

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM S-3  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

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

CALIFORNIA  
(STATE OF INCORPORATION)

95-1240705  
(I.R.S. Employer  
Identification Number)

555 WEST FIFTH STREET  
LOS ANGELES, CALIFORNIA 90013  
(213) 244-1200  
(Address, including zip code, and telephone number, including area code, of  
registrant's principal executive offices)

DENNIS V. ARRIOLA  
VICE PRESIDENT AND TREASURER  
SOUTHERN CALIFORNIA GAS COMPANY  
555 WEST FIFTH STREET  
LOS ANGELES, CALIFORNIA 90013  
(213) 244-3310  
(Name, address, including zip code, and telephone number, including area code,  
of agent for service)

COPIES TO:

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Los Angeles, California 90024  
(310) 443-0200

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

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

If any of the securities being registered on this form are to be offered on  
a delayed or continuous basis pursuant to Rule 415 of the Securities Act of  
1933, as amended (the "Securities Act"), other than securities offered only in  
connection with dividend or interest reinvestment plans, check the following  
box. /X/

If this Form is filed to register additional securities for an offering  
pursuant to Rule 462(b) under the Securities Act, please 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(c)  
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 offer. / / \_\_\_\_\_

If delivery of the prospectus is expected to be made pursuant to Rule 434,  
please check the following box. / /

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED (1)	PROPOSED MAXIMUM OFFERING PRICE PER UNIT (1)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE (1)(2)	AMOUNT OF REGISTRATION FEE
Debt Securities.....	\$600,000,000	100%	\$600,000,000	\$177,000

(1) The Debt Securities registered hereby may be offered for U.S. dollars or the equivalent thereof in foreign currencies, currency units or composite currencies. If any Debt Securities are issued at an original issue discount, then the amount of Debt Securities registered hereby shall be increased to such greater amount as may be sold for an aggregate offering price of up to the proposed maximum aggregate offering price set forth above.

(2) Estimated solely for the purpose of calculating the registration fee.

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.

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INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SUPPLEMENT SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

PROSPECTUS SUPPLEMENT  
(TO PROSPECTUS DATED , 1998)

\$600,000,000  
SOUTHERN CALIFORNIA GAS COMPANY  
MEDIUM-TERM NOTES  
DUE NINE MONTHS OR MORE FROM DATE OF ISSUE  
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Southern California Gas Company (the "Company") may offer from time to time up to \$600,000,000 aggregate initial public offering price of its Medium-Term Notes (the "Notes"). Such aggregate initial public offering price is subject to reduction as a result of the sale by the Company of other Debt Securities described in the accompanying Prospectus. The Notes will have maturities of nine months or more from the date of issue, as selected by the purchaser and agreed to by the Company, and may be subject to redemption by the Company and to repayment at the option of the Holder, in whole or in part, prior to Stated Maturity, as set forth on the face thereof and specified in a Pricing Supplement hereto (each, a "Pricing Supplement").

The Notes will bear interest at fixed or variable rates ("Fixed Rate Notes" and "Floating Rate Notes", respectively). The interest rate on each Note will be established by the Company at the time of issuance of such Note. Interest rates, the method of determining interest rates and the interest rate formulas on which the interest rates may be based are subject to change by the Company, but no such change will affect any Notes already issued or as to which an offer to purchase has been accepted by the Company. Each Note will be issued in fully registered book-entry form (a "Book-Entry Note") or definitive form (a "Definitive Note"), as set forth in the applicable Pricing Supplement, in denominations of \$1,000 and integral multiples thereof, unless otherwise specified in the applicable Pricing Supplement. Each Book-Entry Note will be represented by one or more global Notes deposited with or on behalf of The Depository Trust Company (or such other depository as is identified in an applicable Pricing Supplement)(the "Depository") and registered in the name of the Depository's nominee. Interests in Book-Entry Notes will be shown on, and transfers thereof will be effected only through, records maintained by the Depository (with respect to its participants) and the Depository's participants (with respect to beneficial owners). See "Description of the Notes--Book-Entry Notes."

Unless otherwise specified in the applicable Pricing Supplement, interest on each Fixed Rate Note will accrue from its date of issue and will be payable semiannually on each March 1 and September 1 and at Stated Maturity and, if applicable, upon redemption or optional repayment.

