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

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): August 31, 2016

SOUTHERN COMPANY GAS
(Exact name of registrant as specified in its charter)

Georgia	**1-14174**	**58-2210952**
(State or other jurisdiction of incorporation)	(Commission File No.)	(I.R.S. Employer Identification No.)

Ten Peachtree Place NE, Atlanta, Georgia 30309
(Address and zip code of principal executive offices)

404-584-4000
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01. Entry Into a Material Definitive Agreement.

On July 10, 2016, The Southern Company ("Southern Company") entered into a Purchase and Sale Agreement (the "PSA") with Southern Natural Gas Company, L.L.C. ("SNG") and Kinder Morgan SNG Operator LLC ("Kinder Morgan"). On August 31, 2016, Evergreen Enterprise Holdings LLC ("Evergreen"), a wholly-owned, indirect subsidiary of Southern Company Gas ("GAS") and Southern Company, assumed all rights and obligations under the PSA from Southern Company. The PSA provides for the purchase of a 50% equity interest in SNG for a purchase price of approximately $1.4 billion, subject to certain adjustments (the "Transaction").

SNG owns a 7,000-mile pipeline system connecting natural gas supply basins in Texas, Louisiana, Mississippi and Alabama to markets in Louisiana, Mississippi, Alabama, Florida, Georgia, South Carolina and Tennessee. The PSA commits GAS and Kinder Morgan to cooperatively pursue specific growth opportunities to develop natural gas infrastructure through SNG. The PSA also contains customary representations, warranties and covenants. On September 1, 2016, Evergreen completed the Transaction. Kinder Morgan will continue to operate the pipeline system.

In connection with the PSA, GAS provided a guaranty to Kinder Morgan under which GAS guarantees Evergreen's obligations under the PSA.

The foregoing description of the PSA is a summary and is subject to, and qualified in its entirety by, the full text of the PSA, which is attached as Exhibit 2.1a and incorporated herein by reference.

Item 2.01. Completion of Acquisition or Disposition of Assets.

The information set forth above in Item 1.01 is incorporated by reference into this Item 2.01.

Item 9.01. Financial Statements and Exhibits.

(a) Financial Statements of Businesses Acquired.

The audited consolidated financial statements as of December 31, 2015 and 2014, and for the years ended December 31, 2015 and 2014 of SNG, and the related Independent Auditor's Report, are attached hereto as Exhibit 99.1.

The unaudited consolidated financial statements as of June 30, 2016, and for the three and six months ended June 30, 2016 and 2015 of SNG, are attached hereto as Exhibit 99.2.

(b) Pro Forma Financial Information.

Unaudited pro forma condensed consolidated financial information as of June 30, 2016 and for the six months ended June 30, 2016 and the year ended December 31, 2015 is attached hereto as Exhibit 99.3.

(d) Exhibits.

Exhibit No.	Description
2.1a	Purchase and Sale Agreement, dated as of July 10, 2016, among Kinder Morgan SNG Operator LLC, Southern Natural Gas Company, L.L.C. and The Southern Company.*
2.1b	Assignment, Assumption and Novation of Purchase and Sale Agreement, dated as of August 31, 2016, between The Southern Company and Evergreen Enterprise Holdings LLC.
23.1	Consent of PricewaterhouseCoopers LLP.
99.1	Audited consolidated financial statements as of December 31, 2015 and 2014, and for the years ended December 31, 2015 and 2014 of Southern Natural Gas Company, L.L.C., and the related Independent Auditor's Report.

99.2	Unaudited consolidated financial statements as of June 30, 2016, and for the three and six months ended June 30, 2016 and 2015 of Southern Natural Gas Company, L.L.C.
99.3	Unaudited pro forma condensed consolidated financial information as of June 30, 2016 and for the six months ended June 30, 2016 and the year ended December 31, 2015.

* Schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. A copy of any omitted schedule or exhibit will be furnished supplementally to the Securities and Exchange Commission upon request; provided, however, that Southern Company Gas may request confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended, for any schedules or exhibits so furnished.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

SOUTHERN COMPANY GAS

(Registrant)

Date: September 1, 2016

By: /s/Elizabeth W. Reese

Name: Elizabeth W. Reese

Title: Executive Vice President and Chief Financial Officer

Exhibit Index

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Exhibit 2.1(a)

PURCHASE AND SALE AGREEMENT

dated as of July 10, 2016

among

KINDER MORGAN SNG OPERATOR LLC,

SOUTHERN NATURAL GAS COMPANY, L.L.C.

AND

THE SOUTHERN COMPANY

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Index of Exhibits:

EXHIBIT	DESCRIPTION
Exhibit "A"	Form of Release of Guarantor
Exhibit "B"*	Capital Project Budget
Exhibit "C"	Form of Guarantee

*This exhibit has been omitted pursuant to Item 601(b)(2) of Regulation S-K. A copy of this exhibit will be furnished supplementally to the Securities and Exchange Commission upon request; provided, however, that Southern Company Gas may request confidential treatment pursant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended, for this exhibit if furnished.

PURCHASE AND SALE AGREEMENT

This Purchase and Sale Agreement dated as of July 10, 2016 (this "**Agreement**") is entered into by and among The Southern Company, a Delaware corporation (the "**Buyer**") Southern Natural Gas Company, L.L.C., a Delaware limited liability company (the "**Company**"), and Kinder Morgan SNG Operator LLC, a Delaware limited liability company (the "**KM Member**"). Each of the Buyer, the Company and the KM Member are referred to herein individually as a "**Party**", and collectively as the "**Parties**".

WHEREAS, the Company was organized as a Delaware corporation on October 30, 1935 under the name "Southern Natural Gas Company," converted to a Delaware general partnership on November 1, 2007, under the same name, and converted to a Delaware limited liability company on August 1, 2011, under the name "Southern Natural Gas Company, L.L.C."

WHEREAS, the KM Member owns 100% of the outstanding equity interests of the Company (the "**Member Interests**");

WHEREAS, Buyer desires to purchase for the Purchase Price (as later defined), and the KM Member desires to sell, a 50% Member Interest in the Company (the "**SoCo Interest**") on the terms set forth herein;

WHEREAS, concurrently with the execution and delivery of this Agreement, KMP (as later defined) has executed and delivered to the Buyer a Guaranty pursuant to which KMP has guaranteed the performance by the KM Member of the KM Member's obligations under this Agreement; and

WHEREAS, concurrently with the Closing, the Buyer, or a designated Affiliate thereof, and the KM Member or the Company, as applicable will execute and deliver the Ancillary Documents (as later defined).

NOW, THEREFORE, in consideration of the mutual agreements, representations, warranties and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and subject to the conditions contained herein, the Parties hereto hereby agree as follows:

ARTICLE I
DEFINITIONS

1.1 Certain Definitions. As used in this Agreement:

"**Actual Casualty Loss**" means, in respect of a referenced Casualty Event, an amount equal to the cost actually incurred for repairs or replacement of the assets directly affected by such Casualty Event, net of insurance proceeds actually recovered in connection with such Casualty Event.

"**Agreement**" has the meaning set forth in the Preamble.

"**Affiliate**" means, as to any Person, any other Person which, directly or indirectly Controls, is Controlled by, or is under common Control with such Person. Following the Closing, neither KM Member nor the Buyer shall be deemed an Affiliate of the Company.

"**Allocation Schedule**" has the meaning set forth in Section 12.1(b).

"**Amended and Restated LLC Agreement**" means that certain Fourth Amended and Restated Limited Liability Company Agreement of the Company, in a form mutually agreed by the Buyer and the KM Member.

"**Ancillary Documents**" means the Amended and Restated LLC Agreement, the O&M Agreement and all other documents and instruments executed in connection herewith.

"**Applicable Capital Projects**" means the capital projects identified on the Capital Project Budget as "Zone 3 Expansion".

"**Arbitration Notice**" has the meaning set forth in Section 13.2(c).

"**Arbitrators**" has the meaning set forth in Section 13.3(a).

"**Audited Financial Statements**" means the consolidated balance sheets of the Company and its Subsidiaries as of December 31, 2013, December 31, 2014 and December 31, 2015 with the related consolidated statements of income, cash flows and member's equity for each of the three years then ended, audited by PricewaterhouseCoopers LLP.

"**Base Purchase Price**" has the meaning set forth in the Section 3.1.

"**Business Day**" means a day other than a Saturday, Sunday or day on which commercial banks in the United States or the State of Texas are authorized or required to be closed for business.

"**Buyer**" has the meaning set forth in the Preamble.

"**Cap**" has the meaning set forth in Section 11.4(a).

"**Capital Project Budget**" means the capital project budget attached hereto as Exhibit B.

"**Casualty Event**" means an event of damage by fire or other casualty to the pipeline, facilities and other tangible property of the Company or its Subsidiaries after the Effective Time but prior to the Closing.

"**Casualty Election Notice**" has the meaning set forth in Section 7.7(c).

"**Casualty Termination Threshold**" means $100,000,000.

"**CERCLA**" has the meaning specified in the definition of "**Environmental Law.**"

"**CERCLIS**" means the Comprehensive Environmental Response, Compensation and Liability Information System List.

"**Claim**" or "**Claims**" means any and all claims (including any cross-claim or counterclaim), Liens, causes of action, suits, charges, complaints, litigation, demands, arbitrations, proceedings (including any civil, criminal, administrative, investigative or appellate proceedings), hearings, inquiries, investigations, audits, disputes and other assertions of Liability, whenever or however arising.

"**Closing**" has the meaning set forth in Section 2.1.

"**Closing Date**" has the meaning set forth in Section 2.1.

"**Closing Item Arbitrator**" has the meaning set forth in Section 3.4(b).

"**Closing Long-Term Indebtedness**" means the amount set forth in a letter from each of the Wilmington Trust Company, as trustee under the Indenture, and The Bank of New York Mellon, as series trustee for the 5.90% Notes due 2017, which together confirm the aggregate principal amount outstanding under the Indenture as of the date that is three Business Days prior to the Closing Date.

"**Closing Working Capital**" has the meaning set forth in Section 3.3.

"**Code**" means the Internal Revenue Code of 1986, as amended.

"**Company**" has the meaning set forth in the Preamble.

"**Company Debt**" means, except for accounts and obligations owed by the Company to any of its Subsidiaries or owed by a Subsidiary of the Company to the Company and/or one or more of its Subsidiaries, (a) all indebtedness of the Company and its Subsidiaries for the repayment of borrowed money, whether or not represented by bonds, debentures, notes or similar instruments, all accrued and unpaid interest thereon and all premiums, prepayment penalties, fees and other amounts in respect thereof; (b) all obligations of the Company and its Subsidiaries as lessee or lessees under leases that have been recorded by the Company as capital leases in accordance with GAAP; (c) all obligations of the Company and its Subsidiaries issued or assumed as the deferred purchase price of property, all conditional sale obligations of the Company and its Subsidiaries and all obligations of the Company and its Subsidiaries under any title retention agreement (excluding trade accounts payable and other accrued current liabilities arising in the ordinary course of business, but including the current liability portion of any indebtedness for borrowed money); (d) all obligations of the Company and its Subsidiaries for the reimbursement of any obligor on any letter of credit, banker's acceptance or similar credit transaction; (e) all obligations of the Company and its Subsidiaries under interest rate or currency swap transactions (valued at the termination value thereof); (f) the liquidation value, accrued and unpaid dividends and prepayment or redemption premiums and penalties (if any), unpaid fees or expenses and other monetary obligations in respect of any and all redeemable preferred stock of the Company and its Subsidiaries; (g) all obligations of the type referred to in clauses (a) through (f) of the Company and its Subsidiaries for the payment of which such Person is responsible or liable, directly or indirectly, as obligor, guarantor, surety or otherwise, including guarantees of such obligations; and (h) all obligations of the type referred to in clauses (a) through (g) of other Persons secured by (or for which the holder of such obligations has an existing right, contingent

or otherwise, to be secured by) any Lien on any property or asset of the Company or a Subsidiary (whether or not such obligation is assumed by the Company or a Subsidiary).

"**Company's Knowledge**" means actual knowledge after reasonable inquiry of Thomas Dender, Norman Holmes, Janice Parker and Michael Varagona.

"**Company's Tariff**" shall mean the FERC Gas Tariff of the Company, as it may be amended upon FERC approval from time to time.

"**Confidentiality Agreement**" means that certain Mutual Confidentiality Agreement, by and between the Company and Southern Company Services, Inc., dated November 1, 2015.

"**Contract**" means any legally binding contract, agreement, arrangement, indenture, note, bond, loan, instrument, lease, conditional sale contract, mortgage, license, franchise, insurance policy or commitment, whether written or oral.

"**Control**" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise, and "**Controlled**" and "**Controlling**" have the meanings correlative thereto.

"**CPR**" has the meaning set forth in Section 13.1(a).

"**CPR Rules**" has the meaning set forth in Section 13.1(a).

"**Current Assets Amount**" means an amount equal to the sum of the consolidated balances of the accounts listed as "Current Assets" on Schedule 3.3(a); provided, that, notwithstanding anything to the contrary in this Agreement, FT Agreement Termination Proceeds shall not be included in the Current Assets Amount and shall not be taken into account with respect to any Purchase Price adjustments made in accordance with Section 3.4.

"**Current Liabilities Amount**" means an amount equal to the sum of the consolidated balances of the accounts listed as "Current Liabilities" on Schedule 3.3(a).

"**De Minimis Amount**" has the meaning set forth in Section 11.4(d).

"**De Minimis Casualty Amount**" has the meaning set forth in Section 7.7(c).

"**Deductible**" has the meaning set forth in Section 11.4(e).

"**Deferred Consideration**" has the meaning set forth in Section 3.4(d).

"**Dispute**" has the meaning set forth in Section 13.1(a).

"**Effective Time**" means 12:00 a.m. Central Prevailing Time on the date of this Agreement.

"**Elba Commercial Contracts**" has the meaning set forth in Section 4.32(c).

"**Elba Express**" means Elba Express Company, L.L.C.

"**Elba Interest**" means ten percent of the outstanding Class A units of Elba Express.

"**Elba LLC Agreement**" means that certain Sixth Amended and Restated Limited Liability Agreement of Elba Express Company, L.L.C. dated as of August 1, 2011.

"**Employee Benefit Plans**" means any "employee benefit plan" within the meaning of Section 3(3) of ERISA (including, but not limited to, employee benefit plans that are not subject to the provisions of ERISA) and any material bonus, deferred compensation, incentive compensation, equity ownership, equity purchase, equity option, phantom equity, vacation, severance, disability, death benefit, hospitalization or insurance plan, agreement, arrangement, program or practice providing benefits to any present or former employee, officer, director or contractor.

"**Environmental Law**" means any Law of any Governmental Authority whose purpose is to conserve or protect human health or safety, the environment, wildlife or natural resources or the handling, transportation, disposal, remediation, exposure to or release into the environment of Hazardous Materials, including: the Clean Air Act, as amended, the Federal Water Pollution Control Act, as amended, the Rivers and Harbors Act of 1899, as amended, the Safe Drinking Water Act, as amended, the Comprehensive Environmental Response, Compensation and Liability Act, as amended ("**CERCLA**"), the Superfund Amendments and Reauthorization Act of 1986, as amended, the Resource Conservation and Recovery Act of 1976, as amended, the Hazardous and Solid Waste Amendments Act of 1984, as amended, the Toxic Substances Control Act, as amended, the Occupational Safety and Health Act, and the Hazardous Materials Transportation Act, as amended.

"**Estimated Casualty Loss**" means, in respect of a referenced Casualty Event, an amount equal to the reasonably estimated cost of repairs or replacement of the assets directly affected by such Casualty Event, net of reasonably estimated insurance proceeds recoverable in connection with such Casualty Event; provided, however, that for the purpose of determining whether the Estimated Casualty Loss exceeds the Casualty Termination Threshold in accordance with Section 7.7(b) and Section 10.1(b)(iv), the Estimated Casualty Loss amount shall be calculated net of only insurance proceeds (i) actually recovered or (ii) confirmation in writing to the Company by its insurers approving and setting forth the actual coverage amount.

"**Estimated Closing Items**" has the meaning set forth in Section 3.3.

"**Estimated Purchase Price**" has the meaning set forth in Section 3.3.

"**ERISA**" means the Employee Retirement Income Security Act of 1974, as amended.

"**FERC**" means the Federal Energy Regulatory Commission, or any successor agency thereto.

"**Final Closing Items**" has the meaning set forth in Section 3.4(a)

"**Final Purchase Price**" has the meaning set forth in Section 3.4(a).

"**FT Agreement Termination Proceeds**" means all cash paid or due to the Company or any of its Subsidiaries in connection with the termination or cancellation of any firm transportation service Contract after June 24, 2016 and prior to the Closing.

"**Fundamental Representations**" has the meaning set forth in Section 11.4(b).

"**GAAP**" means accounting principles generally accepted in the United States of America as in effect from time to time and applied on a consistent basis.

"**General Enforceability Exceptions**" has the meaning set forth in Section 4.3.

"**Governmental Authority**" means any court or tribunal (including any arbitral tribunal) in any jurisdiction (domestic or foreign) or any federal, state, county, local, tribal or other government or quasi-governmental regulatory body and any of their respective subdivisions, agencies, instrumentalities, authorities, commissions, boards or bureau.

"**HSR Act**" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder.

"**Hazardous Material**" means any substance, material, or waste that is regulated under any Environmental Law as hazardous, toxic, a pollutant, contaminant, solid waste or words of similar import, including without limitation petroleum, petroleum derivatives, natural gas liquids and by-products, asbestos, urea formaldehyde and polychlorinated biphenyls.

"**Hedge**" means any future derivative, swap, collar, put, call, cap, option or other contract that is intended to benefit from, relate to, or reduce or eliminate the risk of fluctuations in interest rates, basis risk or the price of commodities, including hydrocarbons or securities.

"**Indemnified Party**" has the meaning set forth in Section 11.3(a).

"**Indemnifying Party**" has the meaning set forth in Section 11.3(a).

"**Indenture**" means that certain Indenture, dated as of June 1, 1987, among the Company, Southern Natural Issuing Corporation, Wilmington Trust Company (as successor in interest to JPMorgan Chase Bank National Association, successor to Manufacturers Hanover Trust Company), as trustee for the 4.40% Notes due 2021, the 7.75% Notes due 2031 and the 8.00% Notes due 2032, and The Bank of New York Mellon (as successor to The Bank of New York Trust Company, N.A.), as series trustee for the 5.90% Notes due 2017, as such Indenture has been and may further be amended and supplemented from time to time.

"**Initiating Party**" has the meaning set forth in Section 13.2(c).

"**Injunction**" means a temporary restraining order, preliminary or permanent injunction or other order issued by a court of competent jurisdiction, an order of a Governmental Authority having jurisdiction over any party hereto, or any legal restraint or prohibition.

"**Intellectual Property**" means (a) patent rights, (b) trademark, trade name, service mark and service name rights, (c) copyrights and (d) all other proprietary intellectual property rights, and all pending applications for the registration of any of the foregoing.

"**Interim Capital Contributions**" means all cash capital contributions made by the KM Member or its Affiliates (other than the Company or the Subsidiaries) to the Company between the Effective Time and the Closing, but solely to the extent that such contributions (i) are made in accordance with the Capital Project Budget, (ii) are actually used to fund the capital projects (other than the Applicable Capital Projects) as contemplated by the Capital Project Budget, and (iii) are, for the avoidance of doubt, neither distributed by the Company to the KM Member at or prior to Closing or included in the calculation of Net Working Capital.

"**Kinder Morgan Guarantees**" means the obligations of the Company and its Subsidiaries pursuant to (a) the Cross Guarantee Agreement dated as of November 26, 2014 among the Company and the other guarantors party thereto, (b) the Guarantee Agreement dated as of November 26, 2014 among the Company, the other guarantors party thereto and Barclays Bank PLC, as Administrative Agent, (c) the Guarantee Agreement dated as of January 26, 2016 among the Company, the other guarantors party thereto and Barclays Bank PLC, as Administrative Agent, and (d) the Guarantee Agreement dated as of November 26, 2014 among the Company, the other guarantors party thereto and The Toronto-Dominion Bank, as Lender, in each case, as amended and/or supplemented.

"**KM Member**" has the meaning set forth in the Preamble.

"**KMP**" means Kinder Morgan Energy Partners, L.P., a Delaware limited partnership.

"**Law**" means any statute, rule, ordinance, order, code, Permit or regulation of any Governmental Authority or common law.

"**Leased Real Property**" has the meaning set forth in Section 4.16.

"**Legal Proceeding**" means any judicial, administrative or arbitral action, investigation or proceeding by or before any Governmental Authority.

"**Liability**" means claim, Lien, debt, liability, obligation or commitment of any nature whatsoever (whether known or unknown, asserted or unasserted, fixed, absolute or contingent, matured or unmatured, accrued or unaccrued, liquidated or unliquidated or due or to become due), whenever or however arising (including those arising out of any contract or tort, whether based on negligence, strict liability or otherwise) and including all reasonable attorneys' fees and expenses related thereto.

"**Lien**" means any lien, pledge, mortgage, deed of trust, security interest, attachment, right of first refusal, option, easement, covenant, encroachment or encumbrance.

"**LLC Agreement**" means that certain Third Limited Liability Company Agreement of the Company dated as of January 1, 2015.

"**Long-Term Indebtedness**" means $1,211,000,000.

"**Long-Term Indebtedness Adjustment**" means (a) if the Closing Long-Term Indebtedness exceeds the Long-Term Indebtedness, 50% of the amount, if any, by which the Closing Long-Term Indebtedness exceeds the Long-Term Indebtedness, which amount shall be expressed as a negative number, (b) if the Closing Long-Term Indebtedness is less than the Long-Term Indebtedness, 50% of the amount, if any, by which the Long-Term Indebtedness exceeds the Closing Long-Term Indebtedness, which amount shall be expressed as a positive number, or (c) if the Closing Long-Term Indebtedness is equal to the Long-Term Indebtedness, zero.

"**Loss**" or "**Losses**" means any and all losses, costs, net of any insurance proceeds, Taxes, Liabilities, damages, Claims, penalties and expenses (including reasonable attorneys' fees and expenses).

"**Material Adverse Effect**" means (a) any change, event or circumstance that materially and adversely affects, or could reasonably be expected to materially and adversely affect, the business, assets, Liabilities, financial condition or operations (including results of operations) of the Company and its Subsidiaries, taken as a whole (whether or not constituting a breach of a representation, warranty or covenant set forth in this Agreement); *provided*, *however*, that no such loss, Liability, change, event or circumstance shall be deemed (individually or in the aggregate) to constitute, nor shall any of the foregoing be taken into account in determining whether there has been or may be, a Material Adverse Effect, to the extent that such loss, Liability, change, event or circumstance results from, arises out of, or relates to (i) changes in general legal, tax, regulatory, political, business, economic or other changes that, in each case, generally affect the oil and gas industry (including changes in oil and gas prices or the demand for related transportation and storage services); (ii) local, regional, national or international political or social conditions, including the outbreak or escalation of hostilities involving the United States, the declaration by the United States of a national emergency or war or the occurrence of any acts of terrorism; (iii) the disclosure or other public announcement of the transactions contemplated in this Agreement; (iv) any change in accounting requirements or principles imposed upon the Company, its Subsidiaries or their respective businesses by any change in GAAP or any change in applicable Laws after the date of this Agreement; (v) any action taken by the Company or the KM Member at the request or with the written consent of the Buyer; (vi) any failure by the Company to meet any internal or published projections, forecasts, estimates or predictions in respect of revenues, earnings or other financial or operating metrics for any period; or (vii) any adjustments made pursuant to Section 3.3 or 3.4 (except, in the case of items (i), (ii), and (iv) of the foregoing clause (a), to the extent such changes or developments have a disproportionate impact on the Company and the Subsidiaries, taken as a whole, relative to other Persons operating in the principal industry sector or sectors in which the Company and/or the Subsidiaries operate) or (b) any change, event or circumstance (or series thereof) which individually or in the aggregate would materially impair the Company's ability to consummate the transactions contemplated by this Agreement or prevent the consummation of the transactions contemplated hereby.

"**Material Contracts**" has the meaning set forth in Section 4.12.

"**Material Personal Property**" has the meaning set forth in Section 4.25(a).

"**Member Interests**" has the meaning set forth in the Recitals.

"**Most Recent Financial Statements**" means the unaudited consolidated balance sheet and the related statements of income and retained earnings and of cash flows of the Company as of and for the three months ended March 31, 2016.

"**Net Working Capital**" means the Current Assets Amount minus Current Liabilities Amount.

"**O&M Agreement**" means that certain Operating and Maintenance Agreement, in a form mutually agreed between the Company and Operator.

"**Official Action**" means any domestic or foreign decision, order, writ, Injunction, decree, judgment, award or any determination, presently existing and effective by any Governmental Authority. For the avoidance of doubt, "Official Action" shall not include any Permit.

"**Operator**" means the KM Member in its capacity as operator under the O&M Agreement.

"**Order**" means any charge, judgment, Injunction, ruling, writ, award, decree or Law of or by a Governmental Authority.

"**Party**" and "**Parties**" have the meaning set forth in the Preamble.

"**Party Appointed Arbitrators**" has the meaning set forth in Section 13.3(a).

"**Permit**" means any permit, license, certificate (including a certificate of occupancy) registration, authorization, application, filing, notice, qualification, waiver of any of the foregoing or approval of a Governmental Authority.

"**Permitted Encumbrances**" means (i) Liens imposed by Law for Taxes which are not yet due and payable or are being contested in good faith by appropriate proceedings, provided appropriate reserves have been established with respect to such proceedings; (ii) carriers', warehousemen's, mechanics', materialmen's, repairmen's or other like Liens arising in the ordinary course of business and securing obligations which are not overdue or which are being contested in good faith by appropriate proceedings, provided appropriate reserves have been established with respect to such contest; (iii) easements, rights-of-way, utility, railroad and pipeline crossings and other encumbrances on real property imposed by Law or arising in the ordinary course of business that do not secure any monetary obligations and do not materially detract from the value of the affected property or interfere with the ordinary conduct of the business by Company or its Subsidiaries (iv) zoning, building, fire, health, environmental and pollution control Laws, ordinances, rules and safety regulations and other similar restrictions; , (v) acts done or suffered to be done by, and judgments against, the Buyer and those claiming by, through or under the Buyer; (vi) Liens which will be fully released as to the Real Property at or before the Closing; or (vii) any matters that are waived without reservation in writing by the Buyer.

"**Person**" means any natural person, corporation, partnership, limited liability company, trust, unincorporated organization, Governmental Authority or other entity.

"**Pre-Closing Tax Period**" means any Tax period ending on or before the Closing Date.

"**Purchase Price**" has the meaning set forth in Section 3.1.

"**Real Property**" has the meaning set forth in Section 4.15(a).

"**Real Property Leases**" has the meaning set forth in Section 4.16(a).

"**Related Party**" means (a) any Affiliate or Subsidiary of the Company, (b) the KM Member, (c) any Affiliate of the KM Member, (d) any Person in which the KM Member or an Affiliate of the KM Member has an equity interest that provides goods or services to the Company or has any other contractual or business relationship with the Company, or (d) any officer, manager, director or member of the KM Member, the Company or any Subsidiary or Affiliate of the Company or the KM Member.

"**Rights-of-Way**" has the meaning set forth in Section 4.16(c).

"**Schedule**" means a disclosure schedule provided by the Company to the Buyer pursuant to this Agreement.

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

"**SoCo Interest**" has the meaning set forth in the Recitals.

"**Solvent**" means, with respect to a Person on any date of determination, that on such date (i) the fair value of the property of such Person is greater than the total amount of Liabilities of such Person at a fair valuation, (ii) the present fair saleable value of the assets of such Person is not less than the amount that will be required to pay its debts as they become absolute and matured, and (iii) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay such debts as they mature taking into account the possibility of refinancing such obligations and selling assets.

"**Straddle Period**" means any Tax period beginning on or before and ending after the Closing Date.

"**Subsidiary**" and "**Subsidiaries**" have the meaning set forth in Section 4.1.

"**Survival Period**" has the meaning set forth in Section 11.4(b).

"**Target Working Capital**" means $ 49,414,183.

"**Tax**" or "**Taxes**" means (a) all income, profits, franchise, gross receipts, capital, sales, use, withholding, value added, ad valorem, transfer, employment, unemployment, social security, disability, occupation, asset, property, severance, documentary, stamp, estimated, excise and other taxes, duties, fees, levies or assessments imposed by or on behalf of any Governmental

Authority and any interest, fines, penalties or additions relating to any such tax, duty, charge or assessment, (b) any obligation or Liability of another Person for any of the foregoing amounts as a result of being a member of an affiliated, consolidated, combined or unitary group or being a party to any agreement or arrangement whereby Liability for payment of such amounts was determined or taken into account with reference to the Liability of any other Person and (c) any Liability in respect of any of the items described in clauses (a) or (b) payable by reason of contract, assumption, transferee Liability, operation of Law, or otherwise.

"**Tax Return**" means any return, report, information statement or similar statement required to be filed with respect to any Taxes (including any attached schedules), including any information return, claim for refund, amended return and declaration of estimated Tax.

"**Termination Date**" has the date set forth in Section 10.1(b)(iii).

"**Transfer Taxes**" has the meaning set forth in Section 12.4.

"**Treasury Regulations**" shall mean the regulations promulgated by the United States Department of the Treasury pursuant to and in respect of any provision of the Code.

"**Working Capital Adjustment**" means (a) if the Closing Working Capital exceeds the Target Working Capital, 50% of the amount, if any, by which the Closing Working Capital exceeds the Target Working Capital, which amount shall be expressed as a positive number, (b) if the Closing Working Capital is less than the Target Working Capital, 50% of the amount, if any, by which the Target Working Capital exceeds the Closing Working Capital, which amount shall be expressed as a negative number, or (c) if the Closing Working Capital is equal to the Target Working Capital, zero.

1.2 Certain Construction Rules. The article and section headings and the table of contents contained in this Agreement are for convenience of reference only and shall in no way define, limit, extend or describe the scope or intent of any provisions of this Agreement. Whenever the context may require, any pronoun used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice versa. In addition, as used in this Agreement, unless otherwise provided to the contrary, (a) all references to days, months or years shall be deemed references to calendar days, months or years, (b) any reference to a "Section," "Article," "Exhibit" or "Schedule" shall be deemed to refer to a section or article of this Agreement or an Exhibit or Schedule attached to this Agreement, (c) all references to $ or dollar amounts shall mean the lawful currency of the United States and (d) where a date or time period is specified, it will be deemed inclusive of the last day in such period or the date specified, as the case may be. The words "include," "includes" and "including" shall be deemed to be followed by the words "without limitation," and the words "hereof," "herein" and "hereunder" and words of similar import referring to this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement. Unless otherwise specifically provided for herein, the term "or" shall not be deemed to be exclusive. Notwithstanding anything else in the Agreement: (i) the phrase "transactions contemplated by this Agreement" and other similar phrases do not include transactions described in the Ancillary Documents (apart from the execution and delivery thereof as contemplated by this Agreement) and the rights and obligations of the parties to the Ancillary

Documents shall not be diminished, enlarged or otherwise affected by this Agreement and (ii) any reference herein relating to the "performance" of any Ancillary Document shall be subject in all respects to the conditions precedent, if any, set forth in such Ancillary Document.

ARTICLE II
CLOSING

2.1 Closing Date. The closing of the transactions contemplated hereby (the "**Closing**") shall take place at the offices of Jones Day, 1420 Peachtree Street, N.E., Suite 800, Atlanta, Georgia 30309-3053 at 10:00 a.m., local time in Atlanta, Georgia, on the third Business Day following the satisfaction or waiver of the conditions set forth in Article VIII (other than those to be satisfied at the Closing) or such other date agreed upon by the Parties; provided, however, that if after such conditions are satisfied or waived but prior to the expiration of such three Business Day period, an update to the Schedules is received in accordance with Section 7.6, then the Closing shall occur on the date that is five Business Days following the date that such update is received; and provided further that no more than one such update shall extend the Closing. (The date and time on which the Closing, as it may have been adjourned, occurs is the "**Closing Date**").

