Eurodollar Rate Loans, the Borrower shall indemnify each Bank against any loss, cost or expense incurred by such Bank as a result of any failure to fulfill on or before the date specified in the Notice of Borrowing the applicable conditions set forth in Section 4 (Conditions to Funding), including, without limitation, any loss, cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Bank to fund the Loan to be made by such Bank as part of the Borrowing when such Loan, as a result of such failure, is not made on such date.

(c) Unless the Agent shall have received written notice from a Bank prior to the time of the Borrowing that such Bank will not make available to the Agent such Bank's ratable portion of the Borrowing, the Agent may assume that such Bank has made such portion available to the Agent on the date of the Borrowing in accordance with clause (a) of this Section 2.2 and the Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that such Bank shall not have so made such ratable portion available to the Agent, such Bank and the Borrower severally agree to repay or pay to the Agent forthwith on demand such corresponding amount and to pay interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid or paid to the Agent, at (i) in the case of the Borrower, the interest rate applicable at such time under Section 2.6 (Interest) to Loans comprising the Borrowing and (ii) in the case of such Bank, the Federal Funds Rate. If such Bank shall pay to the Agent such corresponding amount, such amount so paid shall constitute such Bank's Loan as part of the Borrowing for all purposes.

(d) The failure of any Bank to make the Loan to be made by it as part of the Borrowing shall not relieve any other Bank of its obligation, if any, hereunder to make its Loan on the date of the Borrowing, but no Bank shall be responsible for the failure of any other Bank to make the Loan to be made by such other Bank on the date of the Borrowing.

2.3 Repayment of Loans. The Borrower shall repay to the Agent for the ratable account of the Banks the aggregate outstanding principal amount of the Loans on the Maturity Date.

2.4 Termination of the Commitments. The Commitment of each Bank shall be automatically and permanently reduced to $0 on the Funding Date.

2.5 Prepayments. The Borrower may, upon at least three Business Days' notice in the case of Eurodollar Rate Loans and at least one Business Day's notice in the case of Alternate Base Rate Loans, in each case to the Agent stating the proposed date and aggregate principal amount of the prepayment, and if such notice is given the Borrower shall, prepay the outstanding aggregate principal amount of the Loans in whole or ratably in part, together with accrued interest to the date of such prepayment on the aggregate principal amount prepaid; *provided* that (i) each partial prepayment shall be in an aggregate principal amount of

$1,000,000 in the case of Eurodollar Rate Loans and $1,000,000 in the case of Alternate Base Rate Loans, or in each case an integral multiple of $1,000,000 in excess thereof and (ii) if any prepayment of a Eurodollar Rate Loan is made on a date other than the last day of an Interest Period for such Loan, the Borrower shall also pay any amounts owing pursuant to Section 11.2(b) (Reimbursement of Expenses-breakage expenses). The Agent shall promptly notify each Bank of any notice received from the Borrower pursuant to this Section 2.5.

2.6 Interest.

(a) The Borrower shall pay interest on the unpaid principal amount of each Loan owing to each Bank from the date of such Loan until such principal amount shall be paid in full, at the following rates per annum:

(i) During such periods as such Loan is an Alternate Base Rate Loan, a rate per annum equal at all times to the sum of (a) the Alternate Base Rate in effect from time to time *plus* (b) the Applicable Margin in effect from time to time, payable in arrears quarterly on the last day of each March, June, September and December during such periods and on the date such Alternate Base Rate Loan shall be Converted or paid in full.

(ii) During such periods as such Loan is a Eurodollar Rate Loan, a rate per annum equal at all times during each Interest Period for such Loan to the sum of (a) the Eurodollar Rate for such Interest Period for such Loan *plus* (b) the Applicable Margin in effect from time to time, payable in arrears on the last day of such Interest Period and, if such Interest Period has a duration of more than three months, on each day that occurs during such Interest Period every three months from the first day of such Interest Period and on the date such Eurodollar Rate Loan shall be Converted or paid in full.

(b) To the fullest extent permitted by applicable law, the amount of any principal, interest, fee or other amount payable under this Agreement or any other Loan Document to any Agent or any Bank that is not paid when due, from the date such amount shall be due until such amount shall be paid in full, payable in arrears on the date such amount shall be paid in full and on demand, at a rate per annum equal at all times to 2% per annum above the rate per annum required to be paid, in the case of principal or interest, on the Type of Loan relating to such principal or interest pursuant to clause (i) or (ii) of clause (a) above, as applicable, and, in all other cases, on Alternate Base Rate Loans pursuant to clause (i) of clause (a) above.

(c) Promptly after receipt of the Notice of Borrowing pursuant to Section 2.2(a) (Making of the Loans), a notice of Conversion pursuant to Section 2.8 (Conversion of Loans) or a notice of selection of an Interest Period pursuant to the terms of the definition of "Interest Period", the Agent shall give notice to the Borrower and each Bank of the applicable Interest Period and the applicable interest rate determined by the Agent for purposes of clause (a)(i) or (a)(ii) above. If the Borrower shall fail to select the duration of any Interest Period for any Eurodollar Rate Loans in accordance with the provisions contained in the definition of "Interest Period", the Agent will forthwith so notify the Borrower and the Banks, whereupon the Borrower shall be deemed to have selected a one-month Interest Period for each such Eurodollar Rate Loan.

2.7 Fees.

(a) Each of the Borrower and the Guarantors agrees, jointly and severally, to pay to the Agent and the Lead Arrangers fees in such amounts and at such times as are specified in the Fee Letter.

(b) All fees payable hereunder shall be paid on the dates due, in immediately available funds, to the Agent. Fees paid shall not be refundable under any circumstances.

2.8 Conversion of Loans.

(a) The Borrower may on any Business Day, upon notice given to the Agent not later than 11:00 A.M. (New York City time) on the third Business Day prior to the date of the proposed Conversion and subject to the provisions of Section 2.6 (Interest) and 2.9 (Increased Costs), Convert all or any portion of the Loans of one Type into Loans of the other Type; *provided* that any Conversion of Eurodollar Rate Loans into Alternate Base Rate Loans shall be made only on the last day of an Interest Period for such Eurodollar Rate Loans and each Conversion of Loans shall be made ratably among the Banks in accordance with their Pro Rata Percentages; and also *provided* that, upon giving effect to such Conversions, no more than five Interest Periods shall be in effect. Each such notice of Conversion shall, within the restrictions specified above, specify (i) the date of such Conversion, (ii) the Loans to be Converted and (iii) if such Conversion is into Eurodollar Rate Loans, the duration of the initial Interest Period for such Loans. Each notice of Conversion shall be in writing and shall be irrevocable and binding on the Borrower. The Agent shall promptly notify each Bank of any notice received from the Borrower pursuant to this Section 2.8.

(b) Upon the occurrence and during the continuation of any Default and if the Required Banks shall so direct, (i) each Eurodollar Rate Loan will automatically, on the last day of the then existing Interest Period therefor, Convert into an Alternate Base Rate Loan and (ii) the obligation of the Banks to make, or to Convert Loans into, Eurodollar Rate Loans shall be suspended.

2.9 Increased Costs, Etc.

(a) If, due to a Change in Law, there shall be any increase in the cost to any Bank of agreeing to make or of making, funding or maintaining Loans the interest on which is determined by reference to the Eurodollar Rate (excluding, for purposes of this Section 2.9, any such increased costs resulting from (i) Taxes or Other Taxes (as to which Section 2.11 (Taxes) shall govern), (ii) changes in the rate of taxation or basis of taxation of overall net income or overall gross income by the United States or by the foreign jurisdiction or state under the laws of which such Bank is organized or has its principal office or Applicable Lending Office or any political subdivision thereof and (iii) reserve requirements contemplated by clause (c) of this Section 2.9), then the Borrower shall from time to time, within 10 days of receipt of a certificate from such Bank setting forth in reasonable detail a calculation of the amount necessary to compensate such Bank (with a copy of such certificate to the Agent), pay to the Agent for the account of such Bank additional amounts sufficient to compensate such Bank for such increased cost; *provided* that a Bank claiming additional amounts under this Section 2.9(a) agrees to use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions) to designate a different Applicable Lending Office if the making of such a designation would avoid the need for, or reduce the amount of, such increased cost that may thereafter accrue and would not, in the reasonable judgment of such Bank, be otherwise disadvantageous to such Bank. A certificate as to the amount of such increased cost, submitted to the Borrower by such Bank, shall be conclusive and binding for all purposes, absent manifest error.

(b) If any Bank determines that any Change in Law affecting such Bank or any Applicable Lending Office of such Bank or such Bank's holding company, if any, regarding capital or liquidity requirements has or would have the effect of reducing the rate of return on such Bank's capital or on the capital of such Bank's holding company, if any, as a consequence of this Agreement, the Commitment of such Bank or the Loans made by such Bank to a

level below that which such Bank or such Bank's holding company could have achieved but for such Change in Law (taking into consideration such Bank's policies and the policies of such Bank's holding company with respect to capital adequacy), then the Borrower shall, from time to time, pay to such Bank such additional amount or amounts as will compensate such Bank or such Bank's holding company for any such reduction suffered within 10 days of receipt of a certificate from such Bank setting forth in reasonable detail a calculation of the amount necessary to compensate such Bank (with a copy of such certificate to the Agent) for such reduction; *provided* that a Bank claiming additional amounts under this Section 2.9(b) agrees to use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions) to designate a different Applicable Lending Office if the making of such a designation would avoid the need for, or reduce the amount of, such increased cost that may thereafter accrue and would not, in the reasonable judgment of such Bank, be otherwise disadvantageous to such Bank. A certificate as to the amount of such increased cost, submitted to the Borrower by such Bank, shall be conclusive and binding for all purposes, absent manifest error.

(c) The Borrower shall pay to each Bank, as long as such Bank shall be required to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency funds or deposits (currently known as "**Eurocurrency Liabilities**"), additional interest on the unpaid principal amount of each Eurodollar Rate Loan equal to the actual costs of such reserves allocated to such Loan by such Bank (as determined by such Bank in good faith, which determination shall be conclusive), which shall be due and payable on each date on which interest is payable on such Loan, *provided* that the Borrower shall have received at least 10 days' prior notice (with a copy to the Agent) of such additional interest from such Bank (which notice shall contain a calculation of such additional interest in reasonable detail). If a Bank fails to give notice 10 days prior to the relevant date on which interest is payable, such additional interest shall be due and payable 10 days from receipt of such notice.

(d) If, with respect to any Eurodollar Rate Loans, the Majority Banks notify the Agent that the Eurodollar Rate for any Interest Period for such Loans will not adequately reflect the cost to the Banks of making, funding or maintaining their Eurodollar Rate Loans for such Interest Period, the Agent shall forthwith so notify the Borrower and the Banks, whereupon (i) each such Eurodollar Rate Loan will automatically, on the last day of the then existing Interest Period therefor, Convert into an Alternate Base Rate Loan and (ii) the obligation of the Banks to make, or to Convert Loans into, Eurodollar Rate Loans shall be suspended until the Agent shall notify the Borrower that the Banks have determined that the circumstances causing such suspension no longer exist.

(e) Notwithstanding any other provision of this Agreement, if the introduction or effectiveness of or any change in or in the interpretation of any law or regulation shall make it unlawful, or any central bank or other Governmental Authority shall assert that it is unlawful, for any Bank or its Eurodollar Lending Office to perform its obligations hereunder to make or to continue to fund or maintain Loans whose interest is determined by reference to the Eurodollar Rate hereunder, then, on notice thereof and demand therefor by such Bank to the Borrower through the Agent, (i) each Eurodollar Rate Loan will automatically, upon such demand, Convert into an Alternate Base Rate Loan, (ii) the obligation of the Banks to make, or to Convert Loans into, Eurodollar Rate Loans shall be suspended and (iii) if such notice asserts the illegality of such Bank making or maintaining Alternate Base Rate Loans the interest rate on which is determined by reference to the Eurodollar Rate component of the Alternate Base Rate, the interest rate on which Alternate Base Rate Loans of such Bank shall, if necessary to avoid such illegality, be determined by the Agent without reference to the Eurodollar Rate component of the Alternate Base Rate, in each case of clauses (ii) and (iii), until the Agent shall notify the Borrower that such Bank has determined that the circumstances causing such suspension no longer exist; *provided* that, before making any such demand, such Bank agrees to use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions) to designate a different Eurodollar Lending Office if the making of such a designation would allow such Bank or its Eurodollar Lending Office to continue to perform its obligations to make or to continue to fund or maintain Loans whose interest is determined by reference to the Eurodollar Rate and would not, in the judgment of such Bank, be otherwise disadvantageous to such Bank.

(f) A Bank shall only be entitled to recover increased costs pursuant to this Section 2.9 to the extent such costs were incurred during any time or period commencing not more than 120 days prior to the date on which such Bank notifies the Agent and the Borrower that it proposes to demand such compensation and identifies to the Agent and the Borrower the statute, regulation or other basis upon which the claimed compensation is or will be based; *provided* that, if the Change in Law giving rise to such increased costs is retroactive, then the 120-day period referred to above shall be extended to include the period of retroactive effect thereof.

2.10 Payments and Computations.

(a) The Borrower shall make each payment hereunder and under the Notes, irrespective of any right of counterclaim or set-off, not later than 12:00 P.M. (New York City time) on the day when due in U.S. dollars to the Agent at the Agent's account in same day funds, with payments being received by the Agent after such time being deemed to have been received on the next succeeding Business Day. The Agent will promptly thereafter cause like funds to be distributed (x) if such payment by the Borrower is in respect of principal, interest or any other Obligation then payable hereunder and under the Notes to more than one Bank, to such Banks for the account of their respective Applicable Lending Offices ratably in accordance with the amounts of such respective Obligations then payable to such Banks and (y) if such payment by the Borrower is in respect of any Obligation then payable hereunder to one Bank, to such Bank for the account of its Applicable Lending Office, in each case to be applied in accordance with the terms of this Agreement. Upon its acceptance of an Assignment and Acceptance and recording of the information contained therein in the Register pursuant to Section 11.14(d) (Sale or Assignment), from and after the effective date of such Assignment and Acceptance, the Agent shall make all payments hereunder and under the Notes in respect of the interest assigned thereby to the Bank assignee thereunder, and the parties to such Assignment and Acceptance shall make all appropriate adjustments in such payments for periods prior to such effective date directly between themselves.

(b) The Borrower hereby authorizes each Bank and each of its Affiliates, if and to the extent payment owed to such Bank is not made when due hereunder or, in the case of a Bank, under the Note held by such Bank, to charge from time to time, to the fullest extent permitted by law, against any or all of the Borrower's accounts with such Bank or such Affiliate any amount so due.

(c) All computations of interest based on the Prime Rate shall be made by the Agent on the basis of a year of 365 or 366 days, as the case may be, and all computations of interest based on the Eurodollar Rate or the Federal Funds Rate shall be made by the Agent on the basis of a year of 360 days, in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest is payable. Each determination by the Agent of an interest rate hereunder shall be conclusive and binding for all purposes, absent manifest error.

(d) Whenever any payment hereunder or under the Notes shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest; *provided* that if such extension would cause payment of interest on or principal of Eurodollar Rate Loans to be made in the next following calendar month, such payment shall be made on the next preceding Business Day.

(e) Unless the Agent shall have received notice from the Borrower prior to the date on which any payment is due to any Bank hereunder that the Borrower will not make such payment in full, the Agent may assume that the Borrower has made such payment in full to the Agent on such date and the Agent may, in reliance upon such assumption, cause to be distributed to each such Bank on such due date an amount equal to the amount then due such

Bank. If and to the extent the Borrower shall not have so made such payment in full to the Agent, each such Bank shall repay to the Agent forthwith on demand such amount distributed to such Bank together with interest thereon, for each day from the date such amount is distributed to such Bank until the date such Bank repays such amount to the Agent, at the Federal Funds Rate.

(f) If the Agent receives funds for application to the Obligations of the Loan Parties under or in respect of the Loan Documents under circumstances for which the Loan Documents do not specify the Loans to which, or the manner in which, such funds are to be applied, the Agent may, but shall not be obligated to, elect to distribute such funds to each of the Banks in accordance with such Bank's pro rata share of the aggregate principal amount of all Loans outstanding at such time.

2.11 Taxes.

(a) Any and all payments by any Loan Party to or for the account of any Bank or any Agent hereunder or under the Notes or any other Loan Document shall be made, in accordance with Section 2.10 (Payments and Computations) or the applicable provisions of such other Loan Document, if any, free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto ("**Taxes**"), except as required by applicable law. If any Loan Party shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under any Note or any other Loan Document to any Bank or any Agent, *excluding*, (i) in the case of each Bank and each Agent, taxes that are imposed on its overall net income by the United States (and franchise taxes imposed in lieu thereof) and taxes that are imposed on its overall net income (and franchise taxes imposed in lieu thereof) by the state or foreign jurisdiction under the laws of which such Bank or such Agent, as the case may be, is organized or any political subdivision thereof and, in the case of each Bank, taxes that are imposed on its overall net income (and franchise taxes imposed in lieu thereof) by the state or foreign jurisdiction of such Bank's principal office or Applicable Lending Office or any political subdivision thereof and (ii) any United States federal withholding Taxes imposed pursuant to FATCA (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities in respect of payments hereunder or under the Notes being hereinafter referred to as "**Indemnified Taxes**"), (x) the sum payable by such Loan Party shall be increased as may be necessary so that after such Loan Party and the Agent have made all required deductions (including deductions applicable to additional sums payable under this Section 2.11) such Bank or such Agent, as the case may be, receives an amount equal to the sum it would have received had no such deductions been made, (y) such Loan Party shall make all such deductions and (z) such Loan Party shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

(b) In addition, a Loan Party shall pay any present or future stamp, documentary, excise, property or similar taxes, charges or levies that arise from any payment made by such Loan Party hereunder or under any Notes or any other Loan Documents or from the execution, delivery or registration of, performance under, or otherwise with respect to, this Agreement, the Notes or the other Loan Documents (hereinafter referred to as "**Other Taxes**").

(c) Panhandle, the Borrower and TLNG shall indemnify each Bank and each Agent for and hold them harmless against the full amount of Indemnified Taxes and Other Taxes, imposed on or paid by such Bank or such Agent (as the case may be) with respect to any payment by or on account of any obligation of the Loan Parties hereunder (including Indemnified Taxes or Other Taxes imposed or asserted by any jurisdiction on amounts payable under this Section 2.11) and any liability (including penalties, additions to tax, interest and expenses) arising therefrom or with respect thereto. This indemnification shall be made within 30 days from the date such Bank or such Agent (as the case may be) makes written demand therefor. Each Bank shall severally indemnify the Agent, within 30 days of written demand therefor, for any Indemnified Taxes attributable to such Bank (but only to the extent that any Loan Party has not already indemnified the Agent for such Indemnified Taxes and without limiting the obligation of the Loan Parties to do so), (ii) any Taxes attributable to such Bank's failure to comply with the provisions of Section 11.14(f) relating to the maintenance of a Participant Register and (iii) any Taxes other than Indemnified Taxes attributable to such Bank, in each case, that are payable or paid by the Agent in connection with any Loan Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the appropriate Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Loan Party by any Bank (with a copy to the Agent) or by the Agent or to any Bank by the Agent shall be conclusive absent manifest error. Each Bank hereby authorizes the Agent to set off and apply any and all amounts at any time owing to such Bank under any Loan Document or otherwise payable by the Agent to the Bank from any other source against any amount due to the Agent under this clause (c).