The interest rate on Floating Rate Notes may be determined by reference to the "CD Rate," the "CMT Rate," the "Commercial Paper Rate," the "Eleventh District Cost of Funds Rate," the "Federal Funds Rate," the "J.J. Kenny Rate," "LIBOR," the "Prime Rate" or the "Treasury Rate," the lower of two or more of the foregoing base rates, or any other interest rate formula and may be adjusted by a "Spread" and/or "Spread Multiplier" applicable to such Notes. See "Description of the Notes" herein and "Description of the Debt Securities" in the accompanying Prospectus. Interest on each Floating Rate Note will accrue from its date of issue and will be payable monthly, quarterly, semiannually or annually as set forth in the applicable Pricing Supplement, and at Stated Maturity and, if applicable, upon redemption or optional repayment.

Notes may also be issued at original issue discount and such Notes may or may not bear interest.

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THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS SUPPLEMENT, THE PROSPECTUS OR ANY SUPPLEMENT HERETO. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	PRICE TO PUBLIC(1)	AGENTS' DISCOUNTS AND COMMISSIONS(1)(2)	PROCEEDS TO COMPANY(3)
Per Note.....	100%	.125%-.750%	99.875%-99.250%
Total.....	\$600,000,000	\$750,000-\$4,500,000	\$599,250,000-\$595,500,000

(1) Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, BancAmerica Robertson Stephens, Credit Suisse First Boston Corporation and Lehman Brothers Inc. (the "Agents"), individually or in a syndicate, may purchase Notes, as principal, from the Company for resale to investors and other purchasers at varying prices relating to prevailing market prices at the time of resale as determined by the applicable Agent or, if so specified in the applicable Pricing Supplement, for resale at a fixed offering price. Unless otherwise specified in the applicable Pricing Supplement, any Note sold to an Agent as principal will be purchased by such Agent at a price equal to 100% of the principal amount thereof less a percentage of the principal amount equal to the commission applicable to an agency sale (as described below) of a Note of identical maturity. If agreed to by the Company and an Agent, such Agent may utilize its reasonable efforts on an agency basis to solicit offers to purchase the Notes at 100% of the principal amount thereof, unless otherwise specified in the applicable Pricing Supplement. The Company will pay a commission to an Agent, ranging

from .125% to .750% of the principal amount of a Note, depending upon its stated maturity, sold through an Agent. Commissions with respect to Notes with stated maturities in excess of 30 years that are sold through an Agent will be negotiated between the Company and such Agent at the time of such sale. See "Plan of Distribution."

- (2) The Company has agreed to indemnify the Agents against, and to provide contribution with respect to, certain liabilities, including liabilities under the Securities Act of 1933, as amended. See "Plan of Distribution."
  - (3) Before deducting expenses payable by the Company estimated to be \$320,000.
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The Notes are being offered on a continuing basis by the Company to or through the Agents. Unless otherwise specified in the applicable Pricing Supplement, the Notes will not be listed on any securities exchange. There is no assurance that the Notes offered hereby will be sold or, if sold, that there will be a secondary market for the Notes or liquidity in the secondary market if one develops. The Company reserves the right to cancel or modify the offer made hereby without notice. The Company or an Agent, if it solicits the offer on an agency basis, may reject any offer to purchase Notes in whole or in part. See "Plan of Distribution."

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MERRILL LYNCH & CO.

BANCAMERICA ROBERTSON STEPHENS

CREDIT SUISSE FIRST BOSTON

LEHMAN BROTHERS

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The date of this Prospectus Supplement is \_\_\_\_\_, 1998.

IN CONNECTION WITH AN OFFERING OF NOTES PURCHASED BY ONE OR MORE AGENTS AS PRINCIPAL ON A FIXED OFFERING PRICE BASIS, SUCH AGENT OR AGENTS, AS THE CASE MAY BE, MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE PRICE OF NOTES. SUCH TRANSACTIONS MAY INCLUDE STABILIZING AND THE PURCHASE OF NOTES TO COVER SHORT POSITIONS OF SUCH AGENT OR AGENTS, AS THE CASE MAY BE. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "PLAN OF DISTRIBUTION."

