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EL PASO CORP/DE
Form S-4/A
October 09, 2002

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON OCTOBER 9, 2002

REGISTRATION NO. 333-96621

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

AMENDMENT NO. 1

TO

FORM S-4
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

EL PASO CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

4922
(Primary Standard Industrial
Classification Code Number)

76-0568816
(I.R.S. Employer
Identification Number)

EL PASO CORPORATION
EL PASO BUILDING
1001 LOUISIANA STREET
HOUSTON, TEXAS 77002
(713) 420-2600
(Address, including zip code, and telephone
number, including area code, of registrant's
principal executive officer)

PEGGY A. HEEG, ESQ.
EL PASO CORPORATION
EL PASO BUILDING
1001 LOUISIANA STREET
HOUSTON, TEXAS 77002
(713) 420-2600
(Name, address, including zip code, and tele
number, including area code, of agent for ser

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HOUSTON, TEXAS 77002
(713) 226-1200

HOUSTON, TEXAS 77002
(713) 420-2600

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE OF THE SECURITIES TO THE PUBLIC: As soon as practicable after this registration statement becomes effective.

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

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

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

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER UNIT(1)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(1)
7 7/8% Notes due June 15, 2012.....	\$500,000,000	100%	\$500,000,000

(1) Calculated in accordance with Rule 457(f)(2). For purposes of this calculation, the Offering Price per Note was assumed to be the stated principal amount of each original note that may be received by the Registrant in the exchange transaction in which the Notes will be offered.

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

THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER

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TO SELL THESE SECURITIES, AND WE ARE NOT SOLICITING AN OFFER TO BUY THESE SECURITIES, IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

SUBJECT TO COMPLETION, DATED OCTOBER 9, 2002

PROSPECTUS

EL PASO CORPORATION

OFFER TO EXCHANGE
REGISTERED 7 7/8% NOTES DUE JUNE 15, 2012
FOR
ALL OUTSTANDING 7 7/8% NOTES DUE JUNE 15, 2012
(\$500,000,000 IN PRINCIPAL AMOUNT OUTSTANDING)

We are offering to exchange all of our outstanding 7 7/8% Notes due June 15, 2012 for our registered 7 7/8% Notes due June 15, 2012. In this prospectus, we will call the original notes the "Old Notes" and the registered notes the "New Notes." The Old Notes and New Notes are collectively referred to in this prospectus as the "notes."

THE EXCHANGE OFFER

- Expires 5:00 p.m., New York City time, , 2002, unless extended.
- Subject to certain customary conditions, which we may waive, the exchange offer is not conditioned upon a minimum aggregate principal amount of Old Notes being tendered.
- All outstanding Old Notes validly tendered and not withdrawn will be exchanged.
- The exchange offer is not subject to any condition other than that the exchange offer not violate applicable law or any applicable interpretation of the staff of the Securities and Exchange Commission.

THE NEW NOTES

- The terms of the New Notes to be issued in the exchange offer are substantially identical to the Old Notes, except that we have registered the New Notes with the Securities and Exchange Commission. In addition, the New Notes will not be subject to certain transfer restrictions.
- Interest on the New Notes will accrue from June 10, 2002 at the rate of 7 7/8% per annum, payable semi-annually in arrears on each June 15 and December 15, beginning December 15, 2002.
- The New Notes will not be listed on any securities exchange or the NASDAQ Stock Market.

YOU SHOULD CAREFULLY CONSIDER THE RISK FACTORS BEGINNING ON PAGE 9 OF THIS PROSPECTUS BEFORE PARTICIPATING IN THE EXCHANGE OFFER.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES

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COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Each broker-dealer that receives New Notes for its own account pursuant to the Exchange Offer must acknowledge that it will deliver a prospectus in connection with any resale of such New Notes. The letter of transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of New Notes received in exchange for Old Notes where such Old Notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. We have agreed that, for a period of 180 days after the Expiration Date (as defined herein), we will make this prospectus available to any broker-dealer for use in connection with any such resale. See "Plan of Distribution."

The date of this prospectus is _____, 2002.

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UNTIL _____, ALL DEALERS THAT EFFECT TRANSACTIONS IN THESE SECURITIES, WHETHER OR NOT PARTICIPATING IN THIS OFFERING, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS IS IN ADDITION TO THE DEALERS' OBLIGATION TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITERS AND WITH RESPECT TO THEIR UNUSED ALLOTMENTS OR SUBSCRIPTIONS.

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This prospectus incorporates important business and financial information about El Paso that is not included in or delivered with this prospectus. See "Where You Can Find More Information" for more information about these matters.

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PROSPECTUS SUMMARY

This summary highlights some basic information appearing in other sections of this prospectus. It is not complete and does not contain all the information that you should consider before exchanging Old Notes for New Notes. You should carefully read this prospectus and the documents incorporated by reference to understand fully the terms of the exchange offer and the New Notes, as well as the tax and other considerations that may be important to you. You should pay special attention to the "Risk Factors" section beginning on page 9 of this prospectus, as well as the section entitled "Risk Factors and Cautionary Statement for Purposes of the "Safe Harbor" Provisions of the Private Securities Litigation Reform Act of 1995" included in our Annual Report on Form 10-K for the year ended December 31, 2001, and the other documents incorporated by reference. You should rely only on the information contained in this document or to which we have referred you. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate on the date of this document. For purposes of this prospectus, unless the context otherwise indicates, when we refer to "El Paso," "us," "we," "our," or "ours," we are describing El Paso Corporation, together with its subsidiaries.

OUR BUSINESS

We are an energy company originally founded in 1928 in El Paso, Texas. Our principal operations include:

- natural gas transportation, gathering, processing and storage;
- natural gas and oil exploration, development and production;
- energy and energy-related commodities and product marketing;
- power generation;
- energy infrastructure facility development and operation;

- petroleum refining; and

- chemicals production.

Our operations are segregated into four primary business segments: Pipelines, Production, Merchant Energy and Field Services. These segments are strategic business units that provide a variety of energy products and services. We manage each segment separately, and each segment requires different technology and marketing strategies.

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Our Pipelines segment owns or has interests in approximately 60,000 miles of interstate natural gas pipelines in the U.S. and internationally. In the U.S., our systems connect the nation's principal natural gas supply regions to the five largest consuming regions in the U.S.: the Gulf Coast, California, the Northeast, the Midwest and the Southeast. These pipelines represent one of the largest integrated coast-to-coast mainline natural gas transmission systems in the U.S. Our U.S. pipeline systems also own or have interests in over 430 billion cubic feet (Bcf) of storage capacity used to provide a variety of services to our customers and own and operate a liquefied natural gas (LNG) terminal at Elba Island, Georgia that was reactivated in 2001. Our international pipeline operations include access between our U.S. based systems and Canada and Mexico as well as interests in three major operating natural gas transmission systems in Australia.

Our Production segment leases approximately 5 million net acres in 19 states, including Colorado, Louisiana, Oklahoma, Texas, Utah, West Virginia and Wyoming, and in the Gulf of Mexico. We also have exploration and production rights in Australia, Bolivia, Brazil, Canada, Hungary, Indonesia and Turkey. During 2001, daily equivalent natural gas production exceeded 1.7 billion cubic feet of gas equivalents per day (Bcfe/d), and our reserves at December 31, 2001, were approximately 6.7 trillion cubic feet of gas equivalents (Tcfe).

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Our Merchant Energy segment is involved in a broad range of energy-related activities including asset ownership, customer origination, marketing and trading and financial services. We buy, sell and trade natural gas, power, crude oil, refined products and other energy commodities in the U.S. and internationally. We are also a significant owner of electric generating capacity and own or have interests in 95 facilities in 20 countries. The three refineries we operate have the capacity to process approximately 438 thousand barrels (MBbls) of crude oil per day and produce a variety of petroleum products. We also produce agricultural and industrial chemicals at five facilities in the U.S. Our financial services businesses manage investments in the North American energy industry. Most recently, Merchant Energy has announced its expansion into the LNG business.

Our Field Services segment provides natural gas gathering, products extraction, fractionation, dehydration, purification, compression and intrastate transmission services. These services include gathering natural gas from more than 15,000 natural gas wells with approximately 21,000 miles of natural gas gathering and natural gas liquids pipelines, and approximately 30 natural gas processing, treating and fractionation facilities located in some of the most active production areas in the U.S., including the San Juan Basin, east and south Texas, Louisiana, the Gulf of Mexico and the Rocky Mountains. We conduct our intrastate transmission operations through interests in six intrastate systems, which serve a majority of the metropolitan areas and industrial load centers in Texas as well as markets in Louisiana. Our primary vehicle for growth and development of midstream energy assets is El Paso Energy Partners, L.P., a publicly traded master limited partnership of which our subsidiary serves as the general partner. El Paso Energy Partners provides natural gas, natural gas liquids and oil gathering and transportation, storage and other related services.

Our principal executive offices are located in the El Paso Building, located at 1001 Louisiana Street, Houston, Texas 77002, and our telephone number at that address is (713) 420-2600.

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RECENT DEVELOPMENTS

Since November of 2001, the wholesale energy industry has experienced significant changes, including:

- The bankruptcy of Enron Corp.;
- The tightening of credit and the capital markets;
- Recent investigations of trading strategies used by several wholesale market participants; and
- The focus by ratings agencies on a more conservative balance between the business risk and the financial profile of wholesale energy market participants.

In response to these industry changes, we announced in December 2001 a plan to strengthen our capital structure and enhance our liquidity. More recently, in May 2002, we announced a strategic repositioning plan to limit our investment in and exposure to energy trading and to increase our investment in core natural gas businesses. The key elements of our strategic repositioning plan include the following:

- Restructuring our Merchant Energy segment, including:
 - Downsizing our trading and risk management activities;
 - Reducing our trading personnel and achieving \$150 million of annualized cost savings;
 - Limiting our working capital investment in our trading activities to \$1.0 billion; and
 - Realigning the activities in Merchant Energy under three areas: Power, Petroleum and LNG and Energy Trading.

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- Further enhancing our credit beyond the plan announced in December 2001 by:
 - Issuing \$1.5 billion of equity securities;
 - Selling a series of midstream assets to El Paso Energy Partners for an estimated \$782 million;
 - Reducing our company-wide annual operating expenses by at least \$300 million (inclusive of the savings in Merchant Energy);
 - Decreasing our net debt to total capitalization to approximately 49%, including almost \$2.0 billion of guarantees related to unconsolidated debt in the Electron and Gemstone investments; and
 - Reducing our non-cash earnings to approximately 5% of 2003 net income.
- Increasing our investment in core natural gas assets by:

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- Increasing capital spending in our Production segment to \$2.3 billion;
- Pursuing an LNG strategy; and
- Continuing an active infrastructure investment program.