(d) Within 30 days after the date of any payment of Taxes, the appropriate Loan Party shall furnish to the Agent, at its address referred to in Section 11.3 (Notices), the original or a certified copy of a receipt evidencing such payment, to the extent such a receipt is issued therefor, or other written proof of payment thereof that is reasonably satisfactory to the Agent. In the case of any payment hereunder or under the Notes or the other Loan Documents by or on behalf of a Loan Party through an account or branch outside the United States or by or on behalf of a Loan Party by a payor that is not a United States person, if such Loan Party determines that no Taxes are payable in respect thereof, such Loan Party shall furnish, or shall cause such payor to furnish, to the Agent, at such address, an opinion of counsel reasonably acceptable to the Agent stating that such payment is exempt from Taxes. For purposes of subsections (d) and (e) of this Section 2.11, the terms "**United States**" and "**United States person**" shall have the meanings specified in Section 7701 of the Internal Revenue Code.

(e) Any Bank that is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Loan Document shall deliver to the Borrower and the Agent, at the time or times reasonably requested by the Borrower or the Agent, such properly completed and executed documentation reasonably requested by the Borrower or the Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Bank, if reasonably requested by the Borrower or the Agent, shall deliver such other documentation prescribed by applicable law or reasonably requested by the Borrower or the Agent as will enable the Borrower or the Agent to determine whether or not such Bank is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in the remainder of this clause (e) or Section 2.11(g)), shall not be required if, in the Bank's reasonable judgment, such completion, execution or submission would subject such Bank to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Bank. Each Bank organized under the laws of the United States shall, on or prior to the date of its execution and delivery of this Agreement or on the date of the Assignment and Acceptance pursuant to which it becomes a Bank, as the case may be, and from time to time thereafter as reasonably requested in writing by a Loan Party or the Agent, deliver to the Borrower and the Agent executed originals of IRS Form W-9 certifying that such Bank is exempt from United States federal backup withholding tax. Each Bank organized under the laws of a jurisdiction outside the United States shall, on or prior to the date of its execution and delivery of this Agreement or on the date of the Assignment and Acceptance pursuant to which it becomes a Bank, as the case may be, and from time to time thereafter as reasonably requested in writing by a Loan Party (but only so long thereafter as such Bank remains lawfully able to do so), or upon the obsolescence or invalidity of any form previously provided, provide each of the Agent and such Loan Party with two original Internal Revenue Service Forms W-8BEN or W-8ECI, as appropriate, or any other form prescribed by the Internal Revenue Service, certifying that such Bank is exempt from or entitled to a reduced rate of United States withholding tax on payments pursuant to this Agreement or the Notes or any other Loan Document, or (in the case of a Bank that is claiming exemption from U.S. federal withholding with respect to payments of "portfolio interest" and has certified in writing to the Agent that it is not (i) a "bank" as defined in Section 881(c)(3)(A) of the Internal Revenue Code, (ii) a 10-percent shareholder (within the meaning of Section 871(h)(3)(B) of the Internal Revenue Code) of such Loan Party or (iii) a controlled foreign corporation related to such Loan Party (within the meaning of Section 864(d)(4) of the Internal Revenue Code)) Internal Revenue Service Form W-8BEN, or any successor or other form prescribed by the Internal Revenue Service, or, in the case of a Bank that has certified that it is not a "bank" as described above, certifying that such Bank is a foreign corporation, partnership, estate

or trust. If the forms provided by a Bank at the time such Bank first becomes a party to this Agreement indicate a United States interest withholding tax rate in excess of zero, withholding tax at such rate shall be considered excluded from Indemnified Taxes unless and until such Bank provides the appropriate forms certifying that a lesser rate applies, whereupon withholding tax at such lesser rate only shall be considered excluded from Indemnified Taxes for periods governed by such forms; *provided* that if, at the effective date of the Assignment and Acceptance pursuant to which a Bank becomes a party to this Agreement, the Bank assignor was entitled to payments under subsection (a) of this Section 2.11 in respect of United States withholding tax with respect to interest paid at such date, then, to such extent, the term Indemnified Taxes shall include (in addition to withholding taxes that may be imposed in the future or other amounts otherwise includable in Taxes) United States withholding tax, if any, applicable with respect to the Bank assignee on such date. If any form or document referred to in this subsection (e) requires the disclosure of information, other than information necessary to compute the tax payable and information required on the date hereof by Internal Revenue Service Form W-8BEN or W-8ECI or the related certificate described above, that the applicable Bank reasonably considers to be confidential, such Bank shall give notice thereof to the applicable Loan Party and shall not be obligated to include in such form or document such confidential information.

(f) For any period with respect to which a Bank has failed to provide a Loan Party with the appropriate form, certificate or other document described in subsection (e) above (*other than* if such failure is due to a change in law, or in the interpretation or application thereof, occurring after the date on which a form, certificate or other document originally was required to be provided or if such form, certificate or other document otherwise is not required under subsection (e) above), such Bank shall not be entitled to indemnification under subsection (a) or (c) of this Section 2.11 with respect to Taxes imposed by the United States by reason of such failure; *provided* that should a Bank become subject to Taxes because of its failure to deliver a form, certificate or other document required hereunder, the Loan Parties shall, at the sole expense of such Bank, take such steps as such Bank shall reasonably request to assist such Bank to recover such Taxes.

(g) If any payment made to a Bank under any Loan Document would be subject to United States federal withholding tax imposed by FATCA if such Bank were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Bank shall deliver to the Borrower and the Agent at the time or times prescribed by law and at such time or times reasonably requested by the Borrower or the Agent such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrower or the Agent as may be necessary for the Borrower and the Agent to comply with their obligations under FATCA and to determine that such Bank has complied with such Bank's obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (g), "FATCA" shall include any amendments made to FATCA after the date of this Agreement.

(h) Any Bank claiming any additional amounts payable pursuant to this Section 2.11 agrees to use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions) to change the jurisdiction of its Applicable Lending Office or assign its rights and obligations under this Agreement to another of its offices, branches or Affiliates if the making of such a change or assignment would avoid the need for, or reduce the amount of, any such additional amounts that may thereafter accrue and would not, in the reasonable judgment of such Bank, be otherwise disadvantageous to such Bank.

(i) If a Bank or Agent actually receives a refund of any Indemnified Taxes or Other Taxes as to which it has been indemnified by a Loan Party or with respect to which a Loan Party has paid additional amounts pursuant to this Section 2.11, it shall pay over such refund to the Loan Party (but only to the extent of indemnity payments made, or additional amounts paid, by the Loan Party under this Section 2.11 with respect to the Indemnified Taxes or Other Taxes giving rise to such refund), net of all out-of-pocket expenses of the Agent or such Bank or Agent and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund); *provided* that the Loan Party, upon the request of the Agent or such Bank or Agent, agrees to repay the amount paid over to the Loan Party (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Agent or such Bank or Agent in the event the Agent or such Bank or Agent is required to repay such refund to such Governmental Authority. This Section 2.11(i) shall not be construed to require the Agent or any Bank or Agent to claim a refund or make available its tax returns (or any other information relating to its taxes which it deems confidential) to the Loan Parties or any other Person.

(j) Each party's obligations under this Section 2.11 shall survive the resignation or replacement of the Agent or any assignment of rights by, or the replacement of, a Bank, the termination of the Commitments and the repayment, satisfaction or discharge of all obligations under any Loan Document.

2.12 Sharing of Payments, Etc. If any Bank shall obtain at any time any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise, other than as a result of an assignment pursuant to Section 11.14 (Sale and Assignment)) (a) on account of Obligations due and payable to such Bank hereunder and under the Notes and the other Loan Documents at such time in excess of its ratable share (according to the proportion of (i) the amount of such Obligations due and payable to such Bank at such time *to* (ii) the aggregate amount of the Obligations due and payable to all Banks hereunder and under the Notes and the other Loan Documents at such time) of payments on account of the Obligations due and payable to all Banks hereunder and under the Notes at such time obtained by all the Banks at such time or (b) on account of Obligations owing (but not due and payable) to such Bank hereunder and under the Notes and the other Loan Documents at such time in excess of its ratable share (according to the proportion of (i) the amount of such Obligations owing to such Bank at such time *to* (ii) the aggregate amount of the Obligations owing (but not due and payable) to all Banks hereunder and under the Notes and the other Loan Documents at such time) of payments on account of the Obligations owing (but not due and payable) to all Banks hereunder and under the Notes at such time obtained by all of the Banks at such time, such Bank shall forthwith purchase from the other Banks such interests or participating interests in the Obligations due and payable or owing to them, as the case may be, as shall be necessary to cause such purchasing Bank to share the excess payment ratably with each of them; *provided* that if all or any portion of such excess payment is thereafter recovered from such purchasing Bank, such purchase from each other Bank shall be rescinded and such other Bank shall repay to the purchasing Bank the purchase price to the extent of such Bank's ratable share (according to the proportion of (i) the purchase price paid to such Bank *to* (ii) the aggregate purchase price paid to all Banks) of such recovery together with an amount equal to such Bank's ratable share (according to the proportion of (i) the amount of such other Bank's required repayment *to* (ii) the total amount so recovered from the purchasing Bank) of any interest or other amount paid or payable by the purchasing Bank in respect of the total amount so recovered; *provided, further* that, so long as the Obligations under the Loan Documents shall not have been accelerated, any excess payment received by any Bank shall be shared on a pro rata basis only with other Banks. The Borrower agrees that any Bank so purchasing an interest or participating interest from another Bank pursuant to this Section 2.12 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off) with respect to such interest or participating interest, as the case may be, as fully as if such Bank were the direct creditor of the Borrower in the amount of such interest or participating interest, as the case may be.

2.13 Use of Proceeds. The Borrower agrees that the proceeds of the Loans shall be used by it solely to repay in full the March 2007 Credit Agreement on the Funding Date.

2.14 Evidence of Debt.

(a) (i) Each Bank shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Bank resulting from each Loan owing to such Bank from time to time, including the amounts of principal and interest payable and paid to such Bank from time to time hereunder. The Borrower agrees that upon request by any Bank to the Borrower (with a copy of such request to the Agent) to the effect that a

promissory note or other evidence of indebtedness is required or appropriate in order for such Bank to evidence (whether for purposes of pledge, enforcement or otherwise) the Loans owing to, or to be made by, such Bank, the Borrower shall promptly execute and deliver to such Bank, with a copy to the Agent, a Note payable to the order of such Bank in a principal amount equal to the Loans of such Bank. All references to Notes in the Loan Documents shall mean Notes, if any, to the extent issued hereunder.

(b) The Register maintained by the Agent pursuant to Section 11.14(d) (Sale and Assignment) shall include a control account, and a subsidiary account for each Bank, in which accounts (taken together) shall be recorded (i) the date and amount of the Borrowing, the Type of Loans comprising the Borrowing and, if appropriate, the Interest Period applicable thereto, (ii) the terms of each Assignment and Acceptance delivered to and accepted by it, (iii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Bank hereunder, and (iv) the amount of any sum received by the Agent from the Borrower hereunder and each Bank's share thereof.

(c) Entries made in good faith by the Agent in the Register pursuant to subsection (b) above, and by each Bank in its account or accounts pursuant to subsection (a) above, shall be *prima facie* evidence of the amount of principal and interest due and payable or to become due and payable from the Borrower to, in the case of the Register, each Bank and, in the case of such account or accounts, such Bank, under this Agreement, absent manifest error; *provided* that the failure of the Agent or such Bank to make an entry, or any finding that an entry is incorrect, in the Register or such account or accounts shall not limit or otherwise affect the obligations of the Borrower under this Agreement.

2.15 Replacement of Banks. If (a) any Bank requests compensation under Section 2.9 (Increased Costs) or asserts, pursuant to Section 2.9(e) that it is unlawful for such Bank to make Loans the interest on which is determined by reference to the Eurodollar Rate, (b) the Borrower is required to pay any additional amount to any Bank or any Governmental Authority for the account of any Bank pursuant to Section 2.11 (Taxes), (c) any Bank is a Defaulting Bank, or (d) with respect of any Bank that does not approve any amendment or waiver of any provision of any Loan Document that requires the unanimous consent of all of the Banks pursuant to Section 11.1 (Amendments; Waivers, Etc.), if such amendment or waiver is agreed to by the Required Banks, then the Borrower may, at its sole expense, upon prior notice to such Bank and the Agent, require such Bank to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in Section 11.14 (Sale and Assignment)), all its interests, rights and obligations under this Agreement to an assignee that shall assume such obligations (which assignee may be another Bank, if a Bank accepts such assignment); *provided* that (i) to the extent required under Section 11.14 (Sale and Assignment), the Borrower shall have received the prior written consent of the Agent, which consent shall not unreasonably be withheld, (ii) such Bank shall have received payment of an amount equal to the outstanding principal of its Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts) and (iii) in the case of any such assignment resulting from a claim for compensation under Section 2.9 (Increased Costs) or payments required to be made pursuant to Section 2.11 (Taxes), such assignment will result in a reduction in such compensation or payments. A Bank shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Bank or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

2.16 Defaulting Banks.

(a) Adjustments. Notwithstanding anything to the contrary contained in this Agreement, if any Bank becomes a Defaulting Bank, then, until such time as that Bank is no longer a Defaulting Bank, to the extent permitted by applicable law:

(i) Waivers and Amendments. Such Defaulting Bank's right to approve or disapprove any amendment, waiver or consent with respect to this Agreement shall be restricted as set forth in the definitions of "Majority Banks" and "Required Banks" and Section 11.1 (Amendments, Waivers, Etc.).

(ii) Defaulting Bank Waterfall. Any payment of principal, interest, fees or other amounts received by the Agent for the account of such Defaulting Bank (whether voluntary or mandatory, at maturity, pursuant to Section 8 (Events of Default; Remedies) or otherwise) or received by the Agent from a Defaulting Bank pursuant to Section 11.13 (Set-Off) shall be applied at such time or times as may be determined by the Agent as follows: *first*, to the payment of any amounts owing by such Defaulting Bank to the Agent hereunder; *second*, as the Borrower may request (so long as no Default or Event of Default exists), to the funding of any Loan in respect of which such Defaulting Bank has failed to fund its portion thereof as required by this Agreement, as determined by the Agent; *third*, if so determined by the Agent and the Borrower, to be held in a deposit account and released pro rata in order to satisfy such Defaulting Bank's potential future funding obligations with respect to Loans under this Agreement; *fourth*, to the payment of any amounts owing to the Banks as a result of any judgment of a court of competent jurisdiction obtained by any Bank against such Defaulting Bank as a result of such Defaulting Bank's breach of its obligations under this Agreement; *fifth*, so long as no Default or Event of Default exists, to the payment of any amounts owing to the Borrower as a result of any judgment of a court of competent jurisdiction obtained by the Borrower against such Defaulting Bank as a result of such Defaulting Bank's breach of its obligations under this Agreement; and *sixth*, to such Defaulting Bank or as otherwise directed by a court of competent jurisdiction; *provided* that if (x) such payment is a payment of the principal amount of any Loans in respect of which such Defaulting Bank has not fully funded its appropriate share, and (y) such Loans were made at a time when the conditions set forth in Section 4 (Conditions to Funding) were satisfied or waived, such payment shall be applied solely to pay the Loans of all Non-Defaulting Banks on a pro rata basis prior to being applied to the payment of any Loans of such Defaulting Bank until such time as all Loans are held by the Banks pro rata in accordance with the Commitments hereunder. Any payments, prepayments or other amounts paid or payable to a Defaulting Bank that are applied (or held) to pay amounts owed by a Defaulting Bank pursuant to this Section 2.16(a)(ii) shall be deemed paid to and redirected by such Defaulting Bank, and each Bank irrevocably consents hereto.

(b) Defaulting Bank Cure. If the Borrower and the Agent, agree in writing that a Bank is no longer a Defaulting Bank, the Agent will so notify the parties hereto, whereupon as of the effective date specified in such notice and subject to any conditions set forth therein, that Bank will, to the extent applicable, purchase at par that portion of outstanding Loans of the other Banks or take such other actions as the Agent may determine to be necessary to cause the Loans to be held on a pro rata basis by the Banks in accordance with their Pro-Rata Percentages, whereupon such Bank will cease to be a Defaulting Bank; *provided* that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of the Borrower while that Bank was a Defaulting Bank; and *provided*, *further*, that except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Bank to Bank will constitute a waiver or release of any claim of any party hereunder arising from that Bank's having been a Defaulting Bank.

3. REPRESENTATIONS AND WARRANTIES OF THE LOAN PARTIES

Each of Panhandle, the Borrower and TLNG represents and warrants that:

3.1 Organization and Qualification. Such Loan Party:

(a) is duly organized, validly existing, and in good standing under the laws of its state of organization;

(b) has the corporate or organizational power to own its properties and to carry on its respective businesses as now conducted; and

(c) is duly qualified as a foreign limited partnership or limited liability company, as applicable, to do business and is in good standing in every jurisdiction where such qualification is necessary except when the failure to so qualify would not or does not have a Material Adverse Effect.

The Borrower has the Subsidiaries as applicable listed on Schedule 3.1 attached hereto and made a part hereof for all purposes, and no others, each of which is a Delaware limited liability company unless otherwise noted on Schedule 3.1.

3.2 Authorization, Validity, Etc. Each such Loan Party has the limited liability company or limited partnership power and authority to make, execute, deliver and perform under this Agreement and the other Loan Documents to which it is a party and the transactions contemplated herein and therein, and all such action has been duly authorized by all necessary limited partnership or limited liability company proceedings on its part. Each Loan Document to which a Loan Party is a party has been duly and validly executed and delivered by such Loan Party and constitutes the valid and legally binding agreement of such Loan Party enforceable against such Loan Party in accordance with its terms, except as limited by Debtor Laws.

3.3 Conflicting or Adverse Agreements or Restrictions. No Loan Party is a party to any contract or agreement or subject to any restriction which would have a Material Adverse Effect. Neither the execution and delivery of this Agreement or any other Loan Document by any Loan Party that is or is to become a party thereto, nor the consummation of the transactions contemplated hereby or thereby, nor the fulfillment of and compliance with the respective terms, conditions and provisions hereof or thereof or of any instruments required hereby will conflict with or result in a breach of any of the terms, conditions or provisions of, or constitute a default under, or result in any violation of, or result in the creation or imposition of any lien (other than as contemplated or permitted by this Agreement) on any of the property of such Loan Party pursuant to (a) the charter or bylaws or similar organizational documents applicable to such Loan Party; (b) any law or any regulation of any Government Authority; (c) any order, writ, injunction or decree of any court; or (d) the terms, conditions or provisions of any agreement or instrument to which such Loan Party is a party or by which it is bound or to which it is subject, except in the case of clauses (b), (c) and (d) for conflicts, breaches, defaults, violations or the creation or imposition of liens that could not be reasonably expected to have a Material Adverse Effect.