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

CERTAIN STATEMENTS INCLUDED OR INCORPORATED BY REFERENCE HEREIN AND IN THE ACCOMPANYING PROSPECTUS CONSTITUTE "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED (THE "EXCHANGE ACT"), AND ARE SUBJECT TO A NUMBER OF RISKS AND UNCERTAINTIES. THESE FORWARD-LOOKING STATEMENTS ARE IDENTIFIED BY THE WORDS "ESTIMATES," "EXPECTS," "ANTICIPATES," "PLANS," "BELIEVES" AND SIMILAR EXPRESSIONS. THE ANALYSES EMPLOYED TO DEVELOP THESE FORWARD-LOOKING STATEMENTS ARE OF NECESSITY BASED UPON VARIOUS ASSUMPTIONS INVOLVING JUDGMENTS WITH RESPECT TO THE FUTURE INCLUDING, AMONG OTHER FACTORS, NATIONAL, REGIONAL, AND LOCAL ECONOMIC, COMPETITIVE AND REGULATORY CONDITIONS, LEGISLATIVE DEVELOPMENTS, TECHNOLOGICAL DEVELOPMENTS, INFLATION RATES, WEATHER CONDITIONS, FINANCIAL MARKET CONDITIONS, FUTURE BUSINESS DECISIONS, AND OTHER UNCERTAINTIES, ALL OF WHICH ARE DIFFICULT TO PREDICT, AND MANY OF WHICH ARE BEYOND THE CONTROL OF THE COMPANY. ACCORDINGLY, WHILE THE COMPANY BELIEVES THAT THE ASSUMPTIONS UPON WHICH THE FORWARD-LOOKING STATEMENTS ARE BASED ARE REASONABLE FOR PURPOSES OF MAKING THESE STATEMENTS, THERE CAN BE NO ASSURANCE THAT THESE ASSUMPTIONS WILL APPROXIMATE ACTUAL EXPERIENCE, OR THAT THE EXPECTATIONS SET FORTH IN THE FORWARD-LOOKING STATEMENTS DERIVED FROM THESE ASSUMPTIONS WILL BE REALIZED.

## DESCRIPTION OF THE NOTES

The following summaries of certain provisions of the Indenture (as defined below) and the Notes do not purport to be complete and are subject to, and are qualified in their entirety by reference to, all provisions of the Indenture and the Notes (forms of which have been filed as exhibits to the Registration Statement of which this Prospectus Supplement is a part and are available as described in the accompanying Prospectus), including, in each case, the definition therein of certain terms. The following summaries supplement and, to the extent inconsistent therewith, replace the summary set forth in the accompanying Prospectus under the caption "Description of the Debt Securities." Whenever particular provisions or defined terms of the Indenture and the Notes are referred to, such provisions or defined terms are incorporated herein by such reference. Certain capitalized terms used herein and not defined have the respective meanings given to such terms in the accompanying Prospectus, the Indenture or the forms of the Notes, as the case may be.

### GENERAL

The Notes are to be issued as part of an existing series of Debt Securities (as defined in the accompanying Prospectus) designated as Medium-Term Notes, unlimited as to aggregate principal amount, under an Indenture between the Company and Citibank, N.A., as trustee (the "Trustee"), dated as of May 1, 1989, as supplemented by a First Supplemental Indenture dated as of October 1, 1992 (the "Indenture"). As of the date of this Prospectus Supplement, \$300,000,000 aggregate principal amount of such Medium-Term Notes were outstanding. The following description will apply to each Note unless otherwise described in the applicable Pricing Supplement.

The Notes will be unsecured obligations of the Company and will rank PARI PASSU in priority of payment with all other unsecured and unsubordinated indebtedness of the Company. The Notes are not, by their terms, subordinate in right of payment to any other indebtedness of the Company. However, substantially all of the Company's properties are subject to liens securing the Company's First Mortgage Bonds, of which \$850,000,000 in aggregate principal amount were outstanding as of the date of this Prospectus Supplement. The Company may from time to time issue additional First Mortgage Bonds which also will be secured by such properties. Accordingly, the Notes will be effectively subordinated to all existing and future First Mortgage Bonds to the extent of the collateral pledged to secure such First Mortgage Bonds. The Company is the principal subsidiary of Pacific Enterprises (the "Parent"). The Notes are not obligations of the Parent and are not guaranteed by the Parent or any other entity.