In June 2002, we issued approximately 51.8 million shares of our common stock at a public offering price of \$19.95 per share and 11.5 million of our 9% equity security units at a public offering price of \$50 per unit. Net proceeds from the offerings totaled approximately \$1.6 billion and have been used to repay short-term borrowings and other financing obligations and for general corporate purposes.

Also in June 2002, our Board of Directors authorized the sale of our coal mining operations. These operations consist of fifteen active underground and two surface mines located in Kentucky, Virginia and West Virginia. We expect to complete the sale of these operations before the end of 2002.

We have prepared a pro forma presentation of the impact on our historical financial statements of our announced sale of the San Juan gathering and processing businesses, Typhoon Gas Pipeline, Typhoon Oil Pipeline and the Coastal Liquids Partners' NGL business to El Paso Energy Partners, as well as our sale of Texas and New Mexico midstream assets to El Paso Energy Partners completed in April 2002. This presentation has been included in a Form 8-K filed with the SEC on October 9, 2002, and is incorporated by reference into this prospectus.

Our strategy has been, and continues to be, the ownership and control of a flexible portfolio of assets across the natural gas value chain. We will also continue to use this flexible portfolio to reallocate capital to those business segments which offer the best available returns. The ability to respond comprehensively and expeditiously to changing market conditions demonstrates the power of our vertically integrated natural gas franchise, the breadth of our assets and the scope of our portfolio of investment opportunities. We believe the successful implementation of our strategic repositioning plan will better enable us to participate in the significant growth opportunities available in our industry under existing market conditions.

On September 23, 2002, a Federal Energy Regulatory Commission (FERC) Administrative Law Judge issued a recommended decision in which he concluded that our wholly-owned subsidiary, El Paso Natural Gas Company (EPNG), withheld pipeline capacity from the California market during the period from November 1, 2000 to March 31, 2001. We believe that the recommended decision is contrary to the facts and the law, and we will challenge the decision before the FERC and, if necessary, the United States Court of Appeals. A more detailed outline of our opinion of the errors in the decision is included in a Form 8-K filed with the SEC on September 25, 2002. It has been reported that the Chairman of the FERC has stated that he is hopeful that the FERC will act on this case by the end of the 2002. On October 4, 2002, EPNG filed a motion with the FERC requesting oral argument before the full FERC after all briefs on exceptions and opposing exceptions have been filed and urging the FERC to issue its decision by the end of the year.

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On October 2, 2002, Moody's Investors Service reduced our senior unsecured debt rating to Baa3, Moody's lowest investment grade rating, and stated that it may further reduce our ratings in light of the current downturn in the merchant energy sector.

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SUMMARY OF THE TERMS OF THE EXCHANGE OFFER

The Exchange Offer..... We are offering to exchange up to \$500,000,000 of the New Notes for up to \$500,000,000 of the Old Notes. Old Notes may be exchanged only in \$1,000 increments.

The terms of the New Notes are identical in all material respects to the Old Notes except that the New Notes will not contain terms with respect to transfer restrictions, registration rights and payments of additional interest that relate to the Old Notes. The New Notes and the Old Notes will be governed by the same indenture.

Registration Rights Agreement..... We sold the Old Notes on June 10, 2002 to Credit Suisse First Boston Corporation, the initial purchaser, under a purchase agreement dated June 4, 2002. Pursuant to the purchase agreement, we and Credit Suisse First Boston Corporation entered into a registration rights agreement that granted the holders of the Old Notes certain exchange and registration rights. Specifically, we agreed to file, on or prior to 90 days after the closing of the offering of the Old Notes, this exchange offer registration statement with respect to a registered offer to exchange the Old Notes for the New Notes. We also agreed to use our commercial reasonable efforts to have this exchange offer registration statement declared effective by the SEC within 220 days after the closing of the offering of the Old Notes and to consummate the exchange offer within 30 business days thereafter. If we fail to fulfill our obligations under the registration rights agreement, additional interest will accrue on the Old Notes at an annual rate of 0.25% for the first 90 days and will increase by an additional 0.25% for each subsequent 90-day period up to a maximum additional annual rate of 0.75%. See "Exchange Offer and Registration Rights."

Resale..... We believe that you will be able to freely transfer the New Notes without registration or

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any prospectus delivery requirement; however, certain broker-dealers and certain of our affiliates may be required to deliver copies of this prospectus if they resell any New Notes.

Expiration Date..... 5:00 p.m., New York City time, on _____, 2002, unless the exchange offer is extended. You may withdraw Old Notes you tender pursuant to the exchange offer at any time prior to _____, 2002. See "The Exchange Offer -- Expiration Date; Extensions; Termination; Amendments."

Conditions to the Exchange Offer..... The exchange offer is not subject to any conditions other than that it does not violate applicable law or any applicable interpretation of the staff of the SEC.

Procedures for Tendering Old Notes..... If you wish to accept the exchange offer, sign and date the letter of transmittal that was delivered with this prospectus in accordance with the instructions, and deliver the letter of transmittal, along with the Old Notes and any other required documentation, to the exchange agent. Alternatively, you can tender your outstanding Old Notes by following the procedures

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for book-entry transfer, as described in this prospectus. By executing the letter of transmittal or by transmitting an agent's message in lieu thereof, you will represent to us that, among other things:

- the New Notes you receive will be acquired in the ordinary course of your business,
- you are not participating, and you have no arrangement with any person to participate, in the distribution of the New Notes, and
- you are not our "affiliate," as defined in Rule 405 under the Securities Act, or a broker-dealer tendering Old Notes acquired directly from us for resale pursuant to Rule 144A or any other available exemption under the Securities Act; and
- if you are not a broker-dealer, that you are not engaged in and do not intend to engage in the distribution of the New Notes.

Effect of Not Tendering..... Old Notes that are not tendered or that are tendered but not accepted will, following the completion of the exchange offer, continue to

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be subject to the existing restrictions upon transfer thereof.

Special Procedures for Beneficial Owners.....

If you are a beneficial owner whose Old Notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and wish to tender such Old Notes in the exchange offer, please contact the registered holder as soon as possible and instruct them to tender on your behalf and comply with our instructions set forth elsewhere in this prospectus.

Guaranteed Delivery Procedures.....

If you wish to tender your Old Notes, you may, in certain instances, do so according to the guaranteed delivery procedures set forth elsewhere in this prospectus under "The Exchange Offer -- Procedure for Tendering Old Notes -- Guaranteed Delivery."

Withdrawal Rights.....

You may withdraw Old Notes that you tender pursuant to the exchange offer by furnishing a written or facsimile transmission notice of withdrawal to the exchange agent containing the information set forth in "The Exchange Offer -- Withdrawal of Tenders" at any time prior to the expiration date.

Acceptance of Old Notes and Delivery of New Notes.....

We will accept for exchange any and all Old Notes that are properly tendered in the exchange offer prior to the expiration date. See "The Exchange Offer -- Procedures for Tendering Old Notes." The New Notes issued pursuant to the exchange offer will be delivered promptly following the expiration date.

Broker-Dealers.....

Each broker-dealer that receives New Notes for its own account pursuant to the Exchange Offer must acknowledge that it will deliver a prospectus in connection with any resale of such New Notes. The letter of transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within

the meaning of the Securities Act. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of New Notes received in exchange for Old Notes where such Old Notes were acquired by such

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broker-dealer as a result of market-making activities or other trading activities. We have agreed that, for a period of 180 days after the Expiration Date (as defined herein), we will make this prospectus available to any broker-dealer for use in connection with any such resale. See "Plan of Distribution."

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SUMMARY OF TERMS OF NEW NOTES

Issuer.....	El Paso Corporation
New Notes.....	\$500,000,000 aggregate principal amount of 7 7/8% Notes due June 15, 2012.
Maturity Date.....	June 15, 2012.
Interest Rate.....	7 7/8% per annum, accruing from June 10, 2002.
Interest Payment Dates.....	June 15 and December 15 of each year, beginning December 15, 2002.
Optional Redemption.....	We may redeem some or all of the New Notes, at any time or from time to time, at the redemption price described in the section entitled "Description of the Notes -- Optional Redemption of Notes."
Ranking.....	As of June 30, 2002, we had total long-term capital market debt, bank debt and other financing obligations (excluding the Old Notes) of approximately \$17.1 billion, including approximately \$9.3 billion of debt of our subsidiaries. We also have guarantees of approximately \$3.9 billion and preferred securities and minority interest financings of approximately \$4.2 billion. The New Notes are structurally subordinated to approximately \$13.3 billion, and rank equally with approximately \$11.6 billion, of our debt, guarantees and preferred securities and minority interest financings.
Certain Covenants.....	The indenture governing the New Notes contains covenants, including covenants limiting (i) the creation of liens securing indebtedness, and (ii) sale-leaseback transactions.
Use of Proceeds.....	We will not receive any proceeds from the exchange of the New Notes for the outstanding Old Notes.

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Risk Factors..... You should read the "Risk Factors" section beginning on page 9, as well as the other cautionary statements throughout this prospectus, to ensure you understand the risks involved with the exchange of the New Notes for the outstanding Old Notes.

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SUMMARY FINANCIAL INFORMATION

The following summary financial information should be read in conjunction with our consolidated financial statements and related notes thereto, which are incorporated herein by reference. The operating results data for each of the years in the five-year period ended December 31, 2001, and the financial position data as of the end of each fiscal year during such period include reclassifications to conform to the presentation in our June 30, 2002 Form 10-Q. The audited consolidated financial statements in our December 31, 2001 Form 10-K are incorporated by reference in this prospectus. The summary financial information for the six months ended June 30, 2002 and 2001, is derived from our unaudited consolidated financial statements for the respective periods included in our June 30, 2002 Form 10-Q which is incorporated by reference in this prospectus. This historical information is not necessarily indicative of the results to be expected in the future and does not give effect to our announced strategic repositioning plan described under "Prospectus Summary -- Recent Developments" beginning on page 2.