2.2 Proceedings at the Closing. All proceedings to be taken and all documents to be executed and delivered by all parties at the Closing shall be deemed to have been taken and executed simultaneously, and no proceedings shall be deemed taken nor any documents executed or delivered until all have been taken, executed and delivered.

ARTICLE III
PURCHASE PRICE; CONSIDERATION

3.1 Purchase Price. In consideration for the SoCo Interest, the Buyer shall pay (a) an amount in cash to the KM Member equal to $1,419,500,000 (the "**Base Purchase Price**") *plus* (i) an amount equal to the Working Capital Adjustment *plus* (ii) an amount equal to the Long-Term Indebtedness Adjustment *plus* (iii) an amount equal to 50% of the Interim Capital Contributions (such aggregate amount, as determined pursuant to this Agreement, the "**Purchase Price**") *plus* (b) if required by Schedule 3.4, the Deferred Consideration. On the Closing Date, the Buyer shall pay to the KM Member the Estimated Purchase Price (as determined pursuant to Section 3.3). The payments referenced in this Section 3.1 shall be made by wire transfer of immediately available funds to an account designated in writing by the KM Member at least three Business Days prior to the Closing.

3.2 Transfer of Member Interest. In consideration for the Purchase Price, the KM Member hereby agrees to sell the SoCo Interest to the Buyer at the Closing, free and clear of any and all Liens, transfer restrictions and voting agreements or other agreements with respect to the ownership, voting, control or transfer of such SoCo Interest (except, in each case, to the extent expressly set forth in the Amended and Restated LLC Agreement or arising under Laws relating to federal or state securities matters). At the Closing, the Buyer, as the holder of the SoCo Interest, will have the rights and obligations related thereto as set forth in the Amended and Restated LLC Agreement.

3.3 Estimated Purchase Price. No later than three Business Days prior to the Closing Date, the KM Member shall prepare and deliver to the Buyer a written statement setting forth the KM Member's estimated calculation of the Purchase Price (the "**Estimated Purchase Price**") based upon (a) the KM Member's good faith estimate of (i) Net Working Capital of the Company as of the close of business on the day immediately prior to the Closing Date ("**Closing Working Capital**"), and (ii) the Working Capital Adjustment, in each case, together with reasonable supporting documents and prepared (x) on a basis consistent with GAAP (y) in accordance with the principles and using the same line items set forth in Schedule 3.3(a) and (z) in accordance with the past practices of the Company; *provided*, *however*, that in the event of a conflict between foregoing clauses (x), (y) and (z), Schedule 3.3(a) shall prevail, (b) the Long-Term Indebtedness Adjustment, together with reasonable supporting documents, and (c) the Interim Capital Contributions, together with reasonable supporting documents (collectively, the "**Estimated Closing Items**"). The Buyer shall have the opportunity to review and provide reasonable comments to the Estimated Closing Items, and the Parties will work together in good faith to resolve any questions, comments or disputes with respect to the Estimated Closing Items; *provided*, *however*, that the Closing Date shall not be delayed as a result of the foregoing; and if such resolution is not reached prior to the Closing Date, the Estimated Closing Items shall be as calculated by the KM Member with such revisions thereto, if any, to which the Buyer and the KM Member may agree prior to the Closing Date.

3.4 Post Closing Adjustment.

(a) As soon as practicable, but no later than 90 days after the Closing Date, the KM Member shall prepare and deliver to the Buyer a written statement setting forth the KM Member's good faith final calculation of the Purchase Price (the "**Final Purchase Price**") based upon (a) the KM Member's calculation of (i) Closing Working Capital and (ii) the Working Capital Adjustment, in each case, together with reasonable supporting documents and prepared (x) on a basis consistent with GAAP, (y) in accordance with the principles and using the same line items set forth in Schedule 3.3(a) and (z) in accordance with the past practices of the Company; *provided*, *however*, that in the event of a conflict between foregoing clauses (x), (y) and (z), Schedule 3.3(a) shall prevail, (b) the Long-Term Indebtedness Adjustment, together with reasonable supporting documents, and (c) the Interim Capital Contributions, together with reasonable supporting documents (collectively, the "**Final Closing Items**"). Together with the Final Closing Items, the KM Member shall provide a worksheet showing the difference, if any, between any Estimated Closing Item and the corresponding Final Closing Item.

(b) The KM Member, the Buyer and the Company shall promptly provide to each other all documents reasonably requested by the other to verify any of the items set forth in the Final Closing Items calculations. The Buyer shall have the right for 30 days following receipt of the Final Closing Items to object to any item therein and the proposed calculation of the Final Purchase Price. The Buyer and its representatives shall be entitled to reasonable access during normal business hours to all books and records of the Company as may be reasonably requested by the Buyer for the purpose of this Section 3.4(b). Any objection made by the Buyer shall be made in writing and shall set forth such objection and the basis therefor in reasonable detail. The Buyer shall be

deemed to have waived any rights to object under this Section 3.4(b) unless the Buyer furnishes its written objections to the KM Member within such 30 day period. If the Buyer delivers an objection within such 30 day period, then the Buyer and the KM Member shall negotiate in good faith for 15 days to resolve the objections. If, at the end of such 15-day period, there are any objections that remain in dispute, then the remaining objections in dispute shall be submitted for resolution to the accounting firm of Grant Thornton LLP (the "**Closing Item Arbitrator**"). If any objections are submitted to the Closing Item Arbitrator for resolution, (i) each of the KM Member, the Buyer and the Company shall promptly furnish to the Closing Item Arbitrator such workpapers and other documents and information relating to such objections as the Closing Item Arbitrator may request and are reasonably available to that Party (or its independent public accountants) and each of the KM Member and the Buyer will be afforded the opportunity to present to the Closing Item Arbitrator any material relating to the determination of the matters in dispute and to discuss such determination with the Closing Item Arbitrator; (ii) the Closing Item Arbitrator shall determine the Final Purchase Price as promptly as reasonably practicable following receipt of such workpapers and other documents and information; (iii) the Closing Item Arbitrator must not adopt an amount for any component of the Final Purchase Price that is greater than the greater amount submitted by the KM Member or the Buyer or less than the lesser amount submitted by KM Member or the Buyer; and (iv) the determination by the Closing Item Arbitrator of the Final Purchase Price, as set forth in a written notice delivered to both the Buyer and the KM Member by the Closing Item Arbitrator, shall be made in accordance with this Agreement and shall be binding and conclusive on the Parties and, absent manifest error, shall constitute an arbitral award that is final, binding and unappealable and upon which a judgment may be entered by a court having jurisdiction thereof. The Buyer and the KM Member (on behalf of itself and the Company) shall each bear their own legal fees and other costs in connection with any such objection; *provided* that the Buyer, on one hand, and the KM Member, on the other hand, shall bear one-half of the costs and expenses of the Closing Item Arbitrator. Notwithstanding anything in this Agreement to the contrary, the Closing Item Arbitrator and procedures set forth herein shall be the sole method for resolving any disputes regarding the Final Purchase Price or the provisions of this Section 3.4.

(c) Following the final determination of the Final Purchase Price pursuant to this Section 3.4, the following amount shall be promptly (but in any event within five Business Days of the determination of the Final Purchase Price) paid by wire transfer in immediately available funds to an account designated by the applicable payee as follows:

(i) If such finally determined Final Purchase Price is greater than the Estimated Purchase Price, then the Buyer shall pay to the KM Member an amount in cash equal to the amount of such excess.

(ii) If such finally determined Final Purchase Price is less than the Estimated Purchase Price, then the KM Member shall pay to the Buyer an amount in cash equal to the amount of such shortfall.

(iii) If such finally determined Final Purchase Price is equal to the Estimated Purchase Price, then no payment to any Party shall be required.

For the avoidance of doubt, no adjustment or payment pursuant to this Section 3.4(c) shall increase or decrease the KM Member's or the Buyer's relative holdings of Membership Interests. Any payments made pursuant to this Section 3.4(c) shall constitute an adjustment of the Purchase Price for Tax purposes and shall be treated as such by the Buyer, the KM Member and the Company on their Tax Returns.

(d) If required by Schedule 3.4, the consideration for the SoCo Interest shall be further adjusted upwards by an amount equal to $50,000,000 (such amount, the "**Deferred Consideration**"), and the Deferred Consideration, if any, shall be paid by the Buyer in accordance with the terms and conditions set forth in Schedule 3.4.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES WITH RESPECT TO THE COMPANY

The KM Member hereby represents and warrants to the Buyer as of the date hereof and as of the Closing Date the following with respect to, and on behalf of, the Company:

4.1 Corporate Organization.

(a) The Company is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite limited liability company power and authority to own, lease and operate its properties and to carry on its business as now being conducted. The Company has no direct or indirect subsidiaries or equity investees, other than the subsidiaries and equity investees listed on Schedule 4.1, each of which is duly organized, validly existing and in good standing under the laws of its state of formation and has all requisite corporate, limited liability company or limited partnership power, as applicable, and authority to own, lease and operate its properties and to carry on its business as now being conducted (each, a "**Subsidiary**" and collectively, the "**Subsidiaries**"). The Company has delivered to the Buyer true and complete copies of the LLC Agreement and all other organizational documents concerning the Company and its Subsidiaries (including, as applicable, certificates of organization, bylaws, partnership agreements, operating agreements or the equivalent). Neither the Company nor any of its Subsidiaries is in default under or in violation of any provision in such governing documents.

(b) The Company and each of the Subsidiaries is duly qualified or licensed to do business and is in good standing in each jurisdiction where the property owned, leased or operated by it or the conduct of its business requires such qualification or licensing.

4.2 Capitalization.

(a) Schedule 4.2(a) sets forth all of the Member Interests and all capital or other equity interests in the Company. Other than as set forth in Schedule 4.2(a), there are, and as of the Closing Date there shall be, no outstanding options, subscriptions, warrants, calls, commitments, pre-emptive rights or other rights obligating the Company

to issue or sell any Member Interests or equity interests of any kind or any securities convertible into or exercisable for any Member Interest or equity interest of any kind, or otherwise requiring the KM Member or the Company to give any Person the right to receive any benefits or rights similar to any rights enjoyed by or accruing to the holders of Member Interests or any rights to participate in the equity or net income of the Company. There are no outstanding or authorized equity appreciation rights, phantom equity rights or similar rights with respect to the Company. All of the Member Interests issued and outstanding have been duly authorized, are validly issued and are owned of record and beneficially by the KM Member. All of the Member Interests were issued, and to the extent purchased or transferred, have been so purchased or transferred, in compliance with all applicable Laws, including federal and state securities laws, and any preemptive rights and any other statutory or contractual rights of the KM Member or the Company.

(b) Schedule 4.2(b) sets forth all of the capital or other equity interests in the Subsidiaries. Except as set forth on Schedule 4.2(b), the Company, directly or indirectly, owns all capital of and other equity interests in the Subsidiaries, and there are no outstanding options, subscriptions, warrants, calls, commitments, pre-emptive rights or other rights in favor of any Person other than the Company obligating the Company or any of its Subsidiaries to issue or sell any capital or other equity interests of any of the Subsidiaries or any securities convertible into or exercisable for any capital or other equity interests of any such Subsidiary, or otherwise requiring the Company or any of its Subsidiaries to give any Person (other than the Company) the right to receive any benefits or rights similar to any rights enjoyed by or accruing to the holders of capital or other equity interests of any such Subsidiary or any rights to participate in the equity or net income of any such Subsidiary. Except as set forth on Schedule 4.2(b), all capital and other interests in the Subsidiaries are free and clear of all Liens (other than restrictions on transfer pursuant to applicable securities Laws).

(c) Except as set forth on Schedule 4.2(c), neither the Company nor any Subsidiary owns, directly or indirectly, any capital of or other equity interest in or has any other investment in or outstanding loans to any Person other than a Subsidiary. Except for the LLC Agreement and as otherwise set forth on Schedule 4.2(c), there are no agreements, voting trusts or other agreements or understandings to which the KM Member, the Company or any Subsidiary is a party or by which it is bound with respect to the transfer or voting of any equity interests of the Company or any Subsidiary.

4.3 Authority Relative to This Agreement. The Company has full limited liability company power and authority to execute, deliver and perform this Agreement and each Ancillary Document to which it is a party and to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance by the Company of this Agreement and the Ancillary Documents to which it is a party and the consummation by it of the transactions contemplated hereby and thereby, have been duly authorized by all necessary action of the Company. This Agreement and each Ancillary Document to which it is a party has been or will be duly executed and delivered by the Company and (assuming due authorization, execution and delivery by the other parties hereto and thereto) constitutes or, when duly executed, will constitute a valid and legally binding obligation of the Company, enforceable against the

Company in accordance with its terms, except that such enforceability may be limited by (a) applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights generally and (b) equitable principles which may limit the availability of certain equitable remedies (such as specific performance) in certain instances (collectively, the "**General Enforceability Exceptions**").

4.4 Noncontravention. The execution, delivery and performance by the Company of this Agreement and the Ancillary Documents to which it is a party and the consummation by it of the transactions contemplated hereby and thereby do not and will not (a) (i) conflict with or result in a violation of any provision of the certificate of formation of the Company or the LLC Agreement or the organizational documents of any Subsidiary, (ii) conflict with or result in a violation of any provision of or constitute (with or without the giving of notice or the passage of time or both) a default under or give rise (with or without the giving of notice or the passage of time or both) to any right of termination, cancellation or acceleration under, any bond, debenture, note, mortgage, indenture, lease, agreement or other instrument or obligation (including any Material Contract, Real Property Lease or any Right-of-Way) to which the Company or any of the Subsidiaries is a party or by which the Company or any of the Subsidiaries or any of their respective properties is bound, (iii) result in the creation or imposition of any Lien upon the properties or assets of the Company or any of the Subsidiaries or (iv) assuming compliance with the matters referred to in Section 4.6, violate any applicable Law to which the Company or any of the Subsidiaries are subject; or (b) require the consent, approval or giving of notice to any Person in connection with the execution, delivery or performance by the Company of this Agreement or any Ancillary Document.

4.5 Permits. The Company and each of the Subsidiaries possess all Permits necessary to conduct the business currently conducted by it in all material respects and neither the Company nor any of the Subsidiaries has received any written notice of, and to the Company's Knowledge there are no threatened Legal Proceedings relating to, the revocation or modification of any such Permit.

4.6 Governmental Approvals. Except as set forth in Schedule 4.6, no consent, approval, order or authorization of, or declaration, filing or registration with, or notice to, any Governmental Authority is required to be obtained or made by the Company in connection with the execution, delivery or performance by the Company of this Agreement or any Ancillary Document to which it is a party or the consummation by it of the transactions contemplated hereby and thereby, other than compliance with the HSR Act.

4.7 No Litigation. Except as set forth on Schedule 4.7: (a) there is no Legal Proceeding pending or, to the Company's Knowledge, threatened against the Company or any of the Subsidiaries or their respective businesses or assets; (b) there is no Official Action of any Governmental Authority or arbitrator pending or, to the Company's Knowledge, threatened against the Company or any of the Subsidiaries or their respective businesses or assets; (c) there is no unsatisfied Order or administrative decision against the Company or any of the Subsidiaries; and (d) no Order has been made or petition presented or resolution passed or other steps taken for the winding up or dissolution of the Company or any of the Subsidiaries, nor has any distress, execution or other process been levied against the Company or any of the Subsidiaries or action taken to possess assets in the possession of the Company or any of the

Subsidiaries. Further, no steps have been taken for the appointment of an administrator, receiver, liquidator or liquidation committee or like body or officer of the Company or any of the Subsidiaries or their respective assets.

4.8 Brokers Fees. No brokerage or finder's fees or commissions are or will be payable by the Company or any Subsidiary to any broker, financial advisor or consultant, finder, placement agent, investment banker, bank or other Person with respect to the offer and sale of any Member Interests or the transactions contemplated by this Agreement or the Ancillary Documents, and in no event shall the Buyer be liable for any such fees or commissions.

4.9 Transactions with Certain Affiliates and Employees. Except as set forth on Schedule 4.9 and except for any Employee Benefit Plans, no Related Party (other than a Subsidiary or the Company) and, to the Company's Knowledge, none of the employees, officers, directors, managers or members of the Company (including the KM Member) or any Subsidiary, is a party to any Contract with the Company or any Subsidiary. Except as set forth on Schedule 4.9, neither the Company nor any Subsidiary has any liability or obligation for any Liabilities of any Related Party. There are no outstanding loans, advances or guarantees of indebtedness by the Company or any Subsidiary to or for the benefit of any Related Party (other than a Subsidiary or the Company), other than the loans and advances that will be repaid to the Company or such Subsidiary or released at or prior to the Closing (including the Kinder Morgan Guarantees).

4.10 Financial Statements. True and complete copies of (a) the Audited Financial Statements and (b) the Most Recent Financial Statements have been provided by the Company to the Buyer. The Audited Financial Statements (including the notes thereto) and the Most Recent Financial Statements were prepared in accordance with GAAP and fairly present in all material respects the consolidated financial position of the Company and its Subsidiaries (other than Bear Creek Storage Company, L.L.C., which is reflected as an equity investment in the Company's financial statements) as of the dates indicated, and the consolidated results of its operations for the respective periods indicated; *provided*, *however*, that the Most Recent Financial Statements are subject to normal year-end adjustments (which are not expected to be material individually or in the aggregate) and lack footnotes and other presentation items.

4.11 Compliance with Laws. Each of the Company and the Subsidiaries (including all of their respective operations, practices, properties and assets, whether owned or leased) is in compliance in all material respects with all applicable Laws. Except as set forth on Schedule 4.11, (i) during the three years preceding the date of this Agreement neither the Company nor any of the Subsidiaries has received written notice of any material violation or alleged material violation of any applicable Laws, and (ii) neither the Company nor any of the Subsidiaries and their respective businesses, assets, operations and properties are subject to any material unsatisfied Liability for any continuing violation of any applicable Laws or any violation of any applicable laws occurring during the three years preceding the date of this Agreement.

4.12 Material Contracts. Schedule 4.12 is a true and complete list of each Contract to which the Company or any Subsidiary is a party or by which the Company or any Subsidiary is bound or to which any asset of the Company or any Subsidiary is subject or under which the Company or any Subsidiary has any rights or the performance of which is guaranteed by the Company or any Subsidiary, and that involves (collectively, the "**Material Contracts**"):

(a) the transportation (not including small shipper agreements (as defined in the Company's Tariff)), gathering, trading, marketing, storing, treating, compression, processing, gas exchange, park and loan, or operational balancing of gas, gas liquids or liquid hydrocarbons by the Company or any Subsidiary, in each case, that provides for aggregate expected payments or receipts during any calendar year (whether in a single Contract or a group of related Contracts) in excess of $3,000,000;

(b) the purchase, sale or transfer of gas, gas liquids or liquid hydrocarbons by the Company or any Subsidiary, in each case, that provides for aggregate expected payments or receipts during any calendar year (whether in a single Contract or a group of related Contracts) in excess of $1,000,000;

(c) the incurrence or guaranty by the Company or a Subsidiary of any Company Debt or the imposition of a Lien on any assets of the Company or a Subsidiary, tangible or intangible;

(d) aggregate expected payments or receipts (whether in a single Contract or a group of related Contracts) in excess of $3,000,000 in the current or any future calendar year;

(e) employment Contracts or other employment obligations of the Company or its Subsidiaries or Employee Benefit Plans;

(f) any Related Party, other than operational balancing agreements;

(g) any limitation on the ability of the Company or any Subsidiary to compete in any line of business or with any Person or in any geographic area;

(h) any Hedge to which the Company or any of its Subsidiaries is a party or by which any of their assets are bound;

(i) any indemnity obligation that has not expired for which the liability of the Company or any Subsidiary could exceed $5,000,000;

(j) any preferential purchase right, right of first refusal, option or similar right;

(k) any partnership, joint venture or similar arrangement;

(l) any Contract under which the Company or any Subsidiary may incur or become subject to any contingent Liability (including pursuant to any cross-default or similar provisions) involving the KM Member or any Affiliate of the KM Member (other than the Company and the Subsidiaries), including those relating to the financial condition of, or performance or breach of any obligation by, the KM Member or any Affiliate of the KM Member (other than the Company and the Subsidiaries);

(m) any settlement, conciliation or similar Contract with any Governmental Authority that will involve payment after the Effective Time of any amount; and

(n) any advancement or loan by the Company or any Subsidiary that will remain outstanding after the Closing.

Prior to the Effective Time, the Company has delivered to the Buyer a true and complete copy of each Material Contract (as amended to date) and a written summary setting forth the material terms and conditions of each oral Material Contract. Other than Material Contracts that are by their terms no longer in force or effect and subject to the General Enforceability Exceptions, (x) each Material Contract, with respect to the Company or any Subsidiary, is legal, valid, binding, enforceable, in full force and effect in all material respects; and (y) each Material Contract, with respect to the other parties to such Material Contract, to the Company's Knowledge, is legal, valid, binding, enforceable, in full force and effect in all material respects. Neither the Company nor any Subsidiary is in material breach or default, and no event has occurred that with notice or lapse of time would constitute a material breach or default, or permit termination, modification or acceleration, under any Material Contract. To the Company's Knowledge, no other party is in breach or default, and, except as identified on Schedule 4.12, no event has occurred that with notice or lapse of time would constitute a breach or default, or permit termination, modification or acceleration, under any Material Contract. Except as identified on Schedule 4.12, no party to any Material Contract specified in Sections 4.12(a) or 4.12(b) has notified the Company or any Subsidiary in writing within the three years prior to the date of this Agreement of a likely significant decrease in the volume of receipts or purchases from or deliveries or sales of products or services to the Company or its Subsidiaries, or a significant decrease in the price that any such party is willing to pay for products or services of the Company or its Subsidiaries, or a significant increase in the price that any such party will charge for products or services sold to the Company or its Subsidiaries, or of the bankruptcy or liquidation of such party.

4.13 Employee Matters.

(a) The Company and the Subsidiaries (i) have not, within the last six (6) years, had any employees, as defined under applicable Laws, whether as joint employer, single employer, co-employer or otherwise, (ii) have not, within the last six (6) years, sponsored, participated in or contributed to any Employee Benefit Plan, and (iii) except as set forth on Schedule 4.13, have no material Liability relating to any Employee Benefit Plan, nor, to the Company's Knowledge, does any condition or set of circumstances exist under which the Company or any Subsidiary would reasonably be expected to have any material Liability with respect to any Employee Benefit Plan. Neither the Company nor any Subsidiary is a party to, or bound by, any collective bargaining agreement or contract with a labor union, and there are no unfair labor practice or labor arbitration proceedings pending or, to the Company's Knowledge, threatened against the Company or any Subsidiary.

(b) With respect to any individuals performing services at or on behalf of the Company or the Subsidiaries, there are no existing, pending or, to the Company's Knowledge, threatened strikes, work stoppages, work slowdowns, lockouts, union organizational campaigns or other material labor disputes.

(c) The Company and its Subsidiaries are in compliance in all material respects with, and during the three years preceding the date of this Agreement, the Company and its Subsidiaries have complied in all material respects with, in each case, all Laws relating to employment, employment practices, terms and conditions of employment and Employee Benefit Plans.

(d) Notwithstanding anything to the contrary in this Agreement, the representations and warranties set forth in this Section 4.13 are the KM Member's and the Company's sole and exclusive representations and warranties regarding employee matters.

4.14 Taxes. Except as set forth on Schedule 4.14:

(a) All income and other material Tax Returns required to be filed by or with respect to the Company and each Subsidiary have been filed on a timely basis (taking into account all extensions of due dates), and all such Tax Returns are true, correct and complete in all material respects.

(b) All Taxes owed by the Company and each Subsidiary or for which the Company or any Subsidiary may be liable that are due and payable have been paid in full or such Taxes have been reserved for in the Audited Financial Statements, whether or not shown on any Tax Return referred to in Section 4.14(a).

(c) There are no Liens for Taxes upon any of the properties or assets of the Company or any Subsidiary (except for any Liens for Taxes not yet due and payable).

(d) There is no claim by any Governmental Authority with respect to any Taxes payable by the Company or any Subsidiary and no assessment, deficiency or adjustment has been asserted, proposed or, to the Company's Knowledge, threatened by any Governmental Authority with respect to any Taxes of the Company or any Subsidiary. Neither the Company nor any Subsidiary has received written notice from any taxing authority of its intent to examine or audit any of its Tax Returns. All deficiencies asserted as a result of any examination of any Tax Return of the Company or any Subsidiary have been paid in full, abated or adequately provided for in the Audited Financial Statements.

(e) There are no outstanding agreements or waivers that would extend the statutory period in which a taxing authority may assess or collect a Tax against the Company or any Subsidiary.

(f) The Company is currently treated as a disregarded entity for federal income Tax purposes and each Subsidiary is currently treated as a partnership or as a disregarded entity for federal income Tax purposes and no election has been made to treat the Company or any Subsidiary as an association taxable as a corporation for federal income Tax purposes.

(g) Neither the Company nor any Subsidiary has engaged in any transaction in the past three years that would be reportable pursuant to Treasury Regulation Section 1.6011-4.

(h) There are no outstanding agreements or waivers extending the statutory period of limitation applicable to any of the Company's or any Subsidiary's Tax Return for any period.

(i) The Company and its Subsidiaries have withheld and paid all Taxes required to have been withheld and paid in connection with any amount paid or owing to any employee, independent contractor, creditor, stockholder, or other third party.

(j) Neither the Company nor any Subsidiary (A) is a party to or bound by any Tax allocation or sharing agreement that will remain in effect after Closing, or (B) for taxable years beginning after January 1, 2012 has any Liability for Taxes of any Person under Treasury Regulation Section 1.1502-6 (or any similar provision of state, local or non-U.S. Law), as a transferee or successor, by contract, or otherwise, other than any Liability for Taxes of any affiliated, combined or similar group described on Schedule 4.14(j). Schedule 4.14(j) contains a true and complete list of all states where income Tax Returns have been required to be filed for taxable years beginning after January 1, 2012 that include the operations of the Company and any Subsidiary.

(k) The KM Member has made available to the Buyer true and complete copies of all income Tax Returns filed by the Company and any Subsidiary for taxable years for which the applicable statute of limitations has not run.

(l) Notwithstanding anything to the contrary in this Agreement, the representations and warranties set forth in this Section 4.14 are the KM Member's and the Company's sole and exclusive representations and warranties regarding Taxes.

4.15 Owned Real Property.

(a) Schedule 4.15(a) is a true and complete list (including a short legal description) of all interests in real property owned (other than Rights-of Way) by the Company or any Subsidiary (each such real property interest, together with all buildings, structures, improvements, fixtures and other rights on or appurtenant thereto, the "**Real Property**"). The Company or a Subsidiary has good and marketable fee simple title to the Real Property, free and clear of all Liens other than Permitted Encumbrances. To the Company's Knowledge, there is no, nor has there been, receipt of any written notice of, a proceeding in eminent domain or other similar proceeding affecting the Real Property.

(b) Except as described in Schedule 4.15(b), Schedule 4.16(a) or Schedule 4.16(b), neither the Company nor any Subsidiary has granted a third party possession of any Real Property or any of the property subject to the Real Property Leases or any portion thereof nor is the Company a party to any lease, sublease, license, concession or other contract granting to any third party the right to use or occupy any portion of the Real Property or any of the property subject to the Real Property Leases, in each case, other than Permitted Encumbrances.

(c) No written notice from any Governmental Authority has been received by the Company or any Subsidiary concerning the actual or potential imposition of any special assessments on the Real Property that remains unresolved.

4.16 Leased Real Property; Rights of Way.

(a) Schedule 4.16(a) contains a true and complete list of all real property leases, subleases, licenses, concessions and other occupancy agreements (other than Rights-of-Way) and any and all amendments and guaranties thereto relating to the leased real property to which the Company or any Subsidiary is a party or is bound (the "**Real Property Leases**"). Prior to the Effective Time the Company has delivered or made available to the Buyer true and complete copies of the Real Property Leases.

(b) Except as disclosed in Schedule 4.16(b), (i) each of the Real Property Leases is in full force and effect, and is enforceable against the parties thereto in accordance with its terms (except as such enforceability may be limited by the General Enforceability Exceptions), (ii) there are no subleases under the Real Property Leases and none of the Real Property Leases have been assigned, (iii) no notices of default or notices of termination have been received by or delivered by the Company with respect to the Real Property Leases which have not been withdrawn or canceled and (iv) the Company and the Subsidiaries are not, and to the Company's Knowledge, no other party is, in default under any Real Property Lease. There is no Company Knowledge of, nor has there been receipt of any written notice of, a proceeding in eminent domain or other similar proceeding affecting the Real Property Leases listed on Schedule 4.16(a).

(c) The Company and each of the Subsidiaries has, subject to Permitted Encumbrances, such consents, easements, rights-of-way, permits, servitudes, licenses or surface leases and other surface rights from any person ("**Rights-of-Way**") as are sufficient to conduct its business substantially in the manner now being conducted. The Company has not received any written notice of a Claim adversely affecting, or relating to the absence or invalidity of, a Right-of-Way that remains outstanding.

4.17 Environmental Matters. Except as set forth on Schedule 4.17:

(a) during the five years preceding the date of this Agreement, the Company and each Subsidiary has conducted its business and operated its assets and is conducting its business and operating its assets in compliance with applicable Environmental Laws;

(b) the Company and each Subsidiary has obtained, possesses and is in compliance with all Permits required under Environmental Laws and, to the Company's Knowledge, there are no facts or circumstances that (with notice, the passage of time or both) could reasonably be expected to cause any Governmental Authority to revoke, suspend or detrimentally alter or amend any such Permit;

(c) neither the Company nor any Subsidiary has received written notice from any Governmental Authority that any of the operations or assets of the Company or any Subsidiary is the subject of any investigation or inquiry with respect to a release or

threatened release of any Hazardous Material where such investigation has not been resolved as of the date hereof;

(d) neither the Company nor any Subsidiary has received any written Claim, notice or request for information involving any matter which remains unresolved as of the date hereof with respect to any alleged violation of Environmental Laws relating to operations or assets of the Company or any Subsidiary;

(e) no property (i) currently owned, leased or operated by the Company or any Subsidiary, or (ii) to the Company's Knowledge, formerly owned, leased or operated by the Company or any Subsidiary, is listed on the National Priorities List pursuant to CERCLA or on the CERCLIS or on any other similar federal or state list as sites requiring investigation or cleanup;

(f) there are no sites, locations or operations at which the Company or any Subsidiary is currently undertaking, or to the Company's Knowledge, is required by Environmental Laws to undertake, any investigation, remedial or response action relating to any disposal or release of Hazardous Material pursuant to Environmental Laws;

(g) to the Company's Knowledge, during the three years preceding the date of this Agreement there has been no exposure of any Person or property to any Hazardous Materials in connection with the operations of the Company and its Subsidiaries that is reasonably expected to result in a material Claim for damages or compensation;

(h) Schedule 4.17 lists all underground storage tanks currently owned or operated by the Company and each Subsidiary, and all such underground storage tanks are registered, monitored, used and operated in compliance with Environmental Laws; and

(i) the Company has made available to the Buyer, prior to date hereof, true and complete copies of all material environmental reports, studies, investigations and audits prepared for the Company or its Subsidiaries during the five years preceding the date of this Agreement that are in its or their possession or control and that relate to the operations of the Company or any Subsidiary or to property currently or formerly owned, leased or operated by the Company or any Subsidiary.