The Indenture does not limit the aggregate principal amount of Debt Securities which may be issued thereunder and provides that the Debt Securities may be issued in one or more series up to the aggregate principal amount which may be authorized from time to time by the Company. The Company may, from time to time, without the consent of the Holders of the Notes, provide for the issuance of Notes or other Debt Securities under the Indenture in addition to the \$600,000,000 aggregate initial public offering price of Notes authorized as of the date of this Prospectus Supplement.

The Notes will be offered on a continuing basis and will have maturities no less than 9 months from the date of issue, as selected by the purchaser and agreed to by the Company. Each interest-bearing Note will bear interest at either (i) a fixed rate of interest (the "Fixed Rate Notes") or (ii) a rate determined by reference to one or more Base Rates, which may be adjusted by a Spread and/or Spread Multiplier (as defined herein) (the "Floating Rate Notes"). Notes may be issued at significant discounts from their principal amount payable at maturity ("Original Issue Discount Notes") and such Notes may or may not bear interest.

As used herein, a "Business Day" means any day that is not a Saturday or Sunday and that, in New York, New York, is not a day on which banking institutions are authorized or obligated by law, regulation or executive order to close (and, with respect to LIBOR Notes and Floating Rate Notes for which LIBOR is a Base Rate, is also a London Business Day). "London Business Day" means any day on which dealings in the Designated LIBOR Currency (as hereinafter defined) are transacted in the London interbank market.

Each Note will be issued in fully registered form without coupons as a book-entry Note (a "Book-Entry Note") or as a definitive Note (a "Definitive Note"), as set forth in the applicable Pricing Supplement, in denominations of \$1,000 and integral multiples thereof, unless otherwise specified in the applicable Pricing Supplement. Book-Entry Notes may be transferred or exchanged only through a participating member of The Depository Trust Company (or such other depository as is identified in the applicable Pricing Supplement) (the "Depository"). See "--Book-Entry Notes." Registration of transfer or exchange of Definitive Notes may be made at the office or agency maintained by the Company for that purpose in New York, New York (initially the Corporate Trust Office of the Trustee). No service charge will be made by the Company or the Trustee for any such registration of transfer or exchange of Definitive Notes, but the Company may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

Interest rates offered by the Company with respect to the Notes may differ depending upon, among other factors, the aggregate amount of Notes purchased in any single transaction. Notes with different variable terms other than interest rates may also be offered concurrently to different investors. Interest rates or formulas and other terms of Notes are subject to change by the Company from time to time, but no such change will affect any Note previously issued or as to which an offer to purchase has been accepted by the Company.

Principal of, and premium, if any, and interest, if any, on, Book-Entry Notes will be paid by the Company through the Trustee to the Depository or its nominee. In the case of Definitive Notes, principal, and premium, if any, and interest, if any, will be payable at the office or agency maintained by the Company for that purpose in New York, New York (initially the Corporate Trust Office of the Trustee) and at such other places as the Company may designate; provided, however, that payment of interest, other than interest payable at Stated Maturity of a Note (or on the date of redemption or repayment, if a Note is redeemed or repaid prior to its Stated Maturity, or on a date fixed for payment following a declaration of acceleration) (each such date being hereinafter referred to as a "Maturity" with respect to the principal payable on such date), may be made at the option of the Company by check mailed to the address of the person entitled thereto as shown on the security register maintained by the Trustee. Notwithstanding the foregoing, a Holder of \$10,000,000 or more in aggregate principal amount of Definitive Notes (whether having identical or different terms and provisions) will be entitled to receive payments of interest (other than at Maturity) by wire transfer of immediately available funds to a depository institution in the United States if appropriate wire transfer instructions have been received by the Trustee on or before the Regular Record Date (as hereinafter defined) immediately preceding such Interest Payment Date (as hereinafter defined). In addition, the principal of, and premium, if any, and interest, if any, on, Definitive Notes due at any Maturity will be paid against presentation and surrender of such Notes at the office or agency maintained by the Company for that purpose in the Borough of Manhattan, The City of New York (with interest, if any, due at Maturity being paid to the person to whom principal is paid), and will be paid by wire transfer of immediately available funds to a depository institution in the United States if the Trustee shall have received appropriate wire transfer instructions not later than the close of business at least two Business Days prior to the related Maturity.