3.4 No Consents Required. No action, approval, consent, waiver, exemption, variance, franchise, order, permit, authorization, right or license of or from a Governmental Authority, and no notice to or filing with, any Governmental Authority or any other third party is required for (a) the due execution, delivery or performance by any Loan Party of any Loan Document to which it is or is to be a party, or for the consummation of the transactions contemplated hereby, including without limitation the incurrence of Debt under this Agreement and the borrowing and repayment of Loans hereunder; or (b) the exercise by any Agent or any Bank of its rights under the Loan Documents, except for those authorizations, approvals, actions, notices and filings (A) which have been duly obtained or made or which are not required under the terms of the Loan Documents to have been obtained or made on or prior to such date or (B) with respect to the consummation of the transactions contemplated hereby, the failure of which to be obtained or made would not reasonably be expected to have a Material Adverse Effect.

3.5 Financial Statements.

(a) Panhandle has furnished the Banks with its audited financial report as of the fiscal year ending December 31, 2010. These statements are complete and correct and present fairly, in all material respects, in accordance with GAAP, consistently applied throughout the periods involved, the Consolidated financial position of Panhandle and its Subsidiaries and the results of their operations as at the dates and for the periods indicated.

(b) The Borrower has furnished the Banks with the Borrower's unaudited financial report as of the fiscal year ending December 31, 2010. These statements are complete and correct and present fairly, in all material respects, in accordance with GAAP, consistently applied throughout the periods involved, the Consolidated financial position of the Borrower and its Subsidiaries and the results of their operations as at the dates and for the periods indicated.

(c) Since December 31, 2010, there has not occurred any event or condition which, individually or in the aggregate, has resulted in, or could reasonably be expected to have, a Material Adverse Effect respecting Panhandle, the Borrower or TLNG.

3.6 Litigation. Except as disclosed pursuant to Section 3.16 (Environmental Matters), there is no: (a) action or proceeding pending or, to the knowledge of Panhandle, the Borrower or TLNG, threatened against any Loan Party before any court, administrative agency or arbitrator which is reasonably expected to have a Material Adverse Effect; (b) unsatisfied judgment outstanding against such Loan Party for the payment of money which may reasonably be expected to have a Material Adverse Effect; or (c) other outstanding judgment, order or decree affecting such Loan Party before or by any administrative or governmental authority, compliance with or satisfaction of which could reasonably be expected to have a Material Adverse Effect.

3.7 Default. No Loan Party is in default under or in violation of the provisions of any instrument evidencing any Debt or of any agreement relating thereto or any judgment, order, writ, injunction or decree of any court or any order, regulation or demand of any administrative or governmental instrumentality, which default or violation could reasonably be expected to have a Material Adverse Effect.

3.8 Compliance. Each Loan Party is in compliance with all laws, regulations and orders of any Governmental Authority applicable to it or its property, except where the failure to do so, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect.

3.9 Title to Assets. Each Loan Party has good title to its respective assets, subject to no Liens except those permitted in Section 6.2 (Liens, Etc.), Section 7.1 (Liens, Etc.) and Permitted Encumbrances. For purposes of this Section 3.9, "**Permitted Encumbrances**" shall mean easements, rights-of-way, restrictions, minor defects or irregularities in title and other similar charges or encumbrances not interfering in any material respect with the ordinary conduct of the business of such Loan Party.

3.10 Payment of Taxes. Each Loan Party has filed all material tax returns required to be filed and has paid all taxes shown on said returns and all assessments which are due and payable (except such as are being contested in good faith by appropriate proceedings for which adequate reserves for their payment have been provided in a manner consistent with the accounting practices followed by the applicable Loan Party as of December 31, 2010). No Loan Party is aware of any pending investigation by any taxing authority or of any claims by any Governmental Authority for any unpaid taxes in excess of $6,500,000. Except as disclosed on Schedule 3.10, no Loan Party is party to any tax sharing agreement or arrangement.

3.11 Investment Company Act Not Applicable. No Loan Party is an "investment company" or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended.

3.12 Regulations T, U and X. No Loan shall be a "purpose credit secured directly or indirectly by margin stock" within the meaning of Regulation U of the Board of Governors of the Federal Reserve System ("margin stock"); none of the proceeds of any Loan will be used by any Loan Party to extend credit to others for the purpose of purchasing or carrying any margin stock, or for any other purpose which would constitute this transaction a "purpose credit secured directly or indirectly by margin stock" within the meaning of said Regulation U, as now in effect or as the same may hereafter be in effect. No Loan Party will take or permit any action which would involve the Banks in a violation of Regulation T, Regulation U, Regulation X or any other regulation of the Board of Governors of the Federal Reserve System or a violation of the Securities Exchange Act of 1934, in each case as now or hereafter in effect.

3.13 ERISA. (i) No Reportable Event (as defined in § 4043(c) of ERISA) has occurred with respect to any Plan, (ii) each Plan complies in all material respects with applicable provisions of ERISA and the Code, and each Loan Party has filed all reports required by ERISA and the Code to be filed with respect to each Plan, (iii) no Loan Party has any knowledge of any event which could result in a liability of a Loan Party to the Pension Benefit Guaranty Corporation (other than for the payment of premiums, and there are no premium payments which have become due that are unpaid) and (iv) each Loan Party has met all requirements with respect to funding the Plans imposed by ERISA or the Code, subject to §412 of the Code and §302 of ERISA, other than contributions in an aggregate amount not exceeding $10,000,000, and no application for a funding waiver pursuant to §412 of the Code has been made with respect to any Plan. Since the effective date of Title IV of ERISA, there have not been any, nor are there now existing any, events or conditions that would permit any Plan to be terminated under circumstances which would cause the lien provided under § 4068 of ERISA to attach to any property of a Loan Party.

3.14 No Financing of Certain Security Acquisitions. None of the proceeds of any Loan will be used to acquire any security in any transaction that is subject to §13 or §14 of the Securities Exchange Act of 1934, as amended.

3.15 Franchises, Co-Licenses, Etc. Each Loan Party owns or has obtained all the material governmental permits, certificates of authority, leases, patents, trademarks, service marks, trade names, copyrights, franchises and licenses, and rights with respect thereto, required or necessary (or, in the sole and independent judgment of the Borrower, prudent) in connection with the conduct of their respective businesses as presently conducted or as proposed to be conducted, except where the failure to have any of the foregoing could not be reasonably expected to have a Material Adverse Effect.

3.16 Environmental Matters. Except as disclosed in Schedule 3.16, (a) all facilities and property owned or leased by a Loan Party have been and continue to be, owned or leased and operated by such Loan Party in material compliance with all Environmental Laws; (b) there has not been (during the period of such Loan Party's ownership or lease) any Release of Hazardous Materials at, on, under or from any property now (or, to such Loan Party's knowledge, previously) owned or leased by such Loan Party (i) that required, or may reasonably be expected to require, such Loan Party to expend funds on remediation or cleanup activities pursuant to any Environmental Law except for remediation or clean-up activities that would not be reasonably expected to have a Material Adverse Effect, or (ii) that otherwise, singly or in the aggregate, has, or may reasonably be expected to have, a Material Adverse Effect; (c) each Loan Party has been issued and is in material compliance with all permits, certificates, approvals, orders, licenses and other authorizations relating to environmental matters necessary for the conduct of its businesses; (d) there are no polychlorinated biphenyls (PCB's) or asbestos-containing materials or surface impoundments in any of the facilities now (or, to the knowledge of such Loan Party, previously) owned or leased by such Loan Party, except for PCB's and asbestos-containing materials of the type and in quantities that, to the knowledge of such Loan Party, do not currently require remediation, and if remediation of such PCB's and asbestos-containing materials is hereafter required for any reason, such remediation activities would not reasonably be expected to have a Material Adverse Effect; (e) Hazardous Materials have not been generated, used, treated, recycled, stored or disposed of at, on, under or from any of the facilities or property now (or, to the knowledge of such Loan Party, previously) owned or leased by such Loan Party during the time of such Loan Party's ownership or lease of such property that may require remediation or clean-up activities that would be reasonably expected to have a Material Adverse Effect; and (f) all underground storage tanks located on the property now (or, to the knowledge of such Loan Party, previously) owned or leased by such Loan Party have been (and to the extent currently owned or leased are) operated in material compliance with all applicable Environmental Laws.

3.17 Disclosure. No written information (other than any projections) concerning any Loan Party and the transactions contemplated hereby furnished by or on behalf of such Loan Party to the Agent or any Bank in connection with the negotiation of this Agreement or delivered hereunder (as modified or supplemented by other information so furnished), taken as a whole, contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained therein not misleading in any material respect in light of the circumstances under which such statements were or are made. The projections were prepared by or on behalf of each Loan Party in good faith based upon assumptions that such Loan Party believes to be reasonable as of the Closing Date and the Funding Date (it being understood that such projections are subject to significant uncertainties and contingencies, many of which are beyond such Loan Party's control, and accordingly no assurance can be given and no representations are made that the assumptions are correct or that the projections will be realized).

3.18 Insurance. Each Loan Party has insurance with a responsible and reputable insurer covering its assets against loss or damage of the kinds customarily insured against by companies similarly situated in the industry in which such Person conducts its business, in such amounts and with such deductibles as are customary for similarly situated companies; and such Person (a) has not received notice from any insurer or agent of such insurer that any material capital improvements or other material expenditures are required or necessary to be made in order to continue such insurance or (b) does not have any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage at commercially available rates from similar insurers as may be necessary to continue its business.

3.19 Subsidiaries. TLNG is wholly owned by the Borrower. The Borrower is wholly owned, directly or indirectly, by Panhandle.

4. CONDITIONS TO FUNDING

The obligation of the Banks to make any Loans is subject to the following conditions:

4.1 Representations True and No Defaults.

(a) The representations and warranties contained in Section 3 (Representations and Warranties of the Loan Parties) shall be true and correct on and as of the Funding Date as though made on and as of such date;

(b) None of Panhandle, the Borrower or TLNG shall be in default in the due performance of any covenant on its part contained in this Agreement;

(c) No event shall have occurred with respect to (i) Panhandle reflected in the Consolidated annual financial statements of Panhandle dated December 31, 2010, (ii) the Borrower reflected in the Consolidated annual financial statements of the Borrower dated December 31, 2010 or (iii) TLNG reflected in the Consolidated annual financial statements of TLNG dated December 31, 2010 that, in each case, has had a Material Adverse Effect; and

(d) At the time of and immediately after giving effect to the Borrowing, no Event of Default or Default shall have occurred and be continuing.

4.2 Intentionally Omitted.

4.3 Compliance With Law. The business and operations of each Loan Party as conducted at all times relevant to the transactions contemplated by this Agreement to and including the close of business on the Funding Date shall have been and shall be in compliance in all material respects with all applicable State and Federal laws, regulations and orders affecting such Loan Party and the business and operations of any of them.

4.4 Notice of Borrowing and Other Documents. The Banks shall have received (a) the Notice of Borrowing; and (b) such other documents and certificates relating to the transactions herein contemplated as the Banks may reasonably request.

4.5 Payment of Fees and Expenses. The Borrower shall have paid (a) all expenses of the type described in Section 11.2 (Reimbursement of Expenses) through the date of such Loan and (b) all closing, structuring and other invoiced fees owed as of the Funding Date to the Agent or any of the Banks by the Borrower under this Agreement or any other written agreement between a Loan Party and the Agent, the applicable Bank(s), or any of their Affiliates.

4.6 Repayment of Debt. Simultaneously with the funding of the Loans, the Borrower shall cause to be repaid in full all of the obligations under the March 2007 Credit Agreement and the obligations of the Borrower thereunder shall be extinguished.

4.7 Loan Documents Satisfactory. The Agent shall have received a copy of each of the Loan Documents, each of which shall be in form and substance reasonably satisfactory to the Agent.

4.8 Loan Documents, Opinions and Other Instruments. As of the Funding Date, the Loan Parties shall have delivered to the Agent the following:

(a) this Agreement, each of the Notes and all other Loan Documents required by the Agent and the Banks to be executed and delivered by the applicable Loan Parties in connection with this Agreement;

(b) a certificate from the Secretary of State of the State of Delaware as to the continued existence and good standing of Panhandle, the Borrower and TLNG in the State of Delaware;

(c) a certificate from Secretary of State of each State in which such certification is necessary as to the good standing of TLNG and each Loan Party as a foreign entity to do business in such State;

(d) a Secretary's Certificate executed by the duly elected Secretary or a duly elected Assistant Secretary of Panhandle, the Borrower and TLNG, in a form acceptable to the Agent, whereby such Secretary or Assistant Secretary certifies that (i) the attached copies of such Loan Party's certificate of formation and operating or limited liability company agreement or limited partnership agreement, as applicable, are true and complete and in full force and effect, without amendment except as shown, and (ii) one or more resolutions adopted by the Board of Managers of such Loan Party (or, in the case of Panhandle, the Board of Managers of its general partner) remain in full force and effect authorizing such Loan Party to enter into the transactions contemplated hereby and perform its obligations under the Loan Documents; and

(e) a legal opinion from in house counsel for the Borrower and each Guarantor, and New York counsel to the Agent, each dated as of the Funding Date, addressed to the Agent and the Banks and otherwise acceptable in all respects to the Agent in its discretion.

5. AFFIRMATIVE COVENANTS OF THE LOAN PARTIES

Each of Panhandle, the Borrower and TLNG covenants and agrees that, so long as the Borrower may borrow hereunder and until payment in full of the Obligations, each of Panhandle, the Borrower and TLNG, as applicable, will:

5.1 Financial Statements and Information.

Deliver to the Banks:

(a) as soon as available, and in any event within 120 days after the end of each fiscal year of Panhandle, a copy of the annual audit report of Panhandle and its Subsidiaries for such fiscal year containing a balance sheet, statement of income and stockholders equity and a cash flow statement, all in reasonable detail and certified by PriceWaterhouseCoopers or another independent certified public accountant of recognized standing reasonably satisfactory to the Banks accompanied by a report and opinion of such independent certified public accountant of nationally recognized standing, which report and opinion shall be prepared in accordance with generally accepted auditing standards and shall not be subject to any "going concern" or like qualification or exception or any qualification or exception as to the scope of such audit; and

(b) as soon as available, and in any event within 120 days after the end of each fiscal year of the Borrower, an unaudited financial report of the Borrower and its Subsidiaries for such fiscal year containing a balance sheet, statement of income and stockholders equity and cash flow statement, all in reasonable detail and certified by a financial officer of such Loan Party to have been prepared in accordance with GAAP, except as may be explained in such certificate; and

(c) as soon as available, and in any event within 60 days after the end of each quarterly accounting period in each fiscal year of Panhandle and the Borrower (excluding the fourth quarter), an unaudited financial report of Panhandle and its Subsidiaries and the Borrower and its Subsidiaries as at the end of such quarter and for the period then ended, containing a balance sheet, statements of income and stockholders equity and a cash flow statement, all in reasonable detail and certified by a financial officer of such Loan Party to have been prepared in accordance with GAAP, except as may be explained in such certificate;

(d) such additional financial or other information as the Banks may reasonably request; and

(e) copies of all regular, periodic and special reports, and all registration statements, that such Loan Party files with the SEC or any governmental authority that may be substituted therefor, or with any national securities exchange.

All financial statements specified in clauses (a), (b) and (c) above shall be furnished in Consolidated form for Panhandle and its Subsidiaries and the Borrower and its Subsidiaries with comparative Consolidated figures for the corresponding period in the preceding year. Together with each delivery of financial statements required by clauses (a), (b) and (c) above, each of Panhandle and the Borrower, as applicable, will deliver to the Banks an Officer's Certificate stating that there exists no Event of Default or Default, or, if any such Event of Default or Default exists, stating the nature thereof, the period of existence thereof and what action the Borrower has taken or proposes to take with respect thereto. Together with each delivery of financial statements required by clauses (a) and (c) above, Panhandle will deliver to the Banks an Officer's Certificate demonstrating compliance with the covenant set forth in Section 6.1 (Financial Covenant). The Banks are authorized to deliver a copy of any financial statement delivered to it to any regulatory body having jurisdiction over them, and to disclose same to any prospective assignees or participant Banks. Documents required to be delivered pursuant to this Section 5.1 may be delivered electronically; *provided* that the Loan Parties shall deliver paper copies of such documents to the Agent or any Bank upon its request to the Loan Parties to deliver such paper copies until a written request to cease delivering paper copies is given by the Agent or such Bank. The Agent shall have no obligation to request the delivery of or to maintain paper copies of the documents referred to above, and in any event, shall have no responsibility to monitor compliance by the Loan Parties with any such request by a Bank for delivery, and each Bank shall be solely responsible for requesting delivery to it or maintaining its copies of such documents.

Each Loan Party hereby acknowledges that (a) the Agent may, but shall not be obligated to, make available to the Banks materials and/or information provided by or on behalf of the Loan Parties hereunder (collectively, the "**Borrower Materials**") by posting the Borrower Materials on Debt Domain, IntraLinks, Syndtrak or another similar electronic system (the "**Platform**") and (b) certain of the Banks (each, a "**Public Lender**") may have personnel who do not wish to receive material non-public information with respect to the Loan Parties or their respective Affiliates, or the respective securities of any of the foregoing, and who may be engaged in the investment and other market-related activities with respect to such Persons' securities. Each Loan Party hereby agrees that (w) all Borrower Materials that are to be made available to Public Lenders shall be clearly and conspicuously marked "PUBLIC," which, at a minimum, shall mean that the word "PUBLIC" shall appear prominently on the first page thereof; (x) by marking Borrower Materials "PUBLIC," such Loan Party shall be deemed to have authorized the Agent and the Banks to treat such Borrower Materials as not containing any material non-public information with respect to such Loan Party or its securities for purposes of the United States Federal and state securities laws; (y) all Borrower Materials marked "PUBLIC" are permitted to be made available through a portion of the Platform designated "Public Side Information;" and (z) the Agent shall be entitled to treat any Borrower Materials that are not marked "PUBLIC" as being suitable only for posting on a portion of the Platform not designated "Public Side Information." The Platform is provided "as is" and "as available." The Agent does not warrant the accuracy or completeness of the Borrower Materials or the adequacy of the Platform, and expressly disclaims liability for errors in or omissions from the Borrower Materials. No warranty of any kind, express, implied or statutory, including any warranty of merchantability, fitness for a particular purpose, non-infringement of third party rights or freedom from viruses or other code defects, is made by the Agent in connection with the Borrower Materials or the Platform. In no event shall the Agent, any of its Affiliates or any of the partners, directors, officers, employees or representatives of the Agent or its Affiliates have any liability to any Loan Party, any Bank or any other Person for losses, claims, damages, liabilities or expenses of any kind (whether in tort, contract or otherwise) arising out of any Loan Party's or the Agent's transmission of Borrower Materials through the Internet.

5.2 Books and Records. Maintain, and cause each of its Subsidiaries to maintain, proper books of record and account in accordance with sound accounting practices in which true, full and correct entries will be made of all their respective dealings and business affairs.

5.3 Insurance. Maintain, and cause each of its Subsidiaries to maintain, insurance with financially sound, responsible and reputable companies in such types and amounts and against such casualties, risks and contingencies as is customarily carried by owners of similar businesses and properties.

5.4 Maintenance of Property. Maintain and preserve, and cause each of its Subsidiaries to maintain and preserve, all of its properties that are used or useful in the conduct of its business in accordance with such Loan Party's established maintenance plan as in effect from time to time consistent with past practices.

5.5 Inspection of Property and Records. Permit any officer, director or agent of the Agent or any Bank, on written notice and at such Bank's expense, to visit and inspect during normal business hours any of the properties, corporate books and financial records of each Loan Party and discuss their respective affairs and finances with their principal officers, all at such times as the Agent or any Bank may reasonably request.