(j) Notwithstanding anything to the contrary in this Agreement, the representations and warranties set forth in this Section 4.17 are the KM Member's and the Company's sole and exclusive representations and warranties regarding Environmental Laws, including Permits required thereunder, and Hazardous Materials.

4.18 Insurance. Schedule 4.18(a) contains a true and complete list of all insurance policies, managers, directors and officers liability policies and formal self-insurance programs, and other forms of insurance and all fidelity bonds held by or applicable to the Company, each Subsidiary and their respective owned or leased properties. Neither the Company nor any Subsidiary is in default with respect to any provision in any current policy maintained for its benefit, and all such insurance is in full force and effect. Neither the Company nor any Subsidiary has received, nor is there any Company's Knowledge of, any notice of cancellation or

nonrenewal of any such insurance policy, other than routine notice of cancellation or nonrenewal of an insurance policy delivered in connection with negotiating a renewal of such insurance policy. Other than as described on Schedule 4.18(b), no premiums (except for audit premiums in the ordinary course of insurance transactions and legacy retrospective programs for which additional premiums may become due) will be due following the Closing by the Company or any Subsidiary with respect to insurance coverages prior to the Closing.

4.19 Books and Records. The Company and each Subsidiary (a) makes and keeps books, records and accounts, in accordance with the applicable requirements of those Governmental Authorities with jurisdiction over the operations of the Company and each Subsidiary, and which, in reasonable detail, accurately and fairly reflect the transactions, operations and dispositions of assets and (b) maintains systems of internal accounting controls sufficient to provide reasonable assurances that (i) transactions are executed in accordance with management's general or specific authorization; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets can be compared with existing assets at reasonable intervals.

4.20 Managers, Directors and Officers. Schedule 4.20 lists all of the managers, directors and officers of the Company and each Subsidiary as of the date of this Agreement.

4.21 Banks and Accounts. Attached hereto as Schedule 4.21 is a list of all banks or other financial institutions with which the Company or any Subsidiary has an account, showing the type and account number of each such account and the names of the persons authorized as signatories thereon or to act or deal in connection therewith.

4.22 No Undisclosed Liabilities; Company Debt. Except for Liabilities reflected or reserved in the consolidated balance sheets (or disclosed in the notes thereto) included in the Most Recent Financial Statements, the Company and its Subsidiaries have no Liabilities that would be required to be set forth on the face of a consolidated balance sheet of the Company prepared in accordance with GAAP, except Liabilities that (a) were incurred in connection with the transactions contemplated by this Agreement, (b) have been incurred by the Company or a Subsidiary since the date of the most recent consolidated balance sheet included in the Most Recent Financial Statements in the ordinary course of business or (c) are reasonably apparent on the face of any disclosure in any Schedule. Without limiting the foregoing, the Company and the Subsidiaries have no Company Debt as of the date hereof, other than as set forth on Schedule 4.22.

4.23 Absence of Certain Changes. From December 31, 2015 through the date hereof, and except as set forth on Schedule 4.23 and except for the pursuit of the transactions contemplated by this Agreement and the Ancillary Documents, (a) the Company and the Subsidiaries have conducted their respective businesses only in the ordinary course of business consistent with past practices, and (b) neither the Company nor any Subsidiary has taken any action, or agreed or committed to take any action, that would violate Section 7.2 if taken prior to the Closing Date.

4.24 Intellectual Property. Neither the Company nor any Subsidiary has received any written notice asserting that, and to the Company's Knowledge, there is no reason to believe that, the conduct of the business of the Company or any Subsidiary infringes upon or violates any Intellectual Property of any Person. Schedules 4.24(i) and 4.24(ii) list all Intellectual Property used in the conduct of the Company's and the Subsidiaries' business (and identifies such Intellectual Property as owned or licensed by the Company or the Subsidiaries), other than programs existing on any personal computers owned by the Company or any Subsidiary, back office accounting software or otherwise generally available off-the-shelf software. The Company or a Subsidiary owns or has a license to use the Intellectual Property listed on Schedule 4.24(i), and the Company and its Subsidiaries will receive the benefit of the Intellectual Property listed on Schedule 4.24(ii) in connection with the services provided under the O&M Agreement.

4.25 Title to Personal Property; Maintenance and Sufficiency.

(a) Except as set forth on Schedule 4.25(a), the Company or a Subsidiary owns good title to all of the material pipelines, equipment and other tangible personal property, in each case, that is necessary for the conduct of the respective businesses of the Company and its Subsidiaries as they currently are conducted (collectively, the "**Material Personal Property**"), free and clear of all Liens other than Permitted Encumbrances. The Material Personal Property has been owned, constructed, maintained and operated (i) in a good and workmanlike manner and (ii) in a state of repair so as to be suitable, in accordance with the prevailing customary practices in the natural gas pipeline transportation industry, for normal operations consistent with the Company's past practices.

(b) Except as set forth on Schedule 4.25(b), no asset being provided to the Company or the Subsidiaries solely pursuant to a contract with the KM Member or an Affiliate thereof is necessary for the conduct of the business of the Company or the Subsidiaries in compliance with Law or any Material Contract.

4.26 Gas Regulatory Matters.

(a) Neither the Company nor any Subsidiary has received any written Claim, notice or request for information involving any matter which remains unresolved as of the date hereof with respect to any alleged violation of the rules and regulations of the FERC, or other Governmental Authority having jurisdiction, relating to operations or assets of the Company or any Subsidiary.

(b) The rates of the Company and each Subsidiary for the transportation and storage of natural gas are not currently subject to refund by order of the FERC or a state Governmental Authority or a pending stipulation on file with either of the foregoing.

4.27 Gas Imbalances. Other than (a) the gas imbalances which have been or will be cashed out on a monthly basis in the normal course of business pursuant to the terms of Company's Tariff; (b) those gas imbalances resolved according to the terms of the FERC tariff for Bear Creek Storage Company, L.L.C., (c) gas imbalances accrued under operational

balancing agreements, (d) gas owed by Company or a third party under park and loan agreements, or (e) gas imbalances set forth on Schedule 4.27, there do not exist any gas imbalances for which the Company or any of the Subsidiaries will have a duty to deliver an equivalent quantity of gas after the Closing.

4.28 Preferential Rights. No Person has a preferential right to purchase any of the assets owned by or equity interests of the Company or its Subsidiaries as a result of the entry into this Agreement by the KM Member or the Company, or the consummation of or the intent to consummate the transactions contemplated by this Agreement.

4.29 Capital Commitments. Except for the obligations of the Company and its Subsidiaries under the Material Contracts and the capital commitments set forth in the Capital Project Budget, the Company and its Subsidiaries do not have any obligation for capital commitments in excess of $1,000,000. Schedule 4.29 sets forth all written commitments to incur capital expenditures in excess of $1,000,000 on or after the date hereof in connection with the operation of the businesses of the Company and its Subsidiaries.

4.30 Financial Condition. There are no bankruptcy proceedings pending, being contemplated by or, to the Company's Knowledge, threatened against the Company or any of the Subsidiaries and no circumstances currently exist that would permit one or more third parties to force the Company or any of the Subsidiaries into involuntary bankruptcy proceeding.

4.31 Solvency. The Company is, and immediately after giving effect to the transactions contemplated by this Agreement and the Ancillary Documents will be, Solvent.

4.32 Elba Interest.

(a) The Company has delivered to the Buyer true and complete copies of the Elba LLC Agreement and any subsequent amendments thereto and all other organizational documents concerning the Company's ownership of the Elba Interest or any other interest in Elba Express (including, as applicable, certificates of organization, bylaws, partnership agreements, operating agreements or the equivalent). Neither the Company nor any of its Subsidiaries is in default under or in violation of any provision in the Elba LLC Agreement or any such governing documents. The Company has no ownership or other interest in Elba Express other than the Elba Interest. Except for the Elba LLC Agreement or as set forth on Schedule 4.32(a), there are no agreements, voting trusts or other agreements or understandings to which the Company or any Subsidiary is a party or by which the Company or any Subsidiary is bound with respect to Elba Express, including with respect to the ownership, transfer or voting of any equity interests of Elba Express.

(b) (i) there is no Legal Proceeding pending or, to the Company's Knowledge, threatened against the Company or any of the Subsidiaries or their respective businesses or assets; (ii) there is no Official Action of any Governmental Authority or arbitrator pending or, to the Company's Knowledge, threatened against the Company or any of the Subsidiaries or their respective businesses or assets; and (iii) there is no unsatisfied Order or administrative decision against the Company or any of the Subsidiaries, in each case in

respect of or arising from the Company's ownership of the Elba Interest or otherwise in respect of Elba Express.

(c) Other than Liabilities arising in the ordinary course of business pursuant to the Contracts set forth on Schedule 4.32(c) (the "**Elba Commercial Contracts**") or Contracts entered into after Closing pursuant to the terms of the LLC Agreement, neither the Company nor any Subsidiary has nor will have any Liabilities arising from or in respect of the Elba Interest or otherwise in respect of Elba Express, including contingent Liabilities, Liabilities arising under applicable Law, Liabilities for Taxes or Liabilities to any third party.

(d) The Company has delivered to the Buyer a true and complete copy of each Elba Commercial Contract (as amended to date). Subject to the General Enforceability Exceptions, (i) each Elba Commercial Contract, with respect to the Company or any Subsidiary, is legal, valid, binding, enforceable, in full force and effect in all material respects; and (ii) each Elba Commercial Contract, with respect to the other parties to such Elba Commercial Contract, to the Company's Knowledge, is legal, valid, binding, enforceable, in full force and effect in all material respects. Neither the Company nor any Subsidiary is in material breach or default, and no event has occurred that with notice or lapse of time would constitute a material breach or default, or permit termination, modification or acceleration, under any Elba Commercial Contract. To the Company's Knowledge, no other party is in breach or default, and no event has occurred that with notice or lapse of time would constitute a breach or default, or permit termination, modification or acceleration, under any Elba Commercial Contract.

ARTICLE V
REPRESENTATIONS AND WARRANTIES OF THE KM MEMBER

The KM Member hereby represents and warrants to the Buyer as of the date hereof and as of the Closing Date as follows:

5.1 Organization and Good Standing. The KM Member is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite limited liability company power and authority to execute, deliver and perform its obligations under this Agreement and any Ancillary Documents to which it is a party and to consummate the transactions contemplated hereby and thereby. The KM Member is not a "foreign person" within the meaning of Section 1445 of the Code.

5.2 Authorization of Agreement. The execution and delivery of this Agreement by the KM Member and the Ancillary Documents to which it is a party, and the performance of the transactions contemplated herein and therein by the KM Member have been or, when executed, will be duly authorized by all necessary limited liability company action, and no other action on the part of the KM Member is necessary to authorize this Agreement and the Ancillary Documents to which it is or becomes a party or consummate the transactions contemplated hereby and thereby. This Agreement and each Ancillary Document to which the KM Member is or becomes a party has been or, when executed, will be duly and validly executed and delivered by the KM Member and constitutes or, when executed, will (assuming due authorization,

execution and delivery by the other parties hereto and thereto) constitute a valid and binding obligation of the KM Member, enforceable against the KM Member in accordance with its terms, except as such enforceability may be limited by the General Enforceability Exceptions.

5.3 Noncontravention. Neither the execution and delivery by the KM Member of this Agreement and the Ancillary Documents to which it is or becomes a party nor consummation or performance by the KM Member of the transactions contemplated hereby or thereby will: (a) violate any Law, (b) violate the organizational documents of the KM Member, (c) violate any Order to which the KM Member is a party or by which the KM Member is bound (d) violate any loan or credit agreement, note, bond, mortgage, indenture, lease or other agreement, instrument, Permit, concession, franchise or license applicable to the KM Member or (e) require any consent from, authorization or approval or other action by and no notice to or declaration, filing or registration with any Governmental Authority or any other third party, except to comply with the HSR Act or as set forth on Schedule 5.3.

5.4 Brokers Fees. The KM Member has not paid or become obligated to pay any fee or commission to any broker, finder or intermediary in connection with the transactions contemplated hereby for which the Buyer or the Company shall have any Liability following the Closing.

5.5 Litigation. There is no Legal Proceeding pending, or, to the Company's Knowledge, threatened against or affecting the KM Member which, if adversely determined, would, or could reasonably be expected to, adversely affect or impede the transactions contemplated in this Agreement, nor is there any Official Action or Order of any Governmental Authority or arbitrator outstanding against the KM Member that is reasonably likely to adversely affect or impede the transactions contemplated in this Agreement.

5.6 Ownership of Member Interests; Title.

(a) As of the Effective Time and immediately prior to the Closing Date, the KM Member has good and valid title to, and holds record and beneficial ownership of, all outstanding Member Interests of the Company, free and clear of any and all Liens, transfer restrictions and voting agreements or other agreements with respect to the ownership, voting, control or transfer of such Membership Interests (except, in each case, to the extent arising under Laws relating to federal or state securities matters).

(b) Upon the Closing, the KM Member will have delivered and conveyed to the Buyer good and valid title to the SoCo Interest, free and clear of any and all Liens, transfer restrictions and voting agreements or other agreements with respect to the ownership, voting, control or transfer of such SoCo Interest (except, in each case, to the extent expressly set forth in the Amended and Restated LLC Agreement to be entered into at Closing or arising under Laws relating to federal or state securities matters).

5.7 Bankruptcy. There are no bankruptcy proceedings pending, being contemplated by or, to the Company's Knowledge, threatened against the KM Member and no circumstances currently exist that would permit one or more third parties to force the KM Member into involuntary bankruptcy proceeding.

5.8 Solvency.

(a) The KM Member is, and immediately after giving effect to the transactions contemplated by this Agreement and the Ancillary Documents will be, Solvent.

(b) All negotiations with the Buyer have been at arms-length.

ARTICLE VI
REPRESENTATIONS AND WARRANTIES OF THE BUYER

The Buyer hereby represents and warrants to the KM Member as of the date hereof and as of the Closing Date as follows:

6.1 Organization and Good Standing. The Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. The Buyer has all requisite corporate power and authority to execute, deliver and perform its obligations under this Agreement and each Ancillary Document to which it is a party and to consummate the transactions contemplated hereby and thereby.

6.2 Authorization of Agreement. The execution and delivery of this Agreement by the Buyer and each Ancillary Document to which it is or becomes a party and the performance of the transactions contemplated herein and therein by the Buyer have been duly authorized by all necessary corporate action, and no other action on the part of the Buyer is necessary to authorize this Agreement or the Ancillary Documents to which it is a party or to consummate the transactions contemplated hereby or thereby. This Agreement and each Ancillary Document to which it is or becomes a party has been or, when executed, will be duly and validly executed and delivered by the Buyer and constitutes or, when executed, will (assuming due authorization, execution and delivery by the other parties hereto and thereto) constitute a valid and binding obligation of the Buyer, enforceable against the Buyer in accordance with its terms, except as such enforceability may be limited by the General Enforceability Exceptions.

6.3 Noncontravention. Neither the execution and delivery by the Buyer of this Agreement and the Ancillary Documents to which it is or becomes a party nor consummation or performance by the Buyer of the transactions contemplated hereby or thereby will: (a) violate any Law, (b) violate the certificate of incorporation or bylaws of the Buyer, (c) violate any Order to which the Buyer is a party or by which the Buyer is bound, (d) violate any loan or credit agreement, note, bond, mortgage, indenture, lease or other agreement, instrument, Permit, concession, franchise or license applicable to the Buyer, (e) violate any joint venture or other ownership arrangement of the Buyer or (f) require any consent from, authorization or approval or other action by, and no notice to or declaration, filing or registration with any Governmental Authority or any other third party, except to comply with the HSR Act.

6.4 Litigation. There is no Legal Proceeding pending, or, to the knowledge of the Buyer, threatened against or affecting the Buyer which, if adversely determined, would, or could reasonably be expected to, adversely affect or impede the transactions contemplated in this Agreement, nor is there any Official Action or Order of any Governmental Authority or

arbitrator outstanding against the Buyer that is reasonably likely to adversely affect or impede the transactions contemplated in this Agreement.

6.5 Investment Intent; Nature of Investment. The Buyer is acquiring the SoCo Interest for investment purposes only and not with a view toward resale or distribution thereof in violation of applicable securities Laws. The Buyer acknowledges that it can bear the economic risk of its investment in the SoCo Interest, and has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of an investment in the SoCo Interest. The Buyer is an "accredited investor" as such term is defined in Regulation D under the Securities Act. The Buyer understands that none of the SoCo Interest will have been registered pursuant to the Securities Act or any applicable state securities Laws, that the SoCo Interest will be characterized as "restricted securities" under federal securities Laws and that the SoCo Interest may not be sold or otherwise disposed of without registration under the Securities Act or an exemption therefrom.

6.6 Funding. The Buyer will have at Closing sufficient funds available to pay the Purchase Price and any expenses incurred or to be incurred by the Buyer in connection with the transactions contemplated by this Agreement.

6.7 Brokers Fees. The Buyer has not paid or become obligated to pay any fee or commission to any broker, finder or intermediary in connection with the transactions contemplated hereby for which the Company or the KM Member shall have any Liability following the Closing.

6.8 Governmental Approvals. Except as set forth in Schedule 6.8, no consent, approval, order or authorization of, or declaration, filing or registration with, or notice to, any Governmental Authority is required to be obtained or made by Buyer in connection with the execution, delivery or performance by the Buyer of this Agreement or the execution and delivery of any Ancillary Document to be executed and delivered by it at Closing, other than compliance with the HSR Act.

6.9 Disclosure of Information. The Buyer represents that it has had (a) an opportunity to undertake its own investigation of the Company, its Subsidiaries and the Member Interests and to ask questions of and receive answers from the KM Member and the Company regarding the Company and its business, assets, results of operation, and financial condition; and (b) is basing its decision to purchase the SoCo Interest and consummate the transactions contemplated in this Agreement and the Ancillary Documents solely on such investigations and the expressed representations and warranties of the Company and the KM Member as set forth in Article IV and Article V.

ARTICLE VII
ADDITIONAL AGREEMENTS

7.1 Further Actions. Subject to the terms and conditions of this Agreement, and without need for further consideration, each of the Parties agrees to use its commercially reasonable efforts to take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable under applicable Laws to consummate and make effective

the transactions contemplated by this Agreement prior to the Termination Date, including cooperating fully with the other Parties and providing information and making all necessary filings with Governmental Authorities. If, at any time after the Closing Date, any further commercially reasonable actions are necessary or desirable to carry out the purposes of this Agreement the Parties will use commercially reasonable efforts to take those necessary actions, including but not limited to executing and delivering such further agreements, conveyances, assignments, certificates, instruments and documents and performing such other actions as the requesting party may reasonably request in order to fully consummate the foregoing actions.

7.2 Conduct of Business Pending the Closing. Except as set forth on Schedule 7.2, prior to the Closing Date, the Company will cause each of its Subsidiaries to (except as consented to in writing by the Buyer, which consent shall not (except as provided in Section 7.2(g)) be unreasonably withheld, conditioned or delayed, or otherwise contemplated or permitted under this Agreement and the Ancillary Documents):

(a) carry on its business in the ordinary course of business and in a manner consistent with the Company's past practices;

(b) use commercially reasonable efforts to carry on its business (including incurring and paying capital and operating expenses) in accordance with the Capital Project Budget and make capital calls as required, if any, to fund the capital projects contemplated therein;

(c) use commercially reasonable efforts to maintain its properties and facilities, including those held under leases, in substantially the same state of working order and condition as at present, ordinary wear and tear excepted;

(d) not acquire or agree to acquire by merging or consolidating with, or by purchasing a substantial equity interest in or a substantial portion of the assets of or by any other manner, any business or any corporation, partnership, association or other business organization or division thereof;

(e) not sell, lease, mortgage, encumber, pledge, grant a lien on or otherwise dispose of, or agree to sell, lease (whether such lease is an operating or capital lease), encumber or otherwise dispose of any portion of its assets, other than in the ordinary course of the business of the Company or the Subsidiaries, consistent with the Company's past practices (provided that any disposition of assets with a value of more than $10,000,000 in the aggregate shall require the Buyer's consent whether or not in the ordinary course of business);

(f) except in the ordinary course of business, (i) not increase or agree to increase the compensation payable or to become payable to any of its officers, managers, or directors or (ii) not grant any severance or termination pay to, or enter into any employment or severance agreement with any officer, manager or director;

(g) not declare, set aside or pay any dividend or other distribution with respect to any of its outstanding equity interests, or make any issuance, reclassification, redemption, purchase or other acquisition of any of its equity securities; *provided*, that

the foregoing shall not limit cash dividends or distributions (other than cash dividends or distributions made from FT Agreement Termination Proceeds, for which Buyer may withhold consent in its sole and absolute discretion); and provided further that the foregoing shall not limit dividends or distributions by a Subsidiary to the Company;

(h) keep in full force and effect present insurance policies or other comparable insurance coverage;

(i) use all commercially reasonable efforts to maintain and preserve its business organization and maintain its relationships with suppliers, vendors, customers, creditors and others having business relations with it;

(j) not engage in any business activity other than related to the business currently anticipated to be conducted by the Company or its Subsidiaries at and after the Closing Date;

(k) not incur any new Company Debt in excess of $1,000,000 in the aggregate unless such Company Debt will (i) be repaid prior to Closing and (ii) not be factored in the calculation of the Working Capital Adjustment or the Long-Term Indebtedness Adjustment;

(l) not enter into any Contract that would constitute a Material Contract;

(m) not make any material change in accounting principles, methods or policies (except as may be required by changes in applicable Law or changes in GAAP) or make or change any election, or adopt or change any method of accounting or make any other change with respect to (i) federal Taxes or (ii) any state or local Taxes that are material or that are made outside the ordinary course of business, in each case that would be binding on the Company or any Subsidiary for any taxable period that includes any period after the Closing;

(n) not cancel or compromise any Claim or amend, modify, cancel, terminate, relinquish, waive or release any Material Contract or material right of the Company or any Subsidiary, except (excluding any Material Contract with a Related Party) in the ordinary course of business or as would not require payment by the Company or the Subsidiaries of greater than $1,000,000;

(o) not make or commit to make any capital expenditures or issue any new "authorities for expenditure" relating to capital expenditures, in either case in excess of $1,000,000 or make or commit to make any individual operating expenditure in excess of $1,000,000, other than (i) as set forth in the Capital Project Budget or (ii) the capital expenditures, new "authorities for expenditure" and operating expenditures set forth on Schedule 7.2(o) to which the Parties hereby agree;

(p) not enter into any Contract that would restrain, restrict, limit or impede the ability of the Company or its Subsidiaries to compete with any Person or to conduct any business or line of business in any geographic area;

(q) not amend the organizational documents of the Company or any of the Subsidiaries; and

(r) not authorize, or agree in writing or otherwise to take, any action in contravention of this Section 7.2.

7.3 Intercompany Agreements. Prior to the Closing, the KM Member and the Company shall take such action as may be required so that (a) all intercompany accounts receivable and notes and loans receivable relating to the Company's and the Subsidiaries' business or assets and between the Company or any Subsidiary, on the one hand, and the KM Member or its Affiliates (excluding the Company and the Subsidiaries), on the other hand, (b) all intercompany accounts payable and notes and loans payable relating to the Company's and the Subsidiaries' business or assets, and between the Company or any Subsidiary, on the one hand, and the KM Member or its Affiliates (excluding the Company and the Subsidiaries), on the other hand, and (c) all Contracts between the Company or any Subsidiary, on the one hand, and the KM Member or its Affiliates (excluding the Company and the Subsidiaries), on the other hand (including, for the avoidance of doubt, all intercompany cash management agreements or arrangements), in each case, will be terminated, transferred out of the Company or the applicable Subsidiary or otherwise eliminated or settled with no Liability to the Buyer, the Company or the Subsidiaries following Closing, it being understood that such intercompany accounts, as so settled, shall not be included in the calculation of Net Working Capital under Article III; *provided*, *however*, that nothing in this Section 7.3 shall require the KM Member, the Company or any of their respective Affiliates to terminate any of the Contracts set forth on Schedule 7.3. Prior to the Closing, the KM Member and the Company shall take such action as may be required to sever the Company and the Subsidiaries from the existing consolidated cash management system that includes the KM Member and its Affiliates, return to the Company and the Subsidiaries cash owned by them that, as of the Closing Date, is held by the KM Member or its Affiliates other than the Company and the Subsidiaries, and ensure that from and after the Closing Date cash generated by the Company and the Subsidiaries is consolidated at and held by or on behalf of the Company or the Subsidiaries as provided in the O&M Agreement.

7.4 Access to Information.

(a) Between the date hereof and the Closing, the KM Member: (a) shall give the Buyer and its authorized representatives reasonable access, during regular business hours and upon reasonable advance notice, to the facilities, books and records of the Company; and (b) shall cause officers of the Company and the KM Member to furnish the Buyer and its authorized representatives with such financial and operating data and other information with respect to the Company as the Buyer may from time to time reasonably request. The KM Member shall have the right to have a representative present at all times during any such inspections and examinations conducted at the offices or other facilities or properties of the KM Member or the Company. In addition, between the date hereof and the Closing Date, the KM Member shall provide to the Buyer reasonable access to its employees, provided that (i) the Buyer shall advise the KM Member in advance of any meetings or communications with such employees and the general purpose of such meetings or communications and (ii) the KM Member shall have the right to have a representative present at all times during such meetings. The Buyer

shall hold in confidence all such information on the terms and subject to the conditions contained in the Confidentiality Agreement. The Buyer shall have no right of access to, and the KM Member shall have no obligation to provide to the Buyer any information the disclosure of which would jeopardize any privilege available to the Company, the KM Member or any of its Affiliates relating to such information or would cause the KM Member or any of its Affiliates or the Company to breach a confidentiality obligation (*provided*, *however*, that if requested by the Buyer, the KM Member or the Company will use commercially reasonable efforts to obtain a waiver of such confidentiality obligation; provided, that neither the KM Member nor the Company shall have any obligation to compensate such applicable counterparty for such waiver or waive any rights that the KM Member or the Company, as the case may be, may have against such applicable counterparty) or contravene Law. Any access granted as provided in this Section 7.4(a) shall be at the Buyer's sole risk and expense and shall be subject to restrictions under the Company's written workplace safety guidelines (which shall be provided to the Buyer in advance of such access) and applicable Law. Notwithstanding anything to the contrary contained herein, prior to the Closing, without the prior written consent of the KM Member, which may be withheld for any reason, (y) the Buyer shall not contact in connection with the transactions to be consummated by this Agreement any suppliers to, or customers of, the Company, the KM Member or the KM Member's Affiliates, and (z) the Buyer shall have no right to perform invasive or subsurface investigations of the properties or facilities of the Company or the Subsidiaries. The KM Member makes no representation or warranty as to the accuracy of any information (if any) provided pursuant to this Section 7.4(a), and the Buyer may not rely on the accuracy of any such information other than as expressly set forth in the representations and warranties contained in Article IV or Article V.

(b) The Buyer shall indemnify, defend and hold the Company, the Subsidiaries, the KM Member and their respective Affiliates harmless from and against any and all Losses suffered by any of them relating to, resulting from or arising out of examinations or inspections made by the Buyer or its representatives pursuant to this Section 7.4; *provided*, *however*, that the Buyer shall not have any Liability arising out of the discovery of any existing environmental contamination or condition during any such examinations or inspections except in respect of its ownership interest, on and after the Closing, in the Company. THE FOREGOING INDEMNIFICATION AND HOLD HARMLESS SHALL APPLY WHETHER OR NOT SUCH LOSSES ARISE OUT OF (i) NEGLIGENCE (INCLUDING SOLE NEGLIGENCE, SIMPLE NEGLIGENCE, CONCURRENT NEGLIGENCE, ACTIVE OR PASSIVE NEGLIGENCE, BUT EXCLUDING THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT) OF THE KM MEMBER OR THE COMPANY OR (ii) STRICT LIABILITY.

(c) The Parties shall cooperate with respect to certain financial disclosures and activities in accordance with the following:

(i) The KM Member and the Company shall use commercially reasonable efforts to deliver or cause to be delivered to the Buyer on or before August 15, 2016, (A) the audited financial statements and related footnotes of the Company and its Subsidiaries for the years ended December 31, 2015, 2014 and

2013, including the report of PricewaterhouseCoopers with respect to such audited financial statements, and (B) the unaudited financial statements and related footnotes of the Company and its Subsidiaries for the three and six months ended June 30, 2016 and 2015. The KM Member will use commercially reasonable efforts to cause to be delivered to the Buyer, (1) in advance of any applicable filing with the U.S. Securities and Exchange Commission, a consent from PricewaterhouseCoopers with respect to the filing of the report referred to in the foregoing clause (A), it being understood and agreed that such filing may occur at any time on or after the delivery of such report to the Buyer and in advance of the Closing Date, and (2) any financial statements of the Company and its Subsidiaries for subsequent periods ending prior to the Closing Date, including any required audit opinions, as may be required by applicable securities Laws in connection with any Form 8-K filed by the Buyer for the purpose of updating any registration statement filed with the U.S. Securities and Exchange Commission and any Form 8-K required to be filed by Buyer under Item 2.01 of Form 8-K, with such additional financial information to be provided not later than 45 days after the end of any such subsequent period (or 60 days with respect to any year-end). Furthermore, the KM Member will use commercially reasonable efforts to assist the Buyer with all actions and things reasonably necessary, proper or advisable for the Buyer to (y) arrange, syndicate and obtain any financing arrangements of the Buyer in connection with this Agreement or the Ancillary Documents, including designating one member of senior management of the Company to participate in the preparation of offering and syndication documents and materials and providing reasonable and customary authorization and management representation letters and requesting the Company's independent auditors to provide customary accountant's comfort letters and consents, and (z) obtain any corporate credit ratings and, if applicable, facility ratings from any ratings agency. Notwithstanding the foregoing, nothing in this Section 7.4(c)(i) will require such assistance to the extent it would interfere unreasonably with the business or operations of the Company or its Subsidiaries.

(ii) The Buyer shall promptly reimburse the KM Member or the Company, as applicable for all (A) third party billed fees, costs and expenses and (B) reasonable out-of-pocket costs and expenses incurred by the KM Member or the Company with respect to the KM Member's obligations under Section 7.4(c)(i).

(iii) The Parties shall cooperate with and reasonably assist the other Parties, including using commercially reasonable efforts to provide such financial and other information, records and documents and access to such Party's personnel, advisors and accountants as may be reasonably requested by the KM Member in the discharge of the KM Member's obligations under Section 7.4(c)(i).

7.5 Regulatory Approvals.

(a) Each Party shall cooperate and use its commercially reasonable efforts to prepare and file all necessary documentation to effect all necessary applications, notices, petitions, filings and other documents and use its commercially reasonable efforts to obtain (and will cooperate with each other in obtaining) any consent, acquiescence, authorization, order or approval of and any exemption or nonopposition by, any Governmental Authority required to be obtained or made by the Company, the KM Member or the Buyer or any of their respective Affiliates in connection with the transactions contemplated hereby or the taking of any action contemplated thereby or by this Agreement. Notwithstanding anything to the contrary contained herein (including, for the avoidance of doubt, Section 7.1), in no event shall (i) the Buyer, the KM Member or any of their Affiliates be required to propose, negotiate, commit to or effect by consent decree, hold separate order, trust or otherwise, the sale, divestiture or disposition of any assets or business of such Party or any of its Affiliates, or (ii) the Company, Buyer or KM Member be required to agree or otherwise commit to take actions that after the Closing Date would require any of them to comply with prescribed standards, protocols or guidelines ("**Requirements**") in the operation or corporate governance of the Company, except to the extent such Requirements would not cause a material amendment of any Member's rights under Article 6 of the LLC Agreement or materially limit the ability of or materially increase the costs to such Party, any of its Affiliates or the Company or any of the Subsidiaries to conduct their respective business or to own, operate or participate in their respective properties or assets.