The Notes will not have an established trading market when issued, and there can be no assurance of a secondary market for the Notes or the liquidity of the secondary market if one develops. See "Plan of Distribution."

#### REDEMPTION AND REPAYMENT

##### REDEMPTION AT THE OPTION OF THE COMPANY

Unless otherwise specified in the applicable Pricing Supplement, the Notes will not be subject to any sinking fund. The Notes will be redeemable at the option of the Company prior to the Stated Maturity only if an Initial Redemption Date is specified in the applicable Pricing Supplement. If so specified, the Notes will

be subject to redemption at the option of the Company on any date on and after the applicable Initial Redemption Date in whole or from time to time in part in increments of \$1,000 in principal amount or any other integral multiple of \$1,000 in principal amount (provided that any remaining principal amount thereof shall be at least \$1,000), at the applicable Redemption Price (as hereinafter defined), together with unpaid interest accrued thereon to the date of redemption, on written notice given to the Holders thereof not more than 60 nor less than 30 calendar days prior to the date of redemption and in accordance with the provisions of the Indenture. "Redemption Price," with respect to a Note, means an amount equal to the Initial Redemption Percentage specified in the applicable Pricing Supplement (as adjusted by the Annual Redemption Percentage Reduction, if applicable) multiplied by the unpaid principal amount to be redeemed. The Initial Redemption Percentage, if any, applicable to a Note shall decline at each anniversary of the Initial Redemption Date by an amount equal to the applicable Annual Redemption Percentage Reduction, if any, until the Redemption Price is equal to 100% of the unpaid principal amount to be redeemed.

#### REPAYMENT AT THE OPTION OF THE HOLDER

The Notes will be repayable by the Company at the option of the Holders thereof prior to Stated Maturity only if one or more Optional Repayment Dates are specified in the applicable Pricing Supplement. If so specified, the Notes will be subject to repayment at the option of the Holders thereof on any Optional Repayment Date in whole or from time to time in part in increments of \$1,000 in principal amount or any other integral multiple of \$1,000 in principal amount (provided that any remaining principal amount thereof shall be at least \$1,000), at a repayment price equal to 100% of the principal amount to be repaid, together with unpaid interest accrued thereon to the date of repayment. For any Note to be repaid, such Note must be received, together with the form thereon entitled "Option to Elect Repayment" duly completed, by the Trustee at its office maintained for such purpose in the Borough of Manhattan, The City of New York, currently the Corporate Trust Office of the Trustee, not more than 60 nor less than 30 calendar days prior to the date of repayment. Exercise of such repayment option by the Holder will be irrevocable.

Only the Depositary may exercise the repayment option in respect of Global Securities (as hereinafter defined) representing Book-Entry Notes. Accordingly, Beneficial Owners (as hereinafter defined) of Global Securities that desire to have all or any portion of the Book-Entry Notes represented by such Global Securities repaid must instruct the Participant (as hereinafter defined) through which they own their interests to direct the Depositary to exercise the repayment option on their behalf by delivering the related Global Security and duly completed election form to the Trustee as aforesaid. In order to ensure that such Global Security and election form are received by the Trustee on a particular day, the applicable Beneficial Owner must so instruct the Participant through which it owns its interest before such Participant's deadline for accepting instructions for that day. Different firms may have different deadlines for accepting instructions from their customers. Accordingly, Beneficial Owners should consult the Participants through which they own their interests for the respective deadlines for such Participants. All instructions given to Participants from Beneficial Owners of Global Securities relating to the option to elect repayment shall be irrevocable. In addition, at the time such instructions are given, each such Beneficial Owner shall cause the Participant through which it owns its interest to transfer such Beneficial Owner's interest in the Global Security or Securities representing the related Book-Entry Notes, on the Depositary's records, to the Trustee. See "--Book-Entry Notes."