5.6 Existence, Laws, Obligations, Taxes. Maintain, and cause each of its Subsidiaries to maintain, its corporate existence and franchises, and any license agreements and tariffs that permit the recovery of a return that such Loan Party considers to be fair (and as to licenses, franchises, and tariffs that are subject to regulatory determinations of recovery of returns, such Loan Party has presented or is presenting favorable defense thereof); and to comply, and cause each of its Subsidiaries to comply, with all statutes and governmental regulations noncompliance with which might have a Material Adverse Effect, and pay, and cause each of its Subsidiaries to pay, all taxes, assessments, governmental charges, claims for labor, supplies, rent and other obligations which if unpaid might become a lien against the property of such Loan Party and its Subsidiaries except liabilities being contested in good faith.

5.7 Notice of Certain Matters. Notify the Agent promptly upon acquiring knowledge of the occurrence of any of the following events:

(a) the institution or threatened institution of any lawsuit or administrative proceeding affecting a Loan Party that is not covered by insurance (less applicable deductible amounts) and which, if determined adversely to such Loan Party, could reasonably be expected to have a Material Adverse Effect;

(b) the occurrence of any event that has had a Material Adverse Effect, or of any event that in the good faith opinion of such Loan Party is likely to result in having a Material Adverse Effect, affecting such Loan Party;

(c) the occurrence of any Event of Default or any Default;

(d) a change by Moody's Investors Service, Inc. or by Standard and Poor's Ratings Group in the rating of the Funded Debt of Panhandle; and

(e) such other information respecting the business, financial condition, operations or assets of the Loan Parties as any Agent, or any Bank through the Agent, may from time to time reasonably request.

5.8 ERISA. At all times:

(a) to the extent required of a Loan Party under applicable law, maintain and keep in full force and effect each Plan, subject to a Loan Party's right, in accordance with applicable legal requirements, (i) to amend any such Plans, (ii) to merge any such Plans, and to (iii) cease benefit accruals under any such Plans;

(b) to the extent required of a Loan Party under applicable law, make contributions to each Plan in a timely manner and in an amount sufficient to comply with the minimum funding standards requirements of ERISA and the Code;

(c) promptly after acquiring knowledge of any "reportable event" or of any "prohibited transaction" (as such terms are defined in § 4043 and § 406 of ERISA) in connection with any Plan, furnish the Banks with a statement executed by the president or chief financial officer of a Loan Party setting forth the details thereof and the action which the Borrower proposes to take with respect thereto and, when known, any action taken by the Internal Revenue Service or any other Governmental Authority with respect thereto;

(d) notify the Banks promptly upon receipt by a Loan Party or any member of a "controlled group of corporations," as such term is defined in the Code, of which a Loan Party is a member of any notice of the institution of any proceeding or other action which may result in the termination of any Plan and furnish to the Banks copies of such notice;

(d) to the extent required of a Loan Party under applicable law, acquire and maintain Pension Benefit Guaranty Corporation employer liability coverage insurance required under ERISA;

(e) furnish the Banks with copies of the summary annual report for each Plan filed with the Internal Revenue Service as the Agent or the Banks may request; and

(f) furnish the Banks with copies of any request for waiver of the funding standards or extension of the amortization periods required by §§ 302, 303, 304 and 305 of ERISA or §§ 412, 430, 431, 432 or 436 of the Code promptly after the request is submitted to the Secretary of the Treasury, the Department of Labor or the Internal Revenue Service, as the case may be.

5.9 Compliance with Environmental Laws. At all times:

(a) (i) use and operate, and cause each of its Subsidiaries to use and operate, all of their respective facilities and properties in material compliance with all Environmental Laws; (ii) keep, and cause each of its Subsidiaries to keep, all necessary permits, approvals, orders, certificates, licenses and other authorizations relating to environmental matters in effect and remain in material compliance therewith; (iii) handle, and cause each of its Subsidiaries to handle, all Hazardous Materials in material compliance with all applicable Environmental Laws; and (iv) dispose, and cause each of its Subsidiaries to dispose, of all Hazardous Materials with carriers that maintain valid permits, approvals, certificates, licenses or other authorizations for such disposal in material compliance with applicable Environmental Laws;

(b) promptly notify the Agent and provide copies upon receipt of all written claims, complaints, notices or inquiries relating to the condition of the facilities and properties of such Loan Party under, or their respective compliance with, applicable Environmental Laws wherein the condition or the noncompliance that is the subject of such claim, complaint, notice, or inquiry involves, or could reasonably be expected to involve, liability of or expenditures of (1) in the case of the Borrower or any of its Subsidiaries, $25,000,000 or more, and (2) in the case of Panhandle and its Subsidiaries taken as a whole, $50,000,000 or more, to the extent in each case that such matters are not reflected in the financial statements provided pursuant to Sections 3.5 (a) and (b) hereof for the period ended December 31, 2010; and

(c) provide such information and certifications which the Banks may reasonably request from time to time to evidence compliance with this Section 5.9.

6. NEGATIVE COVENANTS OF PANHANDLE

So long as the Borrower may borrow hereunder and until payment in full of the Obligations, except with the written consent of the Banks:

6.1 Financial Covenant. Panhandle will not permit its Leverage Ratio as of the last day of any fiscal quarter to be greater than 5.00 to 1.00.

6.2 Liens, Etc. Panhandle will not, and will not permit any of its Subsidiaries to, create, incur, assume or suffer to exist any Lien on or with respect to any of its Property, or sign or file or suffer to exist, under the Uniform Commercial Code of any jurisdiction, a financing statement that names Panhandle or any of its Subsidiaries as debtor, or sign or suffer to exist any security agreement authorizing any secured party thereunder to file such financing statement, or assign any accounts or other right to receive income, except:

(a) Permitted Liens for Panhandle and its Subsidiaries;

(b) Liens existing on the date hereof and any replacement, extension or renewal of the indebtedness secured by such Lien, *provided* that the amount of Debt or other obligations secured thereby is not increased and is not secured by any additional assets; and

(c) Liens arising in connection with Capitalized Leases, *provided* that no such Lien shall extend to or cover any assets other than the assets subject to such Capitalized Leases, and purchase money Liens upon or in real property, equipment or other fixed or capital assets acquired or held by Panhandle or any of its Subsidiaries to secure the purchase price of such property, equipment or other fixed or capital assets or to secure Debt incurred for the purpose of financing the acquisition, construction or improvement of any such property, equipment or other fixed or capital assets, or Liens existing on any such property, equipment or other fixed or capital assets at the time of acquisition, or extensions, renewals or replacements of any of the foregoing for the same or a lesser amount (*provided* that no such Lien shall extend to or cover any property other than the property, equipment or other fixed or capital assets being acquired, constructed or improved, and no such extension, renewal or replacement shall extend to or cover any property not theretofore subject to the Lien being extended, renewed or replaced); *provided* that the aggregate principal amount of the Debt secured by Liens permitted by this clause (c) shall not exceed $50,000,000 at any time outstanding;

provided that Panhandle or any of its Subsidiaries may create or assume any other Lien securing Debt if, after giving effect to such Debt, the Priority Obligations Amount does not exceed 10% of the Consolidated Net Tangible Assets.

6.3 Debt. Panhandle will not, and will not permit any Subsidiary (other than the Borrower or TLNG) to, create, incur, assume or suffer to exist any Debt, unless if after giving effect to such Debt, the Priority Obligations Amount does not exceed 15% of the Consolidated Net Tangible Assets.

6.4 Change in Nature of Business. Panhandle will not make any material change in the nature of Panhandle's business as carried on at the date hereof.

6.5 Mergers, Consolidation. Panhandle will not merge into or consolidate with any Person or permit any Person to merge into it, or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution), or permit any of its Subsidiaries to do so, except that:

(a) any Subsidiary of Panhandle may merge into or consolidate with Panhandle, *provided* that Panhandle is the continuing or surviving Person;

(b) any Subsidiary of Panhandle may merge into or consolidate with any other Subsidiary of Panhandle; *provided* that if such Subsidiary is the Borrower, such transaction shall comply with Section 7.3(c);

(c) any Subsidiary of Panhandle may be liquidated or dissolved if Panhandle determines in good faith that such liquidation or dissolution is in the best interest of Panhandle and is not materially disadvantageous to the Banks;

(d) any Subsidiary of Panhandle may merge into or consolidate with any other Person or permit any other Person to merge into or consolidate with it; *provided* that either (i) the Person surviving such merger shall be a Subsidiary of Panhandle or (ii) such transaction complies with Sections 6.6(b), 7.3 and 7.4; and

(e) Panhandle may merge with any Person; *provided* that if Panhandle is not the surviving entity, the surviving entity agrees to assume and be bound by the terms and conditions of this Agreement pursuant to documentation satisfactory to the Agent to such effect;

provided that in each case, immediately before and after giving effect thereto, no Default or Event of Default shall have occurred and be continuing and such transaction shall not cause or have caused a Material Adverse Effect.

6.6 Sale of Assets. Panhandle will not, and will not permit any of its Subsidiaries to, sell, lease, transfer or otherwise dispose of, in one transaction or in a series of transactions, assets representing all or substantially all of the Consolidated assets of Panhandle, except:

(a) sales or other dispositions of assets to third parties in total amounts not to exceed $65,000,000 in aggregate;

(b) in a transaction authorized by Section 6.5 (Mergers);

(c) sale, transfer or disposition of all of the stock or all of or substantially all of the assets of Sea Robin Pipeline Company; and

(b) sales, transfers or other dispositions of assets among Panhandle and its Subsidiaries.

6.7 Restricted Payments. Panhandle will not, and will not permit any of its Subsidiaries to, pay or declare any Restricted Payment, except that, (a) any of its Subsidiaries may make Restricted Payments to Panhandle or another Subsidiary of Panhandle and (b) so long as no Default under Sections 8.1, 8.7 and 8.9 or any Event of Default has occurred and is continuing or will result after giving effect to such Restricted Payments, Panhandle may make distributions to the holders of its Equity Interests.

6.8 Sales and Leasebacks. Panhandle will not enter into any arrangement with any Person (other than Subsidiaries of Panhandle) providing for the leasing by Panhandle or any Subsidiary of real or personal property that has been or is to be sold or transferred by Panhandle or such Subsidiary to such Person or to any other Person to whom funds have been or are to be advanced by such Person on the security of such property or rental obligations of Panhandle or such Subsidiary (each a "**Sale-Leaseback Transaction**"), unless if after giving effect to such Sale-Leaseback Transaction, the Priority Obligations Amount does not exceed 10% of the Consolidated Net Tangible Assets.

6.9 Transactions with Related Parties. Panhandle will not, and will not permit any Subsidiary to, enter into any transaction or agreement with any officer, director or holder (other than Southern Union and its Subsidiaries) of ten percent (10%) or more of any class of the outstanding capital stock of Panhandle or any Subsidiary (or any Affiliate of any such Person) unless the same is upon terms substantially similar to those obtainable from wholly unrelated sources.

6.10 Hazardous Materials. Panhandle will not, and will not permit any Subsidiary to, (a) cause or permit any Hazardous Materials to be placed, held, used, located, or disposed of on, under or at any of such Person's property or any part thereof by any Person in a manner which could reasonably be expected to have a Material Adverse Effect; (b) cause or permit any part of any of such Person's property to be used as a manufacturing, storage, treatment or disposal site for Hazardous Materials, where such action could reasonably be expected to have a Material Adverse Effect; or (c) cause or suffer any liens to be recorded against any of such Person's property as a consequence of, or in any way related to, the presence, remediation, or disposal of Hazardous Materials in or about any of such Person's property, including any so-called state, federal or local "superfund" lien relating to such matters, where such recordation could reasonably be expected to have a Material Adverse Effect.

7. NEGATIVE COVENANTS OF THE BORROWER

So long as the Borrower may borrow hereunder and until payment in full of the Obligations, except with the written consent of the Banks:

7.1 Liens, Etc. The Borrower will not, and will not permit any Subsidiary to, create, incur, assume or suffer to exist any Lien on or with respect to any of its Property, or sign or file or suffer to exist, under the Uniform Commercial Code of any jurisdiction, a financing statement that names the Borrower or any of its Subsidiaries as debtor, or sign or suffer to exist any security agreement authorizing any secured party thereunder to file such financing statement, or assign any accounts or other right to receive income, except:

(a) Permitted Liens for the Borrower and its Subsidiaries;

(b) Liens existing on the date hereof and any replacement, extension or renewal of the indebtedness secured by such Lien, *provided* that the amount of Debt or other obligations secured thereby is not increased and is not secured by any additional assets; and

(c) Liens arising in connection with Capitalized Leases, *provided* that no such Lien shall extend to or cover any assets other than the assets subject to such Capitalized Leases, and purchase money Liens upon or in real property, equipment or other fixed or capital assets acquired or held by the Borrower or any of its Subsidiaries to secure the purchase price of such property, equipment or other fixed or capital assets or to secure Debt incurred for the purpose of financing the acquisition, construction or improvement of any such property, equipment or other fixed or capital assets, or Liens existing on any such property, equipment or other fixed or capital assets at the time of acquisition, or extensions, renewals or replacements of any of the foregoing for the same or a lesser amount (*provided* that no such Lien shall extend to or cover any property other than the property, equipment or other fixed or capital assets being acquired, constructed or improved, and no such extension, renewal or replacement shall extend to or cover any property not theretofore subject to the Lien being extended, renewed or replaced); *provided* that the aggregate principal amount of the Debt secured by Liens permitted by this clause (c) shall not exceed $20,000,000 at any time outstanding.

7.2 Debt. The Borrower will not, and will not permit any Subsidiary to, incur or permit to exist any Debt, except:

(a) Debt under this Agreement;

(b) Debt of TLNG to the Borrower;

(c) endorsements in the ordinary course of business of negotiable instruments in the course of collection;

(d) Debt of TLNG or any other Subsidiary of the Borrower subordinated to the Loans on terms and pursuant to documentation satisfactory to the Agent;

(e) Unsecured Debt of the Borrower; and

(f) Capitalized Leases of the Borrower with Subsidiaries as permitted pursuant to 7.1(c).

7.3 Merger, Consolidation. The Borrower will not, and will not permit any Subsidiary to, merge or consolidate with any other Person or sell, lease, transfer or otherwise dispose of (whether in one transaction or a series of transactions) all or a substantial part of its assets or acquire (whether in one transaction or a series of transactions) all or a substantial part of the assets of any Person, except that:

(a) any Subsidiary of the Borrower may merge or consolidate with the Borrower (*provided* that the Borrower shall be the continuing or surviving corporation) or with any one or more Subsidiaries of the Borrower;

(b) any Subsidiary of the Borrower may sell, lease, transfer or otherwise dispose of any of its assets to the Borrower or another Subsidiary of the Borrower;

(c) the Borrower may acquire the assets of or merge with any Person, *provided* that if the Borrower is not the surviving entity, the surviving entity agrees to assume and be bound by the terms and conditions of this Agreement pursuant to documentation satisfactory to the Agent; and

(d) the Borrower or any Subsidiary of the Borrower may sell, lease, assign or otherwise dispose of assets as otherwise permitted under Section 7.4 (Sale of Assets), which shall include without limitation the transfer of assets to a Subsidiary and the subsequent sale of the equity interests in such Subsidiary;

provided that, after giving effect to any such transaction, no Default or Event of Default shall have occurred and be continuing and such transaction shall not cause or have caused a Material Adverse Effect.

7.4 Sale of Assets. The Borrower will not, and will not permit any Subsidiary to, except as permitted under this Section 7.4, sell, assign, lease, or otherwise dispose of (whether in one transaction or in a series of transactions) all or any part of its Property (whether now owned or hereafter acquired); *provided* that

(a) the Borrower or any Subsidiary may in the ordinary course of business dispose of (i) Property consisting of Inventory; and (ii) Property consisting of goods or equipment that are, in the opinion of the Borrower or any Subsidiary of the Borrower, obsolete or unproductive, but if in the good faith judgment of the Borrower or any Subsidiary of the Borrower such disposition without replacement thereof would have a Material Adverse Effect, such goods and equipment shall be replaced, or their utility and function substituted, by new or existing goods or equipment; and

(b) the Borrower or any Subsidiary may dispose of Property other than Inventory (in consideration of such amount as in the good faith judgment of the Borrower or such Subsidiary represents a fair consideration therefor), *provided* that the aggregate value of such property disposed of (determined after depreciation and in accordance with GAAP) after the Funding Date does not exceed ten percent (10%) of the aggregate value of all of the Borrower's and its Subsidiaries' real property and tangible personal property other than Inventory considered on a Consolidated basis and determined after depreciation and in accordance with GAAP, as of December 31, 2006.

7.5 Restricted Payment. The Borrower will not pay or declare any Restricted Payment to any Person other than to Panhandle (which may be paid indirectly through distributions to a Subsidiary of Panhandle). The Borrower will not permit any Subsidiary to pay or declare any Restricted Payment to any Person other than the Borrower.

7.6 Securities Credit Regulations; Investment Company Act. Neither the Borrower nor any Subsidiary will take or permit any action which might cause the Loans or this Agreement to violate Regulation T, Regulation U, Regulation X or any other regulation of the Board of Governors of the Federal Reserve System or a violation of the Securities Exchange Act of 1934, in each case as now or hereafter in effect. None of the Borrower, any Person "controlling" the Borrower or any Subsidiary is or is required to be registered as an "investment company" under the Investment Company Act of 1940, as amended.

7.7 Nature of Business. The Borrower will not, and will not permit any Subsidiary, to, make any material change in the nature of the Borrower's business as carried on at the date hereof.

7.8 Transactions with Related Parties. The Borrower will not, and will not permit any Subsidiary to, enter into any transaction or agreement with any officer, director or holder (other than Southern Union and its Subsidiaries) of ten percent (10%) or more of any class of the outstanding capital stock of the Borrower or any Subsidiary (or any Affiliate of any such Person) unless the same is upon terms substantially similar to those obtainable from wholly unrelated sources.

7.9 Hazardous Materials. The Borrower will not, and will not permit any Subsidiary to, (a) cause or permit any Hazardous Materials to be placed, held, used, located, or disposed of on, under or at any of such Person's property or any part thereof by any Person in a manner which could reasonably be expected to have a Material Adverse Effect; (b) cause or permit any part of any of such Person's property to be used as a manufacturing, storage, treatment or disposal site for Hazardous Materials, where such action could reasonably be expected to have a Material Adverse Effect; or (c) cause or suffer any liens to be recorded against any of such Person's property as a consequence of, or in any way related to, the presence, remediation, or disposal of Hazardous Materials in or about any of such Person's property, including any so-called state, federal or local "superfund" lien relating to such matters, where such recordation could reasonably be expected to have a Material Adverse Effect.

7.10 Use of Proceeds. The Borrower will not, and will not permit any Subsidiary to, use the proceeds of any Loan for any purpose other than for purposes set forth in Section 2.13 (Use of Proceeds); or use any such proceeds in a manner which violates or results in a violation of any law or regulation.

7.11 Other Documents. The Borrower will not, and will not permit any Subsidiary to, amend, restate or otherwise modify or waive any provision or condition of any instrument or agreement relating to any secured Debt of such Person if the effect of such modification or waiver is to increase the obligations of such Person in a manner that is adverse to the Banks without the consent of the Majority Banks.