(b) No later than 21 days following the Effective Time, the KM Member, the Company and the Buyer will file with the Federal Trade Commission and the Department of Justice, as applicable, the required notification and report forms pursuant to the HSR Act and will as promptly as practicable, using commercially reasonable efforts, furnish any supplemental information that may be requested in connection therewith. The Parties will request, and use commercially reasonable efforts to obtain, expedited treatment (i.e., early termination) of such filing. The Parties shall use commercially reasonable efforts to make or modify all other filings and submissions on a prompt and timely basis in connection with the filings required by this Section 7.5. Each of the Parties will bear their own costs and expenses relating to the compliance with this Section 7.5, and the Buyer and the KM Member will each be responsible for paying 50% of any filing fees related to any notification and report forms under the HSR Act applicable to this Agreement.

7.6 Updates; Other Actions.

(a) Each Party, as appropriate, shall update the Schedules to this Agreement at least two Business Days prior to the Closing Date to reflect any matter first arising or discovered after the date of this Agreement which, if existing and known as of the execution of this Agreement, would have been required to be set forth in such Party's Schedules; provided that no such update to any Schedule shall be deemed to have amended, modified or superseded such Schedule as originally attached hereto, or to have cured any breach of warranty or representation resulting from the inaccuracy or

incompleteness of such Schedule, unless the KM Member (in the case of an update made by the Buyer) or the Buyer (in the case of an updated made by the KM Member or the Company) shall have accepted in writing such updates to such Schedule. Notwithstanding anything to the contrary in this Agreement, any failure of a Party to update a Schedule pursuant to this Section 7.6(a) with respect to a matter that constitutes a breach of a representation or warranty shall be, solely for the purposes of Section 11.4, deemed a breach of such representation or warranty and not a breach of the covenants set forth in this Section 7.6(a).

(b) Except as contemplated by this Agreement, neither the Company, the KM Member nor the Buyer shall, nor permit any of their respective Affiliates to, take or agree or commit to take any action that is reasonably likely to result in any of the conditions to the transactions contemplated hereby set forth in Article VIII not being satisfied. Each Party agrees to use its commercially reasonable efforts to satisfy the conditions to the Closing set forth in this Agreement prior to the Termination Date.

7.7 Casualty Events. Upon the occurrence of a Casualty Event, the Parties' rights and remedies in respect of such Casualty Event shall be as follows:

(a) The Company shall notify the Buyer promptly in writing of such Casualty Event, which notice shall include: (i) a reasonable description of the facts and circumstances surrounding the Casualty Event then known to the Company; (ii) the Company's preliminary assessment of the effect of the Casualty Event on the applicable assets; (iii) the Company's preliminary assessment of whether, and the extent to which, any Casualty Losses sustained as a result of such Casualty Event are covered by one or more insurance policies; and (iv) the Estimated Casualty Loss.

(b) If the associated Estimated Casualty Loss (or the Actual Casualty Loss if then known) is equal to or greater than the Casualty Termination Threshold, then either Party shall have the option to terminate this Agreement as provided in Section 10.1(b)(iv).

(c) If the associated Estimated Casualty Loss (or the Actual Casualty Loss if then known) is greater than $1,000,000 (the "**De Minimis Casualty Amount**") and the Agreement has not been terminated pursuant to Section 7.7(b), then the KM Member shall, at its option, elect by delivering written notice thereof to the Buyer (such notice, a "**Casualty Election Notice**") (i) to repair or replace the assets directly affected by such Casualty Event at the Company's expense and, subject to Section 7.7(f), adjust downward the Base Purchase Price by 50% of any such Estimated Casualty Loss (or the Actual Casualty Loss if then known), or (ii) repair or replace the assets directly affected by such Casualty Event at the KM Member's expense and no downward adjustment to the Base Purchase Price shall occur as a result of such Casualty Event. If the KM Member elects to repair or replace any assets affected by a Casualty Event in accordance with this Section 7.7(c), then the KM Member shall promptly commence and diligently execute the repair and/or replacement of such assets with similar grade quality and condition and as required by applicable Law.

(d) If the associated Estimated Casualty Loss (or the Actual Casualty Loss if then known) is less than or equal to the De Minimis Casualty Amount, then the Company shall (and the KM Member shall cause the Company to) repair, replace or abandon the assets that are the subject of such Casualty Event in accordance with the Company's best practices and procedures. The Base Purchase Price shall not be adjusted downward in respect of any Casualty Event for which the Estimated Casualty Loss (or the Actual Casualty Loss if then known) does not exceed the De Minimis Casualty Amount.

(e) For the avoidance of doubt, repair or replacement measures need not be initiated or completed, or be capable of being initiated or completed, prior to Closing for the KM Member or the Company, as the case may be, to avail itself of this Section 7.7; provided, however, that the KM Member or the Company, as the case may be, shall be obligated to repair or replace the assets (to the extent it has elected to do so in accordance with Section 7.7(c)) as soon as reasonably practicable.

(f) As promptly as practicable following the occurrence of a Casualty Event, the Company shall ascertain the Actual Casualty Loss in respect of such Casualty Event. If (x) the Actual Casualty Loss in respect of a Casualty Event differs from the Estimated Casualty Loss in respect of such Casualty Event, (y) an adjustment to the Base Purchase Price pursuant to Section 7.7(c)(i) occurred and (z) the Closing has occurred, then an adjustment payment shall be made as provided in this Section 7.7(f). Any dispute between the KM Member and Buyer in calculating the Actual Casualty Loss in respect of a Casualty Event shall be resolved by any legally available means, subject to Section 14.8, and the amount determined pursuant to such dispute resolution shall be deemed the Actual Casualty Loss in respect of such Casualty Event. An adjustment payment contemplated by this Section 7.7(f) shall be paid in cash by wire transfer of immediately available funds promptly (but in any event within five Business Days) following determination of the Actual Casualty Loss as follows:

(i) If the Estimated Casualty Loss is greater than the Actual Casualty Loss, then Buyer shall pay to the KM Member an amount in cash equal to 50% of the amount of such excess.

(ii) If the Estimated Casualty Loss is less than the Actual Casualty Loss, then the KM Member shall pay to the Company an amount in cash equal to 50% of the amount of such shortfall.

For the avoidance of doubt, no adjustment pursuant to this Section 7.7(f) shall increase or decrease the KM Member's or the Buyer's relative holdings of Membership Interests.

7.8 No Other Representations; Disclaimer. EXCEPT AS AND TO THE EXTENT EXPRESSLY SET FORTH IN ARTICLE IV, ARTICLE V AND EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES IN THE CERTIFICATE DELIVERED IN ACCORDANCE WITH SECTION 9.1(b)(ii), THE BUYER ACKNOWLEDGES AND AGREES THAT NEITHER THE KM MEMBER NOR THE COMPANY MAKES ANY REPRESENTATION OR WARRANTY WHATSOEVER TO THE BUYER AND THAT EACH OF THE KM MEMBER AND THE COMPANY HEREBY DISCLAIMS ALL

LIABILITY AND RESPONSIBILITY FOR ANY OTHER REPRESENTATION, WARRANTY, STATEMENT OR INFORMATION MADE, COMMUNICATED, OR FURNISHED (ORALLY OR IN WRITING) TO THE BUYER OR ITS REPRESENTATIVES (INCLUDING WITHOUT LIMITATION ANY OPINION, INFORMATION, PROJECTION, OR ADVICE (INCLUDING THE REASONABLENESS OF THE ASSUMPTIONS UNDERLYING SUCH OPINION, INFORMATION, PROJECTION, OR ADVICE) THAT MAY HAVE BEEN OR MAY BE PROVIDED TO THE BUYER OR ITS REPRESENTATIVES BY ANY OFFICER, EMPLOYEE, AGENT, CONSULTANT OR REPRESENTATIVE OF EITHER OF THE KM MEMBER OR THE COMPANY OR ANY OF THEIR RESPECTIVE AFFILIATES, INCLUDING ANY INFORMATION PROVIDED OR MADE AVAILABLE TO THE BUYER IN ANY "DATA ROOM." EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES CONTAINED IN ARTICLE IV, ARTICLE V AND THE CERTIFICATE DELIVERED IN ACCORDANCE WITH SECTION 9.1(b)(ii), EACH OF THE KM MEMBER AND THE COMPANY HEREBY EXPRESSLY DISCLAIMS AND NEGATES ANY REPRESENTATION OR WARRANTY, EXPRESSED OR IMPLIED, AT COMMON LAW, BY STATUTE OR OTHERWISE, RELATING TO THE CONDITION OF THE ASSETS OF THE COMPANY OR ITS SUBSIDIARIES (INCLUDING ANY IMPLIED OR EXPRESSED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, OR OF CONFORMITY TO MODELS OR SAMPLES OF MATERIALS). WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, AND EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES CONTAINED IN ARTICLE IV, ARTICLE V AND THE CERTIFICATE DELIVERED IN ACCORDANCE WITH SECTION 9.1(b)(ii), NEITHER THE KM MEMBER NOR THE COMPANY MAKES ANY REPRESENTATION OR WARRANTY TO THE BUYER REGARDING THE COSTS INCURRED (OR TO BE INCURRED) BY THE COMPANY, ITS MEMBERS OR THEIR RESPECTIVE AFFILIATES IN CONNECTION WITH CONSTRUCTION, MAINTENANCE OR OPERATION OF THE COMPANY'S OR ITS SUBSIDIARY'S ASSETS; OR THE LIKELIHOOD OF SUCCESS OR PROFITABILITY OF THE BUSINESS OF THE COMPANY AND ANY SUBSIDIARIES.

ARTICLE VIII
CONDITIONS TO THE CLOSING

8.1 Buyer's Conditions. The obligation of the Buyer to complete the Closing is subject to fulfillment prior to or at the Closing of each of the following conditions, each of which shall be deemed to be fully satisfied upon the Closing:

(a) No Legal Proceeding. At the Closing, no Legal Proceeding shall be pending or threatened by any Person (other than the Company or its Affiliates) seeking to enjoin, or prevent or obtain material damages or other material relief in connection with the consummation of the transactions contemplated by this Agreement, nor shall an Injunction, Order or Official Action have been enacted or issued that on a temporary or permanent basis restrains, enjoins, invalidates or prohibits the consummation of the transactions contemplated hereby.

(b) Fulfillment of Obligations. The KM Member and the Company shall have duly performed or complied in all material respects with all of the obligations and

covenants to be performed or to which compliance by each of them is required under the terms of this Agreement at or prior to the Closing Date.

(c) Accuracy of Representations and Warranties. The representations and warranties of the Company and the KM Member set forth herein shall be true and correct, as of the date of this Agreement and as of the Closing Date as though made on and as of the Closing Date (except for any particular representation and warranty made only as of a specified date which shall be true and correct only as of such specified date), except for such failure of representations and warranties to be true and correct (without regard to any qualifications with respect to materiality, Material Adverse Effect or the like contained therein) as, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect. Notwithstanding the foregoing, the representations and warranties of the Company and the KM Member set forth in Sections 4.30, 4.31, 5.7 and 5.8 shall be true and correct as of the date of this Agreement and as of the Closing Date as though made on and as of the Closing Date without regard to whether any inaccuracy in such representations and warranties would have a Material Adverse Effect, individually or in the aggregate. Notwithstanding anything in this Agreement to the contrary, in no event shall the occurrence of one or more Casualty Events be deemed to result in a failure of the condition specified in this Section 8.1(c) to be satisfied. Casualty Events are addressed exclusively in Sections 7.7 and 10.1(b)(iv).

(d) No Material Adverse Effect. Since the Effective Time, there shall not have occurred an event or circumstance or series of events or circumstances relating to the Company or any Subsidiary that has had, or is reasonably likely to have, a Material Adverse Effect; *provided*, *however*, that notwithstanding anything in this Agreement to the contrary, in no event shall a Material Adverse Effect be deemed to have occurred in respect of this Section 8.1(d) as a result of one or more Casualty Events. Casualty Events are addressed exclusively in Sections 7.7 and 10.1(b)(iv).

(e) HSR Act. The consummation of the transactions contemplated under the terms of this Agreement is not prevented from occurring by (and the required waiting period, if any, has expired under) the HSR Act and the rules and regulations of the Federal Trade Commission and the Department of Justice.

(f) Closing Deliveries. The KM Member or the Company, as is appropriate, shall have delivered, or caused to be delivered, at or before the Closing all of the items listed in Section 9.1 and all other agreements, instruments and documents required by other terms of this Agreement to be executed or delivered by the KM Member or the Company or any of their respective Affiliates prior to or in connection with the Closing.

8.2 The KM Member's Conditions. The obligation of the KM Member to complete the Closing is subject to fulfillment prior to or at the Closing of each of the following conditions, each of which shall be deemed to be fully satisfied upon the Closing:

(a) No Legal Proceeding. At the Closing, no Legal Proceeding shall be pending or threatened by any Person (other than the Buyer or its Affiliates) seeking to enjoin, or prevent or obtain material damages or other material relief in connection with

the consummation of the transactions contemplated by this Agreement, nor shall an Injunction, Order or Official Action have been enacted or issued that on a temporary or permanent basis restrains, enjoins, invalidates or prohibits the consummation of the transactions contemplated hereby.

(b) Accuracy of Representations and Warranties. The representations and warranties of the Buyer set forth herein shall be true and correct as of the date of this Agreement and as of the Closing Date as though made on and as of the Closing Date (except for any particular representation and warranty made only as of a specified date which shall be true and correct only as of such specified date), except for such failure of representations and warranties to be true and correct (without regard to any qualifications with respect to materiality, Material Adverse Effect or the like contained therein) as, individually or in the aggregate, would not reasonably be expected to adversely affect or impede the transactions contemplated in this Agreement.

(c) Fulfillment of Obligations. The Buyer shall have duly performed or complied in all material respects with all of the obligations and covenants to be performed or to which compliance by the Buyer is required under the terms of this Agreement at or prior to the Closing Date.

(d) HSR Act. The consummation of the transactions contemplated under the terms of this Agreement is not prevented from occurring by (and the required waiting period, if any, has expired under) the HSR Act and the rules and regulations of the Federal Trade Commission and the Department of Justice.

(e) Closing Deliveries. The Buyer shall have delivered, or caused to be delivered, at or before the Closing all of the items listed in Section 9.2 and all other agreements, instruments and documents required by other terms of this Agreement to be executed or delivered by the Buyer or its Affiliates prior to or in connection with the Closing.

ARTICLE IX
DELIVERIES AT THE CLOSING

9.1 Deliveries to the Buyer. At the Closing, the KM Member or the Company, as is appropriate, shall deliver, or shall cause to be delivered, to the Buyer the following:

(a) the SoCo Interests and any and all necessary documentation evidencing the authorized sale of the SoCo Interest by the KM Member to the Buyer in accordance with the terms hereof;

(b) a certificate of an authorized officer of the KM Member dated as of the Closing Date, (i) setting forth resolutions of the sole member of the KM Member authorizing the consummation of the transactions contemplated hereby, and certifying that such resolutions were duly adopted and have not been rescinded or amended as of the Closing Date, and (ii) certifying that the conditions set forth in Sections 8.1(b) and 8.1(c) have been satisfied or waived in writing by the Buyer;

(c) a certificate of existence of the Company and each Subsidiary from the secretary of state of each state in which they are organized and a certificate of the good standing of the Company and each Subsidiary from each state in which they are organized, and a certificate of qualification of the Company and each Subsidiary as a foreign entity authorized to do business in each state in which they are so qualified, in each case dated as of a date not earlier than 10 days prior to the Closing Date;

(d) evidence reasonably satisfactory to the Buyer of receipt of all notices, consents and waivers referenced on Schedules 4.4 and 5.3;

(e) evidence reasonable satisfactory to the Buyer of the release of any and all Liens, if any, arising from or relating to the KM Member or its Affiliates (excluding the Company and the Subsidiaries) and upon the Member Interests or the assets of the Company or any Subsidiary;

(f) a certification of non-foreign status of the KM Member (or, if the KM Member is disregarded for Tax purposes, its regarded owner) in the form prescribed by Treasury Regulation Section 1.1445-2(b)(2);

(g) the Amended and Restated LLC Agreement, duly executed by the KM Member;

(h) the O&M Agreement, duly executed by the Company and Operator;

(i) the Releases of Guarantor substantially in the form of Exhibit A, duly executed by Barclays Bank PLC, as administrative agent, releasing (A) the Guarantee Agreement dated as of November 26, 2014 among the Company, the other guarantors party thereto and Barclays Bank PLC, as Administrative Agent, and (B) the Guarantee Agreement dated as of January 26, 2016 among the Company, the other guarantors party thereto and Barclays Bank PLC, as Administrative Agent;

(j) a certificate of an authorized officer of the KM Member dated as of the Closing Date certifying that the Company and the Subsidiaries have been released from each of the Kinder Morgan Guarantees; and

(k) all other such documents and instruments as the Buyer may reasonably request in furtherance of the consummation of the transactions contemplated hereby.

9.2 Deliveries by the Buyer. At the Closing, the Buyer shall deliver, or cause to be delivered, the following:

(a) to the KM Member, the Estimated Purchase Price in accordance with Section 3.1;

(b) to the KM Member, a certificate of an authorized officer of the Buyer dated as of the Closing Date, (i) setting forth resolutions of the board of directors of the Buyer authorizing the consummation of the transactions contemplated hereby, and certifying that such resolutions were duly adopted and have not been rescinded or

amended as of the Closing Date, and (ii) certifying that the conditions set forth in Sections 8.2(b) and 8.2(c) have been satisfied or waived in writing by the KM Member;

(c) to the KM Member, the Amended and Restated LLC Agreement, duly executed by the Buyer; and

(d) to the KM Member or the Company, as applicable, all other such documents as the KM Member may reasonably request.

ARTICLE X
TERMINATION

10.1 Termination. This Agreement may be terminated and the transactions contemplated hereby may be abandoned at any time prior to the Closing Date:

(a) by mutual written consent of the KM Member, the Company and the Buyer;

(b) by the KM Member or the Buyer, upon delivery of written notice to the other Party:

(i) if there shall have been any breach by the other Party (which, in the case of the right of termination by the Buyer, shall include any breach by the KM Member or the Company) of any representation, warranty, covenant or agreement set forth in this Agreement which breach (A) would give rise to the failure of a condition to the Closing hereunder and (B) either (1) cannot be cured or (2) if it can be cured, has not been cured prior to the first to occur of (x) 5:00 p.m. on the date that is 30 days following receipt by the breaching party of written notice of such breach or such other mutually acceptable period and (y) 5:00 p.m. on the date immediately preceding the Termination Date;

(ii) if there shall be any Law that makes consummation of the transactions contemplated hereby illegal or otherwise prohibited or if any Governmental Authority shall have issued any Order or taken any other action permanently restraining, enjoining or otherwise prohibiting the consummation of the transactions contemplated hereby and such Order or other action shall have become final and nonappealable;

(iii) if the Closing shall not have occurred on or before the date that is six months from the date of this Agreement or such later date as mutually agreed in writing by the Parties (the "**Termination Date**"); *provided*, *however*, that (A) either Party may extend the Termination Date by an additional six months upon written notice to the other Party if the conditions set forth in Sections 8.1(e) and Section 8.2(d) have not been satisfied within four months from the date of this Agreement and (B) the right to terminate this Agreement under this clause (iii) shall not be available to any Party whose breach of this Agreement has been the cause of, or resulting in, the failure of the Closing to occur on or before such date; or

(iv) if the aggregate Estimated Casualty Losses (or the Actual Casualty Loss if then known) in respect of all Casualty Events exceeds the Casualty Termination Threshold; provided that such termination will only be effective if such notice of termination is delivered within 30 days after the KM Member has delivered a Casualty Election Notice to Buyer in accordance with Section 7.7(c).

10.2 Specific Performance; Effect of Termination. If the conditions to the Closing set forth in Section 8.2 have been satisfied or waived and the KM Member or the Company fail to close for any reason except pursuant to an express right as set forth herein, the Buyer will be entitled to seek specific performance of this Agreement. If the conditions in Section 8.1 have been satisfied or waived and the Buyer fails to close for any reason except pursuant to an express right as set forth herein, the KM Member and the Company will each be entitled to seek specific performance of this Agreement. The Parties agree that in either such event, irreparable damage to the Buyer, the KM Member or the Company, as applicable, may occur, no adequate remedy at law may exist and damages may be difficult to determine, and that the Buyer, the KM Member or the Company, as the case may be, shall be entitled to seek specific performance of the terms of this Agreement and immediate injunctive relief, without the necessity of proving the inadequacy of money damages as a remedy. In the event of termination of this Agreement by any Party as provided in Section 10.1, this Agreement shall forthwith become void, except this Section 10.2 and Article XIII shall survive the termination hereof, and there shall be no Liability or obligation on the part of any Party with respect to the transactions contemplated in this Agreement or any Ancillary Documents except to the extent that such termination results from the willful breach by a Party of any of its representations and warranties or of any of its covenants or agreements contained in this Agreement.

ARTICLE XI
INDEMNIFICATION

11.1 KM Member Indemnification. After the Closing, subject to the limitations set forth in Section 11.4, the KM Member agrees to defend, indemnify and hold the Buyer and its Affiliates, and the officers, managers, directors, employees and agents thereof, harmless from and against any and all Losses arising out of, based upon, attributable to or resulting from (a) any breach of any representation, warranty, agreement or covenant on the part of the KM Member or the Company contained in or made pursuant to this Agreement and (b) any Taxes allocated to the KM Member pursuant to Section 12.2(a); *provided*, *however*, that the KM Member shall have no obligation pursuant to this Article XI in respect of a Casualty Event, which are addressed exclusively in Section 7.7 and 10.1(b)(iv). THE INDEMNIFICATION OBLIGATIONS OF THE KM MEMBER PURSUANT TO THIS SECTION 11.1 SHALL APPLY WHETHER OR NOT SUCH LOSSES ARISE OUT OF (X) NEGLIGENCE (INCLUDING SOLE NEGLIGENCE, SIMPLE NEGLIGENCE, CONCURRENT NEGLIGENCE, ACTIVE OR PASSIVE NEGLIGENCE, BUT EXPRESSLY NOT INCLUDING GROSS NEGLIGENCE OR WILLFUL MISCONDUCT) OF ANY INDEMNITEE OR (Y) STRICT LIABILITY.

11.2 Buyer Indemnification. After the Closing, subject to the limitations set forth in Section 11.4, the Buyer hereby agrees to defend, indemnify and hold the KM Member and the Company and each of their respective Affiliates, and the officers, managers, directors, employees and agents of each of the foregoing harmless from and against any and all Losses arising out of,

based upon, attributable to or resulting from any breach of any representation, warranty, agreement or covenant on the part of the Buyer contained in or made pursuant to this Agreement. THE INDEMNIFICATION OBLIGATIONS OF THE BUYER PURSUANT TO THIS SECTION 11.2 SHALL APPLY WHETHER OR NOT SUCH LOSSES ARISE OUT OF (X) NEGLIGENCE (INCLUDING SOLE NEGLIGENCE, SIMPLE NEGLIGENCE, CONCURRENT NEGLIGENCE, ACTIVE OR PASSIVE NEGLIGENCE, BUT EXPRESSLY NOT INCLUDING GROSS NEGLIGENCE OR WILLFUL MISCONDUCT) OF ANY INDEMNITEE OR (Y) STRICT LIABILITY.

11.3 Indemnification Procedures.

(a) If any third party asserts any Claim against a Party which would entitle the Party to indemnification under this Article XI (the "**Indemnified Party**"), it shall give notice of such Claim to the Party from whom it intends to seek indemnification (the "**Indemnifying Party**"), which notice shall describe the nature of the Claim in reasonable detail and shall indicate the estimated amount, if practicable, of the Loss that has been or may be sustained by the Indemnified Party, and the Indemnifying Party shall have the right to assume the defense and, subject to Section 11.3(b), settlement of such Claim at its expense by representatives of its own choosing acceptable to the Indemnified Party (which acceptance shall not be unreasonably withheld). The failure of the Indemnified Party to notify the Indemnifying Party of such Claim shall not relieve the Indemnifying Party of any Liability that the Indemnifying Party may have with respect to such Claim, except to the extent that the Indemnifying Party is materially prejudiced by such failure. The Indemnified Party shall have the right to participate in the defense of such Claim at its sole expense (which expense shall not be deemed to be a Loss), in which case the Indemnifying Party shall reasonably cooperate in providing information to and consulting with the Indemnified Party about the Claim. The Indemnified Party shall have the right to employ separate counsel to represent the Indemnified Party if it is advised by counsel that an actual or reasonably likely conflict of interest makes it advisable for the Indemnified Party to be represented by separate counsel and reasonable expenses and fees of such separate counsel shall be paid by the Indemnifying Party. If the Indemnifying Party fails or does not assume the defense of any such Claim within 15 days after written notice of such Claim has been given by the Indemnified Party to the Indemnifying Party, the Indemnified Party may defend against or, subject to Section 11.3(b), settle such Claim with counsel of its own choosing at the expense (to the extent reasonable under the circumstances) of the Indemnifying Party.

(b) If the Indemnifying Party does not assume the defense of a Claim involving the asserted Liability of the Indemnified Party under this Article XI, no settlement of, or admission of guilt with respect to such Claim shall be made by the Indemnified Party without the prior written consent of the Indemnifying Party, which consent shall not be unreasonably withheld or delayed. If the Indemnifying Party assumes the defense of such a Claim, no settlement thereof may be effected by the Indemnifying Party without the Indemnified Party's consent unless (i) there is no finding or admission of any violation of Law and no effect on any other Claim that may be made against the Indemnified Party, (ii) the sole relief provided is monetary damages that have been paid in full by the Indemnifying Party and (iii) the settlement includes, as an

unconditional term thereof, the giving by the claimant or the plaintiff to the Indemnified Party of a release in form and substance reasonably satisfactory to the Indemnified Party, from all Liability in respect of such Claim.

(c) Any Claim for indemnification of Losses suffered by an Indemnified Party under this Article XI that is not a third party claim shall be asserted by giving prompt written notice thereof to the Indemnifying Party, which notice shall describe the nature of the Claim in reasonable detail and shall indicate the estimated amount, if practicable, of the Loss that has been or may be sustained by the Indemnified Party (a "**Direct Claim Notice**"). The Indemnifying Party will, within 15 Business Days after the receipt of a Direct Claim Notice, notify the Indemnified Party whether it accepts or contests its obligation of indemnity hereunder. If the Indemnifying Party does not timely respond to such Direct Claim Notice or rejects its obligation of indemnity hereunder, then the dispute will be resolved by any legally available means, subject to Section 14.8.

11.4 Limits on Indemnification. Notwithstanding anything to the contrary contained in this Agreement:

(a) The maximum aggregate amount for which the KM Member may be liable for breaches of the representations and warranties of KM Member and the Company under this Article XI shall be limited to an amount equal to 15.0% of the Final Purchase Price (the "**Cap**"); *provided*, *however*, that the Cap shall not apply with respect to any Claims asserted by the Buyer for a breach of the Fundamental Representations or the representations and warranties of the Company contained in Section 4.14 (Taxes). Excluding liabilities for breaches of the representations and warranties of KM Member and the Company under Sections 4.8, 4.14 and 5.4 and liability for breaches of the covenants set forth in Article XII (which liabilities shall not be limited in any respect), the maximum aggregate amount for which the KM Member may be liable under this Agreement shall be the Base Purchase Price.

(b) Except for (i) the representations and warranties of (A) the KM Member contained in Section 5.1 (Organization and Good Standing), Section 5.2 (Authorization of Agreement), Section 5.3(a), (b) and (c) (Noncontravention), Section 5.4 (Brokers Fees) and Section 5.6 (Ownership of Member Interests), (B) the KM Member and the Company contained in Section 4.1(a) (Corporate Organization), Section 4.2 (Capitalization), Section 4.3 (Authority Relative to This Agreement) Sections 4.4(a)(i) and (a)(iv) (Noncontravention), Section 4.8 (Brokers Fees), Section 4.12(l) (Contingent Liability Contracts) and Sections 4.32(a), 4.32(b) and 4.32(c) (Elba Interest) (collectively, such representations and warranties in (A) and (B), the "**Fundamental Representations**") and (C) the Buyer contained in Section 6.1 (Organization and Good Standing), Section 6.2 (Authorization of Agreement), Section 6.3 (Noncontravention) and Section 6.7 (Brokers Fees), each of which representations and warranties shall survive the Closing indefinitely, *provided*, *however*, that Section 4.32(c) shall survive the Closing until the Elba Interest Termination Date (as defined in the LLC Agreement); *provided*, *further*, that any Claim in respect of Section 4.32(c) accruing on or prior to the Elba Interest Termination Date shall survive the Closing indefinitely, (ii) the representations and warranties of the KM Member and the Company contained in Section 4.14 (Taxes)

and in Section 4.13 (Employee Matters), which shall survive the Closing for the applicable statute of limitations plus 30 days, all other representations and warranties of the KM Member, the Company and the Buyer and agreements or covenants of the KM Member, the Company or the Buyer to be performed entirely prior to the Closing shall survive the Closing for a period of 12 months after the Closing Date and (iii) agreements or covenants of the KM Member, the Company or the Buyer to be performed, in whole or in part, after the Closing shall survive in accordance with their respective terms; *provided*, *however*, that the KM Member's obligations in respect of Section 11.1(b) shall survive the Closing for the applicable statute of limitations plus 30 days (each period of survival set forth in this Section 11.4(b), a "**Survival Period**").

(c) None of the Company, the KM Member, the Buyer, or any officer, director, employee, Affiliate or Related Party of the Company, the KM Member or the Buyer shall have any Liability whatsoever (whether pursuant to this Agreement or otherwise) with respect to any representation, warranty, agreement or covenant and any Claims arising therefrom or related thereto after the expiration of the applicable Survival Period for such representation, warranty, agreement or covenant; *provided*, that if a Claim for indemnification is given in writing by the Indemnified Party to the Indemnifying Party before expiration of the applicable Survival Period, such Claim shall survive until it is fully resolved.

(d) the Buyer shall not assert any Claims pursuant to Section 11.1 for a breach of a representation or warranty that involves total Losses of less than $200,000 (the "**De Minimis Amount**") arising out of the same occurrence or matter; *provided*, *however*, that the De Minimis Amount shall not apply with respect to any Claims asserted by the Buyer for a breach of the Fundamental Representations or the representations and warranties of the KM Member and the Company contained in Section 4.14 (Taxes).

(e) Notwithstanding anything to the contrary herein, the KM Member shall not have any obligation to defend, indemnify or hold the Buyer (or its Affiliates, and the officers, managers, directors, employees and agents thereof) harmless with respect to any Claims asserted pursuant to Section 11.1 for a breach of a representation or warranty unless the aggregate amount of Losses with respect to all such Claims exceeds 2% of the Final Purchase Price (the "**Deductible**"), and in the event the value of Losses pursuant to such Claims exceed the Deductible, only the value of Losses in excess of the Deductible shall be considered in applying Section 11.1 to such Claims; *provided*, *however*, that the Deductible shall not apply with respect to any Claims asserted for a breach of the Fundamental Representations or the representations and warranties of the KM Member and the Company contained in Section 4.14 (Taxes).

(f) Any payments made to the KM Member, the Company or the Buyer pursuant to this Article XI shall constitute an adjustment of the Purchase Price for Tax purposes and shall be treated as such by the Buyer, the KM Member and the Company on their Tax Returns.

(g) The amount recoverable by the Buyer or its Affiliates, or the officers, managers, directors, employees or agents thereof, hereunder in respect of any Loss shall

be reduced by any insurance or indemnity proceeds actually received by such Person or the Company with respect to such Loss (minus the reasonable out-of-pocket costs incurred in obtaining such recovery).