If applicable, the Company will comply with the requirements of Rule 14e-1 under the Securities Exchange Act of 1934, as amended, and any other securities laws or regulations in connection with any such repayment.

The Company may at any time purchase Notes at any price or prices in the open market or otherwise. Notes so purchased by the Company may be held or resold or, at the discretion of the Company, may be surrendered to the Trustee for cancellation.

## INTEREST

### GENERAL

Each interest-bearing Note will bear interest from the date of issue at the rate per annum or, in the case of a Floating Rate Note, pursuant to the interest rate formula stated therein until the principal thereof is paid or made available for payment. Interest payments shall be the amount of interest accrued from and including the next preceding Interest Payment Date in respect of which interest has been paid or duly provided for (or from and including the date of issue if no interest has been paid or duly provided for with respect to such Note), to but excluding the relevant Interest Payment Date or date of Maturity, as the case may be.

Interest will be payable on each date specified in the Note on which an installment of interest is due and payable (an "Interest Payment Date") and at Maturity. Interest (other than interest payable at Maturity) will be payable to the person in whose name a Note is registered at the close of business on the Regular Record Date next preceding such Interest Payment Date; provided, however, that interest payable at Maturity will be payable to the person to whom principal will be payable. If the original issue date of a Note is between a Regular Record Date and the related Interest Payment Date, the initial interest payment will be made on the Interest Payment Date following the next succeeding Regular Record Date to the registered holder at the close of business on such next succeeding Regular Record Date. Unless otherwise specified in the applicable Pricing Supplement, the "Regular Record Dates" for Fixed Rate Notes shall be February 15 and August 15 next preceding each March 1 or September 1 Interest Payment Date, respectively, and the "Regular Record Dates" for Floating Rate Notes shall be the fifteenth day (whether or not a Business Day) immediately preceding the related Interest Payment Date.

All percentages resulting from any calculation on Floating Rate Notes will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with five one-millionths of a percentage point rounded upward (e.g., 9.876545% (or .09876545) will be rounded upward to 9.87655% (or .0987655)), and all dollar amounts used in or resulting from such calculation on Floating Rate Notes will be rounded to the nearest cent (with one-half cent being rounded upward).

Interest rates and interest rate formulae and any and all other terms of the Notes are subject to change by the Company from time to time, but no such change will affect any Note already issued or as to which an offer to purchase has been accepted by the Company.

### FIXED RATE NOTES

Each Fixed Rate Note will bear interest from the date of issue at the rate per annum stated on the face thereof until the principal amount thereof is paid or made available for payment. Unless otherwise specified in the applicable Pricing Supplement, interest on Fixed Rate Notes will be payable semiannually on each March 1 and September 1 Interest Payment Date and at Maturity. If any Interest Payment Date or Maturity of a Fixed Rate Note falls on a day that is not a Business Day, the related payment of principal, and premium, if any, and interest will be made on the next succeeding Business Day as if it were made on the date such payment was due and no interest shall accrue on the amount so payable for the period from and after such Interest Payment Date or Maturity, as the case may be. Unless otherwise specified in the applicable Pricing Supplement, interest on each Fixed Rate Note will be calculated on the basis of a 360-day year of twelve 30-day months.

### FLOATING RATE NOTES

Unless otherwise specified in the applicable Pricing Supplement, interest on Floating Rate Notes will be determined as described below. Interest on Floating Rate Notes will be determined by reference to a "Base Rate," which may be (i) the CD Rate, in which case such Note will be a "CD Rate Note"; (ii) the CMT Rate, in which case such Note will be a "CMT Rate Note"; (iii) the Commercial Paper Rate, in which case such Note will be a "Commercial Paper Rate Note"; (iv) the Eleventh District Cost of Funds Rate, in which case such Note will be an "Eleventh District Cost of Funds Rate Note"; (v) the Federal Funds Rate, in which case such Note will be a "Federal Funds Rate Note"; (vi) the J.J. Kenny Rate, in which case such Note will be a

"J.J. Kenny Rate Note"; (vii) LIBOR, in which case such Note will be a "LIBOR Note"; (viii) the Prime Rate, in which case such Note will be a "Prime Rate Note"; (ix) the Treasury Rate, in which case such Note will be a "Treasury Rate Note"; and (x) such other interest rate formula as may be set forth in the applicable Pricing Supplement. In addition, a Floating Rate Note may bear interest at the lowest of two or more Base Rates determined in the same manner as the Base Rates are determined for the types of Notes described above.