8. EVENTS OF DEFAULT; REMEDIES

If any of the following events shall occur, then the Agent shall at the request, or may with the consent, of the Majority Banks, declare the Notes and all interest accrued and unpaid thereon, and all other amounts payable under the Notes, this Agreement and the other Loan Documents, to be forthwith due and payable, whereupon the Notes, all such interest and all such other amounts, shall become and be forthwith due and payable without presentment, demand, protest, or further notice of any kind (including, without limitation, notice of default, notice of intent to accelerate and notice of acceleration), all of which are hereby expressly waived by the Borrower; *provided* that with respect to any Event of Default described in Sections 8.7 (Bankruptcy) or 8.8 (Dissolution) hereof, the entire unpaid principal amount of the Notes, all interest accrued and unpaid thereon, and all such other amounts payable under the Notes, this Agreement and the other Loan Documents, shall automatically become immediately due and payable, without presentment, demand, protest, or any notice of any kind (including, without limitation, notice of default, notice of intent to accelerate and notice of acceleration), all of which are hereby expressly waived by the Borrower:

8.1 Failure to Pay Obligations When Due. The Borrower fails to pay, repay or prepay any principal on the date when due, or any other Obligation within five Business Days after the date when due.

8.2 Intentionally Omitted.

8.3 Failure to Pay Other Debt. (a) The Borrower or any Subsidiary of the Borrower fails to pay principal or interest on any unsecured Debt aggregating more than $10,000,000 or any secured Debt when due and any related grace period has expired, or the holder of any of such Debt declares such Debt due prior to its stated maturity because of the Borrower's or any Subsidiary's default thereunder and the expiration of any related grace period; or (b) Panhandle or any of its Subsidiaries fails to pay principal or interest on any Debt aggregating more than $50,000,000 when due and any related grace period has expired, or the holder of any of such Debt declares such Debt due prior to its stated maturity because of Panhandle's or any such Subsidiary's default thereunder and the expiration of any related grace period.

8.4 Misrepresentation or Breach of Warranty. Any representation or warranty made by any Loan Party herein or otherwise furnished to the Bank in connection with this Agreement or any other Loan Document shall be incorrect, false or misleading in any material respect when made.

8.5 Violation of Certain Covenants. Any Loan Party violates any covenant, agreement or condition contained in Sections 5.6 (Existence), 5.7(c) (Notice of Defaults), 6.1 (Financial Covenant), 6.2 (Liens), 6.3 (Debt), 6.5 (Merger), 6.6 (Sale of Assets), 6.7 (Restricted Payments), 7.1 (Liens), 7.2 (Debt), 7.3 (Merger, Consolidation), 7.4 (Sale of Assets) or 7.5 (Restricted Payments).

8.6 Violation of Other Covenants, Etc. Any Loan Party violates any other covenant, agreement or condition contained herein (other than the covenants, agreements and conditions set forth or described in Sections 8.1 (Failure to Pay Obligations When Due), 8.3 (Cross Default), 8.4 (Representations), and 8.5 (Certain Covenants) above) or in any other Loan Document and such violation shall not have been remedied within (30) days after the earlier of (i) actual discovery by a Loan Party of such violation or (ii) written notice has been received by the Borrower from the Bank or the holder of the Note.

8.7 Bankruptcy and Other Matters. Any Loan Party or Southern Union (a) makes an assignment for the benefit of creditors; or (b) admits in writing its inability to pay its debts generally as they become due; or (c) generally fails to pay its debts as they become due; or (d) files a petition or answer seeking for itself, or consenting to or acquiescing in, any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any applicable Debtor Law (including, without limitation, the Federal Bankruptcy Code); there is appointed a receiver, custodian, liquidator, fiscal agent, or trustee of any Loan Party or Southern Union or of the whole or any substantial part of their respective assets; or any court enters an order, judgment or decree approving a petition filed against any Loan Party or Southern Union seeking reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any Debtor Law and either such order, decree or judgment so filed against it is not dismissed or stayed (unless and until such stay is no longer in effect) within thirty (30) days of entry thereof or an order for relief is entered pursuant to any such law.

8.8 Dissolution. Any order is entered in any proceeding against any Loan Party or Southern Union decreeing the dissolution, liquidation, winding-up or split-up of any Loan Party, or Southern Union, and such order remains in effect for thirty (30) days.

8.9 Undischarged Judgment. (a) A final judgment or judgments in the aggregate, that might be or give rise to Liens on any property of the Borrower or any of its Subsidiaries, for the payment of money in excess of $10,000,000 shall be rendered against the Borrower or any of its Subsidiaries and the same shall remain undischarged for a period of sixty (60) days during which execution shall not be effectively stayed or (b) a final judgment or judgments in the aggregate, that might be or give rise to Liens on any property of Panhandle or any of its Subsidiaries, for the payment of money in excess of $50,000,000 shall be rendered against Panhandle or any of its Subsidiaries and the same shall remain undischarged for a period of sixty (60) days during which execution shall not be effectively stayed.

8.10 Loan Documents. Any material provision in any Loan Document shall for any reason cease to be valid and binding on any party thereto except upon fulfillment of such party's obligations thereunder (or any such party shall so state in writing), or shall be declared null and void, or the validity or enforceability thereof shall be contested by any party thereto (other than the Agent and the Banks) or any Governmental Authority, or any such party shall deny in writing that it has any liability or obligation thereunder, except upon fulfillment of its obligations thereunder.

8.11 Change of Control. Any of the following events shall occur:

(a) Panhandle shall cease to own or control, directly or indirectly, 100% of the Equity Interests and voting power of each of the Borrower and TLNG; or

(b) Southern Union shall cease to own, or control, directly or indirectly, at least 51% of the Equity Interests and voting power of Panhandle.

8.12 Other Remedies. In addition to and cumulative of any rights or remedies expressly provided for in this Section 8, if any one or more Events of Default shall have occurred, the Agent shall at the request, and may with the consent, of the Majority Banks proceed to protect and enforce the rights of the Banks hereunder by any appropriate proceedings. The Agent shall at the request, and may with the consent, of the Majority Banks also proceed either by the specific performance of any covenant or agreement contained in this Agreement or by enforcing the payment of the Notes or by enforcing any other legal or equitable right provided under this Agreement or the Notes or otherwise existing under any law in favor of the holder of the Notes.

8.13 Remedies Cumulative. No remedy, right or power conferred upon the Banks is intended to be exclusive of any other remedy, right or power given hereunder or now or hereafter existing at law, in equity, or otherwise, and all such remedies, rights and powers shall be cumulative.

9. THE AGENT

9.1 Authorization and Action. Each Bank hereby appoints BTMU as its Agent under and irrevocably authorizes the Agent (subject to this Section 9.1 and Section 9.7 (Successor Agent)) to take such action as the Agent on its behalf and to exercise such powers under this Agreement, the Loan Documents and the Notes as are delegated to the Agent by the terms thereof, together with such powers as are reasonably incidental thereto. Without limitation of the foregoing, each Bank expressly authorizes the Agent to execute, deliver, and perform its obligations under this Agreement and the Loan Documents, and to exercise all rights, powers, and remedies that the Agent may have hereunder and thereunder. As to any matters not expressly provided for by this Agreement (including, without limitation, enforcement or collection of the Notes), the Agent shall not be required to exercise any discretion or take any action, but shall be required to act, or to refrain from acting (and shall be fully protected in so acting or refraining from acting), upon the instructions of the Majority Banks, and such instructions shall be binding upon all the Banks and all holders of any Note; *provided* that the Agent shall not be required to take any action which exposes the Agent to personal liability or which is contrary to this Agreement or applicable law. The Agent agrees to give to each Bank prompt notice of each notice given to it by the Borrower pursuant to the terms of this Agreement.

9.2 Agent's Reliance, Etc. Neither the Agent nor any of its directors, officers, agents, or employees shall be liable to any Bank for any action taken or omitted to be taken by it or them under or in connection with this Agreement, the Notes and the other Loan Documents, except for its or their own gross negligence or willful misconduct. Without limitation of the generality of the foregoing, the Agent: (a) may treat the original or any successor holder of any Note as the holder thereof until the Agent receives notice from the Bank which is the payee of such Note concerning the assignment of such Note; (b) may employ and consult with legal counsel (including counsel for the Borrower), independent public accountants, and other experts selected by it and shall not be liable to any Bank for any action taken, or omitted to be taken, in good faith by it or them in accordance with the advice of such counsel, accountants, or experts received in such consultations and shall not be liable for any negligence or misconduct of any such counsel, accountants, or other experts; (c) makes no warranty or representation to any Bank and shall not be responsible to any Bank for any opinions, certifications, statements, warranties, or representations made in or in connection with this Agreement; (d) shall not have any duty to any Bank to ascertain or to inquire as to the performance or observance of any of the terms, covenants, or conditions of this Agreement or any other instrument or document furnished pursuant thereto or to satisfy itself that all conditions to and requirements for any Loan have been met or that the Borrower is entitled to any Loan or to inspect the property (including the books and records) of the Borrower or any Subsidiary; (e) shall not be responsible to any Bank for the due execution, legality, validity, enforceability, genuineness, sufficiency, or value of this Agreement or any other instrument or document furnished pursuant thereto; and (f) shall incur no liability under or in respect of this Agreement by acting upon any notice, consent, certificate, or other instrument or writing believed by it to be genuine and signed or sent by the proper party or parties.

9.3 Defaults. The Agent shall not be deemed to have knowledge of the occurrence of a Default (other than the nonpayment of principal of or interest hereunder) unless the Agent has received notice from a Bank or the Borrower specifying such Default and stating that such notice is a Notice of Default. In the event that the Agent receives such a notice of the occurrence of a Default, the Agent shall give prompt notice thereof to the Banks (and shall give each Bank prompt notice of each such nonpayment). The Agent shall (subject to Section 9.7 (Successor Agent)) take such action with respect to such Default as shall be instructed by the Majority Banks; *provided* that, unless and until the Agent shall have received the directions referred to in Sections 9.1 (Authorization and Action) or 9.7 (Successor Agent), the Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default as it shall deem advisable and in the best interest of the Banks.

9.4 BTMU and Affiliates. With respect to its Commitment, any Loan made by it, and the Note issued to it, BTMU shall have the same rights and powers under this Agreement as any other Bank and may exercise the same as though it were not the Agent; and the term "Bank" or "Banks" shall, unless otherwise expressly indicated, include BTMU in its individual capacity. BTMU and its respective Affiliates may accept deposits from, lend money to, act as trustee under indentures of, and generally engage in any kind of business with, the Borrower, any of its respective Affiliates and any Person who may do business with or own securities of the Borrower or any such Affiliate, all as if BTMU were not the Agent and without any duty to account therefor to the Banks.

9.5 Non-Reliance on Agent and Other Banks. Each Bank agrees that it has, independently and without reliance on the Agent or any other Bank, and based on such documents and information as it has deemed appropriate, made its own credit analysis of the Borrower and each Subsidiary and its decision to enter into the transactions contemplated by this Agreement and that it will, independently and without reliance upon the Agent or any other Bank, and based on such documents and information as it shall deem appropriate at the time, continue to make its own analysis and decisions in taking or not taking action under this Agreement. The Agent shall not be required to keep itself informed as to the performance or observance by the Borrower of this Agreement or to inspect the properties or books of Panhandle, the Borrower or any Subsidiary. Except for notices, reports, and other documents and information expressly required to be furnished to the Banks by the Agent hereunder, the Agent shall not have any duty or responsibility to provide any Bank with any credit or other information concerning the affairs, financial condition, or business of Southern Union, Panhandle, the Borrower or any Subsidiary (or any of their Affiliates) which may come into the possession of the Agent or any of its Affiliates.

9.6 Indemnification. Notwithstanding anything to the contrary herein contained, the Agent shall be fully justified in failing or refusing to take any action hereunder unless it shall first be indemnified to its satisfaction by the Banks against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses, and disbursements of any kind or nature whatsoever which may be imposed on, incurred by or asserted against the Agent in any way relating to or arising out of its taking or continuing to take any action. Each Bank agrees to indemnify the Agent (to the extent not reimbursed by the Borrower), according to such Bank's Pro Rata Percentage, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses, and disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against the Agent in any way relating to or arising out of this Agreement or the Notes or any action taken or omitted by the Agent under this Agreement or the Notes; *provided* that no Bank shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses, or disbursements resulting from the gross negligence or willful misconduct of the person being indemnified; and *provided, further*, that it is the intention of each Bank to indemnify the Agent against the consequences of the Agent's own negligence, whether such negligence be sole, joint, concurrent, active or passive. Without limitation of the foregoing, each Bank agrees to reimburse the Agent promptly upon demand for its Pro Rata Percentage of any out-of-pocket expenses (including attorneys' fees) incurred by the Agent in connection with the preparation, administration, or enforcement of, or legal advice in respect of rights or responsibilities under, this Agreement and the Notes, to the extent that the Agent is not reimbursed for such expenses by the Borrower.

9.7 Successor Agent. The Agent may resign at any time as Agent under this Agreement by giving written notice thereof to the Banks and the Borrower and may be removed at any time with or without cause by the Majority Banks. Upon any such resignation or removal, the Majority Banks shall have the right to appoint a successor Agent. If no successor Agent shall have been so appointed by the Majority Banks or shall have accepted such appointment within thirty (30) days after the retiring Agent's giving of notice of resignation or the Majority Banks' removal of the retiring Agent, then the retiring Agent may, on behalf of the Banks, appoint a successor Agent, which shall be a commercial bank organized under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least $500,000,000. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations under this Agreement. After any retiring Agent's resignation or removal hereunder as Agent, the provisions of this Section 9 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement.

9.8 Agent's Reliance. The Borrower shall notify the Agent in writing of the names of its officers and employees authorized to request a Loan on behalf of the Borrower and shall provide the Agent with a specimen signature of each such officer or employee. The Agent shall be entitled to rely conclusively on such officer's or employee's authority to request a Loan on behalf of the Borrower until the Agent receives written notice from the Borrower to the contrary. The Agent shall have no duty to verify the authenticity of the signature appearing on any Notice of Borrowing, and, with respect to any oral request for a Loan, the Agent shall have no duty to verify the identity of any Person representing himself as one of the officers or employees authorized to make such request on behalf of the Borrower. Neither the Agent nor any Bank shall incur any liability to the Borrower in acting upon any telephonic notice referred to above which the Agent or such Bank believes in good faith to have been given by a duly authorized officer or other Person authorized to borrow on behalf of the Borrower or for otherwise acting in good faith.

9.9 Exculpatory Provisions. (a) The Agent shall not have any duties or obligations except those expressly set forth herein and in the other Loan Documents, and its duties hereunder shall be administrative in nature. Without limiting the generality of Section 9.2 and of the foregoing, the Agent:

(i) shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing;

(ii) shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by the other Loan Documents that the Agent is required to exercise as directed in writing by the Majority Banks (or such other number or percentage of the Banks as shall be expressly provided for herein or in the other Loan Documents), *provided* that the Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose the Agent to liability or that is contrary to any Loan Document or applicable law, including for the avoidance of doubt any action that may be in violation of the automatic stay under any Debtor Law or that may effect a forfeiture, modification or termination of property of a Defaulting Bank in violation of any Debtor Law; and

(iii) shall not, except as expressly set forth herein and in the other Loan Documents, have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any of its Affiliates that is communicated to or obtained by the Person serving as the Agent or any of its Affiliates in any capacity.

(b) The Agent shall not be liable for any action taken or not taken by it (i) with the consent or at the request of the Majority Banks (or such other number or percentage of the Banks as shall be necessary, or as the Agent shall believe in good faith shall be necessary, under the circumstances as provided in Sections 11.1 (Amendments, Waivers, Etc.) and 8 (Events of Default; Remedies) or (ii) in the absence of its own gross negligence or willful misconduct as determined by a court of competent jurisdiction by final and nonappealable judgment.

10. GUARANTY

10.1 Guaranty. Each Guarantor hereby absolutely, unconditionally and irrevocably guarantees the punctual payment when due, whether at scheduled maturity or by acceleration, demand or otherwise, of all Obligations of the Borrower now or hereafter existing under or in respect of the Loan Documents (including, without limitation, any extensions, modifications, substitutions, amendments or renewals of any or all of the foregoing Obligations), whether direct or indirect, absolute or contingent, and whether for principal, interest, premiums, fees, indemnities, contract causes of action, costs, expenses or otherwise (such Obligations being the "**Guaranteed Obligations**").

10.2 Guaranty Absolute. Each Guarantor guarantees that the Guaranteed Obligations will be paid strictly in accordance with the terms of the Loan Documents, regardless of any law, regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of any Bank with respect thereto. The Obligations of each Guarantor under or in respect of this Guaranty are independent of any Obligations of the Borrower under or in respect of the Loan Documents, and a separate action or actions may be brought and prosecuted against each Guarantor to enforce this Guaranty, irrespective of whether any action is brought against the Borrower or whether the Borrower is joined in any such action or actions. The liability of each Guarantor under this Guaranty shall be irrevocable, absolute and unconditional irrespective of, and each Guarantor hereby irrevocably waives any defenses it may now have or hereafter acquire in any way relating to, any or all of the following:

(a) any lack of validity or enforceability of any Loan Document or any agreement or instrument relating thereto;

(b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Guaranteed Obligations or any other Obligations of the Borrower under or in respect of the Loan Documents, or any other amendment or waiver of or any consent to departure from any Loan Document, including, without limitation, any increase in the Guaranteed Obligations resulting from the extension of additional credit to any Loan Party or any of its Subsidiaries or otherwise;

(c) any taking, exchange, release or non-perfection of any collateral, or any taking, release or amendment or waiver of, or consent to departure from, any other guaranty, for all or any of the Guaranteed Obligations;

(d) any manner of application of any collateral, or proceeds thereof, to all or any of the Guaranteed Obligations, or any manner of sale or other disposition of any collateral for all or any of the Guaranteed Obligations or any other Obligations of any Loan Party under the Loan Documents or any other assets of any Loan Party or any of its Subsidiaries;

(e) any change, restructuring or termination of the corporate structure or existence of any Loan Party or any of its Subsidiaries;

(f) any failure of any Bank to disclose to any Loan Party any information relating to the business, operations, financial condition, assets or prospects of any other Loan Party now or hereafter known to such Bank (each Guarantor waiving any duty on the part of the Banks to disclose such information);

(g) the failure of any other Person to execute or deliver any other guaranty or agreement or the release or reduction of liability of any other guarantor or surety with respect to the Guaranteed Obligations; or

(h) any other circumstance (including, without limitation, any statute of limitations) or any existence of or reliance on any representation by any Bank that might otherwise constitute a defense available to, or a discharge of, any Loan Party or any other guarantor or surety.

This Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Guaranteed Obligations is rescinded or must otherwise be returned by any Bank or any other Person upon the insolvency, bankruptcy or reorganization of the Borrower or otherwise, all as though such payment had not been made.

10.3 Waivers and Acknowledgments.

(a) Each Guarantor hereby unconditionally and irrevocably waives promptness, diligence, notice of acceptance, presentment, demand for performance, notice of nonperformance, default, acceleration, protest or dishonor and any other notice with respect to any of the Guaranteed Obligations and this Guaranty and any requirement that any Bank protect, secure, perfect or insure any Lien or any property subject thereto or exhaust any right or take any action against any Loan Party or any other Person or any collateral.