(h) The KM Member shall be subrogated to the rights of the Buyer or its Affiliates, or the officers, managers, directors, employees or agents thereof, against any insurer, indemnitor, guarantor or other Person with respect to the subject matter of a Loss subject to indemnification by the KM Member pursuant to Section 11.1 to the extent that the KM Member pays the Buyer or its Affiliates, or the officers, managers, directors, employees or agents thereof, with respect to such Loss. The Buyer and its Affiliates, and the officers, managers, directors, employees and agents thereof, as the case may be, shall assign or otherwise reasonably cooperate with the KM Member in the pursuit of any claims against, and any efforts to recover amounts from, such other Person for any such Losses for which the Buyer or its Affiliates, or the officers, managers, directors, employees or agents thereof, has been paid. The Buyer or its Affiliates, or the officers, managers, directors, employees or agents thereof, as the case may be, shall remit to the KM Member, within five (5) Business Days after receipt, any insurance proceeds or other third-party payment that is received by such Person and which relates to Losses for which (but only to the extent) such Person has been previously compensated hereunder (minus the reasonable out-of-pocket costs incurred in obtaining such recovery). The Buyer shall be liable for the failure by any of its Affiliates, or its or their officers, managers, directors, employees or agents, to comply with the provisions of this Section 11.4(h).

11.5 Disregard of Materiality Qualifiers. Notwithstanding anything to the contrary in this Agreement, solely for purposes under this Article XI of determining whether any breach or inaccuracy of a representation, warranty, covenant or agreement has occurred or the amount of any Losses related thereto, any material, materiality or Material Adverse Effect qualifications in such representations, warranties, covenants and agreements (other than Section 4.10) shall be disregarded.

11.6 Manner of Payment. Any indemnification with respect to any Claim pursuant to Sections 11.1 or 11.2 shall be effected by wire transfer of immediately available funds from the indemnifying party to an account designated in writing by the applicable indemnitee within ten Business Days after the earlier to occur of (a) the agreement by the Parties to liability for and the amount of any Claim, and (b) a final determination thereof.

11.7 Recovery for Elba Obligations. Notwithstanding anything in this Article XI to the contrary, the KM Member shall not be liable for duplicative recovery in respect of the Elba Obligations (as defined in the LLC Agreement) and Article XI of this Agreement.

ARTICLE XII
TAXES

12.1 Tax Treatment of Transaction.

(a) The Parties intend that the transactions contemplated by this Agreement will be treated, for purposes of U.S. federal income taxation (and any state income tax

laws that incorporate or follow U.S. federal income tax principles), as constituting and resulting in (i) the formation of the Company as a partnership pursuant to Rev. Rul. 99-5, 1999-1 C.B. 434, Situation 1, in which the KM Member and the Buyer will be treated as partners, (ii) a contribution by the KM Member pursuant to Section 721(a) of the Code of a 50% undivided interest in all of the assets of the Company to the partnership in exchange for a 50% interest therein; and (iii) a purchase by the Buyer from the KM Member of a 50% undivided interest in all of the assets of the Company followed by a contribution by the Buyer of such assets to the Company pursuant to Section 721(a) of the Code.

(b) Within 90 days after Closing, the KM Member and the Buyer shall prepare a schedule (the "**Allocation Schedule**") that sets forth the agreed fair market value of the assets of the Company in accordance with Section 1060 of the Code and the Treasury Regulations promulgated thereunder. In the event the Parties are unable to reach an agreement as to such allocation, the Parties will select a nationally recognized public accounting firm to make such determination in accordance with Code section 1060, which determination shall be final and binding upon the Parties. The costs of the accounting firm shall be borne one-half by the KM Member and one-half by Buyer. The Parties agree, for all Tax purposes (including for purposes of allocating (i) the Purchase Price among the assets of the Company that are deemed purchased by the Buyer and (ii) the fair market value of the assets of the Company that are treated as contributed to a partnership under Section 721(a) of the Code by the KM Member), to report the fair market value of the assets of the Company in a manner consistent with the Allocation Schedule, as agreed to by the Parties or as determined by the accounting firm.

(c) Each of the Company, the KM Member, the Buyer, and their respective Affiliates shall file all Tax Returns in a manner consistent with this Section 12.1, and no Party shall take a position in any forum that is inconsistent with this Section 12.1 before any Governmental Authority charged with the collection or administration of any Tax, or in any proceeding relating to Tax, unless otherwise required by applicable Law or a final, non-appealable determination.

12.2 Liability for Taxes.

(a) The KM Member shall be liable for, and, in accordance with the procedures and limitations set forth in Article XI, shall indemnify and hold the Buyer harmless from any Taxes imposed on the Company or any Subsidiary for any Pre-Closing Tax Period and for the portion of any Straddle Period ending on the Closing Date (determined in accordance with Section 12.2(b)).

(b) In the case of Taxes that are payable with respect to a Straddle Period, the portion of any such Tax that is allocable to the portion of the Straddle Period ending on the Closing Date shall be:

(i) in the case of Taxes that are either (1) based upon or related to income or receipts, or (2) imposed in connection with any sale or other transfer or assignment of property (real or personal, tangible or intangible), deemed equal to

the amount that would be payable if the taxable year of the Company and each Subsidiary (and any partnership in which the Company or any Subsidiary is a partner) ended on the Closing Date; *provided*, *however*, that exemptions, allowances or deductions that are calculated on an annual basis (including depreciation and amortization deductions) shall be allocated between the period ending on the Closing Date and the period beginning after the Closing Date in proportion to the number of days in each period; and

(ii) in the case of Taxes imposed on a periodic basis (e.g., real property Taxes), deemed to be the amount of such Taxes for the entire Straddle Period (the Tax period for such purposes begins on the date on which ownership of the property gives rise to liability for the particular Tax and ends on the day prior to the next such date), multiplied by a fraction the numerator of which is the number of calendar days in the period ending on the Closing Date and the denominator of which is the number of calendar days in the entire period.

12.3 Tax Refunds. If either the Buyer, the Company, any Subsidiary or any of their Affiliates (other than the KM Member) receives a refund or utilizes a credit of any Tax that the KM Member is responsible for pursuant to Section 12.2(a), the Buyer or the Company, as applicable, shall pay to the KM Member within five (5) days after such receipt an amount equal to such refund received or credit utilized, together with any interest thereon.

12.4 Transfer Taxes. The Parties do not anticipate that any transfer, documentary, sales, use, stamp, registration, value added or other similar Taxes ("**Transfer Taxes**") will be incurred in connection with the transactions contemplated by this Agreement. In the event any such Transfer Taxes are due, the Company shall be responsible for the payment of all such Transfer Taxes resulting from the transactions contemplated by this Agreement.

ARTICLE XIII
ARBITRATION

13.1 Applicability.

(a) Subject to Section 3.4, any Claim between the Parties, whether based on contract, tort, statute or other legal or equitable theory (including but not limited to any Claim of fraud, misrepresentation or fraudulent inducement or any question of validity or effect of this Agreement including this Article) arising out of or related to this Agreement (including any amendments or extensions), or the breach or termination thereof shall be settled by arbitration in accordance with the then current International Institute for Conflict Prevention and Resolution ("**CPR**") Rules for Non-Administered Arbitration (the "**CPR Rules**") and this Article XIII. The arbitration shall be governed by the United States Arbitration Act, 9 U.S.C. §§ 1-16 to the exclusion of any provision of Law inconsistent therewith or which would produce a different result, and judgment upon the award rendered by the arbitrator may be entered by any court having jurisdiction. Any dispute to which this Article XIII applies is referred to herein as a "**Dispute**." Subject to Section 3.4, the provisions of this Article XIII shall be the exclusive method of resolving Disputes. Nothing in this Agreement shall preclude a Party from seeking temporary or

preliminary injunctive relief from a court of competent jurisdiction to prevent irreparable harm or injury before the matter can be heard in arbitration.

(b) Any Dispute covered by Section 13.1(a) shall also include the arbitration of any other known existing Claim between or among the Parties or any other Person that is party to the Amended and Restated LLC Agreement and the O&M Agreement, whether based on contract, tort, statute or other legal or equitable theory (including but not limited to any Claim of fraud, misrepresentation or fraudulent inducement or any question of validity or effect of the Amended and Restated LLC Agreement and the O&M Agreement including Section 10.6 and Article 10, respectively, of those agreements arising out of or related to the Amended and Restated LLC Agreement and the O&M Agreement (including any amendments or extensions to those agreements), but for the avoidance of doubt excluding any budget disputes pursuant to Section 10.6(a) of the Amended and Restated LLC Agreement and Section 3.6 of the O&M Agreement, which shall be resolved as provided in such agreements). The intent of this Section 13.1(b) is to require the consolidation into one arbitration proceeding all known existing Claims between the Parties and other Persons that are party to the Amended and Restated LLC Agreement and the O&M Agreement to avoid a multiplicity of Claims or Disputes at any time when there is a pending dispute covered under Article XIII of this Agreement or under Section 10.6 or Article 10 of the Amended and Restated LLC Agreement and the O&M Agreement, respectively. The failure of a Party to consolidate any known existing Claim covered by this Section 13.1(b) into the Arbitration Notice or the response to the Statement of Claim relating to that notice shall result in a waiver of that Claim, if the known existing Claim is not consolidated into the Dispute within 90 days after the date of the filing of the respondent's response to the Statement of Claim.

13.2 Negotiation to Resolve Disputes. If a Dispute arises (other than disputes that are the subject of Section 3.4, which shall be resolved as provided in Section 3.4), the Parties shall attempt to resolve such Dispute through the following procedure:

(a) first, the Parties shall promptly meet (whether by phone or in person) in a good faith attempt to resolve the Dispute;

(b) second, if the Dispute is still unresolved after ten Business Days following the commencement of the negotiations described in Section 13.2(a), then (i) the chief executive officer of Kinder Morgan, Inc. (or the designee thereof), on behalf of the KM Member or the Company, and (ii) the chief executive officer of The Southern Company (or the designee thereof), on behalf of the Buyer, shall meet (whether by phone or in person) in a good faith attempt to resolve the Dispute; and

(c) third, if the Dispute is still unresolved after ten Business Days following the commencement of the negotiations described in Section 13.2(b), then any Party (the "**Initiating Party**") may submit such Dispute to binding arbitration under this Article by written notice to the other Party (an "**Arbitration Notice**") given within 30 Business Days thereafter. At the same time that the Initiating Party sends an Arbitration Notice to the other Party, it shall also send an Arbitration Notice to the regional office of the CPR Institute covering Washington, D.C. containing the information required by the CPR

Rules and as set forth herein. The Arbitration Notice shall contain a brief description of the nature of the Dispute.

13.3 Selection of Arbitrator.

(a) Unless the Parties agree to a sole arbitrator within ten days after the Arbitration Notice is provided to the applicable regional office of the CRP Institute, any arbitration conducted under this Article XIII shall be heard by three arbitrators, of whom each Party shall select and designate one (the "**Party Appointed Arbitrators**") and the third will be selected and designated by the Party Appointed Arbitrators (all three selected and designated arbitrators, the "**Arbitrators**"). The Party Appointed Arbitrators must ensure that the third Arbitrator is qualified with the requisite experience in the matters at issue in the Dispute. To the extent the Party Appointed Arbitrators cannot agree on the final arbitrator within the time provide by the CPR Rules, the final arbitrator shall be designated by CPR pursuant to the CPR rules and qualified with the requisite experience in the matters at issue in the Dispute and shall be selected in accordance with this Article XIII. The final arbitrator (whether selected by the Party Appointed Arbitrators or the CPR) shall be the chair of the Arbitrators and have the role of administrating the proceeding as required by the CPR Rules. Each Party and each proposed Arbitrator shall disclose to the other Party any business, personal or other relationship or affiliation that may exist between such Party and such proposed Arbitrator within ten Business Days following selection as a proposed Arbitrator.

(b) The Initiating Party shall designate a proposed Arbitrator in its Arbitration Notice. The other Party shall designate a proposed Arbitrator within 20 days after receipt of the Arbitration Notice. Qualifications, challenges and replacement of all Arbitrators shall be governed by the CPR Rules.

13.4 Conduct of Arbitration.

(a) Any arbitration hearing shall be held in Washington, D.C. The Arbitrators shall fix a reasonable time and place for the hearing and shall determine the matters submitted to them pursuant to the provisions of this Agreement in a timely manner.

(b) Except as expressly provided to the contrary in this Agreement, the Arbitrators shall have the power (i) to gather such materials, information, testimony and evidence as it deems relevant to the Dispute before it (and each Party will provide such materials, information, testimony and evidence requested by the Arbitrators, except to the extent any information so requested is subject to an attorney-client or other privilege); (ii) to grant injunctive relief and enforce specific performance; (iii) to issue or cause to be issued subpoenas (including subpoenas directed to Third Parties) for the attendance of witnesses and for the production of books, records, documents and other evidence. Subpoenas so issued shall be served, and upon application to a court having jurisdiction by a Party or the Arbitrators, enforced, in the manner provided by Law for the service and enforcement of subpoenas in a civil action; and (iv) to administer oaths.

(c) In advance of the arbitration hearing, the Parties may conduct discovery in accordance with the Federal Rules of Civil Procedure as such rules may be modified herein or as otherwise agreed by the Parties. Such discovery may include (i) the taking of oral and videotaped depositions and depositions on written questions; (ii) serving interrogatories, document requests and requests for admission; and (iii) any other form and/or method of discovery provided for under the Federal Rules of Civil Procedure. The Arbitrators shall order the Parties to promptly exchange copies of all exhibits and witness lists, and, if requested by a Party, to produce other relevant documents, to answer interrogatories, to respond to admissions (which shall be deemed admitted if not denied) and to produce for deposition and, if requested, at the hearing all witnesses that such Party has listed and up to four other Persons within such Party's control. Any additional discovery shall occur by agreement of the Parties or as ordered by the Arbitrator. Any objections and/or responses to such discovery shall be due on or before 15 days after service. The Parties shall attempt in good faith to resolve any discovery disputes that may arise. If the Parties are unable to resolve any such disputes, the Parties may present their objections to the Arbitrators who shall resolve the objections in accordance with the Federal Rules of Civil Procedure. The Arbitrators may, if requested by a Party, order that a trade secret or other confidential research, development or commercial information not be revealed or be revealed only in a designated way.

(d) The Parties may also retain one or more experts to assist the Arbitrators in resolving the Dispute. The Parties shall identify and produce a report from any experts who will give testimony and/or evidence at the arbitration hearing. Any testifying experts identified shall be made available for deposition in advance of any arbitration hearing.

(e) The Arbitrators shall render their reasoned decision in writing within 15 days of the conclusion of the hearing. The Arbitrators shall have jurisdiction and authority to interpret and apply the provisions of this Agreement only insofar as shall be necessary in the determination of the Dispute before it, but it shall not have jurisdiction or authority to add to or alter in any way the provisions of this Agreement. The Arbitrators' decision shall govern and shall be final, nonappealable (except to the extent provided in the Federal Arbitration Act) and binding on the Parties and its written decision may be entered in any court having appropriate jurisdiction. Pending resolution of any Dispute, performance by Parties shall continue so as to maintain the status quo prior to notice of such Dispute and service of an Arbitration Notice by any Party shall not divest a court of competent jurisdiction of the right and power to grant a decree compelling specific performance or injunctive relief in an Action brought by the Parties.

(f) The responsibility for paying the costs and expenses of the arbitration, including compensation to the Arbitrators, shall be allocated among the Parties in a manner determined by the Arbitrators to be fair and reasonable under the circumstances. Each Party shall be responsible for the fees and expenses of its respective counsel, consultants and witnesses, unless the Arbitrators determine that compelling reasons exist for allocating all or a portion of such costs and expenses to one Party.

ARTICLE XIV
GENERAL

14.1 Amendments. This Agreement may only be amended by an instrument in writing executed by the Buyer, the Company and the KM Member.

14.2 Waivers. The observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively) by the Party entitled to enforce such term, but such waiver shall be effective only if it is in a writing signed by the Party entitled to enforce such term and against which such waiver is to be asserted. Unless otherwise expressly provided in this Agreement, no delay or omission on the part of any Party in exercising any right or privilege under this Agreement shall operate as a waiver thereof, nor shall any waiver on the part of any Party of any right or privilege under this Agreement operate as a waiver of any other right or privilege under this Agreement nor shall any single or partial exercise of any right or privilege preclude any other or further exercise thereof or the exercise of any other right or privilege under this Agreement.

14.3 Notices. Any notice or other communications required or permitted hereunder shall be in writing and shall be sufficiently given (and shall be deemed to have been duly given upon receipt) if sent by overnight mail, registered mail or certified mail, postage prepaid, by hand or by e-mail or facsimile (in the case of e-mail or facsimile, subject to confirmation of receipt) to the Parties at the following addresses (or at such other address for a Party as shall be specified by like notice):

If to the Buyer, to:

The Southern Company
30 Ivan Allen Jr. Boulevard, N.W.
Atlanta, Georgia 30308
Attn: James Y. Kerr II
Fax: (404) 506-0344
Email: jykerr@southernco.com

With a copy (which shall not constitute notice) to:

Jones Day
717 Texas Street
Suite 3300
Houston, Texas 77002
Attn: Jeff Schlegel
Lizanne Thomas
Fax: (832) 239-3600
(404) 581-8330
Email: jaschlegel@jonesday.com
lthomas@jonesday.com

If to the Company or the KM Member, to:

Kinder Morgan SNG Operator LLC or Southern Natural Gas Company, L.L.C., as applicable
c/o Kinder Morgan, Inc.
1001 Louisiana Street, Suite 1000
Houston, Texas 77002
Attn: General Counsel
Fax: (713) 369-9410
Email: david_deveau@kindermorgan.com

With a copy (which shall not constitute notice) to:

Bracewell LLP
711 Louisiana
Suite 2300
Houston, Texas 77002
Attn: W. Cleland Dade
Fax: (713) 222-3243
Email: Cle.Dade@bracewelllaw.com

14.4 Successor and Assigns, Parties in Interest. This Agreement shall be binding upon and shall inure solely to the benefit of the Parties hereto and their respective successors, legal representatives and permitted assigns. Neither this Agreement nor any rights or obligations hereunder may be assigned without the written consent of the other Parties and any attempted assignment in violation of this Section 14.4 shall be void *ab initio* and of no force nor effect, *provided*, *however*, that the Buyer shall be entitled to assign and novate, in whole or in part, its rights and obligations under this Agreement to any Affiliate without the consent of the KM Member or the Company (including, for the avoidance of doubt to a wholly-owned subsidiary of AGL Resources Inc.) so long as either AGL Resources Inc. or Buyer provides a guaranty in the form attached as Exhibit C. Upon such assignment and novation, the Buyer shall be released from all liabilities and obligations under this Agreement. Except for the foregoing, nothing in this Agreement, express or implied, is intended to or shall confer upon any Person, other than the Parties and their respective successors, legal representatives and permitted assigns, any rights, benefits or remedies of any nature whatsoever under or by reason of this Agreement, and no Person shall be deemed a third party beneficiary under or by reason of this Agreement.

14.5 Severability. If any provision of this Agreement or the application of any such provision to any Person or circumstance, shall be declared judicially to be invalid, unenforceable or void, such decision shall not have the effect of invalidating or voiding the remainder of this Agreement, it being the intent and agreement of the Parties that this Agreement shall be deemed amended to modify such provision to the extent necessary to render it valid, legal and enforceable while preserving its intent or, if such modification is not possible, by substituting therefor another provision that is valid, legal and enforceable and that achieves the same objective.

14.6 Entire Agreement. This Agreement (including the Exhibits and Schedules hereto) constitutes the entire agreement among the Parties with respect to the subject matter hereof and supersedes all prior and contemporaneous agreements and understandings, whether written or oral, among the Parties or any of them with respect to the subject matter hereof. All Exhibits and Schedules attached to this Agreement are expressly made a part of, and incorporated by reference into, this Agreement.

14.7 Schedules. The representations and warranties contained in Article IV, Article V and Article VI are qualified by the Schedules. Nothing in the Schedules is intended to broaden the scope of any representation or warranty contained in the Agreement or to create any covenant by any Party or among the Parties unless clearly specified to the contrary herein or therein. Inclusion of any item in the Schedules (a) shall be deemed to be a disclosure of such item on any other Schedule to which such disclosure's applicability to such other Schedule is readily apparent on the face of such disclosure, (b) does not represent a determination that such item is material nor shall it be deemed to establish a standard of materiality, (c) does not represent a determination that such item did not arise in the ordinary course of business unless so indicated and (d) shall not constitute, or be deemed to be, an admission to any third party concerning such item. The Schedules include descriptions of instruments or brief summaries of certain aspects of the Company, the Subsidiaries and its and their Affiliates and business and their respective operations. The descriptions and brief summaries are not necessarily complete and are provided in the Schedules to identify documents or other materials previously delivered or made available.

14.8 Governing Law. This Agreement shall be governed by and construed in accordance with the substantive laws of the State of Delaware without reference to principles of conflicts of law.

14.9 Remedies. The Parties acknowledge and agree that, except in the case of fraud or willful misconduct, the sole and exclusive remedies of each Party after the Closing for any claims based upon this Agreement or the transactions described herein shall be indemnification in accordance with Article XI. In furtherance of the foregoing, all other remedies available at law or in equity, in tort, contract or otherwise are hereby waived, released and discharged by each Party following Closing. This Section 14.9 shall not limit the rights of the Parties, if any, to seek specific performance or injunctive relief. **NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, NO PARTY SHALL HAVE ANY OBLIGATIONS WITH RESPECT TO THIS AGREEMENT, OR OTHERWISE IN CONNECTION HEREWITH, FOR ANY INDIRECT, SPECIAL, CONSEQUENTIAL, EXEMPLARY OR PUNITIVE DAMAGES, EXCEPT TO THE EXTENT THAT SUCH DAMAGES ARE AN ELEMENT OF A THIRD PARTY CLAIM AGAINST AN INDEMNIFIED PARTY WHICH IS THE OBJECT OF INDEMNIFICATION HEREUNDER.**

14.10 Expenses. Except as otherwise expressly provided in this Agreement, the KM Member and the Company, on the one hand, and the Buyer, on the other hand, shall each bear their own expenses (including fees and disbursements of counsel, accountants and other experts) incurred by it in connection with the preparation, negotiation, execution, delivery and performance of this Agreement, each of the other documents and instruments executed in connection with or contemplated by this Agreement and the consummation of the transactions contemplated hereby and thereby.

14.11 Release of Information; Confidentiality. The initial press release with respect to the execution of this Agreement will be a joint press release to be reasonably agreed upon by the Parties. Following such initial press release, none of the Parties will, and the Company will cause its Subsidiaries not to, issue or cause the publication of any press release or similar public announcement with respect to, or otherwise make any public statement concerning, the transactions contemplated hereby without the prior consent (which consent will not be unreasonably withheld, conditioned or delayed) of the other Parties; except that any Party may, without the prior consent of the other Parties (but after prior consultation with the other Parties to the extent practicable under the circumstances) issue or cause the publication of any press release or other public announcement to the extent such Party reasonably concludes it is required by applicable Law or by the rules and regulations of the New York Stock Exchange. The restrictions set forth in this Section 14.11 will not limit the ability of any Party to make internal announcements to their respective employees and other shareholders that are not inconsistent in any material respects with the prior public disclosures regarding the transactions contemplated hereby.

14.12 Counterparts. This Agreement may be executed (including by facsimile transmission) in multiple counterparts, each of which shall be deemed an original and all of which taken together shall constitute one instrument binding on all the Parties, notwithstanding that all the Parties are not signatories to the original or the same counterpart.

[*Remainder of Page Intentionally Left Blank*]

IN WITNESS WHEREOF, this Agreement has been duly executed as of the date first above written.

BUYER:

THE SOUTHERN COMPANY,
a Delaware corporation

By: /s/Thomas A. Fanning
Name: Thomas A. Fanning
Title: Chairman, President and Chief Executive Officer

COMPANY:

SOUTHERN NATURAL GAS COMPANY,
L.L.C., a Delaware limited liability company

By: /s/Norman G. Holmes
Name: Norman G. Holmes
Title: President

KM MEMBER:

KINDER MORGAN SNG OPERATOR LLC,
a Delaware limited liability company

By: /s/Norman G. Holmes
Name: Norman G. Holmes
Title: President

Exhibit A

Form of Release of Guarantor

Attached.

Exhibit A

RELEASE OF GUARANTOR

THIS RELEASE (this "Release") is made and entered into effective as of July [_____], 2016, by Barclays Bank PLC, as administrative agent for the lenders party to the Loan Agreement described below (in such capacity, the "Administrative Agent").

Reference is made to that certain Term Loan Agreement dated as of January 26, 2016 among Kinder Morgan, Inc., a Delaware corporation (the "Borrower"), the banks, financial institutions and other lenders party thereto from time to time, and the Administrative Agent (as the same may be amended or modified from time to time, the "Loan Agreement"; capitalized terms used and not otherwise defined herein have the meanings set forth in the Loan Agreement). Reference is further made to the Guarantee Agreement dated as of January 26, 2016 (as amended or modified from time to time, the "Guarantee") by the Guarantors party thereto in favor of the Administrative Agent for the benefit of the Guaranteed Parties (as defined in the Guarantee).

Pursuant to the requirements of the Loan Agreement, each of Southern Natural Gas Company, L.L.C., a Delaware limited liability company ("SNG"), Bear Creek Storage Company, L.L.C., a Louisiana limited liability company ("Bear"), and Southern Natural Issuing Corporation, a Delaware corporation ("SNIC," together with SNG and Bear, the "Companies") is a party to the Guarantee. SNIC is a Wholly-owned Subsidiary of SNG and Bear is owned 50% by SNG and 50% by Tennessee Gas Pipeline Company, L.L.C.

Pursuant to that certain Purchase and Sale Agreement dated as of July 10, 2016 (the "Purchase Agreement") between Kinder Morgan SNG Operator LLC, as seller ("Seller"), and The Southern Company, as buyer ("Buyer"), Seller has agreed to sell, and Buyer has agreed to purchase, at Closing (as defined in the Purchase Agreement) fifty percent of the limited liability company interests of SNG. Each of SNG and SNIC will cease to be a Subsidiary of the Borrower upon Closing (as defined in the Purchase Agreement) and Bear will cease to be a Wholly-owned Domestic Operating Subsidiary of the Borrower upon Closing (as defined in the Purchase Agreement).

The Administrative Agent is executing this Release pursuant to Section 9.02(c) of the Loan Agreement and Section 2(a) of the Guarantee.

For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Administrative Agent hereby agrees as follows:

1 . Release of Obligations. The Administrative Agent hereby (a) releases and discharges each Company from its obligations under the Guarantee, and (b) agrees and acknowledges that each Company is no longer a Guarantor, and is no longer a party to, subject to or bound by the Guarantee.

2. Partial Release. No Guarantor, other than the Companies, is released hereby.

3 . Further Assurances. The Administrative Agent confirms that, as provided in Section 9.02(c) of the Loan Agreement, the Administrative Agent will, at the Borrower's

expense, timely execute and deliver such documents and notices and take such other actions as the Borrower may reasonably request to evidence the release of the Companies under this Release in accordance with Section 9.02(c) of the Loan Agreement.

THIS RELEASE SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

EXECUTED AND DELIVERED as of the date first above written.

Barclays Bank PLC, as Administrative Agent

By:_____
Name:
Title:

Exhibit A

RELEASE OF GUARANTOR

THIS RELEASE (this "Release") is made and entered into effective as of [_____], 2016, by Barclays Bank PLC, as administrative agent for the lenders party to the Credit Agreement described below (in such capacity, the "Administrative Agent").

Reference is made to that certain Revolving Credit Agreement dated as of September 19, 2014 among Kinder Morgan, Inc., a Delaware corporation (the "Borrower"), the banks, financial institutions and other lenders party thereto from time to time, and the Administrative Agent (as the same may be amended or modified from time to time, the "Credit Agreement"; capitalized terms used and not otherwise defined herein have the meanings set forth in the Credit Agreement). Reference is further made to the Guarantee Agreement dated as of November 26, 2014, as supplemented by Supplement No. 1 dated as of November 26, 2014, Supplement No. 2 dated as of February 13, 2015, Supplement No. 3 dated as of April 22, 2015, Supplement No. 4 dated as of August 12, 2015, Supplement No. 5 dated as of October 15, 2015, and Supplement No. 6 dated as of January 15, 2016 (as supplemented and as further amended or modified from time to time, the "Guarantee") by the Guarantors party thereto in favor of the Administrative Agent for the benefit of the Guaranteed Parties (as defined in the Guarantee).

Pursuant to the requirements of the Credit Agreement, (a) Southern Natural Gas Company, L.L.C., a Delaware limited liability company ("SNG"), is a party to the Guarantee and (b) each of Bear Creek Storage Company, L.L.C., a Louisiana limited liability company ("Bear"), and Southern Natural Issuing Corporation, a Delaware corporation ("SNIC," together with SNG and Bear, the "Companies"), is a party to Supplement No. 1 dated as of November 26, 2014, whereby Bear and SNIC joined the Guarantee as parties thereto and assumed all the obligations of a Guarantor under the Guarantee. SNIC is a Wholly-owned Subsidiary of SNG and Bear is owned 50% by SNG and 50% by Tennessee Gas Pipeline Company, L.L.C.

Pursuant to that certain Purchase and Sale Agreement dated as of July 10, 2016 (the "Purchase Agreement") between Kinder Morgan SNG Operator LLC, as seller ("Seller"), and The Southern Company, as buyer ("Buyer"), Seller has agreed to sell, and Buyer has agreed to purchase, at Closing (as defined in the Purchase Agreement) fifty percent of the limited liability company interests of SNG. Each of SNG and SNIC will cease to be a Subsidiary of the Borrower upon Closing (as defined in the Purchase Agreement) and Bear will cease to be a Wholly-owned Domestic Operating Subsidiary of the Borrower upon Closing (as defined in the Purchase Agreement).

The Administrative Agent is executing this Release pursuant to Section 9.02(d) of the Credit Agreement and Section 2(a) of the Guarantee.

For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Administrative Agent hereby agrees as follows:

1. Release of Obligations. The Administrative Agent hereby (a) releases and discharges each Company from its obligations under the Guarantee, and (b) agrees and

acknowledges that each Company is no longer a Guarantor, and is no longer a party to, subject to or bound by the Guarantee.

2. Partial Release. No Guarantor, other than the Companies, is released hereby.

3. Further Assurances. The Administrative Agent confirms that, as provided in Section 9.02(d) of the Credit Agreement, the Administrative Agent will, at the Borrower's expense, timely execute and deliver such documents and notices and take such other actions as the Borrower may reasonably request to evidence the release of the Companies under this Release in accordance with Section 9.02(d) of the Credit Agreement.

THIS RELEASE SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

EXECUTED AND DELIVERED as of the date first above written.

Barclays Bank PLC, as Administrative Agent

By:_____
Name:
Title:

Exhibit C

Form of Guarantee

Attached.

Exhibit C

Form of

GUARANTY
OF
AGL RESOURCES INC.

This Guaranty (this "Guaranty") is made and entered into effective as of July [_____], 2016 (the "Effective Date") by AGL RESOURCES INC., a Georgia corporation ("Guarantor"), in favor of Kinder Morgan SNG Operator LLC, a Delaware limited liability company (the "Beneficiary").