	YEAR ENDED DECEMBER 31,					SIX ENDED
	2001	2000	1999	1998	1997	2002
	(IN MILLIONS, EXCEPT PER COMMON SHARE AMOUNTS)					
Operating Results Data:(1) (2)						
Operating revenues(3).....	\$13,699	\$13,071	\$ 9,902	\$ 9,627	\$12,856	\$ 6,742
Restructuring and merger-related costs and asset impairments(4)....	1,841	117	557	15	50	405
Ceiling test charge(5).....	135	--	352	1,035	--	267
Income (loss) from continuing operations before preferred stock dividends.....	72	1,246	251	176	796	256
Income (loss) from continuing operations available to common stockholders.....	72	1,246	251	170	779	256
Basic earnings (loss) per common share from continuing operations.....	\$ 0.14	\$ 2.52	\$ 0.51	\$ 0.35	\$ 1.58	\$ 0.48
Diluted earnings (loss) per common share from continuing operations.....	\$ 0.14	\$ 2.45	\$ 0.51	\$ 0.34	\$ 1.57	\$ 0.48
Cash dividends declared per common share.....	\$ 0.85	\$ 0.82	\$ 0.80	\$ 0.76	\$ 0.73	\$ 0.44
Basic average common shares						

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outstanding.....	505	494	490	487	492	529
Diluted average common shares						
outstanding.....	516	513	497	495	497	531

	AS OF DECEMBER 31,					AS OF
	2001	2000	1999	1998	1997	2002
	(IN MILLIONS)					
Financial Position Data:(2)						
Total assets(3).....	\$48,171	\$46,320	\$32,090	\$26,759	\$26,424	\$50,003
Long-term debt and other financing obligations.....	12,816	11,603	10,021	7,691	7,067	16,375
Non-current notes payable to unconsolidated affiliates.....	368	343	--	--	--	200
Company-obligated preferred securities of consolidated trusts.....	925	925	625	625	--	925
Preferred stock of consolidated subsidiaries.....	3,088	2,782	1,819	374	380	3,229
Stockholders' equity.....	9,356	8,119	6,884	6,913	7,203	10,018

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- (1) Our coal mining operations are classified as discontinued operations in all periods presented above.
- (2) Our operating results and financial position data reflect the acquisitions of PG&E's Texas Midstream operations in December 2000 and DeepTech International (the company that owns the general partner of El Paso Energy Partners, L.P.) in August 1998. These acquisitions were accounted for as purchases, and therefore operating results are included in our results prospectively from the purchase date.
- (3) In June 2002, we elected to adopt the Emerging Issues Task Force (EITF) Issue No. 02-3 and reported all physical sales of energy commodities in our trading operations on a net basis as a component of revenues. We applied this guidance to all prior periods, which had no impact on previously reported net income or stockholders' equity. Our operating revenues and total assets reflect the significant growth in our Merchant Energy operations during 2001 and 2000 as well as the consolidation of the U.S. operations of Coastal Merchant Energy in September 2000.
- (4) Our 2002 costs relate primarily to our writedown of investments in Argentina and organizational restructuring costs, our 2001 costs relate primarily to our merger with The Coastal Corporation, and our 1999 costs relate primarily to our merger with Sonat, Inc.

- (5) Ceiling test charges are reductions in earnings that result when capitalized costs of natural gas and oil properties exceed the upper limit, or ceiling, on the value of these properties.

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RISK FACTORS

Before you decide to participate in the exchange offer, you should read the risks, uncertainties and factors that may adversely affect us that are discussed under the captions "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors and Cautionary Statement For Purposes of the "Safe Harbor" Provisions of the Private Securities Litigation Reform Act of 1995" in our Annual Report on Form 10-K for the year ended December 31, 2001, which is incorporated by reference in this prospectus, as well as the following additional risk factors.

WE ARE A HOLDING COMPANY THAT DEPENDS ON CASH FLOW FROM OUR SUBSIDIARIES TO MEET OUR DEBT SERVICE OBLIGATIONS.

As a holding company, we conduct all of our operations exclusively through our subsidiaries and our only significant assets are our investment in these subsidiaries. This means that we are dependent on dividends or other distributions of funds from our subsidiaries to meet our debt service and other obligations, including the payment of principal and interest on the New Notes. Our subsidiaries are separate and distinct legal entities and have no obligation to pay any amounts due on these New Notes or to provide us with funds for our payment obligations, whether by dividends, distributions, loans or other payments. In addition, any payment of dividends, distributions, loans or advances by our subsidiaries to us could be subject to statutory or contractual restrictions. Payments to us by our subsidiaries will also be contingent upon our subsidiaries' earnings and business considerations. Furthermore, our right to receive cash or other assets of one of our subsidiaries upon the liquidation or reorganization of that subsidiary (and thus the ability of the holders of the New Notes to benefit indirectly from these assets) is generally subject to the prior claims of creditors, including trade creditors, of that subsidiary. Even if we are recognized as a creditor of that subsidiary, our claims would still be subject to any security interest of that subsidiary's other creditors. Therefore, the New Notes will be structurally subordinated to creditors, including trade creditors, of our subsidiaries. This may impact your ability to be repaid.

The indenture governing the New Notes permits us to incur additional secured indebtedness and permits our subsidiaries to incur additional secured and unsecured indebtedness, which would in effect be senior to the New Notes. The indenture also permits certain of our subsidiaries to pledge assets in order to secure our indebtedness and to agree with lenders under any secured indebtedness to restrictions on repurchase of the New Notes and on the ability of such subsidiaries to make distributions, loans, other payments or asset transfers to us.

As of June 30, 2002, we had total long-term capital market debt, bank debt

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and other financing obligations (excluding the Old Notes) of approximately \$17.1 billion, including approximately \$9.3 billion of subsidiary debt. We also have guarantees of approximately \$3.9 billion and preferred securities and minority interest financings of approximately \$4.2 billion. The New Notes are structurally subordinated to approximately \$13.3 billion, and rank equally with approximately \$11.6 billion, of our debt, guarantees and preferred securities and minority interest financings.

WE MAY HAVE DIFFICULTY ACCESSING CAPITAL ON ATTRACTIVE TERMS OR AT ALL.

In response to the occurrence of several recent events, including the September 11, 2001 terrorist attack on the United States, the ongoing war against terrorism by the United States, and the bankruptcy of Enron Corp., one of our major competitors, the financial markets have been disrupted in general, and the availability and cost of capital for our business and that of our competitors has been adversely affected. In addition, the bankruptcy of Enron and other issues affecting the energy industry have caused the credit ratings agencies to review the capital structure and earnings power of energy companies, including ours. Our credit ratings are important to us. In December 2001, we announced our balance sheet enhancement plan to strengthen our capital structure and enhance our liquidity. In May 2002, we announced our strategic repositioning plan to limit our investment in and exposure to energy trading and to increase our investment in our core natural gas businesses. These plans were specifically designed to maintain or even improve our credit ratings. On October 2, 2002, Moody's Investors Service reduced our senior unsecured

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debt rating to Baa3, Moody's lowest investment grade rating, and stated that it may further reduce our ratings in light of the downturn in the merchant energy sector. We will continue to implement the various elements of our balance sheet enhancement plan and strategic repositioning plan and will continue to pursue additional asset sales to further strengthen our financial position. If our credit ratings are further downgraded, we could be required to post additional margin or provide additional collateral to operate our businesses. Our business is capital intensive, and achievement of our growth targets is dependent, at least in part, upon our ability to access capital at rates and on terms we determine to be attractive. If our ability to access capital becomes significantly constrained, our financial condition and future results of operations could be significantly adversely affected.

IF WE BREACH ANY OF THE MATERIAL FINANCIAL COVENANTS UNDER OUR VARIOUS INDENTURES, CREDIT FACILITIES OR GUARANTEES, OUR DEBT SERVICE OBLIGATIONS COULD BE ACCELERATED.

If we or any of our consolidated subsidiaries breach any of the material financial covenants under our various indentures, credit facilities or guarantees, our substantial debt service obligations could be accelerated. Furthermore, any breach of any of the material financial covenants under our subsidiaries' indentures or credit facilities could result in the acceleration of the indebtedness of all of our subsidiaries. In the event of any such simultaneous acceleration, we would not be able to repay all of the indebtedness.

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THE RESTRICTIONS CONTAINED IN OUR VARIOUS INDENTURES DO NOT LIMIT OUR ABILITY TO ISSUE ADDITIONAL INDEBTEDNESS.

We could enter into acquisitions, recapitalizations or other transactions that could increase our outstanding indebtedness. The restrictions contained in our various indentures do not limit our ability to incur such additional indebtedness. However, our revolving credit facility requires that our consolidated debt and guarantees to total capitalization ratio, as calculated pursuant to the terms of the facility, not exceed 70%. Furthermore, the incurrence of any additional indebtedness is inconsistent with our goals under our balance sheet enhancement plan and strategic repositioning plan.

FAILURE OF OUR ENERGY TRADING COUNTERPARTIES TO FULFILL THEIR COMMITMENTS COULD SIGNIFICANTLY ADVERSELY AFFECT OUR ENERGY MARKETING AND TRADING BUSINESS.

Since the bankruptcy of Enron Corp., the energy marketing and trading industry has come under heightened scrutiny by regulatory and rating agencies, resulting in a reduction in the credit available to companies in the industry. Consequently, a number of industry participants could have liquidity constraints on their trading activities, could reduce the size of their trading businesses or could discontinue their trading operations altogether. If the counterparties in our energy marketing and trading business continue to face liquidity constraints, or are otherwise unable or unwilling to continue their trading activities, the financial results and liquidity of our energy marketing and trading business could be significantly adversely affected.

WE MAY NOT ACHIEVE ALL OF THE OBJECTIVES SET FORTH IN OUR STRATEGIC REPOSITIONING PLAN IN A TIMELY MANNER OR AT ALL.

Our ability to achieve the stated objectives of our strategic repositioning plan, as well as the timing of their achievement, if at all, is subject to factors beyond our control, including our ability to raise cash from asset sales, which may be impacted by our ability to locate potential buyers in a timely fashion and obtain a reasonable price or by competing assets sales programs by our competitors.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

We have made statements in this document and the documents that are incorporated by reference into this document that constitute forward-looking statements, as that term is defined in the Private Securities Litigation Reform Act of 1995. These statements are subject to risks and uncertainties. Forward-looking statements include information concerning our possible or assumed future results of operations. These statements may relate to, but are not limited to, information or assumptions about earnings per share, capital and other expenditures, dividends, financing plans, capital structure, cash flow, pending legal and regulatory proceedings and claims, including environmental matters, future economic performance, operating income, cost savings, management's plans, goals and objectives for future operations and growth and markets for our stock. These forward-looking statements generally are

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accompanied by words such as "intend," "anticipate," "believe," "estimate," "expect," "should" or similar expressions. You should understand that these forward-looking statements are estimates that reflect the best judgment of our senior management and are not guarantees of future performance. They are subject to a number of assumptions, risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the forward-looking statements.

For a description of certain risks relating to us and our business, see "Risk Factors" beginning on page 9 of this document and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors and Cautionary Statement for Purposes of the "Safe Harbor" Provisions of the Private Securities Litigation Reform Act of 1995" in our 2001 Annual Report on Form 10-K, which is incorporated herein by reference. In addition, we can give you no assurance that:

- we have correctly identified and assessed all of the factors affecting our businesses;
- the publicly available and other information with respect to these factors on which we have based our analysis is complete or correct;
- our analysis is correct; or
- our strategies, which are based in part on this analysis, will be successful.