(b) Each Guarantor hereby unconditionally and irrevocably waives any right to revoke this Guaranty and acknowledges that this Guaranty is continuing in nature and applies to all Guaranteed Obligations, whether existing now or in the future.

(c) Each Guarantor hereby unconditionally and irrevocably waives (i) any defense arising by reason of any claim or defense based upon an election of remedies by any Bank that in any manner impairs, reduces, releases or otherwise adversely affects the subrogation, reimbursement, exoneration, contribution or indemnification rights of each Guarantor or other rights of such Guarantor to proceed against the Borrower, any other guarantor or any other Person and (ii) any defense based on any right of set-off or counterclaim against or in respect of the Obligations of such Guarantor hereunder.

(d) Each Guarantor hereby unconditionally and irrevocably waives any duty on the part of any Bank to disclose to any Guarantor any matter, fact or thing relating to the business, operations, financial condition, assets or prospects of the Borrower or any of its Subsidiaries now or hereafter known by such Bank.

(e) Each Guarantor acknowledges that it will receive substantial direct and indirect benefits from the financing arrangements contemplated by the Loan Documents and that the waivers set forth in Section 10.2 (Guaranty Absolute) and this Section 10.3 are knowingly made in contemplation of such benefits.

10.4 Subrogation. Each Guarantor hereby unconditionally and irrevocably agrees not to exercise any rights that it may now have or hereafter acquire against the Borrower that arise from the existence, payment, performance or enforcement of such Guarantor's Obligations under or in respect of this Guaranty or any other Loan Document, including, without limitation, any right of subrogation, reimbursement, exoneration, contribution or indemnification and any right to participate in any claim or remedy of any Bank against the Borrower or any other insider guarantor, whether or not such claim, remedy or right arises in equity or under contract, statute or common law, including, without limitation, the right to take or receive from the Borrower, directly or indirectly, in cash or other property or by set-off or in any other manner, payment or security on account of such claim, remedy or right, unless and until all of the Guaranteed Obligations and all other amounts payable under this Guaranty shall have been paid in full in cash and the Commitments shall have expired or been terminated. If any amount shall be paid to any Guarantor in violation of the immediately preceding sentence at any time prior to the later of (a) the payment in full in cash of the Guaranteed Obligations and all other amounts payable under this Guaranty and (b) the Maturity Date, such amount shall be received and held in trust for the benefit of the Banks, shall be segregated from other property and funds of such Guarantor and shall forthwith be paid or delivered to the Agent in the same form as so received (with any necessary endorsement or assignment) to be credited and applied to the Guaranteed Obligations and all other amounts payable under this Guaranty, whether matured or unmatured, in accordance with the terms of the Loan Documents or other amounts payable under this Guaranty thereafter arising. If (i) any Guarantor shall make payment to any Bank of all or any part of the Guaranteed Obligations, (ii) all of the Guaranteed Obligations and all other amounts payable under this Guaranty shall have been paid in full in cash and (iii) the Maturity Date shall have occurred, the Banks will, at such Guarantor's request and expense, execute and deliver to such Guarantor appropriate documents, without recourse and without representation or warranty, necessary to evidence the transfer by subrogation to such Guarantor of an interest in the Guaranteed Obligations resulting from such payment made by such Guarantor pursuant to this Guaranty.

10.5 Subordination. Each Guarantor hereby subordinates any and all debts, liabilities and other Obligations owed to such Guarantor by the Borrower (the "**Subordinated Obligations**") to the Guaranteed Obligations to the extent and in the manner hereinafter set forth in this Section 10.5:

(a) Except during the continuance of a Default (including the commencement and continuation of any proceeding under any Debtor Law relating to the Borrower), a Guarantor may receive regularly scheduled payments from the Borrower on account of the Subordinated Obligations. After the occurrence and during the continuance of any Default (including the commencement and continuation of any proceeding under any Debtor Law relating to the Borrower), however, unless the Agent otherwise agrees, no Guarantor shall demand, accept or take any action to collect any payment on account of the Subordinated Obligations.

(b) In any proceeding under any Debtor Law relating to the Borrower, each Guarantor agrees that the Banks shall be entitled to receive payment in full in cash of all Guaranteed Obligations (including all interest and expenses accruing after the commencement of a proceeding under any Debtor Law, whether or not constituting an allowed claim in such proceeding ("**Post Petition Interest**")) before any Guarantor receives payment of any Subordinated Obligations.

(c) After the occurrence and during the continuance of any Default (including the commencement and continuation of any proceeding under any Debtor Law relating to the Borrower), each Guarantor shall, if the Agent so requests, collect, enforce and receive payments on account of the Subordinated Obligations as trustee for the Banks and deliver such payments to the Agent on account of the Guaranteed Obligations (including all Post Petition Interest), together with any necessary endorsements or other instruments of transfer, but without reducing or affecting in any manner the liability of such Guarantor under the other provisions of this Guaranty.

(d) After the occurrence and during the continuance of any Default (including the commencement and continuation of any proceeding under any Debtor Law relating to the Borrower), the Agent is authorized and empowered (but without any obligation to so do), in its discretion, (i) in the name of a Guarantor, to collect and enforce, and to submit claims in respect of, Subordinated Obligations and to apply any amounts received thereon to the Guaranteed Obligations (including any and all Post Petition Interest), and (ii) to require each Guarantor (A) to collect and enforce, and to submit claims in

respect of, Subordinated Obligations and (B) to pay any amounts received on such obligations to the Agent for application to the Guaranteed Obligations (including any and all Post Petition Interest).

10.6 Continuing Guaranty. This Guaranty is a continuing guaranty and shall remain in full force and effect until the later of (a) the payment in full in cash of the Guaranteed Obligations and all other amounts payable under this Guaranty and (b) the Maturity Date.

10.7 General Limitation on Guaranteed Obligations. In any action or proceeding involving any state corporate law, or any state or Federal bankruptcy, insolvency, reorganization or other law affecting the rights of creditors generally, if the obligations of TLNG under Section 10.1 (Guaranty) would otherwise be held or determined to be void, invalid or unenforceable, or subordinated to the claims of any other creditors, on account of the amount of its liability under Section 10.1 (Guaranty), then, notwithstanding any other provision hereof to the contrary, the amount of such liability shall, without any further action by TLNG, any Bank or any other Person, be automatically limited and reduced to the highest amount that is valid and enforceable and not subordinated to the claims of other creditors as determined in such action or proceeding.

11. MISCELLANEOUS

11.1 Amendments, Waivers, Etc. No amendment or waiver of any provision of any Loan Document, nor consent to any departure by a Loan Party therefrom, shall in any event be effective unless the same shall be in writing and signed by the Borrower, the Guarantors and the Majority Banks, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; *provided* that no amendment, waiver or consent shall, unless in writing and signed by each Bank, do any of the following:

(a) waive any of the conditions specified in Section 4 (Conditions to Funding);

(b) increase the Commitment of any Bank or alter the term thereof, or subject any Bank to any additional or extended obligations;

(c) change the principal of, or decrease the rate of interest on, the Loans or any Note, or any fees or other amounts payable hereunder;

(d) postpone any date fixed for any payment of principal of, or interest on, the Loans or any Note, or any fees (including, without limitation, any fee) or other amounts payable hereunder;

(e) change the definition of "Majority Banks" or "Required Banks" or the number of Banks which shall be required for Banks, or any of them, to take any action hereunder;

(f) amend this Section 11.1; or

(g) reduce or limit the obligations of any Guarantor under the Loan Documents or release any Guarantor from its obligations under the Loan Documents;

and *provided*, *further*, that no amendment, waiver or consent shall, unless in writing and signed by the Agent in addition to each Bank, affect the rights or duties of the Agent under any Loan Document. Notwithstanding anything to the contrary herein, no Defaulting Bank shall have any right to approve or disapprove any amendment, waiver or consent hereunder (and any amendment, waiver or consent which by its terms requires the consent of all Banks or each affected Bank may be effected with the consent of the applicable Banks other than Defaulting Banks), except that (x) the Commitment of any Defaulting Bank may not be increased or extended without the consent of such Bank and (y) any waiver, amendment or modification requiring the consent of all Banks or each affected Bank that by its terms affects any Defaulting Bank disproportionately adversely relative to other affected Banks shall require the consent of such Defaulting Bank. No failure or delay on the part of any Bank or the Agent in exercising any power or right hereunder shall operate as a waiver thereof nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. No course of dealing between the Borrower and any Bank or the Agent shall operate as a waiver of any right of any Bank or the Agent. No modification or waiver of any provision of this Agreement or the Note nor consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be in writing, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on the Borrower in any case shall entitle the Borrower to any other or further notice or demand in similar or other circumstances.

11.2 Reimbursement of Expenses.

(a) The Borrower agrees to pay on demand (and whether or not the Funding Date occurs) (1) all reasonable and documented out-of-pocket costs and expenses of the Agent and the Lead Arrangers, including reasonable and documented fees and expenses of a single counsel for the Agent and the Lead Arrangers in connection with the syndication of the credit facilities provided for herein, the preparation and administration of this Agreement or any amendments, modifications or waivers of the provisions hereof, and (2) all costs and expenses of the Agent and each Bank in connection with the enforcement of the Loan Documents, whether in any action, suit or litigation, or any bankruptcy, insolvency or other similar proceeding affecting creditors' rights generally (including, without limitation, the reasonable fees and expenses of counsel for the Agent and each Bank with respect thereto). The Borrower further agrees to pay any stamp or other taxes that may be payable in connection with the execution or delivery of any Loan Document.

(b) If any payment of principal of, or Conversion of, any Eurodollar Rate Loan is made by the Borrower to or for the account of a Bank other than on the last day of the Interest Period for such Loan, as a result of a payment or Conversion pursuant to Section 2.5 (Prepayments), 2.8 (Conversion of Loans) or 2.9(e) (Increased Costs, Etc.), acceleration of the maturity of the Notes pursuant to Section 8 (Events of Default; Remedies) or for any other reason, or by an Eligible Assignee to a Bank other than on the last day of the Interest Period for such Loan upon an assignment of rights and obligations under this Agreement pursuant to Section 11.14 (Sale or Assignment) as a result of a demand by the Borrower pursuant to Section 11.14(a), or if the Borrower fails to make any payment or prepayment of a Loan for which a notice of prepayment has been given, whether pursuant to Section 2.3 (Repayment of Loans), 2.5 (Prepayments) or Section 8 (Events of Default; Remedies) or otherwise, the Borrower shall, upon demand by such Bank (with a copy of such demand to the Agent), pay to the Agent for the account of such Bank any amounts required to compensate such Bank for any additional losses, costs or expenses reasonably incurred by such Bank as a result of such payment or Conversion or such failure to pay or prepay, as the case may be, including, without limitation, any loss, cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by any Bank to fund or maintain such Loan.

(c) The obligations of the Borrower under this Section 11.2 shall survive the termination of this Agreement and/or the payment of the Notes.

11.3 Notices. Any communications between the parties hereto or notices provided herein to be given shall be given to the following addresses:

(a) If to Panhandle, to:

Panhandle Eastern Pipe Line Company, LP
c/o Southern Union Company
5051 Westheimer Road
Houston, Texas 77056
Attn: _____
Chief Financial Officer
Phone: (713) 989-7000
Fax: (713) 989-1213

with copies to:

Southern Union Company
5051 Westheimer Road
Houston, Texas 77056
Attn: General Counsel
Phone: (713) 989-7567
Fax: (713) 989-1213

(b) If to the Borrower, to:

Trunkline LNG Holdings LLC
c/o Southern Union Company
5051 Westheimer Road
Houston, Texas 77056
Attn: _____
Chief Financial Officer
Phone: (713) 989-7000
Fax: (713) 989-1213

with copies to:

Southern Union Company
5051 Westheimer Road
Houston, Texas 77056
Attn: _____
General Counsel
Phone: (713) 989-7567
Fax: (713) 989-1213

(c) If to TLNG, to:

Trunkline LNG Company, LLC
c/o Southern Union Company
5051 Westheimer Road
Houston, Texas 77056
Attn: _____
Chief Financial Officer
Phone: (713) 989-7000
Fax: (713) 989-1213

with copies to:

Southern Union Company
5051 Westheimer Road
Houston, Texas 77056
Attn: General Counsel
Phone: (713) 989-7567
Fax: (713) 989-1213

(d) If to the Agent, to:

The Bank of Tokyo-Mitsubishi UFJ, Ltd.
1251 Avenue of the Americas
New York, New York 10020-1104
Attn: Andrew Douglas
Lawrence Blat
Email: adouglas@us.mufg.jp
lblat@us.mufg.jp

and if to any Bank, at the address specified in its Administrative Questionnaire, or as to the Borrower or the Agent, to such other address as shall be designated by such party in a written notice to the other party and, as to each other party, at such other address as shall be designated by such party in a written notice to the Borrower and the Agent. All notices or other communications required or permitted to be given hereunder shall be in writing and shall be considered as properly given (a) if delivered in person, (b) if sent by overnight delivery service (including Federal Express, UPS, ETA, Emery, DHL, AirBorne and other similar overnight delivery services), (c) if mailed by first class United States Mail, postage prepaid, registered or certified with return receipt requested or (d) if sent by facsimile or other electronic transmission. Notice so given shall be effective upon receipt by the addressee, except that communication or notice so transmitted by direct written electronic means shall be deemed to have been validly and effectively given on the day (if a Business Day and, if not, on the next following Business Day) on which it is transmitted if transmitted before 4:00 p.m. (New York time), recipient's time, and if transmitted after that time, on the next following Business Day; *provided* that if any notice is tendered to an addressee and the delivery thereof is refused by such addressee, such notice shall be effective upon such tender. Any party shall have the right to change its address for notice hereunder to any other location within the continental United States by giving of 30 days' notice to the other parties in the manner set forth above.

11.4 Governing Law. This Agreement, and any instrument or agreement required hereunder (to the extent not otherwise expressly provided for therein), shall be governed by, and construed under, the laws of the State of New York, without reference to conflicts of laws (other than Section 5-1401 and Section 5-1402 of the New York General Obligations Law).

11.5 Waiver of Jury Trial. **THE AGENT, THE BANKS AND EACH LOAN PARTY HEREBY KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY WAIVE ANY RIGHTS THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, OR ANY COURSE OR**

CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN), OR ACTIONS, OF THE AGENT, THE BANKS OR THE LOAN PARTIES. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE BANKS TO ENTER INTO THIS AGREEMENT.

11.6 Consent to Jurisdiction. The Agent, the Banks and each Loan Party agree that any legal action or proceeding by or against any Loan Party or with respect to or arising out of this Agreement or any other Loan Document may be brought in or removed to the Supreme Court of the State of New York, in and for the County of New York, or the United States District Court for the Southern District of New York, and any court of appeals from either therefrom as the Agent may elect. By execution and delivery of the Agreement, each of the Banks, the Agent and each Loan Party accepts, for themselves and in respect of their property, generally and unconditionally, the jurisdiction of the aforesaid courts. The Agent, the Banks and each Loan Party irrevocably consent to the service of process out of any of the aforementioned courts in any manner permitted by law. Nothing herein shall affect the right of the Agent and the Banks to bring legal action or proceedings in any other competent jurisdiction. The Agent, the Banks and each Loan Party further agree that the aforesaid courts of the State of New York and of the United States of America shall have exclusive jurisdiction with respect to any claim or counterclaim of any Loan Party based upon the assertion that the rate of interest charged by the Banks on or under this Agreement, the Loans and/or the other Loan Documents is usurious. The Agent, the Banks and each Loan Party hereby waive any right to stay or dismiss any action or proceeding under or in connection with this Agreement or any other Loan Document brought before the foregoing courts on the basis of an inconvenient forum.

11.7 Survival of Representations, Warranties and Covenants. All representations, warranties and covenants contained herein or made in writing by any Loan Party in connection herewith shall survive the execution and delivery of the Loan Documents and the Notes, and will bind and inure to the benefit of the respective successors and assigns of the parties hereto, whether so expressed or not, *provided* that the undertaking of the Banks to make the Loans to the Borrower shall not inure to the benefit of any successor or assign of the Borrower. No investigation at any time made by or on behalf of the Banks shall diminish the Banks' rights to rely on any representations made herein or in connection herewith. All statements contained in any certificate or other written instrument delivered by any Loan Party or by any Person authorized by the Borrower under or pursuant to this Agreement or in connection with the transactions contemplated hereby shall constitute representations and warranties hereunder as of the time made by such Loan Party.

11.8 Counterparts. This Agreement may be executed in several counterparts, and by the parties hereto on separate counterparts, and each counterpart, when so executed and delivered, shall constitute an original instrument and all such separate counterparts shall constitute but one and the same instrument.

11.9 Severability. Should any clause, sentence, paragraph or section of this Agreement be judicially declared to be invalid, unenforceable or void, such decision shall not have the effect of invalidating or voiding the remainder of this Agreement, and the parties hereto agree that the part or parts of this Agreement so held to be invalid, unenforceable or void will be deemed to have been stricken herefrom and the remainder will have the same force and effectiveness as if such part or parts had never been included herein. Each covenant contained in this Agreement shall be construed (absent an express contrary provision herein) as being independent of each other covenant contained herein, and compliance with any one covenant shall not (absent such an express contrary provision) be deemed to excuse compliance with one or more other covenants. Without limiting the foregoing provisions of this Section 11.9, if and to the extent that the enforceability of any provisions in this Agreement relating to Defaulting Banks shall be limited by Debtor Laws, as determined in good faith by the Agent, then such provisions shall be deemed to be in effect only to the extent not so limited.

11.10 Descriptive Headings. The section headings in this Agreement have been inserted for convenience only and shall be given no substantive meaning or significance whatsoever in construing the terms and provisions of this Agreement.

11.11 Accounting Terms. All accounting terms used herein which are not expressly defined in the Agreement, or the respective meanings of which are not otherwise qualified, shall have the respective meanings given to them in accordance with GAAP.

11.12 Limitation of Liability. No claim may be made by any Person for any special, indirect, consequential, or punitive damages in respect to any claim for breach of contract arising out of or related to the transactions contemplated by this Agreement, or any act, omission, or event occurring in connection herewith and the parties hereto hereby waive, release, and agree not to sue upon any claim for any such damages, whether or not accrued and whether or not known or suspected to exist in its favor.

11.13 Set-Off. Each Loan Party hereby gives and confirms to each Bank a right of set-off of all moneys, securities and other property of such Loan Party (whether special, general or limited) and the proceeds thereof, now or hereafter delivered to remain with or in transit in any manner to such Bank, its Affiliates, correspondents or agents from or for such Loan Party, whether for safekeeping, custody, pledge, transmission, collection or otherwise or coming into possession of such Bank, its Affiliates, correspondents or agents in any way, and also, any balance of any deposit accounts and credits of such Loan Party with, and any and all claims of security for the payment of the Loans and of all other liabilities and obligations now or hereafter owed by any Loan Party to such Bank, contracted with or acquired by such Bank, whether such liabilities and obligations be joint, several, absolute, contingent, secured, unsecured, matured or unmatured, and each Loan Party hereby authorizes each Bank, its Affiliates, correspondents or agents at any time or times, without prior notice, to apply such money, securities, other property, proceeds, balances, credits of claims, or any part of the foregoing, to such liabilities in such amounts as it may select, whether such liabilities be contingent, unmatured or otherwise, and whether any collateral security therefor is deemed adequate or not; *provided* that in the event that any Defaulting Bank shall exercise any such right of setoff, (x) all amounts so set off shall be paid over immediately to the Agent for further application in accordance with the provisions of Section 2.16 (Defaulting Banks) and, pending such payment, shall be segregated by such Defaulting Bank from its other funds and deemed held in trust for the benefit of the Agent and the Banks, and (y) the Defaulting Bank shall provide promptly to the Agent a statement describing in reasonable detail the Obligations owing to such Defaulting Bank as to which it exercised such right of setoff. The rights described herein shall be in addition to any collateral security, if any, described in any separate agreement executed by any Loan Party.