RECITALS

WHEREAS, The Southern Company, a Delaware corporation (the "Preliminary Buyer"), the Beneficiary, and Southern Natural Gas Company, L.L.C., a Delaware limited liability company (the "Company"), are parties to that certain Purchase and Sale Agreement, dated as of the date hereof (as amended, supplemented or restated from time to time, the "Purchase Agreement");

WHEREAS, in accordance with Section 14.4 of the Purchase Agreement, the Preliminary Buyer has assigned its rights and obligations under the Purchase Agreement to [•] (the "Buyer"), and upon the consummation of the transactions contemplated by the Purchase Agreement, the Beneficiary and the Buyer will own 100% of the outstanding equity interests of the Company pursuant to and in accordance with that certain Fourth Amended and Restated Limited Liability Company Agreement of the Company, dated as of the Closing Date (as defined in the Purchase Agreement) (as amended, supplemented or restated from time to time, the "LLC Agreement"); and

WHEREAS, the Preliminary Buyer, the Company and the Beneficiary are parties to that certain letter agreement, dated as of the date hereof (as amended, supplemented or restated from time to time, the "Letter Agreement" and, together with the Purchase Agreement, the "Transaction Documents"), and in accordance with Section 5 of the Letter Agreement, the Preliminary Buyer has assigned its rights and obligations under the Letter Agreement to Buyer; and

WHEREAS, the Guarantor is the record and beneficial owner of all of the outstanding equity interests of the Buyer, and the Guarantor will, as a consequence, benefit from the consummation of the transactions contemplated by the Transaction Document. The Guarantor has therefore agreed to execute this Guaranty to guaranty the Guaranteed Obligations (as defined below); and

WHEREAS, in order to induce the Beneficiary to enter into the Transaction Documents, the Guarantor has agreed to execute and deliver to the Beneficiary this Guaranty.

NOW, THEREFORE, in consideration of the foregoing recitals and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Guarantor hereby irrevocably and unconditionally guarantees to the Beneficiary (a) the prompt payment and performance when due of all of the Buyer's obligations arising under the Purchase Agreement in accordance with the terms of the Purchase Agreement, (b) the performance, at the Closing (as defined in the Purchase Agreement), of all of the Buyer's obligations arising under the Letter Agreement and (c) all costs and expenses (including reasonable fees and expenses of counsel) incurred by the Beneficiary and its affiliates in connection with the enforcement of this Guaranty and the Transaction Documents (collectively, the "Guaranteed Obligations"). For the avoidance of doubt, the Guaranteed Obligations do not include any obligations arising on or after Closing under any document or agreement other than those arising under the Transaction Documents themselves.

This Guaranty is an absolute, unconditional and continuing guaranty of the full and punctual payment and performance when due of the Guaranteed Obligations and not of the collectability of the Guaranteed Obligations only. Except as expressly set forth in this Guaranty, the obligations of the Guarantor under this Guaranty are independent of the obligations of the Buyer under the Transaction Documents. Upon any default or breach by the Guarantor or the Buyer in the prompt payment or performance when due of any of the Guaranteed Obligations in accordance with the terms of the Transaction Documents or this Guaranty or any agreements of the Guarantor under this Guaranty or upon the occurrence of any Bankruptcy (as defined in the LLC Agreement) of the Buyer or the Guarantor, the Beneficiary may immediately proceed against the Guarantor for the payment and performance in full of the Guaranteed Obligations (or any part thereof) without bringing action against or joining the Buyer and pursue any other rights or remedies available to the Beneficiary under any of the Transaction Documents, this Guaranty or applicable law or in equity.

Notwithstanding the foregoing, nothing in this Guaranty will restrict the Guarantor from raising the defense of prior payment or performance by the Buyer or the Guarantor of the Guaranteed Obligations which the Guarantor may be called upon to pay or perform under this Guaranty or the defense (other than a defense referred to in the immediately following paragraph) that there is no obligation on the part of the Buyer with respect to the matter claimed to be in default under the Transaction Documents or this Guaranty.

It will not be a defense to the enforcement of this Guaranty that the Buyer's execution and delivery of the Transaction Documents was unauthorized or otherwise invalid, or that any of the Buyer's obligations thereunder are otherwise unenforceable. The Guarantor intends this Guaranty to apply in respect of the obligations of the Buyer that would arise under the Transaction Documents if all of the provisions thereof were enforceable against the Buyer in accordance with their respective terms.

This Guaranty is subject to the following terms and conditions:

1. Guarantor hereby agrees that its obligations under the terms of this Guaranty shall not be released, diminished, impaired, reduced, terminated or affected by the occurrence of any circumstance except for the payment and performance in full of the Guaranteed Obligations when due in accordance with this Guaranty and the Transaction Documents.

Without limiting the generality of the foregoing, such obligations of the Guarantor will not be affected by any one or more of the following events: (a) the taking or accepting of any security or other guaranty for the Guaranteed Obligations; (b) the insolvency, bankruptcy of similar proceeding of any person or entity at any time liable for the performance of the Guaranteed Obligations; (c) any amendment, extension and/or rearrangement of the Guaranteed Obligations; (d) any failure of the Beneficiary to notify Guarantor of any amendment, extension and/or rearrangement of the Guaranteed Obligations or any part thereof; (e) any exercise or non-exercise of any right, power or remedy under, or in respect of, any of the Transaction Documents or this Guaranty; (f) any waiver, consent, release, extension or other action, inaction or omission under, or in respect of, any of the Transaction Documents or this Guaranty; (g) any failure of the Buyer to comply with any of the terms of the Transaction Documents; or (h) except as expressly set forth in this Guaranty, the inability to recover from the Buyer or the Guarantor because of any circumstances which might constitute a legal or equitable discharge of or a defense of a guarantor.

2. This Guaranty is for the benefit of the Beneficiary and the Beneficiary's successors and permitted assigns under the Transaction Documents and this Guaranty, and shall be binding upon the Guarantor and its successors and assigns. Guarantor shall have no right to assign or transfer any of its obligations under this Guaranty to any other person or entity without the prior written consent of the Beneficiary and any attempted assignment in contravention of this Guaranty will be void.

3. Guarantor hereby waives the following to the fullest extent permitted by applicable law: (a) promptness, diligence, demand for payment, notice of presentment and dishonor, notice of default or any other notice or demand of any kind with respect to the Guaranteed Obligations to which the Guarantor or the Buyer may be entitled by applicable law; (b) any requirement that the Beneficiary exhaust any right or take any action against the Buyer before taking any action in respect of this Guaranty; and (c) all suretyship defenses to which the Guarantor may be entitled under applicable law.

4. If any payment by the Buyer, the Company or the Guarantor to the Beneficiary is held to constitute a preference, fraudulent transfer or other voidable payment under any bankruptcy, insolvency or similar law, or if for any other reason the Beneficiary is required to refund any such payment or pay the amount thereof to any other person or entity, this Guaranty will continue to be effective or will be reinstated and this Guaranty will apply to any and all amounts so refunded by the Beneficiary to another person or entity.

5. This is a continuing guaranty and will remain in full force and effect until the Guaranteed Obligations have been fully and finally paid and performed in full in accordance with the Transaction Documents and this Guaranty, at which time this Guaranty shall automatically terminate.

6. If any provisions of this Guaranty or the application thereof to any person, entity or circumstance shall for any reason and to any extent be invalid or unenforceable, neither the remainder of this Guaranty nor the application of such provision to any such other

person, entity or circumstances shall be affected thereby, but shall be enforced to the extent permitted by applicable law.

7. Guarantor represents that it will receive a direct and material benefit from the obligations contained in the Transaction Documents.

8. Guarantor hereby specifically incorporates into this Guaranty the provisions of Section 14.8 and Article XIII of the Purchase Agreement, *mutatis mutandis*.

11. No delay by the Beneficiary in exercising any right, power or privilege under this Guaranty or failure to exercise the same will constitute a waiver or otherwise affect such right, power or privilege, nor will any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. No notice of demand on the Guarantor will be deemed to be a waiver of (a) any obligation of the Buyer under the Transaction Documents or otherwise, or (b) any right of the Beneficiary to take any further action or exercise any rights under this Guaranty or the Transaction Documents.

12. The Guarantor hereby represents, warrants and agrees with the Beneficiary that, until this Guaranty terminates in accordance with its terms:

    (a) the Guarantor has the corporate power and authority to execute, deliver and perform its obligations under this Guaranty and to consummate the transactions contemplated hereby;

    (b) this Guaranty constitutes the valid and binding obligation of the Guarantor, enforceable against the Guarantor in accordance with its terms, subject to General Enforceability Exceptions (as defined in the Purchase Agreement); and

    (c) neither the execution and delivery by the Guarantor of this Guaranty nor the performance by the Guarantor of the transactions contemplated hereby will violate, conflict with or constitute a default under (i) any law to which the Guarantor or any of its assets is subject, or (ii) any agreement, order or decree to which the Guarantor is party or by which it is bound, except where such violation, conflict or default would not materially affect the ability of the Guarantor to perform its obligations under this Guaranty.

13. The Guarantor will make all payments under this Guaranty free and clear of any deduction, offset, action, defense, claim or counterclaim of any kind, except as expressly set forth in this Guaranty.

14. This Guaranty constitutes the entire agreement of the Guarantor and the Beneficiary with respect to the subject matter hereof and supersedes all prior agreements, both written and oral, with respect hereto.

15. All notices to the Guarantor or the Beneficiary shall be sent to the other party hereto will be in writing and deemed to have been given or made if the notice is given in accordance with the provisions of Section 14.3 of the Purchase Agreement.

16. This Guaranty may be amended or waived only by a writing signed by each of the Guarantor and the Beneficiary.

17. All costs and expenses of the Guarantor and the Beneficiary incurred in connection with the enforcement by the Beneficiary of this Guaranty and included in the Guaranteed Obligations will be paid by the Guarantor to the Beneficiary within ten business days after demand therefor (unless a Bankruptcy (as defined in the LLC Agreement) of the Guarantor occurs, in which case, all such accrued and unpaid expenses will automatically accelerate and be immediately due and payable).

18. Each party hereto shall execute such other documents and agreements, and take such other actions, to give further assurances to the other party as shall be necessary to perform such party's obligations hereunder.

[Signature Page Immediately Follows]

The undersigned has duly executed and delivered to the Beneficiary this Guaranty as of the Effective Date.

AGL RESOURCES INC.

By:_____
[Name]
[Title]

Exhibit 2.1(b)

ASSIGNMENT, ASSUMPTION AND NOVATION OF PURCHASE AND SALE AGREEMENT

This Assignment, Assumption and Novation of Purchase and Sale Agreement (this "Assignment") is effective August 31, 2016, by and between The Southern Company, a Delaware corporation ("Assignor"), and Evergreen Enterprise Holdings LLC ("Assignee"), a Georgia limited liability company and subsidiary of Southern Company Gas (f/k/a AGL Resources Inc.).

RECITALS

WHEREAS, Assignor is a party to that certain Purchase and Sale Agreement, dated July 10, 2016 (the "Purchase Agreement"), by and among the Assignor, Southern Natural Gas Company, L.L.C., a Delaware limited liability company (the "Company"), and Kinder Morgan SNG Operator LLC, a Delaware limited liability company (the "KM Member");

WHEREAS, in accordance with Section 14.4 of the Purchase Agreement, the Assignor wishes to assign its rights and obligations under the Purchase Agreement and the Ancillary Documents (as defined in the Purchase Agreement) to the Assignee and Assignee wishes to assume such rights and obligations; and

WHEREAS, Southern Company Gas contemporaneously with the execution and delivery of this Assignment has delivered to the KM Member a guaranty in the form contemplated by Section 14.4 of the Purchase Agreement (the "Guaranty");

AGREEMENT

NOW THEREFORE, in consideration of the terms and obligations set forth below, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor and Assignee agree as follows:

1. Definitions. All capitalized terms used and not otherwise defined in this Assignment shall have the meanings ascribed to them in the Purchase Agreement.

2. Assignment. Assignor assigns, transfers, and conveys to Assignee the Purchase Agreement, including all of Assignor's rights and obligations thereunder.

3. Assumption. Assignee accepts and assumes the Purchase Agreement and all of Assignor's rights and obligations thereunder and agrees to be bound by all of the terms and conditions of the Purchase Agreement as Buyer thereunder.

4. Novation. Assignee acknowledges that pursuant to Section 14.4 of the Purchase Agreement, that the mutual execution and delivery by Assignor and Assignee of this Assignment together with the execution and delivery of the Guaranty will cause a novation of the Purchase Agreement and the Ancillary Documents such that Assignee will become the Buyer under such agreements for all purposes and Assignor will be released from all liabilities and obligations under such agreements.

5. Miscellaneous. Nothing expressed or implied in this Assignment is intended to confer upon any person, other than the parties hereto, or their respective successors or assigns, any rights, remedies, obligations, or liabilities under or by reason of this Assignment. This Assignment is made without warranty, representation, or guaranty by, or recourse against, Assignor of any kind whatsoever.

IN WITNESS WHEREOF, the parties hereto have executed this Assignment to be effective as of the date first set forth above.

ASSIGNOR:

THE SOUTHERN COMPANY

By: /s/James Y. Kerr, II
Name: James Y. Kerr, II
Title: Executive Vice President and General Counsel

ASSIGNEE:

EVERGREEN ENTERPRISE HOLDINGS LLC

By: /s/Dat T. Tran
Name: Dat T. Tran
Title: President

Exhibit 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statement on Form S-3 (No. 333-212328) and Form S-8 (Nos. 333-26963 and 333-154965) of Southern Company Gas of our report dated April 14, 2016 relating to the financial statements of Southern Natural Gas Company, L.L.C., which appears in this Current Report on Form 8-K of Southern Company Gas.

/s/ PricewaterhouseCoopers LLP
Houston, Texas
September 1, 2016

Exhibit 99.1

CONSOLIDATED FINANCIAL STATEMENTS
With Independent Auditor's Report

SOUTHERN NATURAL GAS COMPANY, L.L.C.

As of December 31, 2015 and 2014 and
For the Years Ended December 31, 2015 and 2014

SOUTHERN NATURAL GAS COMPANY, L.L.C. AND SUBSIDIARY
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Independent Auditor's Report

To the Management of Southern Natural Gas Company, L.L.C.:

We have audited the accompanying consolidated financial statements of Southern Natural Gas Company, L.L.C. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of income, of member's equity, and of cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Southern Natural Gas Company, L.L.C. and its subsidiaries at December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 7 to the consolidated financial statements, the Company has extensive operations and relationships with affiliated entities. Our opinion is not modified with respect to this matter.

/s/PricewaterhouseCoopers LLP

Houston, Texas
April 14, 2016

SOUTHERN NATURAL GAS COMPANY, L.L.C. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
(In Millions)

	Year Ended December 31,	
	2015	**2014**
Revenues	$ 573	$ 571
Operating Costs and Expenses		
Operations and maintenance	113	106
Depreciation and amortization	92	95
General and administrative	34	33
Taxes, other than income taxes	37	37
Gain on sale of long-lived assets	(10)	(2)
Total Operating Costs and Expenses	266	269
Operating Income	307	302
Other Income (Expense)		
Earnings from equity investment	9	12
Interest, net	(77)	(77)
Other, net	1	1
Total Other Income (Expense)	(67)	(64)
Income Before Income Taxes	240	238
Income Tax Expense	—	(1)
Net Income	$ 240	$ 237

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

SOUTHERN NATURAL GAS COMPANY, L.L.C. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
(In Millions)

	December 31,	
	2015	**2014**
ASSETS		
Current assets		
Cash and cash equivalents	$ —	$ —
Accounts receivable, net	49	56
Inventories	18	18
Regulatory assets	13	14
Other current assets	2	8
Total current assets	82	96
Property, plant and equipment, net	2,439	2,473
Investment	61	61
Note receivable from affiliate	80	166
Regulatory assets	40	49
Deferred charges and other assets	32	43
Total Assets	$ 2,734	$ 2,888
LIABILITIES AND MEMBER'S EQUITY		
Current liabilities		
Accounts payable	$ 43	$ 41
Accrued interest	19	19
Accrued taxes, other than income taxes	6	10
Regulatory liabilities	3	5
Customer deposits	2	6
Other current liabilities	4	3
Total current liabilities	77	84
Long-term liabilities and deferred credits		
Long-term debt, net of debt issuance costs	1,205	1,203
Other long-term liabilities and deferred credits	21	42
Total long-term liabilities and deferred credits	1,226	1,245
Total Liabilities	1,303	1,329
Commitments and contingencies (Notes 2 and 10)		
Member's Equity	1,431	1,559
Total Liabilities and Member's Equity	$ 2,734	$ 2,888

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

SOUTHERN NATURAL GAS COMPANY, L.L.C. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Millions)

	Year Ended December 31,	
	2015	**2014**
Cash Flows From Operating Activities		
Net income	$ 240	$ 237
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	92	95
Earnings from equity investment	(9)	(12)
Gain on sale of long-lived assets	(10)	(2)
Other non-cash items	3	4
Distributions from equity investment earnings	9	11
Changes in components of working capital:		
Accounts receivable	3	13
Regulatory assets	(10)	(1)
Accounts payable	(6)	15
Other current assets and liabilities	(3)	(2)
Other long-term assets and liabilities	19	(20)
Net Cash Provided by Operating Activities	328	338
Cash Flows From Investing Activities		
Capital expenditures	(63)	(54)
Net change in note receivable from affiliates	86	17
Sale or disposal of property, plant and equipment, net of salvage	14	—
Other, net	3	—
Net Cash Used in Investing Activities	40	(37)
Cash Flows From Financing Activities		
Distributions to Member	(368)	(301)
Net Cash Used in Financing Activities	(368)	(301)
Net Change in Cash and Cash Equivalents	—	—
Cash and Cash Equivalents, beginning of period	—	—
Cash and Cash Equivalents, end of period	$ —	$ —
Non-cash Investing Activities		
Net increases in property, plant and equipment accruals	$ 9	$ —
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period for interest (net of capitalized interest)	$ 74	$ 74

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

SOUTHERN NATURAL GAS COMPANY, L.L.C. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF MEMBER'S EQUITY
(In Millions)

	Year Ended December 31,	
	2015	**2014**
Beginning Balance	$ 1,559	$ 1,623
Net income	240	237
Distributions	(368)	(301)
Ending Balance	$ 1,431	$ 1,559

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

SOUTHERN NATURAL GAS COMPANY, L.L.C. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. General

We are a Delaware limited liability company, originally formed in 1935 as a corporation. When we refer to "us," "we," "our," "ours," "the Company," or "SNG," we are describing Southern Natural Gas Company, L.L.C and its consolidated subsidiary.

Prior to January 1, 2015, we were wholly owned by El Paso Pipeline Partners Operating Company, L.L.C. (EPPOC), a wholly owned subsidiary of El Paso Pipeline Partners, L.P., (EPB), a master limited partnership indirectly controlled by Kinder Morgan, Inc. (KMI). On January 1, 2015, EPB and its subsidiary, EPPOC, merged with and into Kinder Morgan Energy Partners, L.P. (KMP), with KMP surviving the merger. As a result of such merger, we became a direct wholly owned subsidiary of KMP, which is a subsidiary of by KMI.

Our operations are regulated by the Federal Energy Regulatory Commission (FERC) under the Natural Gas Act of 1938, the Natural Gas Policy Act of 1978 and the Energy Policy Act of 2005. The FERC approves tariffs that establish rates, cost recovery mechanisms and other terms and conditions of service to our customers.

Our primary business consists of the interstate transportation and storage of natural gas. We own a 6,900 mile pipeline system with a design capacity of approximately 3.9 billion cubic feet per day for natural gas. This pipeline system extends from the supply basins in Louisiana, Mississippi, Alabama and the Gulf of Mexico to market areas in Louisiana, Mississippi, Alabama, Florida, Georgia, South Carolina and Tennessee, including the metropolitan areas of Atlanta and Birmingham. We also own and operate 100% of the Muldon storage facility in Monroe County, Mississippi and a 50% interest in Bear Creek Storage Company, L.L.C. (Bear Creek) in Bienville Parish, Louisiana. Our interest in Bear Creek, the Muldon storage facilities and contracted storage have a combined working natural gas storage capacity of approximately 68 billion cubic feet (Bcf) and peak withdrawal capacity of 1.3 Bcf per day. Bear Creek is a joint venture equally owned by us and Tennessee Gas Pipeline Company, L.L.C., an affiliate.

2. Summary of Significant Accounting Policies

Basis of Presentation

We have prepared our accompanying consolidated financial statements in accordance with the accounting principles contained in the Financial Accounting Standards Board's (FASB) Accounting Standards Codification, the single source of United States Generally Accepted Accounting Principles (GAAP) and referred to in this report as the Codification. Additionally, certain amounts from the prior year have been reclassified to conform to the current presentation.

Management has evaluated subsequent events through April 14, 2016, the date the financial statements were available to be issued.

Principles of Consolidation

We consolidate entities when we have the ability to control or direct the operating and financial decisions of the entity or when we have a significant interest in the entity that gives us the ability to direct the activities that are significant to that entity. The determination of our ability to control, direct or exert significant influence over an entity involves the use of judgment. All significant intercompany items have been eliminated in consolidation.

Use of Estimates

Certain amounts included in or affecting our financial statements and related disclosures must be estimated, requiring us to make certain assumptions with respect to values or conditions which cannot be known with certainty at the time our financial statements are prepared. These estimates and assumptions affect the amounts we report for assets and liabilities, our revenues and expenses during the reporting period, and our disclosures, including as it relates to contingent assets and liabilities at the date of our financial statements. We evaluate these estimates on an ongoing basis, utilizing historical experience, consultation with experts and other methods we consider reasonable in the particular circumstances. Nevertheless, actual results may differ significantly from our estimates. Any effects on our business, financial position or results of operations resulting from revisions to these estimates are recorded in the period in which the facts that give rise to the revision become known.

In addition, we believe that certain accounting policies are of more significance in our financial statement preparation process than others, and set out below are the principal accounting policies we apply in the preparation of our consolidated financial statements.

Cash Equivalents

We define cash equivalents as all highly liquid short-term investments with original maturities of three months or less.

Accounts Receivable, net

We establish provisions for losses on accounts receivable due from shippers and operators if we determine that we will not collect all or part of the outstanding balance. We regularly review collectability and establish or adjust our allowance as necessary using the specific identification method. The allowance for doubtful accounts as of December 31, 2015 and 2014 was not significant.

Inventories

Our inventories, which consist of materials and supplies, are valued at the lower of average cost or market.

Natural Gas Imbalances

Natural gas imbalances occur when the amount of natural gas delivered from or received by a pipeline system or storage facility differs from the scheduled amount of gas to be delivered or received. We value these imbalances due to or from shippers and operators at current index prices. Imbalances are settled in cash or made up in-kind, subject to the terms of our FERC tariff. Imbalances due from customers and affiliates are reported on our accompanying Consolidated Balance Sheets in “Other current assets.” Imbalances owed to customers and affiliates are reported on our accompanying Consolidated Balance Sheets in “Other current liabilities.” We classify all imbalances as current as we expect to settle them within a year.

Property, Plant and Equipment, net

Our property, plant and equipment is recorded at its original cost of construction or, upon acquisition, at either the fair value of the assets acquired or the cost to the entity that first placed the asset in utility service. For constructed assets, we capitalize all construction-related direct labor and material costs, as well as indirect construction costs. Our indirect construction costs primarily include an interest and equity return component (as more fully described below) and labor and related costs associated with supporting construction activities. The indirect capitalized labor and related costs are based upon estimates of time spent supporting construction projects.

We use the composite method to depreciate property, plant and equipment. Under this method, assets with similar economic characteristics are grouped and depreciated as one asset. The FERC-accepted depreciation rate is applied to the total cost of the group until the net book value equals its salvage value. For certain general plant, the asset is depreciated to zero. As

part of periodic filings with the FERC, we also re-evaluate and receive approval for our depreciation rates. When property, plant and equipment is retired, accumulated depreciation and amortization is charged for the original cost of the assets in addition to the cost to remove, sell or dispose of the assets, less their salvage value. We do not recognize gains or losses unless we sell land or sell or retire an entire operating unit (as approved by the FERC). In those instances where we receive recovery in rates related to losses on dispositions of operating units, we record a regulatory asset for the estimated recoverable amount. For more information on our regulatory asset we recorded associated with the sale of certain of our assets, see Note 9.

Included in our property balances are base gas and working gas at our storage facilities. We periodically evaluate natural gas volumes at our storage facilities for gas losses. When events or circumstances indicate a loss has occurred, we recognize a loss on our accompanying Consolidated Statements of Income or defer the loss as a regulatory asset on our accompanying Consolidated Balance Sheets if deemed probable of recovery through future rates charged to customers.

We capitalize a carrying cost (an allowance for funds used during construction or AFUDC) on debt and equity funds related to the construction of long-lived assets. This carrying cost consists of a return on the investment financed by debt and a return on the investment financed by equity. The debt portion is calculated based on our average cost of debt. Interest costs capitalized are included as a reduction in “Interest, net” on our accompanying Consolidated Statements of Income. The equity portion is calculated based on our most recent FERC approved rate of return. Equity amounts capitalized are included in “Other, net” on our accompanying Consolidated Statements of Income. The amounts of capitalized AFUDC were not significant for the years ended December 31, 2015 and 2014.

Asset Retirement Obligations (ARO)

We record liabilities for obligations related to the retirement and removal of long-lived assets used in our businesses. We record, as liabilities, the fair value of ARO on a discounted basis when they are incurred and can be reasonably estimated, which is typically at the time the assets are installed or acquired. Amounts recorded for the related assets are increased by the amount of these obligations. Over time, the liabilities increase due to the change in their present value, and the initial capitalized costs are depreciated over the useful lives of the related assets. The liabilities are eventually extinguished when the asset is taken out of service.

We are required to operate and maintain our natural gas pipelines and storage systems, and intend to do so as long as supply and demand for natural gas exists, which we expect for the foreseeable future. Therefore, we believe that we cannot reasonably estimate the ARO for the substantial majority of our assets because these assets have indeterminate lives. We continue to evaluate our ARO and future developments could impact the amounts we record. Our recorded ARO were not significant as of December 31, 2015 and 2014.

Asset and Investment Impairments

We evaluate our assets and investments for impairment when events or circumstances indicate that their carrying values may not be recovered. These events include market declines that are believed to be other than temporary, changes in the manner in which we intend to use a long-lived asset, decisions to sell an asset or investment and adverse changes in market conditions or in the legal or business environment such as adverse actions by regulators. If an event occurs, which is a determination that involves judgment, we evaluate the recoverability of our carrying values based on either (i) the long-lived asset's ability to generate future cash flows on an undiscounted basis or (ii) the fair value of the investment in an unconsolidated affiliate. If an impairment is indicated, or if we decide to sell a long-lived asset or group of assets, we adjust the carrying value of the asset downward, if necessary, to its estimated fair value.

Our fair value estimates are generally based on assumptions market participants would use, including market data obtained through the sales process or an analysis of expected discounted future cash flows. There were no impairments for the years ended December 31, 2015 and 2014.

Equity Method of Accounting

We account for investments, which we do not control but do have the ability to exercise significant influence, by the equity method of accounting. Under this method, our equity investments are carried originally at our acquisition cost, increased by our proportionate share of the investee's net income and by contributions made, and decreased by our proportionate share of the investee's net losses and by distributions received.

Revenue Recognition

We are subject to FERC regulations, therefore fees and rates established under our tariff are a function of our cost of providing services to our customers, including a reasonable return on our invested capital. Our revenues are primarily generated from natural gas transportation and storage services and include estimates of amounts earned but unbilled. We estimate these unbilled revenues based on contract data, regulatory information, and preliminary throughput and allocation measurements, among other items. Revenues for all services are based on the thermal quantity of gas delivered or subscribed at a price specified in the contract. For our transportation services and storage services, we recognize reservation revenues on firm contracted capacity ratably over the contract period regardless of the amount of natural gas that is transported or stored. For interruptible or volumetric-based services, we record revenues when physical deliveries of natural gas are made at the agreed upon delivery point or when gas is injected or withdrawn from the storage facility. For contracts with step-up or step-down rate provisions that are not related to changes in levels of service, we recognize reservation revenues ratably over the contract life. The revenues we collect may be subject to refund in a rate proceeding. We had no reserves for potential rate refunds as of December 31, 2015 and 2014.

For the year ended December 31, 2015, revenues from our three largest non-affiliate customers were approximately $148 million, $108 million and $58 million, respectively, each of which exceeded 10% of our operating revenues. For the year ended December 31, 2014, revenues from our three largest non-affiliate customers were approximately $149 million, $107 million and $61 million, respectively, each of which exceeded 10% of our operating revenues.

Environmental Matters

We capitalize or expense, as appropriate, environmental expenditures. We capitalize certain environmental expenditures required in obtaining rights-of-way, regulatory approvals or permitting as part of the construction. We accrue and expense environmental costs that relate to an existing condition caused by past operations. We generally do not discount environmental liabilities to a net present value, and we record environmental liabilities when environmental assessments and/or remedial efforts are probable and we can reasonably estimate the costs. Generally, our recording of these accruals coincides with our completion of a feasibility study or our commitment to a formal plan of action. We recognize receivables for anticipated associated insurance recoveries when such recoveries are deemed to be probable.

We routinely conduct reviews of potential environmental issues and claims that could impact our assets or operations. These reviews assist us in identifying environmental issues and estimating the costs and timing of remediation efforts. We also routinely adjust our environmental liabilities to reflect changes in previous estimates. In making environmental liability estimations, we consider the material effect of environmental compliance, pending legal actions against us, and potential third-party liability claims. Often, as the remediation evaluation and effort progresses, additional information is obtained, requiring revisions to estimated costs. These revisions are reflected in our income in the period in which they are reasonably determinable. For more information on our environmental disclosures, see Note 10.

Other Contingencies

We recognize liabilities for other contingencies when we have an exposure that indicates it is both probable that a liability has been incurred and the amount of loss can be reasonably estimated. Where the most likely outcome of a contingency can be reasonably estimated, we accrue an undiscounted liability for that amount. Where the most likely outcome cannot be estimated, a range of potential losses is established and if no one amount in that range is more likely than any other, the low end of the range is accrued.

Postretirement Benefits

We maintain a postretirement benefit plan covering certain of our former employees that we have made contributions to in the past. These contributions are invested until the benefits are paid to plan participants. The net benefit cost of this plan is recorded on our accompanying Consolidated Statements of Income and is a function of many factors including benefits earned during the year by plan participants (which is a function of factors such as the level of benefits provided under the plan, actuarial assumptions and the passage of time), expected returns on plan assets and amortization of certain deferred gains and losses. For more information on our policies with respect to our postretirement benefit plan, see Note 6.

In accounting for our postretirement benefit plan, we record an asset or liability based on the difference between the fair value of the plan's assets and the plan's benefit obligation. Any deferred amounts related to unrecognized gains and losses or changes in actuarial assumptions are recorded on our Consolidated Balance Sheets as a regulatory asset or liability until those gains or losses are recognized on our accompanying Consolidated Statements of Income.

Income Taxes

We are a limited liability company and are not subject to federal income taxes or state income taxes. Our member is responsible for income taxes on their allocated share of taxable income which may differ from income for financial statement purposes due to differences in the tax basis and financial reporting basis of assets and liabilities. However, we are subject to Texas margin tax (a revenue based calculation), which is presented as “Income Tax Expense” on our accompanying Consolidated Statements of Income.

Regulated Operations

Our interstate natural gas pipeline and storage operations are subject to the jurisdiction of the FERC and are accounted for in accordance with Accounting Standards Codification Topic 980, “Regulated Operations.” Under these standards, we record regulatory assets and liabilities that would not be recorded for non-regulated entities. Regulatory assets and liabilities represent probable future revenues or expenses associated with certain charges or credits that are expected to be recovered from or refunded to customers through the rate making process. Items to which we apply regulatory accounting requirements include certain postretirement employee benefit plan costs, losses on reacquired debt, losses on the sale of certain long lived assets, taxes related to an equity return component on regulated capital projects prior to our change in legal structure to a non taxable entity, certain cost differences between gas retained and gas consumed in operations and other costs included in, or expected to be included in, future rates. For more information on our regulated operations, see Note 9.