Accordingly, you should not place undue reliance on forward-looking statements, which speak only as of the date of this document, or, in the case of documents incorporated by reference, the date of those documents.

All subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section and any other cautionary statements that may accompany such forward-looking statements. We do not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events, unless the securities laws require us to do so.

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We have filed a registration statement with the SEC under the Securities Act of 1933 that registers the securities offered by this prospectus. The registration statement, including the attached exhibits, contains additional relevant information about us. The rules and regulations of the SEC allow us to omit some information included in the registration statement from this prospectus.

In addition, we file reports, proxy statements and other information with the SEC under the Securities Exchange Act of 1934. You may read and copy this information at the SEC's public reference room, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549.

You may also obtain copies of this information by mail from the public reference section of the SEC, 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, at prescribed rates. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. The SEC also maintains an Internet world wide web site that contains reports, proxy statements and other information about issuers, including El Paso, who file electronically with the SEC. The address of that site is <http://www.sec.gov>. You can also inspect reports, proxy statements and other information about us at the offices of the New York Stock Exchange, Inc., located at 20 Broad Street, New York, New York 10005 and the Pacific Exchange, located at 115 Sansome Street, San Francisco, California 94104.

We "incorporate by reference" information into this prospectus, which means that we disclose important information to you by referring you to another document filed separately with the SEC. This important information is not included in or delivered with this prospectus. The information incorporated by reference is deemed to be part of this prospectus, except for any information superseded by information contained directly in this prospectus. The documents listed below and incorporated by reference into this prospectus contain important information about El Paso and its financial condition. Some of these filings have been amended by later filings, which are also listed.

- Annual Report on Form 10-K for the year ended December 31, 2001;

- Quarterly Reports on Form 10-Q for the quarters ended March 31, 2002, and June 30, 2002, and a Quarterly Report on Form 10-Q/A for the quarter ended March 31, 2002;

- Current Reports on Form 8-K, dated January 4, 2002, January 11, 2002, March 28, 2002, April 12, 2002, May 31, 2002, June 14, 2002, June 19, 2002, June 26, 2002, July 15, 2002, July 22, 2002, September 24, 2002, September 25, 2002, September 30, 2002, and October 9, 2002 and a Current Report on Form 8-K/A dated January 8, 2002;

- Definitive Proxy Statement relating to the 2002 Annual Meeting of

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Stockholders.

We also disclose information about us through current reports on Form 8-K that are furnished to the SEC to comply with Regulation FD. This information disclosed in these reports is not considered to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, is not subject to the liabilities of that section and is not incorporated by reference herein.

All documents filed by us with the SEC from the date of this prospectus to the end of the offering of the notes under this prospectus shall also be deemed to be incorporated herein by reference.

You can obtain any of the documents listed above or any additional documents that we may file with the SEC, including Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as well as proxy statements, through us or from the SEC through the SEC's web site at the address provided above. Documents incorporated by reference are available from us without charge, excluding any exhibits to those documents unless the exhibit is specifically incorporated by reference as an

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exhibit in this document. You can obtain documents incorporated by reference in this prospectus by requesting them in writing or by telephone from us at the following address:

El Paso Corporation

Office of Investor Relations

El Paso Building

1001 Louisiana Street

Houston, Texas 77002

Telephone No.: (713) 420-2600

TO OBTAIN TIMELY DELIVERY OF ANY REQUESTED DOCUMENTS, YOU MUST REQUEST THE INFORMATION NO LATER THAN FIVE BUSINESS DAYS BEFORE YOU MAKE YOUR INVESTMENT DECISION. PLEASE MAKE ANY SUCH REQUESTS ON OR BEFORE _____, 2002.

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WE HAVE NOT AUTHORIZED ANYONE TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATION THAT DIFFERS FROM, OR ADDS TO, THE INFORMATION IN THIS DOCUMENT OR IN OUR DOCUMENTS THAT ARE PUBLICLY FILED WITH THE SEC. THEREFORE, IF ANYONE DOES GIVE YOU DIFFERENT OR ADDITIONAL INFORMATION, YOU SHOULD NOT RELY ON IT.

IF YOU ARE IN A JURISDICTION WHERE IT IS UNLAWFUL TO OFFER TO EXCHANGE OR SELL, OR TO ASK FOR OFFERS TO EXCHANGE OR BUY, THE SECURITIES OFFERED BY THIS DOCUMENT, OR IF YOU ARE A PERSON TO WHOM IT IS UNLAWFUL TO DIRECT THESE ACTIVITIES, THEN THE OFFER PRESENTED BY THIS DOCUMENT DOES NOT EXTEND TO YOU.

THE INFORMATION CONTAINED IN THIS DOCUMENT SPEAKS ONLY AS OF ITS DATE UNLESS THE INFORMATION SPECIFICALLY INDICATES THAT ANOTHER DATE APPLIES.

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RATIO OF EARNINGS TO FIXED CHARGES

The following table presents the ratio of earnings to fixed charges for El Paso and its consolidated subsidiaries for the periods indicated:

	YEAR ENDED					SIX MONTHS ENDED JUNE 30,	
	2001	2000	1999	1998	1997	2002	2001
Ratio of earnings to fixed charges (1) (2) (3)	1.0x	2.1x	1.2x	1.0x	2.4x	1.3x	0.0

(1) Our ratio of earnings to fixed charges during the periods presented was impacted by the following significant items:

- 2001 -- Merger with The Coastal Corporation and approximately \$135 million of ceiling test charges;
- 1999 -- Merger with Sonat, Inc. and approximately \$352 million of ceiling test charges; and
- 1998 -- Approximately \$1,035 million of ceiling test charges.

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- (2) In the second quarter of 2002, we reclassified our coal mining operations to discontinued operations. This reclassification had an immaterial impact on our historical ratios of earnings to fixed charges.
- (3) Earnings were inadequate to cover fixed charges by \$23 million and \$10 million for the year ended December 31, 2001 and 1998 and by \$755 million for the six months ended June 30, 2001.

For the purposes of computing these ratios, earnings means pre-tax income (loss) from continuing operations before:

- adjustment for minority interest in consolidated subsidiaries;
- income from equity investees, adjusted to reflect actual distributions from equity investments; and
- fixed charges;

less:

- capitalized interest; and
- preferred returns on consolidated subsidiaries.

Fixed charges means the sum of the following:

- interest costs, not including interest on rate refunds;
- amortization of debt costs;
- that portion of rental expense which we believe represents an interest factor; and
- preferred returns on consolidated subsidiaries.

USE OF PROCEEDS

We received net proceeds of \$495 million from the issuance of the Old Notes which we used to repay outstanding commercial paper and other short-term indebtedness. We will not receive any cash proceeds from the issuance of the New Notes. We will exchange outstanding Old Notes for New Notes in like principal amount as contemplated in this prospectus. The terms of the New Notes are identical in all material respects to the existing Old Notes except as otherwise described herein under "Description of the Notes." The Old Notes surrendered in exchange for the New Notes will be retired and canceled and cannot be reissued. Accordingly, issuance of the New Notes will not result in a change in our total

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debt and other financing obligations.

CAPITALIZATION

The following table sets forth our historical unaudited consolidated capitalization as of June 30, 2002, and our capitalization as adjusted to reflect the issuance of \$500 million of Old Notes on June 10, 2002, and our application of the net proceeds of \$495 million to reduce our short-term indebtedness. The exchange of the Old Notes for the New Notes will not impact our overall capitalization. This table is unaudited and should be read in conjunction with our consolidated financial statements and related notes contained in our 2001 Annual Report on Form 10-K and our Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, each of which is incorporated herein by reference.

	AS OF JUNE 30, 2002	
	EL PASO HISTORICAL	AS ADJUSTED
	(IN MILLIONS) (UNAUDITED)	
Debt and other financing obligations:		
Notes payable to unconsolidated affiliates.....	\$ 355	\$ 355
Short-term borrowings and other financing obligations.....	1,545	1,050
	-----	-----
Total current debt and other financing obligations.....	1,900	1,405
Notes payable to unconsolidated affiliates.....	200	200
Long-term debt and other financing obligations.....	16,375	16,875
	-----	-----
Total debt and other financing obligations.....	18,475	18,480
	-----	-----
Securities of subsidiaries:		
Company-obligated preferred securities of consolidated trusts.....	925	925
Minority interests.....	3,229	3,229
	-----	-----
Total securities of subsidiaries.....	4,154	4,154
	-----	-----
Stockholders' equity:		
Common stock, par value \$3 per share; 1,500,000,000 shares authorized; 592,257,717 shares issued as of June 30, 2002.....	1,777	1,777
Additional paid-in capital.....	3,973	3,973
Retained earnings.....	5,007	5,007
Treasury stock and other, net.....	(739)	(739)
	-----	-----
Total stockholders' equity.....	10,018	10,018
	-----	-----
Total capitalization.....	\$32,647	\$32,652
	=====	=====

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The historical and as adjusted amounts presented in this table do not include the issuance on July 2, 2002 by a consolidated subsidiary of approximately \$829 million principal amount of long-term debt, with net proceeds of approximately \$822 million. We used the net proceeds from this transaction to pay related transaction fees, to repay short-term indebtedness, for payments to minority interest shareholders and for general corporate purposes.

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THE EXCHANGE OFFER

EXCHANGE TERMS

Old Notes in an aggregate principal amount of \$500,000,000 are currently issued and outstanding. The maximum aggregate principal amount of New Notes that will be issued in exchange for Old Notes is \$500,000,000. The terms of the New Notes and the Old Notes are substantially the same in all material respects, except that the New Notes will not contain terms with respect to transfer restrictions, registration rights and payments of additional interest.

The New Notes will bear interest at a rate of 7.875% per year, payable semi-annually on June 15 and December 15 of each year, beginning on December 15, 2002. Holders of New Notes will receive interest from the date of the original issuance of the Old Notes or from the date of the last payment of interest on the Old Notes, whichever is later. Holders of New Notes will not receive any interest on Old Notes tendered and accepted for exchange. In order to exchange your Old Notes for transferable New Notes in the exchange offer, you will be required to make the following representations, which are included in the letter of transmittal:

- any New Notes that you receive will be acquired in the ordinary course of your business;
- you are not participating, and have no arrangement or understanding with any person or entity to participate, in the distribution of the New Notes;
- you are not our "affiliate," as defined in Rule 405 of the Securities Act, or a broker-dealer tendering Old Notes acquired directly from us for resale pursuant to Rule 144A or any other available exemption under the Securities Act; and
- if you are not a broker-dealer, that you are not engaged in and do not intend to engage in the distribution of the New Notes.