11.14 Sale or Assignment.

(a) Each Bank may assign and, so long as no Default shall have occurred and be continuing pursuant to Section 8.1 (Failure to Pay Obligations When Due) or 8.7 (Bankruptcy and Other Matters), if demanded by the Borrower (pursuant to Section 2.15 (Replacement of Banks)) upon at least five Business Days' notice to such Bank and the Agent, a Bank will assign, to one or more Eligible Assignees all or a portion of its rights and obligations under this Agreement and the other Loan Documents (including, without limitation, all or a portion of the Loans owing to it and the Note or Notes held by it); *provided* that

(i) each such assignment shall be of a uniform, and not a varying, percentage of all rights and obligations under and in respect of the Loan Agreement;

(ii) except in the case of an assignment of all of a Bank's rights and obligations under this Agreement or any assignment to any Bank, an Affiliate of any Bank or an Approved Fund, the aggregate amount of the Loans being assigned to such assignee pursuant to such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment) shall in no event be less than $5,000,000;

(iii) except in the case of an assignment to a Person that, immediately prior to such assignment, was a Bank, an Affiliate of any Bank or an Approved Fund, such assignment shall be approved by the Agent, and so long as no Default shall have occurred and be continuing pursuant to Section 8.1 (Failure to Pay Obligations When Due) or 8.7 (Bankruptcy and Other Matters) at the time of effectiveness of such assignment, the Borrower (in each case such approvals not to be unreasonably withheld or delayed); *provided* that no Borrower approval shall be required for any assignment made by BTMU to any Eligible Assignee from the Closing Date through and including the two-month anniversary of the Funding Date; *provided, further,* that the Borrower shall be deemed to have consented to any such assignment unless it shall object thereto by written notice to the Agent within five Business Days after having received notice thereof;

(iv) each such assignment made as a result of a demand by the Borrower pursuant to this Section 11.14 shall be made in accordance with Section 2.15 (Replacement of Banks);

(v) no Bank shall be obligated to make any such assignment as a result of a demand by the Borrower pursuant to this Section 11.14 unless and until such Bank shall have received one or more payments from either the Borrower or one or more assignees in an aggregate amount at least equal to the aggregate outstanding principal amount of the Loans owing to such Bank, together with accrued interest thereon to the date of payment of such principal amount and all other amounts payable to such Bank under this Agreement;

(vi) the parties to each such assignment shall execute and deliver to the Agent, for its acceptance and recording in the Register, an Assignment and Acceptance, together with any Note or Notes subject to such assignment and a processing and recordation fee of $3,500 (*provided* that for each such assignment made as a result of a demand by the Borrower pursuant to this Section 11.14, the Borrower shall pay to the Agent the applicable processing and recordation fee);

(vii) the assignee, if it shall not be a Bank, shall deliver to the Agent an Administrative Questionnaire; and

(viii) in connection with any assignment of rights and obligations of any Defaulting Bank hereunder, no such assignment shall be effective unless and until, in addition to the other conditions thereto set forth herein, the parties to the assignment shall make such additional payments to the Agent in an aggregate amount sufficient, upon distribution thereof as appropriate (which may be outright payment, purchases by the assignee of participations or subparticipations, or other compensating actions, including funding, with the consent of the Borrower and the Agent, the applicable pro rata share of Loans previously requested but not funded by the Defaulting Bank, to each of which the applicable assignee and assignor hereby irrevocably consent), to (x) pay and satisfy in full all payment liabilities then owed by such Defaulting Bank to the Agent or any Bank hereunder (and interest accrued thereon) and (y) acquire (and fund as appropriate) its full pro rata share of all Loans in accordance with its Pro-Rata Percentage. Notwithstanding the foregoing, in the event that any assignment of rights and obligations of any Defaulting Bank hereunder shall become effective under applicable law without compliance with the provisions of this paragraph, then the assignee of such interest shall be deemed to be a Defaulting Bank for all purposes of this Agreement until such compliance occurs.

(b) Upon such execution, delivery, acceptance and recording, from and after the effective date specified in such Assignment and Acceptance,

(i) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of a Bank hereunder, and

(ii) the Bank assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights (other than its rights under Sections 2.9 (Increased Costs), 2.11 (Taxes) and 11.2 (Reimbursement of Expenses)) to the extent any claim thereunder relates to an event arising prior to such assignment) and be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of the remaining portion of an assigning Bank's rights and obligations under this Agreement, such Bank shall cease to be a party hereto); *provided* that, except to the extent otherwise expressly agreed by the affected parties, no assignment by a Defaulting Bank will constitute a waiver or release of any claim of any party hereunder arising from that Bank's having been a Defaulting Bank.

(c) By executing and delivering an Assignment and Acceptance, each Bank assignor thereunder and each assignee thereunder confirm to and agree with each other and the other parties thereto and hereto as follows:

(i) other than as provided in such Assignment and Acceptance, such assigning Bank makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with any Loan Document or the execution, legality, validity, enforceability, genuineness, sufficiency or value of, or the perfection or priority of any lien or security interest created or purported to be created under or in connection with, any Loan Document or any other instrument or document furnished pursuant thereto;

(ii) such assigning Bank makes no representation or warranty and assumes no responsibility with respect to the financial condition of any Loan Party or the performance or observance by any Loan Party of any of its obligations under any Loan Document or any other instrument or document furnished pursuant thereto;

(iii) such assignee confirms that it has received a copy of this Agreement, together with copies of the financial statements most recently delivered hereunder and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance;

(iv) such assignee will, independently and without reliance upon any Agent, such assigning Bank or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement;

(v) such assignee confirms that it is an Eligible Assignee;

(vi) such assignee appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers and discretion under the Loan Documents as are delegated to such Agent by the terms hereof and thereof, together with such powers and discretion as are reasonably incidental thereto; and

(vii) such assignee agrees that it will perform in accordance with their terms all of the obligations that by the terms of this Agreement are required to be performed by it as a Bank.

(d) The Agent shall maintain at its address a copy of each Assignment and Acceptance delivered to and accepted by it and a register for the recordation of the names and addresses of the Banks and the principal amount of the Loans owing to, each Bank from time to time (the "**Register**"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Borrower, the Agent and the Banks may treat each Person whose name is recorded in the Register as a Bank hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrower or any Agent or any Bank at any reasonable time and from time to time upon reasonable prior notice.

(e) Upon its receipt of an Assignment and Acceptance executed by an assigning Bank and an assignee, together with any Note or Notes subject to such assignment, the Agent shall, if such Assignment and Acceptance has been completed and is in substantially the form of Exhibit C hereto, (1) accept such Assignment and Acceptance, (2) record the information contained therein in the Register and (3) give prompt notice thereof to the Borrower. In the case of any assignment by a Bank, within five Business Days after its receipt of such notice, the Borrower, at its own expense, shall execute and deliver to the Agent in exchange for the surrendered Note or Notes a new Note to the order of such Eligible Assignee in an amount equal to the Loans assumed by it pursuant to such Assignment and Acceptance and, if any assigning Bank has retained any Loans hereunder, a new Note to the order of such assigning Bank in an amount equal to the Loans retained by it hereunder. Such new Note or Notes shall be in an aggregate principal amount equal to the aggregate principal amount of such surrendered Note or Notes and shall be dated the effective date of such Assignment and Acceptance. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this Section 11.14.

(f) Each Bank may sell participations to one or more Persons (other than a natural Person, a Defaulting Bank or any Loan Party or any of its Affiliates) in or to all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitments, the Loans owing to it and the Note or Notes (if any) held by it); *provided* that (1) such Bank's obligations under this Agreement shall remain unchanged, (2) such Bank shall remain solely responsible to the other parties hereto for the performance of such obligations, (3) such Bank shall remain the holder of any such Note for all purposes of this Agreement, (4) the Borrower, the Agent and the other Banks shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement and (5) no participant under any such participation shall have any right to approve any amendment or waiver of any provision of any Loan Document, or any consent to any departure by any Loan Party therefrom, except to the extent that such amendment, waiver or consent would reduce the principal of, or interest on, the Notes or any fees or other amounts payable hereunder, in each case to the extent subject to such participation, postpone any date fixed for any payment of principal of, or interest on, the Notes or any fees or other amounts payable hereunder, in each case to the extent subject to such participation, or release any Guarantor. Subject to the last two sentences of this clause (f), the Borrower agrees that each participant shall be entitled to the benefits of Section 2.9 (Increased Costs), 2.11 (Taxes) and 11.2(b) (Breakage Expenses) to the same extent as if it were a Bank and had acquired its interest by assignment. To the extent permitted by law, each participant also shall be entitled to the benefits of Section 11.13 (Set-Off) as though it were a Bank, *provided* that such participant agrees to be subject to Section 2.12 (Sharing of Payments, Etc.) as though it were a Bank. A participant shall not be entitled to receive any greater payment under Section 2.9 (Increased Costs) or 2.11 (Taxes) than the applicable Bank would have been entitled to receive with respect to the participation sold to such participant, unless the sale of the participation to such participant is made with the Borrower's prior written consent. A participant that is organized under the laws of a jurisdiction outside the United States shall not be entitled to the benefits of Section 2.11 (Taxes) unless the Borrower is notified of the participation sold to such participant and such participant agrees, for the benefit of the Borrower, to comply with Section 2.11(e) as though it were a Bank. Each Bank that sells a participation shall, acting solely for this purpose as an agent of the Borrower, maintain a register on which it enters the name and address of each participant and the principal amounts (and stated interest) of each participants interest in the Loans or other obligations under the Loan Documents (the "**Participant Register**"); *provided* that no Bank shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any participant or any information relating to a participant's interest in any commitments, loans or its other obligations under any Loan Document) to any Person except to the extent that such disclosure is necessary to establish that such commitment, loan or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Bank shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. For the avoidance of doubt, the Agent (in its capacity as Agent) shall have no responsibility for maintaining the Participant Register.

(g) Any Bank may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 11.14, disclose to the assignee or participant or proposed assignee or participant any information relating to the Borrower furnished to such Bank by or on behalf of the Borrower; *provided* that, prior to any such disclosure, the assignee or participant or proposed assignee or participant shall agree to preserve the confidentiality of any confidential information received by it from such Bank.

(h) Notwithstanding any other provision to the contrary set forth in this Agreement, any Bank may at any time create a security interest in all or any portion of its rights under this Agreement and the other Loan Documents (including, without limitation, the Loans owing to it and the Note or Notes held by it) in favor of any Federal Reserve Bank.

(i) Notwithstanding anything to the contrary contained herein, any Bank that is a fund that invests in bank loans may create a security interest in all or any portion of the Loans owing to it and the Note or Notes held by it to the trustee for holders of obligations owed, or securities issued, by such fund as security for such obligations or securities, *provided* that unless and until such trustee actually becomes a Bank in compliance with the other provisions of this Section 11.14, (1) no such pledge shall release the pledging Bank from any of its obligations under the Loan Documents and (2) such trustee shall not be entitled to exercise any of the rights of a Bank under the Loan Documents even though such trustee may have acquired ownership rights with respect to the pledged interest through foreclosure or otherwise.

11.15 Interest. All agreements between a Loan Party, the Agent or any Bank, whether now existing or hereafter arising and whether written or oral, are hereby expressly limited so that in no contingency or event whatsoever, whether by reason of demand being made on any Note or otherwise, shall the amount paid, or agreed to be paid, to the Agent or any Bank for the use, forbearance, or detention of the money to be loaned under this Agreement or otherwise or for the payment or performance of any covenant or obligation contained herein or in any document related hereto exceed the amount permissible at the Highest Lawful Rate. If, as a result of any circumstances whatsoever, fulfillment of any provision hereof or of any of such documents, at the time performance of such provision shall be due, shall involve transcending the limit of validity prescribed by applicable usury law, then, *ipso facto*, the obligation to be filled shall be reduced to the limit of such validity, and if, from any such circumstance, the Agent or any Bank shall ever receive interest or anything which might be deemed interest under applicable law which would exceed the amount permissible at the Highest Lawful Rate, such amount which would be excessive interest shall be applied to the reduction of the principal amount owing on account of the Notes or the amounts owing on other obligations of the Borrower to the Agent or any Bank under this Agreement or any document related hereto and not to the payment of interest, or if such excessive interest exceeds the unpaid principal balance of the Notes and the amounts owing on other obligations of the Borrower to the Agent or any Bank under this Agreement or any document related hereto, as the case may be, such excess shall be refunded to the Borrower. All sums paid or agreed to be paid to the Agent or any Bank for the use, forbearance, or detention of the indebtedness of the Borrower to the Agent or any Bank shall, to the extent permitted by applicable law, be amortized, prorated, allocated, and spread throughout the full term of such indebtedness until payment in full of the principal thereof (including the period of any renewal or extension thereof) so that the interest on account of such indebtedness shall not exceed the Highest Lawful Rate. The terms and provisions of this Section 11.15 shall control and supersede every other provision of all agreements between the Borrower and the Banks.

11.16 Indemnification. THE BORROWER AGREES TO INDEMNIFY, DEFEND, AND SAVE HARMLESS THE AGENT, EACH BANK AND THEIR RESPECTIVE AFFILIATES, OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, AND ATTORNEYS, AND EACH OF THEM (THE "**INDEMNIFIED PARTIES**"), FROM AND AGAINST ALL CLAIMS, ACTIONS, SUITS, AND OTHER LEGAL PROCEEDINGS, DAMAGES, COSTS, INTEREST, CHARGES, TAXES, COUNSEL FEES, AND OTHER EXPENSES AND PENALTIES (INCLUDING WITHOUT LIMITATION ALL ATTORNEY FEES AND COSTS OR EXPENSES OF SETTLEMENT) WHICH ANY OF THE INDEMNIFIED PARTIES MAY SUSTAIN OR INCUR BY REASON OF OR ARISING OUT OF (a) THE MAKING OF ANY LOAN HEREUNDER, THE EXECUTION AND DELIVERY OF THIS AGREEMENT AND THE NOTES AND THE CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED HEREBY AND THE EXERCISE OF ANY OF THE BANKS' RIGHTS UNDER THIS AGREEMENT AND THE NOTES OR OTHERWISE, INCLUDING, WITHOUT LIMITATION, DAMAGES, COSTS, AND EXPENSES INCURRED BY ANY OF THE INDEMNIFIED PARTIES IN INVESTIGATING, PREPARING FOR, DEFENDING AGAINST, OR PROVIDING EVIDENCE, PRODUCING DOCUMENTS, OR TAKING ANY OTHER ACTION IN RESPECT OF ANY COMMENCED OR THREATENED LITIGATION UNDER ANY FEDERAL SECURITIES LAW OR ANY SIMILAR LAW OF ANY JURISDICTION OR AT COMMON LAW OR (b) ANY AND ALL CLAIMS OR PROCEEDINGS (WHETHER BROUGHT BY A PRIVATE PARTY, GOVERNMENTAL AUTHORITY OR OTHERWISE) FOR BODILY INJURY, PROPERTY DAMAGE, ABATEMENT, REMEDIATION, ENVIRONMENTAL DAMAGE, OR IMPAIRMENT OR ANY OTHER INJURY OR DAMAGE RESULTING FROM OR RELATING TO THE RELEASE OF ANY HAZARDOUS MATERIALS LOCATED UPON, MIGRATING INTO, FROM, OR THROUGH OR OTHERWISE RELATING TO ANY PROPERTY OWNED OR LEASED BY THE BORROWER OR ANY SUBSIDIARY (WHETHER OR NOT THE RELEASE OF SUCH HAZARDOUS MATERIALS WAS CAUSED BY THE BORROWER, ANY SUBSIDIARY, A TENANT, OR SUBTENANT OF THE BORROWER OR ANY SUBSIDIARY, A PRIOR OWNER, A TENANT, OR SUBTENANT OF ANY PRIOR OWNER OR ANY OTHER PARTY AND WHETHER OR NOT THE ALLEGED LIABILITY IS ATTRIBUTABLE TO THE HANDLING, STORAGE, GENERATION, TRANSPORTATION, OR DISPOSAL OF ANY HAZARDOUS MATERIALS OR THE MERE PRESENCE OF ANY HAZARDOUS MATERIALS ON SUCH PROPERTY; *PROVIDED* THAT THE BORROWER SHALL NOT BE LIABLE TO THE INDEMNIFIED PARTIES WHERE THE RELEASE OF SUCH HAZARDOUS MATERIALS OCCURS AT ANY TIME AT WHICH THE BORROWER OR ANY SUBSIDIARY CEASES TO OWN OR LEASE SUCH PROPERTY); AND *PROVIDED, FURTHER*, THAT NO INDEMNIFIED PARTY SHALL BE ENTITLED TO THE BENEFITS OF THIS SECTION 11.16 TO THE EXTENT (i) ITS OWN BAD FAITH, GROSS NEGLIGENCE OR WILLFUL MISCONDUCT CONTRIBUTED TO ITS LOSS OR (ii) DIRECTLY RESULTING FROM ANY BREACH OF MATERIAL OBLIGATIONS OF SUCH INDEMNIFIED PARTY UNDER THE LOAN DOCUMENTS, IN EACH CASE AS DETERMINED BY A FINAL, NONAPPEALABLE JUDGMENT OF A COURT OF COMPETENT JURISDICTION; AND *PROVIDED, FURTHER*, THAT IT IS THE INTENTION OF THE BORROWER TO INDEMNIFY THE INDEMNIFIED PARTIES AGAINST THE CONSEQUENCES OF THEIR OWN NEGLIGENCE. THIS AGREEMENT IS INTENDED TO PROTECT AND INDEMNIFY THE INDEMNIFIED PARTIES AGAINST ALL RISKS HEREBY ASSUMED BY THE BORROWER. THE OBLIGATIONS OF THE BORROWER UNDER THIS SECTION 11.16 SHALL SURVIVE ANY TERMINATION OF THIS AGREEMENT AND THE REPAYMENT OF THE NOTES.

11.17 Payments Set Aside. To the extent that the Borrower makes a payment or payments to the Agent or any Bank or the Agent or any Bank exercises its right of set off, and such payment or payments or the proceeds of such set off or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside and/or required to be repaid to a trustee, receiver or any other Person under any Debtor Law or equitable cause, then, to the extent of such recovery, the obligation or part thereof originally intended to be satisfied, and all rights and remedies therefor, shall be revived and shall continue in full force and effect as if such payment had not been made or set off had not occurred.

11.18 Loan Agreement Controls. If there are any conflicts or inconsistencies among this Agreement and any other document executed in connection with the transactions connected herewith, the provisions of this Agreement shall prevail and control.