3. Divestiture

On December 15, 2014, we filed an application with the FERC seeking authorization to abandon by sale approximately 33.6 miles of our 10-inch diameter Carthage Lateral Pipeline (Carthage Pipeline) located in Panola and Shelby Counties, Texas and DeSoto Parish, Louisiana. On March 19, 2015, the FERC issued an order approving the sale and related abandonment of approximately 300 feet of the Carthage Pipeline. On April 30, 2015, we completed the sale of the Carthage Pipeline, as well as three associated receiving stations and other appurtenant facilities for an aggregate consideration of $12 million in cash. Upon closing, we recorded a gain on sale of long-lived assets of approximately $10 million on our accompanying Consolidated Statement of Income for the year ended December 31, 2015.

4. Property, Plant and Equipment, net

Our property, plant and equipment, net consisted of the following (in millions, except for %):

	Annual Depreciation Rates %	December 31, 2015	December 31, 2014
Transmission and storage facilities	0.9-2.25	$ 3,490	$ 3,480
General plant	3.33-20	25	26
Intangible plant	5-10	16	16
Other		108	131
Accumulated depreciation and amortization (a)		(1,281)	(1,212)
		2,358	2,441
Land		12	12
Construction work in progress		69	20
Property, plant and equipment, net		$ 2,439	$ 2,473

(a) The composite weighted average depreciation rates for the years ended December 31, 2015 and 2014 were approximately 2.3% and 2.4%, respectively.

5. Debt

We classify our debt based on the contractual maturity dates of the underlying debt instruments. We defer costs associated with debt issuance over the applicable term. These costs are then amortized as interest expense on our accompanying Consolidated Statements of Income.

The following table summarizes the net carrying value of our outstanding debt (in millions):

	December 31, 2015	December 31, 2014
5.90% Notes due April 2017	$ 500	$ 500
4.40% Notes due June 2021	300	300
7.35% Notes due February 2031	153	153
8.00% Notes due March 2032	258	258
	1,211	1,211
Less: Unamortized discount and debt issuance costs	6	8
Total debt	$ 1,205	$ 1,203

KMI and substantially all of its domestic subsidiaries, including us, are a party to a cross guarantee agreement whereby each party to the agreement unconditionally guarantees, jointly and severally, the payment of specified indebtedness of each other party to the agreement.

Debt Covenants

Under our various financing documents, we are subject to a number of restrictions and covenants. The most restrictive of these include limitations on the incurrence of liens and limitations on sale-leaseback transactions. For the years ended December 31, 2015 and 2014, we were in compliance with our debt-related covenants.

6. Retirement Benefits

Pension and Retirement Savings Plans

KMI maintains a pension plan and a retirement savings plan covering substantially all of its U.S. employees, including certain of our former employees. The benefits under the pension plan are determined under a cash balance formula. Under its retirement savings plan, KMI contributes an amount equal to 5% of participants' eligible compensation per year. KMI is responsible for benefits accrued under its plans and allocates certain costs based on a benefit allocation rate applied on payroll charged to its affiliates.

Postretirement Benefits Plan

We provide postretirement benefits, including medical benefits for a closed group of retirees. Medical benefits for this closed group may be subject to deductibles, co-payment provisions, and other limitations and dollar caps on the amount of employer costs, and are subject to further benefit changes by KMI, the plan sponsor. Effective January 1, 2014, the plan was amended to provide a fixed subsidy to post-age 65 Medicare eligible participants to purchase coverage through a retiree Medicare exchange. In addition, certain employees continue to receive limited postretirement life insurance benefits. Our postretirement benefit plan costs were prefunded and were recoverable under prior rate case settlements. Currently, there is no cost recovery or related funding that is required as part of our current FERC approved rates, however, we can seek to recover any funding shortfall that may be required in the future. We do not expect to make any contributions to our postretirement benefit plan in 2016 and there were no contributions made in 2015 and 2014. KMI's postretirement plans have been merged. We are permitted to use combined plan assets under the structure of the plans of our affiliated entities to fund participant benefits, including participants of affiliated entities.

Postretirement Benefit Obligation, Plan Assets and Funded Status

Our postretirement benefit obligations and net benefit costs are primarily based on actuarial calculations. We use various assumptions in performing these calculations, including those related to the return that we expect to earn on our plan assets, the estimated cost of health care when benefits are provided under our plan and other factors. A significant assumption we utilize is the discount rates used in calculating the benefit obligations. For 2015, we selected our discount rate by matching the timing and amount of our expected future benefit payments for our postretirement benefit obligation to the average yields of various high-quality bonds with corresponding maturities.

Effective January 1, 2016, we changed our estimate of the service and interest cost components of net periodic benefit cost (credit) for our other postretirement benefit plan. The new estimate utilizes a full yield curve approach in the estimation of these components by applying the specific spot rates along the yield curve used in the determination of the benefit obligation to their underlying projected cash flows. The new estimate provides a more precise measurement of service and interest costs by improving the correlation between projected benefit cash flows and their corresponding spot rates. The change does not affect the measurement of our postretirement benefit obligation and it is accounted for as a change in accounting estimate, which is applied prospectively. The change in the service and interest costs going forward will not be significant.

In accounting for our postretirement benefit plan, we record an asset based on its overfunded status. Any deferred amounts related to unrecognized gains and losses or changes in actuarial assumptions are recorded as a regulatory asset or liability as allowed by the FERC.

The table below provides information about our postretirement benefit plan (in millions):

	December 31,	
	2015	2014
Change in postretirement benefit obligation:		
Postretirement benefit obligation - beginning of period	$ 35	$ 37
Interest cost	1	1
Actuarial (gain) loss	(1)	—
Benefits paid (a)	(3)	(3)
Postretirement benefit obligation - end of period	$ 32	$ 35
Change in plan assets:		
Fair value of plan assets - beginning of period	$ 71	$ 67
Actual return on plan assets	(12)	6
Employer contributions/transfers	2	1
Benefits paid	(3)	(3)
Fair value of plan assets - end of period	$ 58	$ 71
Reconciliation of funded status:		
Fair value of plan assets	$ 58	$ 71
Less: Postretirement benefit obligation	32	35
Net asset at December 31(b)	$ 26	$ 36

(a) Amounts shown net of a subsidy of less than $1 million for each of the years ended December 31, 2015 and 2014 related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003.

(b) Net asset amounts are included in "Deferred charges and other assets" on our accompanying Consolidated Balance Sheets.

Plan Assets

The primary investment objective of our plan is to ensure that, over the long-term life of the plan, an adequate pool of sufficiently liquid assets exists to meet the benefit obligations to retirees and beneficiaries. Investment objectives are long-term in nature covering typical market cycles. Any shortfall of investment performance compared to investment objectives is generally the result of economic and capital market conditions. Although actual allocations vary from time to time from our targeted allocations, the target allocations of our postretirement plan's assets are 30% equity, 30% fixed income and 40% master limited partnerships.

We use various methods to determine the fair values of the assets in our other postretirement benefit plan, which are impacted by a number of factors, including the availability of observable market data over the contractual term of the underlying assets. Generally, we separate these assets into three levels (Level 1, 2 and 3) based on our assessment of the availability of this market data and the significance of non-observable data used to determine the fair value of these assets. As of December 31, 2015, assets were comprised of a money market fund with a fair value of $2 million, domestic equity securities with a fair value of $2 million, and master limited partnerships with a fair value of $14 million. As of December 31, 2014, assets were comprised of domestic equity securities with a fair value of $7 million, and master limited partnerships with a fair value of $20 million. Money market funds are valued at amortized cost, which approximates fair value (which is

considered a Level 2 measurement). The domestic equity securities and the master limited partnerships are exchange traded, and the fair value (which is considered a Level 1 measurement) is determined based on the price quoted for the investment in actively traded markets. In 2015, we adopted Accounting Standards Update (ASU) No. 2015-07, *"Fair Value Measurement (Topic 820) - Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)."* This ASU removes the requirement to include investments in the fair value hierarchy for which the fair value is measured at Net Asset Value (NAV) using the practical expedient under Topic 820. Plan assets with fair values that are based on NAV per share, or its equivalent, as reported by the issuers, are determined based on the fair value of the underlying securities as of the valuation date and include fixed income trusts and limited partnerships which are primarily invested in global equity securities. The fair value of the fixed income trusts as of December 31, 2015 and 2014 is $17 million and $19 million, respectively. The fair value of the limited partnerships as of December 31, 2015 and 2014 is $23 million and $25 million, respectively. The plan does not have any assets that are considered Level 3 measurements. The methods described above may produce a fair value that may not be indicative of net realizable value or reflective of future fair values, and there have been no changes in the methodologies used at December 31, 2015 and 2014.

Expected Payment of Future Benefits

As of December 31, 2015, we expect the following benefit payments under our plan (in millions):

Year	Total
2016	$ 3
2017	3
2018	3
2019	3
2020	3
2021 - 2025	11

Actuarial Assumptions and Sensitivity Analysis

Postretirement benefit obligations and net benefit costs are based on actuarial estimates and assumptions. The following table details the weighted average actuarial assumptions used in determining our postretirement plan obligations and net benefit costs.

	2015	2014
	(%)	
Assumptions related to benefit obligations at December 31:		
Discount rate	3.81	3.44
Assumptions related to benefit costs for the year ended December 31:		
Discount rate	3.44	4.17
Expected return on plan assets(a)	7.25	7.60

(a) The expected return on plan assets listed in the table above is a pre-tax rate of return based on our portfolio of investments. We utilize an after-tax expected return on plan assets to determine our benefit costs, which is based on unrelated business income taxes with a weighted average rate of 21% for both 2015 and 2014.

Actuarial estimates for our postretirement benefits plan assumed a weighted average annual rate of increase in the per capita costs of covered health care benefits of 7.4%, gradually decreasing to 4.5% by the year 2038. A one-percentage point

change in assumed health care trends would not have had a significant effect on the postretirement benefit obligation or interest costs as of December 31, 2015 and 2014.

Components of Net Benefit Income

The components of net benefit costs (income) are as follows (in millions):

	Year Ended December 31,	
	2015	2014
Interest cost	$ 1	$ 1
Expected return on plan assets	(4)	(4)
Amortization of prior service credit	(2)	(1)
Amortization of net actuarial gain	(1)	(1)
Net benefit income	$ (6)	$ (5)

7. Related Party Transactions

Cash Management Program

We participate in KMI's cash management program, which matches short-term cash surpluses and needs of participating affiliates, thus minimizing total borrowings from outside sources. KMI uses the cash management program to settle intercompany transactions between participating affiliates. As of December 31, 2015 and 2014, we had a note receivable from KMI of $80 million and $166 million, respectively. The interest rate on the note was variable and was 1.0% and 1.5% as of December 31, 2015 and 2014, respectively.

Other Affiliate Balances and Activities

We enter into transactions with our affiliates within the ordinary course of business and the services are based on the same terms as non-affiliates, including natural gas transportation services to and from affiliates under long-term contracts, storage contracts and various operating agreements.

We do not have employees. Employees of KMI provide services to us. We are managed and operated by KMI. Under policies with KMI, we reimburse KMI without a profit component for the provision of various general and administrative services for our benefit and for direct expenses incurred by KMI on our behalf. Additionally, KMI bills us directly for certain general and administrative costs and allocates a portion of its general and administrative costs to us at cost.

The following table summarizes our other balance sheet affiliate balances (in millions):

	December 31,	
	2015	2014
Accounts receivable	$ —	$ 1
Natural gas imbalance receivable (a)	—	1
Accounts payable	—	13

(a) Included in “Other current assets” on our accompanying Consolidated Balance Sheets.

The following table shows revenues and costs from our affiliates (in millions):

	Year Ended December 31,	
	2015	2014
Revenues	$ 8	$ 8
Operation, maintenance and capitalized costs	58	49
General and administrative	28	28

Subsequent Event

In March 2016, we made a cash distribution to our Member of $78 million.

8. Fair Value

The following table reflects the carrying amount and estimated fair value of our outstanding debt balances (in millions):

	As of December 31,			
	2015		2014	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Total debt	$1,205	$1,155	$1,203	$1,366

We separate the fair values of our financial instruments into levels based on our assessment of the availability of observable market data and the significance of non-observable data used to determine the estimated fair value. We estimate the fair values of our long-term debt primarily based on quoted market prices for the same or similar issues, a Level 2 fair value measurement. Our assessment and classification of an instrument within a level can change over time based on the maturity or liquidity of the instrument and this change would be reflected at the end of the period in which the change occurs. During the years ended December 31, 2015 and 2014, there were no changes to the inputs and valuation techniques used to measure fair value, the types of instruments, or the levels in which they were classified.

As of December 31, 2015 and 2014, the carrying amounts of our affiliate note receivable approximates its fair value due to the market-based nature of the interest rate.

9. Accounting for Regulatory Activities

Regulatory Assets and Liabilities

Regulatory assets and liabilities represent probable future revenues or expenses associated with certain charges and credits that will be recovered from or refunded to customers through the ratemaking process. As of December 31, 2015, the regulatory assets are being recovered as cost of service in our rates over a period of approximately one year to 28 years. Below are the details of our regulatory assets and liabilities as of (in millions):

	December 31,	
	2015	**2014**
Current regulatory assets		
Difference between gas retained and gas consumed in operations	$ 12	$ 2
Unamortized loss on sale of assets	—	11
Other	1	1
Total current regulatory assets	13	14
Non-current regulatory assets		
Taxes on capitalized funds used during construction	25	26
Unamortized loss on reacquired debt	13	16
Other	2	7
Total non-current regulatory assets	40	49
Total regulatory assets	$ 53	$ 63
Current regulatory liabilities		
Difference between gas retained and gas consumed in operations	$ —	$ 4
Other	3	1
Total current regulatory liabilities	3	5
Non-current regulatory liabilities		
Postretirement benefits	18	35
Other	3	4
Total non-current regulatory liabilities (a)	21	39
Total regulatory liabilities	$ 24	$ 44

(a) Included in "Other long-term liabilities and deferred credits" on our accompanying Consolidated Balance Sheets.

Our significant regulatory assets and liabilities include:

Difference between gas retained and gas consumed in operations

These amounts reflect the value of the volumetric difference between the gas retained and consumed in our operations. These amounts are not included in the rate base, but given our tariffs, are expected to be recovered from our customers in subsequent fuel filing periods.

Taxes on capitalized funds used during construction

Amounts represent the recovery of deferred income taxes on AFUDC Equity recognized during the time prior to 2007 when we were a taxable entity. These taxes are included in the tax component of our rates and are recovered over the depreciable lives of the asset in which they apply.

Unamortized loss on reacquired debt

Amounts represent the deferred and unamortized portion of loss on reacquired debt which are recovered through the cost of service over the original life of the debt issue, or in the case of refinanced debt, over the life of the new debt issue.

Unamortized loss on sale of asset

Amount represents the deferred and unamortized portion of the loss on sale of the offshore assets. In accordance with our rate case settlement, the recovery of the total regulatory asset occurred over a three-year period ending on October 31, 2015.

Postretirement Benefits

Amount represents unrecognized gains and losses related to our postretirement benefit plan.

Regulatory Assets Amortization

Our amortization of the regulatory assets for 2015 and 2014 was $15 million and $18 million, respectively, which primarily consisted of (i) deferred losses on sale of offshore assets included in "Depreciation and amortization" of $11 million and $13 million, respectively, and (ii) deferred losses on reacquired debt included in "Interest, net" of $3 million for each respective year on our accompanying Consolidated Statements of Income.

Regulatory Matters

Rate Case

On January 31, 2013, the FERC approved our request to amend our January 2010 rate settlement with our customers. The amendment extended the required filing date for our rate case from February 28, 2013 to no later than May 31, 2013. On May 2, 2013, we filed a comprehensive settlement with our customers to resolve all matters relating to our rates. The FERC approved the comprehensive settlement on July 12, 2013. Under the settlement, customers must extend all firm service agreements through August 31, 2016, and we cannot file a Section 4 rate case to be effective earlier than September 1, 2016. The settlement also includes a two-phase reduction in rates. The first phase, effective on September 1, 2013, resulted in an approximately $11 million revenue reduction for 2013 and an additional revenue reduction of approximately $23 million for 2014. The second phase, effective November 1, 2015, resulted in an additional revenue reduction of approximately $2 million for 2015 and will result in an additional revenue reduction of approximately $12 million in 2016. The settlement prohibits both us and our customers from requesting a change to our rates during a three-year moratorium through August 31, 2016 and requires us to file a new rate case to be effective no later than September 1, 2018.

Other

On October 15, 2015 the FERC issued a "Notice of Schedule for Environmental Review of the Elba Liquefaction Project" relating to the application before the FERC in Docket No. CP14-115 by our affiliate Elba Express Company, L.L.C. ("EEC"). In such application, EEC proposes to provide firm transportation service to us and others so that we, in turn, will be able to provide additional firm transportation service of up to 235,110 Mcf/day to ten (10) of our existing customers. We have applied with FERC in Docket No. CP14-493 to expand our system and provide such additional service ("Zone 3 Expansion Project"). Our application for the Zone 3 Expansion Project proposed an in-service date of June 1, 2016. The FERC has informed us that

because of the nexus with the EEC application, it will not issue an order approving our application until it is able to rule on the EEC application. Based on the schedule published by the FERC for the EEC application, we will not be able to place the facilities in service by the proposed start date of June 1, 2016. Depending on the actual issuance date of the FERC Order, the current schedule provides that the in-service date could be as late as November 1, 2016.

10. Litigation, Environmental and Commitments

We are party to various legal, regulatory and other matters arising from the day-to-day operations of our businesses that may result in claims against the Company. Although no assurance can be given, we believe, based on our experiences to date and taking into account established reserves, that the ultimate resolution of such items will not have a material adverse impact on our business, financial position, results of operations or cash flows. We believe we have meritorious defenses to the matters to which we are a party and intend to vigorously defend the Company. When we determine a loss is probable of occurring and is reasonably estimable, we accrue an undiscounted liability for such contingencies based on our best estimate using information available at that time. If the estimated loss is a range of potential outcomes and there is no better estimate within the range, we accrue the amount at the low end of the range. We disclose contingencies where an adverse outcome may be material, or in the judgment of management, we conclude the matter should otherwise be disclosed.

Legal Proceeding

Cliffs Natural Resources (Cliffs)

We are engaged in a lawsuit against Cliffs in the Circuit Court of Jefferson County, Alabama (Case No. 68-CV-2014-900533) to determine whether Cliffs' longwall coal mining operations require the relocation of a large segment of our pipelines in Jefferson County, Alabama and who will be responsible for the cost of any such relocation. Prior to the initiation of the lawsuit, Cliffs notified us of its intent to conduct underground longwall coal mining operations in the vicinity of four of our pipelines in Jefferson County. Upon being informed by Cliffs that its planned coal mining operations would cause surface subsidence of three to six feet, we determined that such level of subsidence presented a safety hazard to our pipelines and that relocating the affected pipelines may be the safest and most economical option to mitigate the safety hazard. We allege in the lawsuit that easements governing our property rights to operate our pipelines do not allow Cliffs' mining operations to proceed as planned. We also allege, among other things, that if Cliffs is allowed to proceed with its mining plan, Cliffs should be responsible for the pipeline relocation costs and any other damages, which are estimated to be approximately $32 million. We have completed the relocation of the pipelines to avoid the mining threat.

General

As of both December 31, 2015 and 2014, we had approximately $3 million accrued for our outstanding legal proceedings.

Environmental Matters

We are subject to environmental cleanup and enforcement actions from time to time. In particular, the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) generally imposes joint and several liability for cleanup and enforcement costs on current and predecessor owners and operators of a site, among others, without regard to fault or the legality of the original conduct, subject to the right of a liable party to establish a "reasonable basis" for apportionment of costs. Our operations are also subject to federal, state and local laws and regulations relating to protection of the environment. Although we believe our operations are in substantial compliance with applicable environmental law and regulations, risks of additional costs and liabilities are inherent in our operations, and there can be no assurance that we will not incur significant costs and liabilities. Our insurance may not cover all environmental risks and costs and/or may not provide sufficient coverage in the event an environmental claim is made against us. Moreover, it is possible that other developments, such as increasingly stringent environmental laws, regulations and enforcement policies under the terms of authority of those laws, and claims for damages to property or persons resulting from our operations, could result in substantial costs and liabilities to us.

Southeast Louisiana Flood Protection Litigation

On July 24, 2013, the Board of Commissioners of the Southeast Louisiana Flood Protection Authority - East (SLFPA) filed a petition for damages and injunctive relief in state district court for Orleans Parish, Louisiana (Case No. 13-6911) against us, and approximately 100 other energy companies, alleging that defendants' drilling, dredging, pipeline and industrial operations since the 1930's have caused direct land loss and increased erosion and submergence resulting in alleged increased storm surge risk, increased flood protection costs and unspecified damages to the plaintiff. The SLFPA asserts claims for negligence, strict liability, public nuisance, private nuisance, and breach of contract. Among other relief, the petition seeks unspecified monetary damages, attorney fees, interest, and injunctive relief in the form of abatement and restoration of the alleged coastal land loss including but not limited to backfilling and re-vegetation of canals, wetlands and reef creation, land bridge construction, hydrologic restoration, shoreline protection, structural protection, and bank stabilization. On August 13, 2013, the suit was removed to the U.S. District Court for the Eastern District of Louisiana. On February 13, 2015, the Court granted defendants' motion to dismiss the suit for failure to state a claim, and issued an order dismissing the SLFPA's claims with prejudice. The SLFPA filed a notice of appeal on February 20, 2015. The U.S. Court of Appeals for the Fifth Circuit heard oral argument on the SLFPA's appeal on February 29, 2016 and we await the court's decision.

Superfund Matters

Included in our recorded environmental liabilities are projects where we have received notice that we have been designated or could be designated as a Potentially Responsible Party (PRP) under CERCLA, commonly known as Superfund, or state equivalents for one active site. Liability under the federal CERCLA statute may be joint and several, meaning that we could be required to pay in excess of our pro rata share of remediation costs. We consider the financial strength of other PRPs in estimating our liabilities.

General

Although it is not possible to predict the ultimate outcomes, we believe that the resolution of the environmental matters set forth in this note, and other matters to which we and our subsidiary are a party, will not have a material adverse effect on our business, financial position, results of operations or cash flows. As of December 31, 2015 and 2014, we had less than $1 million accrued for our environmental matters.

Commitments

Capital Commitments

As of December 31, 2015, we have capital commitments of $29 million, which we expect to spend during 2016. We have other planned capital and investment projects that are discretionary in nature, with no substantial contractual capital commitments made in advance of the actual expenditures.

Other Commercial Commitments

We hold cancelable easements or rights-of-way arrangements from landowners permitting the use of land for the construction and operation of our pipeline system. Our obligations under these easements are not material to our results of operations.

Storage Commitments

We have entered into storage capacity contracts totaling $7 million at December 31, 2015, most of which are related to storage capacity contracts with our affiliate, Bear Creek, which we expect to spend during 2016. We expect annual renewal of this contract to occur into the foreseeable future.

Operating Leases

We lease property, facilities and equipment under various operating leases. Our primary commitment under operating leases is the lease of our office space in Birmingham, Alabama. KMI guarantees our obligations under these lease agreements. Our future minimum annual rental commitments under our operating leases as of December 31, 2015, are as follows (in millions):

Year	Total
2016	$ 2
2017	2
2018	2
2019	2
2020	2
Thereafter	16
Total	$ 26

Rent expense on our lease obligations for the years ended December 31, 2015 and 2014 was approximately $2 million and $1 million, respectively, and is reflected in "Operations and maintenance" on our accompanying Consolidated Statements of Income. While we hold the contractual obligations for the operating leases, the rent expense, which is considered a shared services cost and allocated to various KMI subsidiaries, is administered and funded by KMI.

11. Recent Accounting Pronouncement

ASU No. 2014-09

On May 28, 2014, the FASB issued ASU No. 2014-09, *"Revenue from Contracts with Customers (Topic 606)."* This ASU is designed to create greater comparability for financial statement users across industries and jurisdictions. The provisions of ASU No. 2014-09 include a five-step process by which entities will recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the payment to which an entity expects to be entitled in exchange for those goods or services. The standard also will require enhanced disclosures, provide more comprehensive guidance for transactions such as service revenue and contract modifications, and enhance guidance for multiple-element arrangements. ASU No. 2014-09 will be effective for us January 1, 2018. Early adoption is permitted for the interim periods within the adoption year. We are currently reviewing the effect of ASU No. 2014-09 on our revenue recognition and assessing the timing of our adoption.

Exhibit 99.2

CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

SOUTHERN NATURAL GAS COMPANY, L.L.C.

As of June 30, 2016 and December 31, 2015 and
For the Three and Six Months Ended June 30, 2016 and 2015

SOUTHERN NATURAL GAS COMPANY, L.L.C. AND SUBSIDIARY
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SOUTHERN NATURAL GAS COMPANY, L.L.C. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
(In Millions)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	**2015**	**2016**	**2015**
Revenues	$ 135	$ 138	$ 280	$ 290
Operating Costs and Expenses				
Operations and maintenance	29	33	52	55
Depreciation and amortization	21	23	41	47
General and administrative	6	8	14	19
Taxes, other than income taxes	9	10	18	19
Gain on sale of long-lived assets	—	(10)	—	(10)
Total Operating Costs and Expenses	65	64	125	130
Operating Income	70	74	155	160
Other Income (Expense)				
Earnings from equity investment	2	3	4	5
Interest, net	(19)	(20)	(38)	(40)
Other, net	—	—	1	1
Total Other Income (Expense)	(17)	(17)	(33)	(34)
Net Income	$ 53	$ 57	$ 122	$ 126

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

SOUTHERN NATURAL GAS COMPANY, L.L.C. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
(In Millions)

	June 30, 2016	December 31, 2015
ASSETS	**(Unaudited)**	
Current assets		
Cash and cash equivalents	$ —	$ —
Accounts receivable, net	46	49
Inventories	18	18
Regulatory assets	10	13
Other current assets	5	2
Total current assets	79	82
Property, plant and equipment, net	2,443	2,439
Investment	60	61
Note receivable from affiliate	62	80
Regulatory assets	38	40
Deferred charges and other assets	34	32
Total Assets	$ 2,716	$ 2,734
LIABILITIES AND MEMBER'S EQUITY		
Current liabilities		
Current portion of debt	$ 500	$ —
Accounts payable	25	43
Accrued interest	19	19
Accrued taxes, other than income taxes	20	6
Regulatory liabilities	2	3
Other current liabilities	10	6
Total current liabilities	576	77
Long-term liabilities and deferred credits		
Long-term debt, net of debt issuance costs	705	1,205
Regulatory liabilities	20	21
Other long-term liabilities and deferred credits	1	—
Total long-term liabilities and deferred credits	726	1,226
Total Liabilities	1,302	1,303
Commitments and contingencies (Note 6)		
Member's Equity	1,414	1,431
Total Liabilities and Member's Equity	$ 2,716	$ 2,734

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

SOUTHERN NATURAL GAS COMPANY, L.L.C. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Millions)
(Unaudited)

	Six Months Ended June 30,	
	2016	**2015**
Cash Flows From Operating Activities		
Net income	$ 122	$ 126
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	41	47
Earnings from equity investment	(4)	(5)
Gain on sale of long-lived assets	—	(10)
Other non-cash items	—	4
Distributions from equity investment earnings	5	5
Changes in components of working capital:		
Accounts receivable	4	(1)
Regulatory assets	3	(6)
Accounts payable	(8)	(6)
Accrued taxes, other than income	14	11
Regulatory liabilities	(1)	(3)
Other current assets and liabilities	1	2
Other long-term assets and liabilities	(11)	14
Net Cash Provided by Operating Activities	166	178
Cash Flows From Investing Activities		
Capital expenditures	(43)	(18)
Net change in note receivable from affiliate	18	(2)
Sale or disposal of property, plant and equipment, net of salvage	(2)	15
Other, net	—	(6)
Net Cash Used in Investing Activities	(27)	(11)
Cash Flows From Financing Activities		
Distributions to Member	(139)	(167)
Net Cash Used in Financing Activities	(139)	(167)
Net Change in Cash and Cash Equivalents	—	—
Cash and Cash Equivalents, beginning of period	—	—
Cash and Cash Equivalents, end of period	$ —	$ —

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

SOUTHERN NATURAL GAS COMPANY, L.L.C. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF MEMBER'S EQUITY
(In Millions)
(Unaudited)

	Six Months Ended June 30,	
	2016	**2015**
Beginning Balance	$ 1,431	$ 1,559
Net income	122	126
Distributions	(139)	(167)
Ending Balance	$ 1,414	$ 1,518

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

SOUTHERN NATURAL GAS COMPANY, L.L.C. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. General

Organization

We are a Delaware limited liability company, originally formed in 1935 as a corporation. When we refer to "us," "we," "our," "ours," "the Company," or "SNG," we are describing Southern Natural Gas Company, L.L.C and its consolidated subsidiary. We are an indirect wholly-owned subsidiary of Kinder Morgan, Inc. (KMI). Our primary business consists of the interstate transportation and storage of natural gas.

KMI Sale of Equity Interest in SNG to The Southern Company

On July 10, 2016, KMI announced the anticipated sale of a 50% interest in SNG to The Southern Company for an expected $1.47 billion. SNG will continue to be operated by KMI. Subject to customary closing conditions and regulatory approvals, the transaction is expected to close in the third or early fourth quarter of 2016.

SNG has received commitments for a $75 million, unsecured, 5-year revolving credit facility. The facility is with a syndicate of financial institutions with Barclays Bank PLC as the administrative agent. This facility becomes effective upon the closing of the above SNG transaction.

Basis of Presentation

We have prepared our accompanying consolidated financial statements in accordance with the accounting principles contained in the Financial Accounting Standards Board's (FASB) Accounting Standards Codification, the single source of United States Generally Accepted Accounting Principles (GAAP) and referred to in this report as the Codification.

The financial statements as of June 30, 2016 and for the three and six months ended June 30, 2016 and 2015 are unaudited. We derived the balance sheet as of December 31, 2015 from our 2015 audited financial statements. In addition, our accompanying consolidated financial statements reflect normal adjustments that are, in the opinion of our management, necessary for a fair presentation of our financial results for the interim periods and certain amounts from prior periods have been reclassified to conform to the current presentation. Interim results are not necessarily indicative of results for a full year; accordingly, you should read these consolidated financial statements in conjunction with our audited financial statements and related notes for the year ended December 31, 2015.

Management has evaluated subsequent events through September 1, 2016, the date the financial statements were available to be issued.

2. Debt

We classify our debt based on the contractual maturity dates of the underlying debt instruments. We defer costs associated with debt issuance over the applicable term. These costs are then amortized as interest expense on our accompanying Consolidated Statements of Income.

The following table summarizes the net carrying value of our outstanding debt (in millions):

	June 30, 2016	December 31, 2015
5.90% Notes due April 2017	$ 500	$ 500
4.40% Notes due June 2021	300	300
7.35% Notes due February 2031	153	153
8.00% Notes due March 2032	258	258
	1,211	1,211
Less: Unamortized discount and debt issuance costs	6	6
Total debt	1,205	1,205
Less: Current portion of debt	500	—
Total long-term debt	$ 705	$ 1,205

KMI and substantially all of its domestic subsidiaries, including us, are a party to a cross guarantee agreement whereby each party to the agreement unconditionally guarantees, jointly and severally, the payment of specified indebtedness of each other party to the agreement. Upon closing of the anticipated sale to The Southern Company, as described in Note 1, SNG will no longer be a party to the cross guarantee agreement.