Upon the terms and subject to the conditions set forth in this prospectus and in the letter of transmittal, we will accept for exchange any Old Notes properly tendered in the exchange offer, and the exchange agent will deliver the New Notes promptly after the expiration date of the exchange offer.

If you tender your Old Notes, you will not be required to pay brokerage commissions or fees or, subject to the instructions in the letter of transmittal, transfer taxes with respect to the exchange of the Old Notes in connection with the exchange offer. We will pay all charges, expenses and transfer taxes in connection with the exchange offer, other than the taxes described below under "-- Transfer Taxes."

WE MAKE NO RECOMMENDATION TO YOU AS TO WHETHER YOU SHOULD TENDER OR REFRAIN FROM TENDERING ALL OR ANY PORTION OF YOUR EXISTING OLD NOTES INTO THIS EXCHANGE OFFER. IN ADDITION, NO ONE HAS BEEN AUTHORIZED TO MAKE THIS RECOMMENDATION. YOU

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MUST MAKE YOUR OWN DECISION WHETHER TO TENDER INTO THIS EXCHANGE OFFER AND, IF SO, THE AGGREGATE AMOUNT OF OLD NOTES TO TENDER AFTER READING THIS PROSPECTUS AND THE LETTER OF TRANSMITTAL AND CONSULTING WITH YOUR ADVISORS, IF ANY, BASED ON YOUR FINANCIAL POSITION AND REQUIREMENTS.

EXPIRATION DATE; EXTENSIONS; TERMINATION; AMENDMENTS

The exchange offer expires at 5:00 p.m., New York City time, on 2002, unless we extend the exchange offer, in which case the expiration date will be the latest date and time to which we extend the exchange offer.

We expressly reserve the right, so long as applicable law allows:

- to delay our acceptance of Old Notes for exchange;
- to terminate the exchange offer if any of the conditions set forth under "-- Conditions of the Exchange Offer" exist;
- to waive any condition to the exchange offer;

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- to amend any of the terms of the exchange offer; and

- to extend the expiration date and retain all Old Notes tendered in the exchange offer, subject to your right to withdraw your tendered Old Notes as described under "-- Withdrawal of Tenders."

Any waiver or amendment to the exchange offer will apply to all Old Notes tendered, regardless of when or in what order the Old Notes were tendered. If the exchange offer is amended in a manner that we think constitutes a material change, or if we waive a material condition of the exchange offer, we will promptly disclose the amendment or waiver by means of a prospectus supplement that will be distributed to the registered holders of the Old Notes, and we will extend the exchange offer to the extent required by Rule 14e-1 under the Exchange Act.

We will promptly follow any delay in acceptance, termination, extension or amendment by oral or written notice of the event to the exchange agent, followed promptly by oral or written notice to the registered holders. Should we choose to delay, extend, amend or terminate the exchange offer, we will have no obligation to publish, advertise or otherwise communicate this announcement, other than by making a timely release to an appropriate news agency.

In the event we terminate the exchange offer, all Old Notes previously tendered and not accepted for payment will be returned promptly to the tendering holders.

In the event that the exchange offer is withdrawn or otherwise not completed, New Notes will not be given to holders of Old Notes who have validly tendered their Old Notes.

RESALE OF NEW NOTES

Based on interpretations of the SEC staff set forth in no action letters issued to third parties, we believe that New Notes issued under the exchange offer in exchange for Old Notes may be offered for resale, resold and otherwise transferred by you without compliance with the registration and prospectus delivery requirements of the Securities Act, if:

- you are acquiring New Notes in the ordinary course of your business;

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- you are not participating, and have no arrangement or understanding with any person to participate, in the distribution of the New Notes;
- you are not our "affiliate" within the meaning of Rule 405 under the Securities Act;
- you are not a broker-dealer who purchased Old Notes directly from us for resale pursuant to Rule 144A or any other available exemption under the Securities Act; and

If you tender Old Notes in the exchange offer with the intention of participating in any manner in a distribution of the New Notes:

- you cannot rely on those interpretations by the SEC staff, and
- you must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a secondary resale transaction and that such a secondary resale transaction must be covered by an effective registration statement containing the selling security holder information required by Item 507 or 508, as applicable, of Regulation S-K.

Only broker-dealers that acquired the Old Notes as a result of market-making activities or other trading activities may participate in the exchange offer. Each broker-dealer that receives New Notes for its own account in exchange for Old Notes, where such Old Notes were acquired by such broker-dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of the New Notes. Please read the section captioned "Plan of Distribution" for more details regarding the transfer of New Notes.

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ACCEPTANCE OF OLD NOTES FOR EXCHANGE

We will accept for exchange Old Notes validly tendered pursuant to the exchange offer, or defectively tendered, if such defect has been waived by us. We will not accept Old Notes for exchange subsequent to the expiration date of the exchange offer. Tenders of Old Notes will be accepted only in denominations of \$1,000 and integral multiples thereof.

We expressly reserve the right, in our sole discretion, to:

- delay acceptance for exchange of Old Notes tendered under the exchange offer, subject to Rule 14e-1 under the Exchange Act, which requires that an offeror pay the consideration offered or return the securities deposited by or on behalf of the holders promptly after the termination or withdrawal of a tender offer, or
- terminate the exchange offer and not accept for exchange any Old Notes not theretofore accepted for exchange, if any of the conditions set forth below under "-- Conditions of the Exchange Offer" have not been satisfied or waived by us or in order to comply in whole or in part with any applicable law. In all cases, New Notes will be issued only after timely receipt by the exchange agent of certificates representing Old Notes, or confirmation of book-entry transfer, a properly completed and duly executed letter of transmittal, or a manually signed facsimile thereof, and any other required documents. For purposes of the exchange offer, we will be deemed to have accepted for exchange validly tendered Old Notes, or defectively tendered Old Notes with respect to which we have waived such defect, if, as and when we give oral, confirmed in writing, or

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written notice to the exchange agent. Promptly after the expiration date, we will deposit the New Notes with the exchange agent, who will act as agent for the tendering holders for the purpose of receiving the New Notes and transmitting them to the holders. The exchange agent will deliver the New Notes to holders of Old Notes accepted for exchange after the exchange agent receives the New Notes.

If, for any reason, we delay acceptance for exchange of validly tendered Old Notes or we are unable to accept for exchange validly tendered Old Notes, then the exchange agent may, nevertheless, on our behalf, retain tendered Old Notes, without prejudice to our rights described under "-- Expiration Date; Extensions; Termination; Amendments", "-- Conditions of the Exchange Offer" and "-- Withdrawal of Tenders", subject to Rule 14e-1 under the Exchange Act, which requires that an offeror pay the consideration offered or return the securities deposited by or on behalf of the holders thereof promptly after the termination or withdrawal of a tender offer.

If any tendered Old Notes are not accepted for exchange for any reason, or if certificates are submitted evidencing more Old Notes than those that are tendered, certificates evidencing Old Notes that are not exchanged will be returned, without expense, to the tendering holder, or, in the case of Old Notes tendered by book-entry transfer into the exchange agent's account at a book-entry transfer facility under the procedure set forth under "-- Procedures for Tendering Old Notes -- Book-Entry Transfer", such Old Notes will be credited to the account maintained at such book-entry transfer facility from which such Old Notes were delivered, unless otherwise requested by such holder under "Special Delivery Instructions" in the letter of transmittal, promptly following the expiration date or the termination of the exchange offer.

Tendering holders of Old Notes exchanged in the exchange offer will not be obligated to pay brokerage commissions or transfer taxes with respect to the exchange of their Old Notes other than as described in "Transfer Taxes" or in Instruction 7 to the letter of transmittal. We will pay all other charges and expenses in connection with the exchange offer.

PROCEDURES FOR TENDERING OLD NOTES

Any beneficial owner whose Old Notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee or held through a book-entry transfer facility and who wishes to tender Old Notes should contact such registered holder promptly and instruct such registered holder to tender Old Notes on such beneficial owner's behalf.

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TENDER OF OLD NOTES HELD THROUGH DEPOSITORY TRUST COMPANY

The exchange agent and Depository Trust Company ("DTC") have confirmed that the exchange offer is eligible for the DTC's automated tender offer program. Accordingly, DTC participants may electronically transmit their acceptance of the exchange offer by causing DTC to transfer Old Notes to the exchange agent in accordance with DTC's automated tender offer program procedures for transfer. DTC will then send an agent's message to the exchange agent.

The term "agent's message" means a message transmitted by DTC, received by the exchange agent and forming part of the book-entry confirmation, which states that DTC has received an express acknowledgment from the participant in DTC tendering Old Notes that are the subject of that book-entry confirmation that the participant has received and agrees to be bound by the terms of the letter of transmittal, and that we may enforce such agreement against such participant. In the case of an agent's message relating to guaranteed delivery, the term

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means a message transmitted by DTC and received by the exchange agent which states that DTC has received an express acknowledgment from the participant in DTC tendering Old Notes that they have received and agree to be bound by the notice of guaranteed delivery.

TENDER OF OLD NOTES HELD IN CERTIFICATED FORM

For a holder to validly tender Old Notes held in certificated form:

- the exchange agent must receive at its address set forth in this prospectus a properly completed and validly executed letter of transmittal, or a manually signed facsimile thereof, together with any signature guarantees and any other documents required by the instructions to the letter of transmittal, and
- the exchange agent must receive certificates for tendered Old Notes at such address, or such Old Notes must be transferred pursuant to the procedures for book-entry transfer described below. A confirmation of such book-entry transfer must be received by the exchange agent prior to the expiration date of the exchange offer. A holder who desires to tender Old Notes and who cannot comply with the procedures set forth herein for tender on a timely basis or whose Old Notes are not immediately available must comply with the procedures for guaranteed delivery set forth below.

LETTERS OF TRANSMITTAL AND OLD NOTES SHOULD BE SENT ONLY TO THE EXCHANGE AGENT, AND NOT TO US OR TO DTC.

THE METHOD OF DELIVERY OF OLD NOTES, LETTERS OF TRANSMITTAL AND ALL OTHER REQUIRED DOCUMENTS TO THE EXCHANGE AGENT IS AT THE ELECTION AND RISK OF THE HOLDER TENDERING OLD NOTES. DELIVERY OF SUCH DOCUMENTS WILL BE DEEMED MADE ONLY WHEN ACTUALLY RECEIVED BY THE EXCHANGE AGENT. IF SUCH DELIVERY IS BY MAIL, WE SUGGEST THAT THE HOLDER USE PROPERTY INSURED, REGISTERED MAIL WITH RETURN RECEIPT REQUESTED, AND THAT THE MAILING BE MADE SUFFICIENTLY IN ADVANCE OF THE EXPIRATION DATE OF THE EXCHANGE OFFER TO PERMIT DELIVERY TO THE EXCHANGE AGENT PRIOR TO SUCH DATE. NO ALTERNATIVE, CONDITIONAL OR CONTINGENT TENDERS OF OLD NOTES WILL BE ACCEPTED.