11.19 Obligations Several. The obligations of each Bank under this Agreement and the Note to which it is a party are several, and no Bank shall be responsible for any obligation or Commitment of any other Bank under this Agreement and the Note to which it is a party. Nothing contained in this Agreement or the Note to which it is a party, and no action taken by any Bank pursuant thereto, shall be deemed to constitute the Banks to be a partnership, an association, a joint venture, or any other kind of entity.

11.20 Final Agreement. **THIS WRITTEN AGREEMENT REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENT'S OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.**

11.21 PATRIOT Act. Each Bank hereby notifies the Loan Parties that pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)), such Bank may be required to obtain, verify and record information that identifies the Loan Parties, which information includes the name and address of the Loan Parties and other information that will allow such Bank to identify the Loan Parties in accordance with said Act.

[Signature pages follow]

IN WITNESS WHEREOF, the parties hereto, by their respective officers thereunto duly authorized, have executed this Agreement on the dates set forth below to be effective as of the date hereof.

TRUNKLINE LNG HOLDINGS LLC,
as the Borrower

By:
Name: Richard N. Marshall
Title: Vice President & Chief Financial Officer

PANHANDLE EASTERN PIPE LINE COMPANY, LP, as a Guarantor

By:
Name: Richard N. Marshall
Title: Vice President & Chief Financial Officer

TRUNKLINE LNG COMPANY, LLC, as a Guarantor

By:
Name: Richard N. Marshall
Title: Vice President & Chief Financial Officer

THE BANK OF TOKYO-MITSUBISHI UFJ, LTD., for itself and as Agent for the Banks

By:
Name:
Title:

CREDIT AGREEMENT
(Trunkline LNG Holdings LLC)
Signature Page

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BANKS:

[ ]

By:
Name:
Title:

ANNEX I

COMMITMENTS

[See definition of "Commitment" in Section 1.1 (Definitions)]

Name of Bank		**Commitment ($)**
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	$	46,500,000.00
Mizuho Corporate Bank (USA)	$	46,500,000.00
PNC Bank, National Association	$	46,500,000.00
JPMorgan Chase Bank, N.A.	$	40,500,000.00
Royal Bank of Canada	$	40,500,000.00
UBS Loan Finance LLC	$	35,000,000.00
Fifth Third Bank	$	35,000,000.00
U.S. Bank National Association	$	30,000,000.00
First Commercial Bank	$	25,000,000.00
Branch Banking & Trust Company	$	20,000,000.00
Comerica Bank	$	19,500,000.00
Bank of Taiwan	$	15,000,000.00
Chang Hwa Commercial Bank, Ltd., New York Branch	$	15,000,000.00
UMB Bank N.A.	$	15,000,000.00
E. Sun Commercial Bank, Ltd.	$	10,000,000.00
Hua Nan Commercial Bank, Ltd. Los Angles Branch	$	10,000,000.00
Chinatrust Commercial Bank	$	5,000,000.00
Total	$	**455,000,000.00**

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EXHIBIT A

NOTE

$_____ _____, 20__

FOR VALUE RECEIVED, the undersigned, TRUNKLINE LNG HOLDINGS LLC, a limited liability company organized under the laws of Delaware (the "**Borrower**"), HEREBY PROMISES TO PAY to the order of _____ (the "**Bank**"), on or before the Maturity Date, the principal sum of _____ Million and No/ 100ths Dollars ($_,000,000) in accordance with the terms and provisions of that certain Credit Agreement dated as of February 23, 2012, by and among the Borrower, Panhandle Eastern Pipe Line Company, LP and Trunkline LNG Company, LLC, as Guarantors, the Bank, the other banks parties thereto, and THE BANK OF TOKYO-MITSUBISHI UFJ, LTD., as Agent (as same may be amended, restated, amended and restated, supplemented or otherwise modified from time to time, the "**Credit Agreement**"). Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms in the Credit Agreement.

The outstanding principal balance of this Note shall be payable at the Maturity Date. The Borrower promises to pay interest on the unpaid principal balance of this Note from the date of any Loan evidenced by this Note until the principal balance thereof is paid in full. Interest shall accrue on the outstanding principal balance of this Note from and including the date of any Loan evidenced by this Note to but not including the Maturity Date at the rate or rates, and shall be due and payable on the dates, set forth in the Credit Agreement. Any amount not paid when due with respect to principal (whether at stated maturity, by acceleration or otherwise), costs or expenses, or, to the extent permitted by applicable law, interest, shall bear interest from the date when due to and excluding the date the same is paid in full, payable on demand, at the rate provided for in Section 2.6(b) of the Credit Agreement.

Payments of principal and interest, and all amounts due with respect to costs and expenses, shall be made in lawful money of the United States of America in immediately available funds, without deduction, set off or counterclaim to the account of the Agent at the principal office of The Bank of Tokyo-Mitsubishi UFJ, Ltd. in New York, New York (or such other address as the Agent under the Credit Agreement may specify) not later than noon (New York time) on the dates on which such payments shall become due pursuant to the terms and provisions set forth in the Credit Agreement.

If any payment of interest or principal herein provided for is not paid when due, then the owner or holder of this Note may at its option, by notice to the Borrower, declare the unpaid, principal balance of this Note, all accrued and unpaid interest thereon and all other amounts payable under this Note to be forthwith due and payable, whereupon this Note, all such interest and all such amounts shall become and be forthwith due and payable in full, without presentment, demand, protest, notice of intent to accelerate, notice of actual acceleration or further notice of any kind, all of which are hereby expressly waived by the Borrower.

If any payment of principal or interest on this Note shall become due on a Saturday, Sunday, or public holiday on which the Agent is not open for business, such payment shall be made on the next succeeding Business Day and such extension of time shall in such case be included in computing interest in connection with such payment.

In addition to all principal and accrued interest on this Note, the Borrower agrees to pay (a) all reasonable costs and expenses incurred by the Agent and all owners and holders of this Note in collecting this Note through any probate, reorganization bankruptcy or any other proceeding and (b) reasonable attorneys' fees when and if this Note is placed in the hands of an attorney for collection after default.

All agreements between the Borrower and the Bank, whether now existing or hereafter arising and whether written or oral, are hereby expressly limited so that in no contingency or event whatsoever, whether by reason of demand being made on this Note or otherwise, shall the amount paid, or agreed to be paid, to the Bank for the use, forbearance, or detention of the money to be loaned under the Credit Agreement and evidenced by this Note or otherwise or for the payment or performance of any covenant or obligation contained in the Credit Agreement or this Note exceed the amount permissible at Highest Lawful Rate. If as a result of any circumstances whatsoever, fulfillment of any provision hereof or of the Credit Agreement at the time performance of such provision shall be due, shall involve transcending the limit of validity prescribed by applicable usury law, then, *ipso facto*, the obligation to be fulfilled shall be reduced to the limit of such validity, and if from any such circumstance, the Bank shall ever receive interest or anything which might be deemed interest under applicable law which would exceed the amount permissible at the Highest Lawful Rate, such amount which would be excessive interest shall be applied to the reduction of the principal amount owing on account of this Note or the amounts owing on other obligations of the Borrower to the Bank under the Credit Agreement and not to the payment of interest, or if such excessive interest exceeds the unpaid principal balance of this Note and the amounts owing on other obligations of the Borrower to the Bank under the Credit Agreement, as the case may be, such excess shall be refunded to the Borrower. In determining whether or not the interest paid or payable under any specific contingencies exceeds the Highest Lawful Rate, the Borrower and the Bank shall, to the maximum extent permitted under applicable law, (a) characterize any nonprincipal payment as an expense, fee or premium rather than as interest, (b) exclude voluntary prepayments and the effects thereof and (c) prorate, allocate and spread in equal parts during the period of the full stated term of this Note, all interest at any time contracted for, charged, received or reserved in connection with the indebtedness evidenced by this Note.

This Note is one of the Notes provided for in, and is entitled to the benefits of, the Credit Agreement, which Credit Agreement, among other things, contains provisions for acceleration of the maturity hereof upon the happening of certain stated events, for prepayments on account of principal hereof prior to the maturity hereof upon the terms and conditions and with the effect therein specified, and provisions to the effect that no provision of the Credit Agreement or this Note shall require the payment or permit the collection of interest in excess of the Highest Lawful Rate. It is contemplated that by reason of prepayments or repayments hereon prior to the Maturity Date, there may be times when no indebtedness is owing hereunder prior to such date; but notwithstanding such occurrence this Note shall remain valid and shall be in full force and effect as to Loans made pursuant to the Credit Agreement subsequent to each such occurrence.

Except as otherwise specifically provided for in the Credit Agreement, the Borrower and any and all endorsers, guarantors and sureties severally waive grace, demand, presentment for payment, notice of dishonor or default, protest, notice of protest, notice of intent to accelerate, notice of acceleration and diligence in collecting and bringing of suit against any party hereto, and agree to all renewals, extensions or partial payments hereon and to any release or substitution of security hereof, in whole or in part, with or without notice, before or after maturity.

THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK AND APPLICABLE FEDERAL LAW.

IN WITNESS WHEREOF, the Borrower has caused this Note to be executed and delivered by its officer thereunto duly authorized effective as of the date first above written.

TRUNKLINE LNG HOLDINGS LLC

By: _____

Name: _____

Title: _____

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EXHIBIT B

ASSIGNMENT AND ACCEPTANCE

_____, 20__

[NAME AND ADDRESS OF ASSIGNING BANK]
_____
_____
_____
_____

Re: Trunkline LNG Holdings Credit Agreement

Ladies and Gentlemen:

We have entered into a Credit Agreement dated as of February 23, 2012 (as same may be amended, restated, amended and restated, supplemented or otherwise modified from time to time, the "**Credit Agreement**"), among certain banks (including us), The Bank of Tokyo-Mitsubishi UFJ, Ltd. (the "**Agent**"), Trunkline LNG Holdings LLC (the "**Company**") and the Guarantors parties thereto. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms in the Credit Agreement.

Each reference to the Credit Agreement, the Notes or any other document evidencing or governing the Loans (all such documents collectively, the "**Financing Documents**") includes each such document as amended, restated, amended and restated, supplemented or otherwise modified from time to time. All times are New York times.

1. Assignment. We hereby sell and assign to you without recourse, and you hereby unconditionally and irrevocably acquire for your own account and risk, a ___ percent (__%) undivided interest ("your assigned share") in our Note and all Loans and interest thereon as provided in Section 2 of the Credit Agreement [, except that interest shall accrue on your assigned share in the principal of Alternate Base Rate Loans and Eurodollar Rate Loans at an annual rate equal to the rate provided in the Credit Agreement *minus* _____%] (collectively, the "**Assigned Obligations**").

2. Materials Provided Assignee

a. We will promptly request that the Company issue new Notes to us and to you in substitution for our Note to reflect the assignment set forth herein. Upon issuance of such substitute Notes, (i) you will become a Bank under the Credit Agreement, (ii) you will assume our obligations under the Credit Agreement to the extent of your assigned share, and (iii) the Company will release us from our obligations under the Credit Agreement to the extent, but only to the extent, of your assigned share. [The Company consents to such release by signing this Agreement where indicated below.] As a Bank, you will be entitled to the benefits and subject to the obligations of a "Bank", as set forth in the Credit Agreement, and your rights and liabilities with respect to the other Banks and the Agent will be governed by the Credit Agreement, including without limitation Section 9 (The Agent) thereof. We [are] [are not] a Defaulting Bank.

b. We have furnished you copies of the Credit Agreement, our Note and each other Financing Document you have requested. We do not represent or warrant (i) the priority, legality, validity, binding effect or enforceability of any Loan Document or any security interest created thereunder, (ii) the truthfulness and accuracy of any representation contained in any Loan Document, (iii) the filing or recording of any Loan Document necessary to perfect any security interest created thereunder, (iv) the financial condition of the Company or any other Person obligated under any Loan Document, any financial or other information, certificate, receipt or other document furnished or to be furnished under any Loan Document or (v) any other matter not specifically set forth herein having any relation to any Loan Document, your interest in one Note, the Company or any other Person. You represent to us that you are able to make, and have made, your own independent investigation and determination of the foregoing matters, including, without limitation, the creditworthiness of the Company and the structure of the transaction.

3. Governing Law; Jurisdiction. This Agreement, and any instrument or agreement required hereunder (to the extent not otherwise expressly provided for therein), shall be governed by, and construed under, the laws of the State of New York, without reference to conflicts of laws (other than Section 5-1401 and Section 5-1402 of the New York General Obligations Law).

4. Notices. All notices and other communications given hereunder to a party shall be given in writing (including bank wire, telecopy, telex or similar writing) at such party's address set forth on the signature pages hereof or such other address as such party may hereafter specify by notice to the other party. Notice may also be given by telephone to the Person, or any other officer in the office, listed on the signature pages hereof if confirmed promptly by telex or telecopy. Notices shall be effective immediately, if given by telephone; upon transmission, if given by bank wire, electronic mail, telecopy; five days after deposit in the mails, if mailed; and when delivered, if given by other means.

5. Authority. Each of us represents and warrants that the execution and delivery of this Agreement have been validly authorized by all necessary corporate action and that this Agreement constitutes a valid and legally binding obligation enforceable against it in accordance with its terms.

6. Counterparts. This Agreement may be executed in one or more counterparts, and by each party on separate counterparts, each of which shall be an original but all of which taken together shall be but one instrument.

7. Amendments. No amendment modification or waiver of any provision of this Agreement shall be effective unless in writing and signed by the party against whom enforcement is sought.

If the foregoing correctly sets forth our agreement, please so indicate by signing the enclosed copy of this Agreement and returning it to us.

Very truly yours,

By: _____
Name: _____
Title: _____
[Street Address] _____
[City, State, Zip Code] _____
Telephone: _____
Telecopy: _____

AGREED AND ACCEPTED:

By: _____

_____

_____

_____

Attention: _____
Telephone: _____
Telecopy: _____
Account for Payments: _____

ASSIGNMENT APPROVED PURSUANT TO SECTION 11.14 (SALE OR ASSIGNMENT) OF THE CREDIT AGREEMENT AND RELEASE APPROVED IN SECTION 2 OF THIS AGREEMENT:

TRUNKLINE LNG HOLDINGS LLC

By: _____
Name: _____
Title: _____

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Exhibit 12

PANHANDLE EASTERN PIPE LINE COMPANY, LP

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 years ended December 31, 2011, 2010, 2009, 2008 and 2007. For the purpose of calculating such ratios, "earnings" consist of pre-tax income from continuing operations before income or loss from equity investees, adjusted to reflect distributed income from equity investments, and fixed charges, less capitalized interest. "Fixed charges" consist of interest costs, amortization of debt discount, premiums and issuance costs and an estimate of interest implicit in rentals. No adjustment has been made to earnings for the amortization of capital interest for the periods presented as such amount is immaterial. Interest on FIN 48 liabilities is excluded from the computation of fixed charges as it is recorded by the Company in income tax expense versus interest expense.

	Year Ended December 31,				
	2011	**2010**	**2009**	**2008**	**2007**
	(In thousands)				
FIXED CHARGES:					
Interest Expense	$ 106,458	$ 102,001	$ 82,881	$ 90,514	$ 83,748
Net amortization of debt discount, premium and issuance expense	1,469	1,457	1,615	(1,457)	(1,197)
Capitalized Interest	1,146	6,629	25,701	18,910	14,203
Interest portion of rental expense	4,254	4,497	4,122	3,050	3,582
Total Fixed Charges	$ 113,327	$ 114,584	$ 114,319	$ 111,017	$ 100,336
EARNINGS:					
Consolidated pre-tax income (loss) from continuing operations	$ 263,494	$ 244,456	$ 242,315	$ 247,206	$ 246,742
Earnings of equity investments	(208)	(237)	(224)	(304)	(299)
Distributed income from equity investments	580	-	-	-	-
Capitalized interest	(1,146)	(6,629)	(25,701)	(18,910)	(14,203)
Minority interest	-	-	-	-	-
Total fixed charges (from above)	113,327	114,584	114,319	111,017	100,336
Earnings Available for Fixed Charges	$ 376,047	$ 352,174	$ 330,709	$ 339,009	$ 332,576
Ratio of Earnings to Fixed Charges	3.3	3.1	2.9	3.1	3.3

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-3 (Registration No. 333-162896) of Southern Union Company of our report dated February 24, 2012 relating to the consolidated financial statements of Panhandle Eastern Pipe Line Company, LP, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Houston, Texas

February 24, 2012

Exhibit 24

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS that each person whose signature appears below constitutes and appoints Richard N. Marshall and Robert M. Kerrigan, III, or either of them, 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 any and all capacities, to sign the Annual Report on Form 10-K for the year ended December 31, 2011 of Panhandle Eastern Pipe Line Company LP, a Delaware limited partnership, and any amendments thereto, and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission and the New York Stock Exchange.

Date: February 24, 2012

/s/ GEORGE L. LINDEMANN
George L. Lindemann

/s/ ERIC D. HERSCHMANN
Eric D. Herschmann

/s/ DAVID BRODSKY
David Brodsky

/s/ HERBERT H. JACOBI
Herbert H. Jacobi

/s/ FRANK W. DENIUS
Frank W. Denius

/s/ THOMAS N. MCCARTER
Thomas N. McCarter

/s/ KURT A. GITTER, M.D.
Kurt A. Gitter, M.D.

/s/ GEORGE ROUNTREE, III
George Rountree, III

/s/ ALLAN D. SCHERER
Allan D. Scherer

Exhibit 31.1

CERTIFICATION

I, Robert O. Bond, certify that:

(1) I have reviewed this Report on Form 10-K of Panhandle Eastern Pipe Line Company, LP;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 24, 2012

/s/ ROBERT O. BOND
Robert O. Bond
President and Chief Operating Officer

Exhibit 31.2

CERTIFICATION

I, Richard N. Marshall, certify that:

(1) I have reviewed this Report on Form 10-K of Panhandle Eastern Pipe Line Company, LP;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 24, 2012

/s/ RICHARD N. MARSHALL
Richard N. Marshall
Vice President and Chief Financial Officer

Exhibit 32.1

CERTIFICATION PUSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Form 10-K of Panhandle Eastern Pipe Line Company, LP (the "Company") for the year ended December 31, 2011, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert O. Bond, President and Chief Operating Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge (i) the Report fully complies with the requirements of Section 13 (a) or 15(d) of the Securities Exchange Act of 1934, as amended, except as otherwise noted under Item 9A(T) therein, and (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ ROBERT O. BOND
Robert O. Bond
President and Chief Operating Officer
February 24, 2012

This Certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and shall not be deemed “filed” by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and shall not be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Report, irrespective of any general incorporation language contained in such filing.

A signed original of this written statement required by Section 906, or other documents authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION PUSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Form 10-K of Panhandle Eastern Pipe Line Company, LP (the "Company") for the year ended December 31, 2011, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Richard N. Marshall, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge (i) the Report fully complies with the requirements of Section 13 (a) or 15(d) of the Securities Exchange Act of 1934, as amended, except as otherwise noted under Item 9A(T) therein, and (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ RICHARD N. MARSHALL
Richard N. Marshall
Vice President and Chief Financial Officer
February 24, 2012

This Certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and shall not be deemed “filed” by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and shall not be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Report, irrespective of any general incorporation language contained in such filing.

A signed original of this written statement required by Section 906, or other documents authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.