Debt Covenants

Under our various financing documents, we are subject to a number of restrictions and covenants. The most restrictive of these include limitations on the incurrence of liens and limitations on sale-leaseback transactions. As of June 30, 2016 and December 31, 2015, we were in compliance with our debt-related covenants.

3. Related Party Transactions

Cash Management Program

We participate in KMI's cash management program, which matches short-term cash surpluses and needs of participating affiliates, thus minimizing total borrowings from outside sources. KMI uses the cash management program to settle intercompany transactions between participating affiliates. As of June 30, 2016 and December 31, 2015, we had a note receivable from KMI of $62 million and $80 million, respectively. The interest rate on the note was variable and was 1.8% and 1.0% as of June 30, 2016 and December 31, 2015, respectively.

Other Affiliate Balances and Activities

We enter into transactions with our affiliates within the ordinary course of business and the services are based on the same terms as non-affiliates, including natural gas transportation services to and from affiliates under long-term contracts, storage contracts and various operating agreements.

We do not have employees. Employees of KMI provide services to us. We are managed and operated by KMI. Under policies with KMI, we reimburse KMI without a profit component for the provision of various general and administrative services for our benefit and for direct expenses incurred by KMI on our behalf. Additionally, KMI bills us directly for certain general and administrative costs and allocates a portion of its general and administrative costs to us at cost.

The following table summarizes our other balance sheet affiliate balances (in millions):

	June 30, 2015	December 31, 2015
Natural gas imbalance receivable (a)	$ 1	$ —

(a) Included in "Other current assets" on our accompanying Consolidated Balance Sheets.

The following table shows revenues and costs from our affiliates (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Revenues	$ 2	$ 2	$ 4	$ 4
Operation, maintenance and capitalized costs	14	13	27	29
General and administrative	7	7	15	14

4. Fair Value

The following table reflects the carrying amount and estimated fair value of our outstanding debt balances (in millions):

	June 30, 2016		December 31, 2015	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Total debt	$ 1,205	$ 1,275	$ 1,205	$ 1,155

We separate the fair values of our financial instruments into levels based on our assessment of the availability of observable market data and the significance of non-observable data used to determine the estimated fair value. We estimate the fair values of our long-term debt primarily based on quoted market prices for the same or similar issues, a Level 2 fair value measurement. Our assessment and classification of an instrument within a level can change over time based on the maturity or liquidity of the instrument and this change would be reflected at the end of the period in which the change occurs. During the six months ended June 30, 2016, there were no changes to the inputs and valuation techniques used to measure fair value, the types of instruments, or the levels in which they were classified.

As of June 30, 2016 and December 31, 2015, the carrying amounts of our affiliate note receivable approximates its fair value due to the market-based nature of the interest rate.

5. Regulatory Matters

Rate Case

On January 31, 2013, the Federal Energy Regulatory Commission (FERC) approved our request to amend our January 2010 rate settlement with our customers. The amendment extended the required filing date for our rate case from February 28, 2013 to no later than May 31, 2013. On May 2, 2013, we filed a comprehensive settlement with our customers to resolve all matters relating to our rates. The FERC approved the comprehensive settlement on July 12, 2013. Under the settlement, customers were required to extend all firm service agreements through August 31, 2016. The settlement also includes a two-phase reduction in rates. The first phase, effective on September 1, 2013, resulted in an approximately $11 million revenue reduction for 2013 and an additional revenue reduction of approximately $23 million for 2014. The second phase, effective November 1, 2015, resulted in an additional revenue reduction of approximately $2 million for 2015 and will result in an additional revenue reduction of approximately $12 million in 2016. The settlement prohibits both us and our customers from requesting a change to our rates during a three-year moratorium through August 31, 2016 and requires us to file a new rate case to be effective no later than September 1, 2018.

Other

The application before the FERC in Docket No. CP14-115 by our affiliate Elba Express Company, L.L.C. ("EEC") proposes to provide firm transportation service to us and others ("EEC Expansion Project") so that we, in turn, will be able to provide additional firm transportation service of up to 240 MDth/day to ten of our existing customers. We have applied with FERC in Docket No. CP14-493 to expand our system and provide such additional service ("Zone 3 Expansion Project"). On June 1, 2016, the FERC issued orders approving both the EEC Expansion Project and our Zone 3 Expansion Project. The expected in service date for our Zone 3 Expansion Project is in December 2016 or possibly early January 2017.

6. Litigation and Environmental Matters

We are party to various legal, regulatory and other matters arising from the day-to-day operations of our businesses that may result in claims against the Company. Although no assurance can be given, we believe, based on our experiences to date and taking into account established reserves, that the ultimate resolution of such items will not have a material adverse impact on our business, financial position, results of operations or cash flows. We believe we have meritorious defenses to the matters to which we are a party and intend to vigorously defend the Company. When we determine a loss is probable of occurring and is reasonably estimable, we accrue an undiscounted liability for such contingencies based on our best estimate using information available at that time. If the estimated loss is a range of potential outcomes and there is no better estimate within the range, we accrue the amount at the low end of the range. We disclose contingencies where an adverse outcome may be material, or in the judgment of management, we conclude the matter should otherwise be disclosed.

Legal Proceeding

Cliffs Natural Resources (Cliffs)

We are engaged in a lawsuit against Cliffs in the Circuit Court of Jefferson County, Alabama (Case No. 68-CV-2014-900533) to determine whether Cliffs' longwall coal mining operations require the relocation of a large segment of our pipelines in Jefferson County, Alabama and who will be responsible for the cost of any such relocation. Prior to the initiation of the lawsuit, Cliffs notified us of its intent to conduct underground longwall coal mining operations in the vicinity of four of our pipelines in Jefferson County. Upon being informed by Cliffs that its planned coal mining operations would cause surface subsidence of three to six feet, we determined that such level of subsidence presented a safety hazard to our pipelines and that relocating the affected pipelines may be the safest and most economical option to mitigate the safety hazard. We allege in the lawsuit that easements governing our property rights to operate our pipelines do not allow Cliffs' mining operations to proceed as planned. We also allege, among other things, that if Cliffs is allowed to proceed with its mining plan, Cliffs should be responsible for the pipeline relocation costs and any other damages, which are expected to total approximately $33 million. We have completed the relocation of the pipelines to avoid the mining threat.

General

As of June 30, 2016 and December 31, 2015, we had approximately $1 million and $3 million, respectively, accrued for our outstanding legal proceedings.

Environmental Matters

We are subject to environmental cleanup and enforcement actions from time to time. In particular, the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) generally imposes joint and several liability for cleanup and enforcement costs on current and predecessor owners and operators of a site, among others, without regard to fault or the legality of the original conduct, subject to the right of a liable party to establish a "reasonable basis" for apportionment of costs. Our operations are also subject to federal, state and local laws and regulations relating to protection of the environment. Although we believe our operations are in substantial compliance with applicable environmental law and regulations, risks of

additional costs and liabilities are inherent in our operations, and there can be no assurance that we will not incur significant costs and liabilities. Our insurance may not cover all environmental risks and costs and/or may not provide sufficient coverage in the event an environmental claim is made against us. Moreover, it is possible that other developments, such as increasingly stringent environmental laws, regulations and enforcement policies under the terms of authority of those laws, and claims for damages to property or persons resulting from our operations, could result in substantial costs and liabilities to us.

Southeast Louisiana Flood Protection Litigation

On July 24, 2013, the Board of Commissioners of the Southeast Louisiana Flood Protection Authority - East (SLFPA) filed a petition for damages and injunctive relief in state district court for Orleans Parish, Louisiana (Case No. 13-6911) against us, and approximately 100 other energy companies, alleging that defendants' drilling, dredging, pipeline and industrial operations since the 1930's have caused direct land loss and increased erosion and submergence resulting in alleged increased storm surge risk, increased flood protection costs and unspecified damages to the plaintiff. The SLFPA asserts claims for negligence, strict liability, public nuisance, private nuisance, and breach of contract. Among other relief, the petition seeks unspecified monetary damages, attorney fees, interest, and injunctive relief in the form of abatement and restoration of the alleged coastal land loss including but not limited to backfilling and re-vegetation of canals, wetlands and reef creation, land bridge construction, hydrologic restoration, shoreline protection, structural protection, and bank stabilization. On August 13, 2013, the suit was removed to the U.S. District Court for the Eastern District of Louisiana. On February 13, 2015, the Court granted defendants' motion to dismiss the suit for failure to state a claim, and issued an order dismissing the SLFPA's claims with prejudice. The SLFPA filed a notice of appeal on February 20, 2015. The U.S. Court of Appeals for the Fifth Circuit heard oral argument on the SLFPA's appeal on February 29, 2016 and we await the Court's decision.

Superfund Matters

Included in our recorded environmental liabilities are projects where we have received notice that we have been designated or could be designated as a Potentially Responsible Party (PRP) under CERCLA, commonly known as Superfund, or state equivalents for one active site. Liability under the federal CERCLA statute may be joint and several, meaning that we could be required to pay in excess of our pro rata share of remediation costs. We consider the financial strength of other PRPs in estimating our liabilities.

General

Although it is not possible to predict the ultimate outcomes, we believe that the resolution of the environmental matters set forth in this note, and other matters to which we and our subsidiary are a party, will not have a material adverse effect on our business, financial position, results of operations or cash flows. As of June 30, 2016 and December 31, 2015, we had less than $1 million accrued for our environmental matters.

7. Recent Accounting Pronouncements

Accounting Standards Update (ASU) No. 2014-09

On May 28, 2014, the FASB issued ASU No. 2014-09, *"Revenue from Contracts with Customers (Topic 606)."* This ASU is designed to create greater comparability for financial statement users across industries and jurisdictions. The provisions of ASU No. 2014-09 include a five-step process by which entities will recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the payment to which an entity expects to be entitled in exchange for those goods or services. The standard also will require enhanced disclosures, provide more comprehensive guidance for transactions such as service revenue and contract modifications, and enhance guidance for multiple-element arrangements. ASU No. 2014-09 will be effective for us January 1, 2018. Early adoption is permitted for the interim periods within the adoption year. We are currently reviewing the effect of this ASU on our revenue recognition and assessing the timing of our adoption.

Exhibit 99.3

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The Unaudited Pro Forma Condensed Consolidated Financial Statements (pro forma financial statements) have been derived from the historical consolidated financial statements of Southern Company Gas (formerly known as AGL Resources Inc.).

The pro forma financial statements give effect to the acquisition on September 1, 2016 of a 50% equity interest in Southern Natural Gas Company L.L.C. (SNG) by Southern Company Gas pursuant to a definitive agreement among The Southern Company (Southern Company), SNG and Kinder Morgan SNG Operator LLC, dated July 10, 2016, which Southern Company subsequently assigned to Southern Company Gas on August 31, 2016 (the SNG investment).

The pro forma financial statements also give effect to the merger on July 1, 2016 of a wholly-owned subsidiary of Southern Company, with and into Southern Company Gas, with Southern Company Gas continuing as the surviving corporation and a wholly-owned subsidiary of Southern Company (the merger). Although the merger is a separate transaction from, and is not related to, the SNG investment, the effect of the merger is included in the pro forma financial statements for comparability purposes. Additionally, the application of push-down accounting related to the merger to the consolidated financial statements of Southern Company Gas changes the basis of its accounting, which results in lack of comparability of its financial positions and results of operations between the periods before and after the merger. The Unaudited Pro Forma Condensed Consolidated Statements of Income (pro forma statements of income) for the six months ended June 30, 2016 and the year ended December 31, 2015 give effect to the SNG investment and the merger as if they were completed on January 1, 2015. The Unaudited Pro Forma Condensed Consolidated Balance Sheet (pro forma balance sheet) as of June 30, 2016 gives effect to the SNG investment and the merger as if they were completed on June 30, 2016.

The historical consolidated financial information has been adjusted in the pro forma financial statements to give effect to pro forma events that are: (1) directly attributable to the SNG investment and the merger; (2) factually supportable; and (3) with respect to the statements of income, expected to have a continuing impact on the consolidated results of Southern Company Gas. As such, the impact from non-recurring, additional expenses directly associated with the SNG investment and the merger are not included in the accompanying pro forma statements of income. The pro forma financial statements also do not reflect any cost savings (or associated costs to achieve such savings) from operating efficiencies or synergies that could result from the SNG investment or the merger.

The SNG investment will be accounted for as an equity method investment by Southern Company Gas. The pro forma financial statements reflect a cash investment of $1.4 billion, funded principally through an equity contribution from Southern Company to Southern Company Gas and the issuance of debt by Southern Company Gas.

The merger will follow the acquisition method of accounting for business combinations, the application of which is pushed down to Southern Company Gas. The pro forma financial statements reflect a purchase price of approximately $8.0 billion.

Assumptions and estimates underlying the pro forma adjustments are described in the accompanying notes, which should be read in connection with the pro forma financial statements. Since the pro forma financial statements have been prepared based on preliminary estimates, the final amounts recorded may differ materially from the information presented. These estimates are subject to change pending further review of the assets acquired and liabilities assumed.

The pro forma financial statements have been presented for illustrative purposes only and are not necessarily indicative of the consolidated results of operations and financial position that would have been achieved had the pro forma events taken place on the dates indicated, or the future consolidated results of operations or financial position of Southern Company Gas.

The following pro forma financial statements should be read in conjunction with:

- the accompanying notes to the Unaudited Pro Forma Condensed Consolidated Financial Statements;
- the consolidated financial statements of Southern Company Gas as of and for the year ended December 31, 2015 included in Southern Company Gas' Annual Report on Form 10-K;
- the condensed consolidated financial statements of Southern Company Gas as of and for the three months ended March 31, 2016 and as of and for the three and six months ended June 30, 2016 included in Southern Company Gas' Quarterly Reports on Form 10-Q;
- the consolidated financial statements of SNG as of and for the year ended December 31, 2015 attached as Exhibit 99.1 to Southern Company Gas' Current Report on Form 8-K dated September 1, 2016; and
- the consolidated financial statements of SNG as of and for the three and six months ended June 30, 2016 attached as Exhibit 99.2 to Southern Company Gas' Current Report on Form 8-K dated September 1, 2016.

Southern Company Gas
Unaudited Pro Forma Condensed Consolidated Statement of Income
For the Six Months Ended June 30, 2016

	Southern Company Gas	Merger Pro Forma Adjustments		SNG Investment Pro Forma Adjustments		Pro Forma Combined
		(in millions, except per share amounts)				
Operating revenues	$ 1,905	$ (2)	(a)	—		$ 1,903
Operating expenses						
Cost of goods sold	769	—		—		769
Operation and maintenance	454	(1)	(b)	—		453
Depreciation and amortization	206	11	(c)	—		217
Taxes other than income taxes	99	—		—		99
Merger-related expenses	56	(56)	(d)	—		—
Total operating expenses	1,584	(46)		—		1,538
Operating Income	321	44		—		365
Equity investment income	2	—		61	(g)	63
Other income	4	—		—		4
Interest expense, net	(95)	18	(e)	(7)	(h)	(84)
Income before income taxes	232	62		54		348
Income tax expense	87	17	(f)	15	(i)	119
Net income	145	45		39		229
Less net income attributable to noncontrolling interest	14	—		—		14
Net income attributable to Southern Company Gas	$ 131	$ 45		$ 39		$ 215

Upon completion of the merger on July 1, 2016, all Southern Company Gas common shares are held, beneficially, and of record, by Southern Company. As a result, earnings per common share disclosures are not included. See further discussion in Note 3 to the condensed consolidated financial statements of Southern Company Gas included in its Quarterly Report on Form 10-Q for the quarter ended June 30, 2016.

Southern Company Gas
Unaudited Pro Forma Condensed Consolidated Statement of Income
For the Year Ended December 31, 2015

	Southern Company Gas	Merger Pro Forma Adjustments		SNG Investment Pro Forma Adjustments		Pro Forma Combined
		(in millions, except per share amounts)				
Operating revenues	$ 3,941	$ (4)	(a)	—		$ 3,937
Operating expenses						
Cost of goods sold	1,645	—		—		1,645
Operation and maintenance	914	(2)	(b)	—		912
Depreciation and amortization	397	21	(c)	—		418
Taxes other than income taxes	181	—		—		181
Merger-related expenses	44	(44)	(d)	—		—
Goodwill impairment	14	—		—		14
Total operating expenses	3,195	(25)		—		3,170
Operating Income	746	21		—		767
Equity investment income	6	—		120	(g)	126
Other income	7	—		—		7
Interest expense, net	(173)	36	(e)	(15)	(h)	(152)
Income before income taxes	586	57		105		748
Income tax expense	213	23	(f)	31	(i)	267
Net income	373	34		74		481
Less net income attributable to noncontrolling interest	20	—		—		20
Net income attributable to Southern Company Gas	$ 353	$ 34		$ 74		$ 461

Upon completion of the merger on July 1, 2016, all Southern Company Gas common shares are held, beneficially, and of record, by Southern Company. As a result, earnings per common share disclosures are not included. See further discussion in Note 3 to the condensed consolidated financial statements of Southern Company Gas included in its Quarterly Report on Form 10-Q for the quarter ended June 30, 2016.

Southern Company Gas
Unaudited Pro Forma Condensed Consolidated Balance Sheet
As of June 30, 2016

	Southern Company Gas	Merger Pro Forma Adjustments		SNG Investment Pro Forma Adjustments		Pro Forma Combined
			(in millions)			
Current assets						
Cash and cash equivalents	$ 15	$ —		$ 2	(w)	$ 17
Receivables						
Energy marketing	429	—		—		429
Natural gas, unbilled revenues and other	355	—		—		355
Less allowance for uncollectible accounts	38	—		—		38
Total receivables, net	746	—		—		746
Inventories						
Natural gas	398	56	(j)	—		454
Other	29	—		—		29
Total inventories	427	56		—		483
Derivative instruments, including cash collateral	100	—		—		100
Current deferred income taxes	63	—		—		63
Prepaid expenses	60	—		—		60
Regulatory assets	47	—		—		47
Other	16	—		—		16
Total current assets	1,474	56		2		1,532
Long-term assets and other deferred debits						
Property, plant and equipment, net	10,148	(53)	(k)	—		10,095
Goodwill	1,813	4,237	(l)	—		6,050
Regulatory assets	679	442	(m), (s)	—		1,121
Intangible assets	101	330	(n)	—		431
Equity method investments	92	17	(o)	1,408	(x)	1,517
Other	181	(69)	(p), (s)	—		112
Total long-term assets and other deferred debits	13,014	4,904		1,408		19,326
Total assets	$ 14,488	$ 4,960		$ 1,410		20,858
Current liabilities						
Short-term debt	$ 114	$ —		$ —		$ 114
Current portion of long-term debt	575	—		—		575
Energy marketing trade payables	436	—		—		436
Other accounts payable – trade	278	—		—		278
Accrued expenses	221	—		—		221
Regulatory liabilities	156	—		—		156
Customer deposits and credit balances	143	—		—		143
Derivative instruments, including cash collateral	65	—		—		65
Accrued environmental remediation liabilities	59	—		—		59
Temporary LIFO liquidation	49	—		—		49
Other	109	—		—		109
Total current liabilities	2,205	—		—		2,205
Long-term liabilities and other deferred credits						
Long-term debt	3,709	552	(q)	360	(y)	4,621
Accumulated deferred income taxes	1,992	74	(r)	—		2,066
Regulatory liabilities	1,627	—		—		1,627
Accrued pension and retiree welfare benefits	513	149	(s)	—		662
Accrued environmental remediation liabilities	379	—		—		379
Other	89	(3)	(t)	—		86
Total long-term liabilities and other deferred credits	8,309	772		360		9,441
Total liabilities and other deferred credits	10,514	772		360		11,646
Contingently redeemable noncontrolling interest	41	119	(u)	—		160
Total equity	3,933	4,069	(v)	1,050	(z)	9,052

Total liabilities, redeemable noncontrolling interest and equity	$ 14,488	$ 4,960	$ 1,410	$ 20,858

NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Basis of Pro Forma Presentation

The pro forma statements of income for the six months ended June 30, 2016 and the year ended December 31, 2015 give effect to the SNG investment and the merger as if they were completed on January 1, 2015. The pro forma balance sheet as of June 30, 2016 gives effect to the SNG investment and the merger as if they were completed on June 30, 2016. The pro forma financial statements have been derived from the historical consolidated financial statements of Southern Company Gas. Assumptions and estimates underlying the pro forma adjustments are described in Note 2 herein. The pro forma adjustments included in Note 2 herein are preliminary and will be finalized as additional information becomes available and as additional analysis is performed. The final merger purchase price allocation, which is yet to be completed, may differ materially from the information presented herein.

The SNG investment is reflected in the pro forma financial statements as being accounted for as an equity method investment by Southern Company Gas. Under the equity method of accounting, the initial investment to acquire an equity interest in SNG is recorded at cost with the proportionate share of SNG's reported earnings or losses being recognized through net income and as an adjustment to the investment balance of Southern Company Gas.

The merger is reflected in the pro forma financial statements as being accounted for as an acquisition of Southern Company Gas by Southern Company with the acquisition accounting pushed down to Southern Company Gas. Under the acquisition method of accounting, the total estimated purchase price is calculated as described in Note 2 herein. The assets acquired and the liabilities assumed in the merger have been measured and presented at estimated fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. The fair value measurements utilize estimates based on key assumptions of the merger, including historical and current market data. Southern Company Gas' regulated natural gas distribution operations are subject to the rate-setting authority of various state regulatory commissions, which includes provisions in place that provide revenues to recover costs of service, including a carrying charge on most net assets and liabilities. For the net assets and liabilities subject to cost recovery and/or earning a carrying charge, the carrying values approximate fair values and pro forma adjustments are not required. As a result of pushing down the acquisition accounting, the consolidated financial statements of Southern Company Gas for periods before and after the merger reflect different bases of accounting, and the financial positions and results of operations of those periods are not comparable. Although the merger is a separate transaction from, and is not related to, the SNG investment, the effect of the merger is included in the pro forma financial statements for comparability purposes as a result of the change in accounting basis.

Merger-related expenses of $56 million for the six months ended June 30, 2016 and $44 million for the year ended December 31, 2015 have been excluded from the pro forma statements of income as they reflect non-recurring charges directly related to the merger. Additionally, the pro forma financial statements do not reflect any cost savings (or associated costs to achieve such savings) from operating efficiencies that could result from the SNG investment or the merger.

Note 2. Adjustments to Pro Forma Financial Statements

Basis of Presentation. The pro forma financial statements have been prepared based on the amounts reported in the consolidated balance sheet of Southern Company Gas as of June 30, 2016 and the consolidated statements of income of Southern Company Gas for the six months ended June 30, 2016 and the year ended December 31, 2015. Certain financial statement line items included in Southern Company Gas' historical presentation have been combined as allowed by U.S. Securities and Exchange Commission (SEC) Regulation S-X. The combination of line items has no material impact on the historical operating income, net income, total assets, liabilities, or shareholders' equity reported by Southern Company Gas. Additionally, equity method investments on the consolidated balance sheet and equity investment income on the consolidated statements of income have been reclassified to separate line items to reflect the significant pro forma adjustments for the SNG investment.

Southern Company Gas' proportionate share of SNG's earnings has been reflected in the pro forma financial statements based on the amounts reported in the consolidated statements of income of SNG for the six months ended June 30, 2016 and the year ended December 31, 2015.

Preliminary Purchase Price Allocation. The pro forma adjustments include the change in accounting basis of Southern Company Gas' assets and liabilities to reflect their fair values at the time of the merger. The allocation of the preliminary purchase price to the fair values of assets and liabilities of Southern Company Gas is as follows:

		(in millions)
Current assets	$	1,530
Property, plant, and equipment		10,095
Goodwill		6,050
Intangible assets		431
Regulatory assets, long-term		1,121
Other assets, long-term		221
Current liabilities		(2,205)
Other liabilities, long-term		(4,820)
Long-term debt		(4,261)
Noncontrolling interests		(160)
Total purchase price	$	8,002

Adjustments to Pro Forma Statements of Income Related to the Merger

(a) *Operating Revenues*–Reflects the annual amortization of the fair value adjustments associated with various transport and storage executory contracts over a weighted-average life of 6 years. See adjustments (n) and (t) to the pro forma balance sheet for additional information.

(b) *Operations and Maintenance*–Reflects the elimination of deferred customer acquisition costs amortization of $2 million for the six months ended June 30, 2016 and $3 million for the year ended December 31, 2015, partially offset by the increase in rent expense of $1 million for the six months ended June 30, 2016 and the year ended December 31, 2015, related to the elimination of deferred rent. See adjustments (p) and (t), respectively, to the pro forma balance sheet for additional information.

(c) *Depreciation and Amortization*–Reflects an increase in the amortization of identifiable intangible assets related to customer relationships and trade names of $12 million for the six months ended June 30, 2016 and $23 million for the year ended December 31, 2015 on a straight-line basis (over weighted-average remaining lives of 8 to 18 years), partially offset by a decrease in depreciation of $1 million for the six months ended June 30, 2016 and $2 million for the year ended December 31, 2015 based on the valuation adjustment for property, plant, and equipment (over a weighted-average life of 30 years). See adjustments (n) and (k), respectively, to the pro forma balance sheet for additional information.

(d) *Merger-related Expenses*–Reflects the elimination of merger-related expenses of $56 million for the six months ended June 30, 2016 and $44 million for the year ended December 31, 2015, which will have no ongoing impact on Southern Company Gas' results.

(e) *Interest Expense, Net*–Reflects a reduction in interest expense of $18 million for the six months ended June 30, 2016 and $36 million for the year ended December 31, 2015 as a result of amortizing pro forma fair value adjustments of $445 million related to Southern Company Gas debt not associated with its regulated utilities over the estimated remaining life of the individual debt issuances, which range up to 27 years. No adjustment has been made to interest expense with respect to the fair value adjustment associated with the debt of Southern Company Gas regulated utilities. Accounting Standards Codification 980, *Regulatory Operations*, requires interest expense to equal the amount allowed to be collected in rates. As a result, the pro forma fair value adjustment related to the debt of Southern Company Gas regulated utilities is offset by an increase in regulatory assets in the pro forma balance sheet. The amortization of the adjustment to regulatory assets will offset the reduction in interest expense associated with the fair value debt adjustment. See adjustments (m) and (q) to the pro forma balance sheet for additional information.

(f) *Income Tax Expense*–Reflects the elimination of the $15 million income tax impact for merger-related expenses for the six months ended June 30, 2016 (there was no income tax impact of nondeductible merger-related expenses for the year ended December 31, 2015) and the income tax effects of the pro forma adjustments calculated using applicable estimated statutory income tax rates.

Adjustments to Pro Forma Statements of Income Related to the SNG Investment

(g) *Equity Investment Income*–Reflects Southern Company Gas' share (50%) of SNG's earnings for the periods presented based on net income reported in the consolidated statements of income of SNG. SNG is a limited liability company and is not subject to federal and state income taxes. As such, SNG's reported net income does not include income taxes on earnings.

(h) *Interest Expense, Net*–Reflects additional interest expense of $7 million for the six months ended June 30, 2016 and $15 million for the year ended December 31, 2015 as a result of issuing $360 million of long-term debt to fund the SNG investment at an assumed weighted borrowing rate of 4.05%, which reflects the impact of certain interest rate swaps described in Note 8 to the condensed consolidated financial statements of Southern Company Gas included in its Quarterly Report on Form 10-Q for the quarter ended June 30, 2016. An increase or decrease of one-eighth percent in the assumed interest rate would increase or decrease interest expense by less than $1 million for the six months ended June 30, 2016 and the year ended December 31, 2015.

(i) *Income Tax Expense*–Reflects the income tax effects of the pro forma adjustments calculated using applicable estimated statutory income tax rates.

Adjustments to the Pro Forma Balance Sheet Related to the Merger

(j) *Inventories-Natural Gas*–Represents the fair value adjustment related to natural gas inventory held by Southern Company Gas unregulated businesses. Since the fair value adjustment is expected to be fully amortized in less than one year, the pro forma statements of income do not reflect any adjustments related to this inventory fair value adjustment as no amounts are included in the historical results and it is not expected to have a continuing impact on the consolidated results of Southern Company Gas.

(k) *Property, Plant, and Equipment*–Represents the fair value adjustment related to Southern Company Gas unregulated property, plant, and equipment.

(l) *Goodwill*–Reflects the elimination of Southern Company Gas' historical goodwill balance of approximately $1.8 billion and the establishment of goodwill of approximately $6.1 billion based on the preliminary estimate of the excess of the purchase price over the fair value of Southern Company Gas' assets acquired and liabilities assumed, calculated as follows:

		(in millions)
Purchase price	$	8,002
Less: Fair value of net assets acquired		1,952
Less: Southern Company Gas' existing goodwill		1,813
Pro forma goodwill adjustment	$	4,237

(m) *Regulatory Assets*–Reflects a $107 million adjustment to offset the preliminary estimate of the fair value adjustment of debt at the regulated utilities of Southern Company Gas, which are assumed to continue collecting interest expense through regulated rates equal to the stated interest rate on currently outstanding debt. Also reflects $195 million of the pre-merger unrecognized amounts of the funded status of Southern Company Gas' pension and other postretirement employee benefit plans associated with its regulated utilities that are deemed to be probable of recovery in future rates.

(n) *Intangible Assets*–Reflects the increase in fair value of intangible assets consisting of customer relationship and trade names of $289 million and the fair value adjustment for transport executory contracts of $41 million.

(o) *Equity Method Investments*–Reflects the increase in fair value of $17 million for existing equity method investments.

(p) *Other Long-term Assets*–Reflects the elimination of $7 million of previously deferred customer acquisition costs.

(q) *Long-term Debt*–Reflects the preliminary estimate of the fair value adjustment of $552 million to increase Southern Company Gas' outstanding debt, $107 million of which is related to its regulated utilities and $445 million of which is associated with its unregulated businesses.

(r) *Accumulated Deferred Income Taxes*–Reflects the adjustment to accumulated deferred income taxes related to a change in effective income tax rates after the merger and additional estimated deferred tax liabilities attributable to the fair value adjustments (excluding goodwill) based on applicable estimated statutory income tax rates. The assumed effective tax rate does not take into account any possible future tax events that may impact Southern Company Gas.

(s) *Accrued Pension and Retiree Welfare Benefits*–Reflects a preliminary estimate of the increase in liability of $149 million to record Southern Company Gas' pension benefits and other postretirement employee benefits' plan assets and

obligations at estimated fair values. The total increase in pension benefits and other postretirement employee benefits is $211 million, of which $62 million is included as a reduction of other noncurrent assets. Additionally, $140 million of the increase is related to costs probable of future recovery through the rates of Southern Company Gas regulated utilities and is reflected as a noncurrent regulatory asset.

(t) *Other Long-term Liabilities*–Reflects the elimination of $11 million of deferred rent liability, partially offset by a fair value adjustment to increase storage executory contracts by $8 million.

(u) *Contingently Redeemable Noncontrolling Interest*–Reflects the fair value of Southern Company Gas' contingently redeemable 15% noncontrolling interest in SouthStar Energy Services, LLC.

(v) *Common Stockholders' Equity*–Reflects the $8.0 billion merger purchase price pushdown, partially offset by the elimination of Southern Company Gas' historical equity balance of $3.9 billion.

Adjustments to the Pro Forma Balance Sheet Related to the SNG Investment

(w) *Cash and Cash Equivalents*–Represents excess cash from the amount contributed from Southern Company, which is expected to be used for general corporate purposes.

(x) *Other Long-term Assets*–Represents the 50% equity investment in SNG.

(y) *Long-term Debt*–Reflects the issuance of long-term debt by Southern Company Gas to finance part of its investment in SNG.

(z) *Common Stockholders' Equity*–Reflects the equity contribution from Southern Company, proceeds of which Southern Company Gas used to finance part of its investment in SNG.