SIGNATURE GUARANTEE

Signatures on the letter of transmittal must be guaranteed by an eligible institution unless:

- the letter of transmittal is signed by the registered holder of the Old Notes tendered therewith, or by a participant in one of the book-entry transfer facilities whose name appears on a security position listing it as the owner of those Old Notes, or if any Old Notes for principal amounts not tendered are to be issued directly to the holder, or, if tendered by a participant in one of the book-entry transfer facilities, any Old Notes for principal amounts not tendered or not accepted for exchange are to be credited to the participant's account at the book-entry transfer facility, and neither the "Special Issuance Instructions" nor the "Special Delivery Instructions" box on the letter of transmittal has been completed, or
- the Old Notes are tendered for the account of an eligible institution.

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An eligible institution is a firm that is a member of a registered national securities exchange or of the National Association of Securities Dealers, Inc., a commercial bank or a trust company having an office or correspondent in the United States or an "eligible guarantor institution" within the meaning of Rule

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17Ad-15 under the Exchange Act.

BOOK-ENTRY TRANSFER

The exchange agent will seek to establish a new account or utilize an existing account with respect to the Old Notes at DTC promptly after the date of this prospectus. Any financial institution that is a participant in the DTC system and whose name appears on a security position listing as the owner of the Old Notes may make book-entry delivery of Old Notes by causing DTC to transfer such Old Notes into the exchange agent's account. HOWEVER, ALTHOUGH DELIVERY OF OLD NOTES MAY BE EFFECTED THROUGH BOOK-ENTRY TRANSFER INTO THE EXCHANGE AGENT'S ACCOUNT AT DTC, A PROPERLY COMPLETED AND VALIDLY EXECUTED LETTER OF TRANSMITTAL, OR A MANUALLY SIGNED FACSIMILE THEREOF, MUST BE RECEIVED BY THE EXCHANGE AGENT AT ONE OF ITS ADDRESSES SET FORTH IN THIS PROSPECTUS ON OR PRIOR TO THE EXPIRATION DATE OF THE EXCHANGE OFFER, OR ELSE THE GUARANTEED DELIVERY PROCEDURES DESCRIBED BELOW MUST BE COMPLIED WITH. The confirmation of a book-entry transfer of Old Notes into the exchange agent's account at DTC is referred to in this prospectus as a "book-entry confirmation." Delivery of documents to DTC in accordance with DTC's procedures does not constitute delivery to the exchange agent.

GUARANTEED DELIVERY

If you wish to tender your Old Notes and:

(1) certificates representing your Old Notes are not lost but are not immediately available,

(2) time will not permit your letter of transmittal, certificates representing your Old Notes and all other required documents to reach the exchange agent on or prior to the expiration date of the exchange offer, or

(3) the procedures for book-entry transfer cannot be completed on or prior to the expiration date of the exchange offer, you may nevertheless tender if all of the following conditions are complied with:

- your tender is made by or through an eligible institution; and
- on or prior to the expiration date of the exchange offer, the exchange agent has received from the eligible institution a properly completed and validly executed notice of guaranteed delivery, by manually signed facsimile transmission, mail or hand delivery, in substantially the form provided with this prospectus. The notice of guaranteed delivery must:

(a) set forth your name and address, the registered number(s) of your Old Notes and the principal amount of Old Notes tendered;

(b) state that the tender is being made thereby;

(c) guarantee that, within three New York Stock Exchange trading days after the expiration date, the letter of transmittal or facsimile thereof properly completed and validly executed, together with certificates representing the Old Notes, or a book-entry confirmation, and any other documents required by the letter of transmittal and the instructions thereto, will be deposited by the eligible institution with the exchange agent; and

(d) the exchange agent receives the properly completed and validly executed letter of transmittal or facsimile thereof with any required signature guarantees, together with certificates for all Old Notes in proper form for transfer, or a book-entry confirmation, and any other

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required documents, within three New York Stock Exchange trading days after the expiration date.

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OTHER MATTERS

New Notes will be issued in exchange for Old Notes accepted for exchange only after timely receipt by the exchange agent of:

- certificates for (or a timely book-entry confirmation with respect to) your Old Notes,
- a properly completed and duly executed letter of transmittal or facsimile thereof with any required signature guarantees, or, in the case of a book-entry transfer, an agent's message, and
- any other documents required by the letter of transmittal.

We will determine, in our sole discretion, all questions as to the form of all documents, validity, eligibility, including time of receipt, and acceptance of all tenders of Old Notes. Our determination will be final and binding on all parties. ALTERNATIVE, CONDITIONAL OR CONTINGENT TENDERS OF OLD NOTES WILL NOT BE CONSIDERED VALID. WE RESERVE THE ABSOLUTE RIGHT TO REJECT ANY OR ALL TENDERS OF OLD NOTES THAT ARE NOT IN PROPER FORM OR THE ACCEPTANCE OF WHICH, IN OUR OPINION, WOULD BE UNLAWFUL. WE ALSO RESERVE THE RIGHT TO WAIVE ANY DEFECTS, IRREGULARITIES OR CONDITIONS OF TENDER AS TO PARTICULAR OLD NOTES.

Our interpretation of the terms and conditions of the exchange offer, including the instructions in the letter of transmittal, will be final and binding.

Any defect or irregularity in connection with tenders of Old Notes must be cured within the time we determine, unless waived by us. We will not consider the tender of Old Notes to have been validly made until all defects and irregularities have been waived by us or cured. Neither we, the exchange agent, or any other person will be under any duty to give notice of any defects or irregularities in tenders of Old Notes, or will incur any liability to holders for failure to give any such notice.

WITHDRAWAL OF TENDERS

Except as otherwise provided in this prospectus, you may withdraw your tender of Old Notes at any time prior to the expiration date.

For a withdrawal to be effective:

- the exchange agent must receive a written notice of withdrawal at one of the addresses set forth below under "-- Exchange Agent", or
- you must comply with the appropriate procedures of DTC's automated tender offer program system.

Any notice of withdrawal must:

- specify the name of the person who tendered the Old Notes to be withdrawn and
- identify the Old Notes to be withdrawn, including the principal amount of the Old Notes.

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If Old Notes have been tendered pursuant to the procedure for book-entry transfer described above, any notice of withdrawal must specify the name and number of the account at DTC to be credited with the withdrawn Old Notes and otherwise comply with the procedures of DTC.

We will determine all questions as to validity, form, eligibility and time of receipt of any withdrawal notices. Our determination will be final and binding on all parties. We will deem any Old Notes so withdrawn not to have been validly tendered for exchange for purposes of the exchange offer.

Any Old Notes that have been tendered for exchange but that are not exchanged for any reason will be returned to their holder without cost to the holder or, in the case of Old Notes tendered by book-entry transfer into the exchange agent's account at DTC according to the procedures described above, such Old Notes will be credited to an account maintained with DTC for the Old Notes. This return or crediting will take place as soon as practicable after withdrawal, rejection of tender or termination of the exchange offer. You may retender properly withdrawn Old Notes by following one of the procedures described under "-- Procedures for Tendering Old Notes" at any time on or prior to the expiration date.

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CONDITIONS OF THE EXCHANGE OFFER

Notwithstanding any other provisions of the exchange offer, if, on or prior to the expiration date, we determine, in our reasonable judgment, that the exchange offer, or the making of an exchange by a holder of Old Notes, would violate applicable law or any applicable interpretation of the staff of the SEC, we will not be required to accept for exchange, or to exchange, any tendered Old Notes. We may also terminate, waive any conditions to or amend the exchange offer or, subject to Rule 14e-1 under the Exchange Act, which requires that an offeror pay the consideration offered or return the securities deposited by or on behalf of the holders thereof promptly after the termination or withdrawal of the exchange offer, or postpone the acceptance for exchange of tendered Old Notes.

TRANSFER TAXES

We will pay all transfer taxes applicable to the transfer and exchange of Old Notes pursuant to the exchange offer. If, however:

- delivery of the New Notes and/or certificates for Old Notes for principal amounts not exchanged, are to be made to any person other than the record holder of the Old Notes tendered;
- tendered certificates for Old Notes are recorded in the name of any person other than the person signing any letter of transmittal; or
- a transfer tax is imposed for any reason other than the transfer and exchange of Old Notes to us or our order,

the amount of any such transfer taxes, whether imposed on the record holder or any other person, will be payable by the tendering holder prior to the issuance of the New Notes.

CONSEQUENCES OF FAILING TO EXCHANGE

If you do not exchange your Old Notes for New Notes in the exchange offer, you will remain subject to the restrictions on transfer of the Old Notes:

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- as set forth in the legend printed on the Old Notes as a consequence of the issuance of the Old Notes pursuant to the exemptions from, or in transactions not subject to, the registration requirements of the Securities Act and applicable state securities laws; and
- otherwise set forth in the offering circular distributed in connection with the private offering of the Old Notes.

In general, you may not offer or sell the Old Notes unless they are registered under the Securities Act, or if the offer or sale is exempt from registration under the Securities Act and applicable state securities laws. Except as required by the registration rights agreement, we do not intend to register resales of the Old Notes under the Securities Act.

ACCOUNTING TREATMENT

The New Notes will be recorded at the same carrying value as the Old Notes, as reflected in our accounting records on the date of the exchange. Accordingly, we will not recognize any gain or loss for accounting purposes upon the consummation of the exchange offer. We will amortize the expenses of the exchange offer over the term of the exchange notes.

EXCHANGE AGENT

Deutsche Bank Trust Company Americas has been appointed as exchange agent for the exchange offer. You should direct questions and requests for assistance, requests for additional copies of this prospectus, the letter of transmittal or any other documents to the exchange agent. You should send

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certificates for Old Notes, letters of transmittal and any other required documents to the exchange agent addressed as follows:

DEUTSCHE BANK TRUST COMPANY AMERICAS

By Overnight,
Registered or Certified Mail
or Overnight Courier:
DB Services Tennessee, Inc.
Corporate Trust & Agency
Services
Reorganization Unit
648 Grassmere Park Road
Nashville, Tennessee 37211

By Mail:
DB Services Tennessee, Inc.
Reorganization Unit
P.O. Box 292737
Nashville, Tennessee 37229-2737
By Facsimile:
(for eligible institutions
only)
(615) 835-3701
Confirm by telephone:
(615) 835-3572

By Hand in New York:
Deutsche Bank Trust Company
Americas
C/O The Depository Trust
Clearing Corporation
55 Water Street, 1st Floor
Jeanette Park Entrance
New York, New York 10041
Information: (800) 735-7777

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DESCRIPTION OF THE NOTES

The New Notes will be issued, and the Old Notes were issued, under an indenture between us and JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), as indenture trustee, as supplemented through June 10, 2002.

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You may obtain a copy of the indenture from the trustee at its corporate trust office in New York, New York. The terms of the notes include those stated in the indenture and made a part thereof by reference to the Trust Indenture Act in effect on the date of the indenture. This summary of the material terms of the notes and the indenture does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the indenture, including the definitions of terms therein, and the Trust Indenture Act. We have included at the end of this section a summary of capitalized terms used in this section. Terms used in this section and not otherwise defined in this section have the respective meanings assigned to them in the indenture.

GENERAL

The notes:

- are our general unsecured obligations;
- rank equally with all of our other existing and future senior, unsecured and unsubordinated debt;
- rank senior to all of our existing and future subordinated debt; and
- constitute a new series of our senior unsecured obligations under the indenture.

As of June 30, 2002, we had total long-term capital market debt, bank debt and other financing obligations (excluding the Old Notes) of approximately \$17.1 billion, including approximately \$9.3 billion of debt of our subsidiaries. We also have guarantees of approximately \$3.9 billion and preferred securities and minority interest financings of approximately \$4.2 billion. The New Notes are structurally subordinated to approximately \$13.3 billion, and rank equally with approximately \$11.6 billion, of our debt, guarantees and preferred securities and minority interest financings. Furthermore, there are no contractual limitations on the issuance of additional indebtedness that could rank equal with the notes or the issuance of additional indebtedness at our subsidiaries, to which the notes would be structurally subordinated.

PRINCIPAL, MATURITY AND INTEREST

The notes will mature on June 15, 2012. We may issue additional notes of this series from time to time in the future which would contain the same terms and the same CUSIP numbers as the notes offered hereby, without the consent of the holders of the notes, in compliance with the covenants of the indenture.

Interest on the notes will:

- accrue at the rate of 7.875% per year;
- be payable semiannually on each June 15 and December 15, commencing December 15, 2002;
- be payable to the person in whose name the notes are registered at the close of business on the relevant June 1 and December 1 preceding the applicable interest payment date;
- be computed on the basis of a 360-day year comprised of twelve 30-day months; and
- be payable on overdue interest to the extent permitted by law at the same

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rate as interest is payable on principal.

If any interest payment date, maturity date or redemption date falls on a day that is not a business day, the payment will be made on the next business day (and without any interest or other payment in respect of such delay) with the same force and effect as if made on the relevant interest payment date, maturity date or redemption date. Unless we default on a payment, no interest will accrue for the period from and after the applicable maturity date or redemption date.

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DENOMINATIONS

The notes will be issued in registered form in denominations of \$1,000 each or integral multiples thereof.

OPTIONAL REDEMPTION OF NOTES

The notes will be redeemable, in whole or in part, at our option at any time in whole, or from time to time in part, prior to their maturity date, at the Make-Whole Price, on not less than 30 calendar days nor more than 60 calendar days notice prior to the date of redemption and in accordance with the provisions of the indenture.

The notice of redemption will set forth the manner of calculation of the Make-Whole Price, but not necessarily its amount. We will notify the trustee of the amount of the Make-Whole Price, and the Trustee will not be responsible for the accuracy of the calculation.

SINKING FUND

We are not required to make mandatory redemption or sinking fund payments with respect to the notes.

CONSOLIDATION, MERGER OR SALE

Under the indenture, we may not consolidate with or merge into any other person or entity or sell, lease or transfer all or substantially all of our properties and assets to any other person or entity unless:

- in the case of a merger, we are the surviving entity, or the entity formed by the consolidation or into which we are merged expressly assumes, by execution and delivery to the trustee of a supplemental indenture, the due and punctual payment of the principal, any premium and interest on the notes and the performance of every covenant and condition in the indenture;
- in the case of the sale, lease or transfer of all or substantially all of our properties and assets, the person or entity which acquires our properties and assets expressly assumes, by execution and delivery to the Trustee of a supplemental indenture, the due and punctual payment of the

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principal, any premium and interest on the notes and the performance of every covenant and condition in the indenture;

- immediately after giving effect to the transaction, no default or event of default under the indenture exists; and

- we have delivered to the trustee an officer's certificate and an opinion of counsel each stating that the consolidation, merger, sale, transfer or lease and the supplemental indenture required in connection with the transaction comply with the terms of the indenture and that we have complied with all conditions precedent.

After any consolidation or merger or any sale, lease or transfer of our properties and assets, the successor person or entity formed by such consolidation or into which we are merged or to which such sale, lease or transfer is made shall succeed to and be substituted for us under the indenture as if the successor person or entity had been originally named in the indenture and may exercise every one of our rights and powers under the indenture. Thereafter, except in the case of a lease, we shall be relieved of all obligations and covenants under the indenture and the notes.

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MODIFICATION OF INDENTURE

At any time and without the consent of the holders of the notes, we and the trustee may modify the indenture for any of the following purposes:

- to secure the notes;

- to evidence the succession of another person or entity under the indenture and the assumption by the succeeding person or entity of our covenants;

- to add to our covenants or events of default for the benefit of the holders of the notes or to surrender any of our rights and powers under the indenture;

- to add to, change or eliminate any of the provisions of the indenture provided there is no outstanding security entitled to the benefit of such provision;

- to establish the general forms and terms of securities of any series as

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permitted under the indenture;

- to cure any ambiguity, to correct or supplement any provision which may be inconsistent with any other provision; to comply with any applicable mandatory provisions of law, provided that any such actions shall not materially adversely affect the interest of the holders of the notes;

- to evidence and provide for the acceptance of the appointment of a successor trustee and to add to or change any provisions necessary to provide for or facilitate the administration of the trusts by more than one trustee; and

- to modify, eliminate or add to the provisions of this indenture to the extent necessary to comply with the Trust Indenture Act.

With the consent of the holders of a majority in aggregate principal amount of the outstanding notes, we and the trustee may add, change or eliminate any provision of the indenture or modify in any manner the rights of the holders of the notes; provided, however, we and the trustee may not, without the consent of each holder of the notes:

- change the stated maturity of the principal of, or any installment of principal or interest on, the notes, or reduce the principal amount of, the premium on or the rate of interest on the notes;

- reduce the percentage in principal amount of the notes required to consent to any supplemental indenture or waive compliance with the indenture or waive defaults under it;

- change our obligation to maintain an office or agency as specified in the indenture; or

- modify any provisions of the indenture governing modifications, waiver of past defaults and waiver of certain covenants, except to increase any percentages required under such provisions or to provide that other provisions of the indenture cannot be modified without the consent of each holder of the notes.

EVENTS OF DEFAULT

"Event of default" when used in the indenture will mean any of the following:

- failure to pay the principal of or any premium on any note when due;

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- failure to pay interest on any note for 30 days;
- failure to perform any other covenant in the indenture that continues for 60 days after being given written notice;
- if we commence a voluntary case in bankruptcy, consent to the entry of any order of relief against us in an involuntary bankruptcy base, consent to the appointment of a custodian over us or all or substantially all of our assets or make a general assignment for the benefit of creditors; or

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- if a court of competent jurisdiction enters a bankruptcy order either for relief against us in an involuntary case, or appointing a custodian over us or all or substantially all of our assets, or ordering our liquidation; and the order or decree remains unstayed and in effect for 90 days.

An event of default for the notes does not necessarily constitute an event of default for any other series of debt securities issued under the indenture. The trustee may withhold notice to the holders of the notes of any default, except in the payment of principal or interest, if it considers such withholding of notice to be in the best interests of the holders.

If an event of default for the notes occurs and continues, the trustee or the holders of at least 25% in the aggregate principal amount of the notes of the series may declare the entire principal of the notes to be due and payable immediately. If this happens, subject to certain conditions, the holders of a majority of the aggregate principal amount of the notes can void the declaration.

Other than its duties in the case of a default, a trustee is not obligated to exercise any of its rights or powers under the indenture at the request, order or direction of any holders, unless the holders offer the trustee reasonable indemnity. If they provide this reasonable indemnification, the holders of a majority in principal amount of the notes may direct the time, method and place of conducting any proceeding or any remedy available to the trustee, or exercising any power conferred upon the trustee, for the notes.

COVENANTS

Under the indenture, we will:

- pay the principal of, and interest and any premium on, the notes when due;
- maintain a place of payment;
- deliver a report to the trustee at the end of each fiscal year reviewing our obligations under the indenture; and
- deposit sufficient funds with any paying agent on or before the due date for any principal, interest or premium.

Limitation on Liens. The indenture provides that we will not, nor will we permit any restricted subsidiary to, create, assume, incur or suffer to exist any lien upon any principal property, whether owned or leased on the date of the

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indenture or thereafter acquired, to secure any of our debt or of any other person (other than the senior debt securities issued under the indenture), without causing all of the senior debt securities (including the notes) outstanding under the indenture to be secured equally and ratably with, or prior to, the new debt so long as the new debt is so secured. This restriction does not, however, prohibit us from creating the following:

- liens existing on the date of the indenture or created under an "after-acquired property" clause;

- purchase price liens created within one year after purchase;

- liens already existing on newly acquired property or assets;

- liens already existing on the property or assets of a new restricted subsidiary;

- liens already on property or assets when acquired by us or a restricted subsidiary, or when we or a restricted subsidiary acquire the owner of the property or asset;

- liens securing construction or improvement incurred prior to or up to one year after completion;

- liens on oil, gas, mineral and processing and other plant properties to secure costs associated with the properties and their exploration, development, maintenance or operation;

- liens connected with our conveyance (including conveyances by our restricted subsidiaries) of a production payment relating to oil, gas, natural gas or other natural resources;

- liens in favor of us or our restricted subsidiaries;

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- liens connected to the issuance of a tax-exempt debt to acquire or construct property or assets;

- liens of a foreign restricted subsidiary to secure its debt;

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- permitted liens (as defined below);

- liens upon additions, improvements, replacements, repairs, fixtures, appurtenances or component parts attaching to or required to be attached to property or assets under the terms of any mortgage, pledge agreement, security agreement or other similar instrument, creating a lien upon such property or assets permitted above; or

- any extension, renewal, refinancing, refunding or replacement (or successive extensions, renewals, refinancing, refundings or replacements) of any lien, in whole or in part, that is referred to above, or of any debt which it secures; provided, that the principal amount of the debt secured shall not exceed the greater of the principal amount of debt secured at the time of such extension, renewal, refinancing, refunding or replacement and the original principal amount of debt secured (plus in each case the aggregate amount of premiums, other payments, costs and expenses required to be paid or incurred in connection with such extension, renewal, refinancing, refunding or replacement); and further provided, that such extension, renewal, refinancing, refunding or replacement shall be limited to all or a part of the property (including improvements, alterations and repairs on such property) subject to the encumbrance so extended, renewed, refinanced, refunded or replaced (plus improvements, alterations and repairs on such property).

In addition, this limitation on liens does not apply to other liens, not otherwise excepted above, provided that the aggregate principal amount of all debt then outstanding secured by such other liens together will all net sale proceeds from sale-leaseback transactions (other than the permitted sale-leaseback transactions discussed below) does not exceed 15% of our Consolidated Net Tangible Assets (as defined below).

Limitation on Sale-Leaseback Transactions. The indenture also provides that we will not, nor will we permit any restricted subsidiary to, engage in a sale-leaseback transaction, unless:

- such sale-leaseback transaction occurs within one year from the date of acquisition of the principal property subject thereto or the date of the completion of construction or commencement of full operations on such principal property, whichever is later;

- the sale-leaseback transaction involves a lease for a period, including renewals, of not more than three years;

- we or such restricted subsidiary would be entitled to incur debt secured by a lien on the principal property subject thereto in a principal amount equal to or exceeding the net sale proceeds from such sale-leaseback transaction without securing the senior debt securities; or

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- we or such restricted subsidiary, within a one-year period after such sale-leaseback transaction, applies or causes to be applied an amount not less than the net sale proceeds from such sale-leaseback transaction to (A) the repayment, redemption or retirement of our funded debt or funded debt of such restricted subsidiary, or (B) investment in another principal property.

In addition, this limitation on sale-leaseback transactions does not apply to other sale-leaseback transactions, not otherwise excepted above, provided that the net sale proceeds from such other sale-leaseback transactions together with the aggregate principal amount of outstanding debt secured by liens upon any principal property (other than that debt secured by liens excepted from the limitation on liens as discussed above) does not exceed 15% of our Consolidated Net Tangible Assets (as defined below).

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DEFINITIONS

The following is a summary of capitalized terms used in this summary description of the notes:

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

"Comparable Treasury Price" means, with respect to any redemption date, (1) the average of four Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (2) if the trustee obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such Reference Treasury Dealer Quotations.

"Consolidated net tangible assets" means, at any date of determination, the total amount of assets after deducting therefrom (1) all current liabilities (excluding (A) any current liabilities that by their terms are extendable or renewable at the option of the obligor thereon to a time more than 12 months after the time as of which the amount thereof is being computed, and (B) current maturities of long-term debt), and (2) the value (net of any applicable reserves) of all goodwill, trade names, trademarks, patents and other like intangible assets, all as set forth on the consolidated balance sheet of us and our consolidated subsidiaries for our most recently completed fiscal quarter, prepared in accordance with generally accepted accounting principles.

"Funded debt" means all debt maturing one year or more from the date of the creation thereof, all debt directly or indirectly renewable or extendible, at

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the option of the debtor, by its terms or by the terms of any instrument or agreement relating thereto, to a date one year or more from the date of the creation thereof, and all debt under a revolving credit or similar agreement obligating the lender or lenders to extend credit over a period of one year or more.

"Independent Investment Banker" means Credit Suisse First Boston Corporation and its successors, or, if such firm or the successors, if any, to such firm, as the case may be, are unwilling or unable to select the Comparable Treasury Issue, an independent investment banking institution of national standing appointed by the trustee after consultation with us.

"Make-Whole Price" means an amount equal to the greater of:

(1) 100% of the principal amount of the notes to be redeemed; and

(2) as determined by an Independent Investment Banker, the sum of the present values of the remaining scheduled payments of principal and interest thereon (not including any portion of such payments of interest accrued as of the redemption date) discounted back to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 50 basis points,

plus, in the case of both (1) and (2), accrued and unpaid interest to the redemption date. Unless we default in payment of the Make-Whole Price, on and after the applicable redemption date, interest will cease to accrue on the notes to be redeemed. If we redeem a note in part only, a new note of like tenor for the unredeemed portion thereof and otherwise having the same terms as the note partially redeemed will be issued in the name of the holder of the note upon the presentation and surrender thereof.

"Permitted liens" means (1) liens upon rights-of-way for pipeline purposes; (2) any governmental lien, mechanics', materialmen's, carriers' or similar lien incurred in the ordinary course of business which is not yet due or which is being contested in good faith by appropriate proceedings and any undetermined lien which is incidental to construction; (3) the right reserved to, or vested in, any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or by any provision of law, to purchase or recapture or to designate a purchaser of, any property; (4) liens of taxes and assessments which are (a) for the then current year, (b) not at the time delinquent, or (c) delinquent but the validity of which is being contested at the time by us or any of our subsidiaries in good faith; (5) liens of, or to

secure performance of, leases; (6) any lien upon, or deposits of, any assets in favor of any surety company or clerk of court for the purpose of obtaining

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indemnity or stay of judicial proceedings; (7) any lien upon property or assets acquired or sold by us or any of our restricted subsidiaries resulting from the exercise of any rights arising out of defaults on receivables; (8) any lien incurred in the ordinary course of business in connection with workmen's compensation, unemployment insurance, temporary disability, social security, retiree health or similar laws or regulations or to secure obligations imposed by statute or governmental regulations; (9) any lien upon any property or assets in accordance with customary banking practice to secure any debt incurred by us or any of our restricted subsidiaries in connection with the exporting of goods to, or between, or the marketing of goods in, or the importing of goods from, foreign countries; or (10) any lien in favor of the United States or any state thereof, or any other country, or any political subdivision of any of the foregoing, to secure partial, progress, advance, or other payments pursuant to any contract or statute, or any lien securing industrial development, pollution control, or similar revenue bonds.

"Principal property" means (1) any pipeline assets owned by us or any of our subsidiaries, including any related facilities employed in the transportation, distribution or marketing of natural gas, that are located in the United States or Canada, and (2) any processing or manufacturing plant owned or leased by us or any of our subsidiaries that are located within the United States or Canada, except, in the case of either clause (1) or (2), any such assets or plant which, in the opinion of our board of directors, is not material in relation to the activities of us and our subsidiaries as a whole.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Trustee by such Reference Treasury Dealer at 5:00 p.m. on the third Business Day preceding such redemption date.

"Reference Treasury Dealer" means Credit Suisse First Boston Corporation and three additional primary U.S. government securities dealers in New York City selected by the trustee after consultation with us, and their respective successors (provided, however, that if any such firm or any such successor shall cease to be a primary U.S. government securities dealer in New York City, the trustee, after consultation with us, shall substitute therefor another dealer).

"Restricted subsidiary" means any of our subsidiaries owning or leasing any principal property.

"Sale-leaseback transaction" means the sale or transfer by us or any of our restricted subsidiaries of any principal property to a person (other than us or a subsidiary) and the taking back by us or any of our restricted subsidiaries, as the case may be, of a lease of such principal property.

"Treasury Rate" means, with respect to any redemption date, (1) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated "H.15(519)" or any successor publication that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities," for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three months before or after the stated maturity, yields for the two published maturities most

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closely corresponding to the Comparable Treasury Issue shall be determined, and the Treasury Rate shall be interpolated or extrapolated from such yields on a straight-line basis, rounding to the nearest month) or (2) if the release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date. The Treasury Rate will be calculated on the third Business Day preceding the redemption date.

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DEFEASANCE

We will be discharged from our obligations on the notes at any time if we deposit with the trustee sufficient cash or government securities to pay the principal, interest, any premium and any other sums due to the stated maturity date or a redemption date of the notes. If this happens, the holders of the notes will not be entitled to the benefits of the indenture except for registration of transfer and exchange of notes and replacement of lost, stolen or mutilated notes.

METHODS OF RECEIVING PAYMENTS ON THE NOTES

If a holder has given wire transfer instructions to us, we will make all payments of principal of, premium, if any, and interest and liquidated damages (as defined below under the caption "Exchange Offer and Registration Rights"), if any, on the notes in accordance with those instructions. All other payments on these notes will be made at the office or agency of the paying agent and registrar within the City and State of New York unless we elect to make interest payments by check mailed to the holders at their address set forth in the security register.

PAYING AGENT AND REGISTRAR FOR THE NOTES

The trustee will initially act as paying agent and registrar. We may change the paying agent or registrar without prior notice to the holders of the notes, and we may act as paying agent or registrar.

SAME-DAY SETTLEMENT AND PAYMENT

Settlement for the notes will be made in immediately available funds. So long as DTC continues to make its settlement system available to us, all payments of principal of and premium, if any, interest and liquidated damages, if any, on the global securities will be made by us in immediately available funds.

TRANSFER AND EXCHANGE

Subject to the restrictions set forth under the caption "Transfer Restrictions," a holder may transfer or exchange notes in accordance with the indenture. The registrar and the trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents and we may require a holder to pay any taxes and fees required by law or permitted by the indenture. In addition, we are not required to transfer or exchange any note between a record date and the next succeeding interest payment date.

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The registered holder of a note will be treated as its owner for all purposes.

GOVERNING LAW

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

NOTICES

Notices to holders of the notes will be given by mail to the addresses of such holders as they appear in the security register. No periodic evidence is required to be furnished as to the absence of default or as to compliance with the terms of the indenture.

NO PERSONAL LIABILITY OF OFFICERS, DIRECTORS, EMPLOYEES OR STOCKHOLDERS

No director, officer, employee or stockholder, as such, of El Paso or any of our affiliates will have any personal liability in respect of our obligations under the indenture or the notes by reason of his, her or its status as such.

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CONCERNING THE TRUSTEE

JPMorgan Chase Bank is the trustee under the Indenture. In the ordinary course of business, JPMorgan Chase Bank and its affiliates have provided and may in the future continue to provide investment banking, commercial banking and other financial services to us and our subsidiaries for which they have received and will receive compensation.

UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

It is the opinion of Locke Liddell & Sapp LLP that the following discussion addresses the material United States federal income tax consequences of exchanging Old Notes for New Notes and owning and disposing of New Notes. This discussion is not a complete discussion of all the potential tax consequences that may be relevant to you. This discussion is based upon the Internal Revenue Code of 1986, as amended (the Code), its legislative history, existing and proposed regulations thereunder, published rulings, and court decisions, all as in effect on the date of this document, and all of which are subject to change, possibly on a retroactive basis. This discussion deals only with notes held as a capital asset by a holder who is a United States person and purchased the Old Notes upon original issuance at their ori