The applicable Pricing Supplement and the related Note will specify the Base Rate or Rates and the Spread and/or Spread Multiplier, if any, and the maximum or minimum interest rate limitation, if any, applicable to each Floating Rate Note. In addition, such Pricing Supplement and the applicable Note will define or particularize for each Floating Rate Note the following terms, if applicable: Initial Interest Rate, Index Maturity, Interest Payment Dates, Interest Rate Reset Period, Interest Reset Dates, Calculation Agent (if other than the Trustee) and Initial Interest Reset Date. If one or more of the applicable Interest Rate Bases is LIBOR or the CMT Rate, the applicable Pricing Supplement will also specify the Designated LIBOR Currency and Designated LIBOR Page or the Designated CMT Maturity Index and Designated CMT Telerate Page, respectively, as such terms are defined below.

The interest rate on each Floating Rate Note will be calculated by reference to the specified Base Rate or the lowest of two or more specified Base Rates, in either case plus or minus the Spread, if any, or multiplied by the Spread Multiplier, if any. Commencing on the Initial Interest Reset Date, the rate at which interest on such Floating Rate Note shall be payable shall be reset as of each Interest Reset Date; provided, however, that the interest rate in effect for the period, if any, from the date of issue to the Initial Interest Reset Date will be the Initial Interest Rate (as defined below).

The "Spread" is the number of basis points specified in the applicable Pricing Supplement to be added to or subtracted from the related Base Rate or Rates applicable to a Floating Rate Note. The "Spread Multiplier" is the percentage of the related Base Rate or Rates as specified in the applicable Pricing Supplement by which such Base Rate or Rates will be multiplied to determine the applicable interest rate on such Floating Rate Note. "Index Maturity" means, if applicable with respect to a Floating Rate Note, the period to maturity of the instrument or obligation with respect to which the related Base Rate is calculated, as specified in the applicable Pricing Supplement.

The rate of interest on each Floating Rate Note will be reset daily, weekly, monthly, quarterly, semiannually or annually or on such other specified basis (each, an "Interest Rate Reset Period"), as specified in the applicable Pricing Supplement. The "Interest Reset Date" will be, in the case of Floating Rate Notes which reset (i) daily, each Business Day; (ii) weekly, the Wednesday of each week (with the exception of weekly reset Treasury Rate Notes and weekly reset Floating Rate Notes for which the Treasury Rate is an applicable Base Rate, which reset the Tuesday of each week, except as specified below); (iii) monthly, the third Wednesday of each month (with the exception of monthly reset Eleventh District Cost of Funds Rate Notes and monthly reset Floating Rate Notes as to which Eleventh District Cost of Funds Rate is an applicable Base Rate, which reset on the first calendar day of the month); (iv) quarterly, the third Wednesday of March, June, September and December of each year; (v) semiannually, the third Wednesday of each of the two months specified in such Pricing Supplement; and (vi) annually, the third Wednesday of the month specified in such Pricing Supplement. If any Interest Reset Date for any Floating Rate Note would otherwise be a day that is not a Business Day, such Interest Reset Date will be postponed to the next succeeding day that is a Business Day, except that in the case of a LIBOR Note (or a Floating Rate Note for which LIBOR is a Base Rate), if such Business Day is in the next succeeding calendar month, such Interest Reset Date shall be the immediately preceding day that is a Business Day. In addition, if the Treasury Rate is an applicable Base Rate and the Interest Determination Date would otherwise fall on an Interest Reset Date, then such Interest Reset Date will be postponed to the next succeeding Business Day.

The interest rate applicable to each Interest Rate Reset Period commencing on the related Interest Reset Date will be the rate determined by the Calculation Agent (as hereinafter defined) as of the applicable Interest Determination Date (as hereinafter defined) and calculated on or prior to the Calculation Date (as

hereinafter defined), except with respect to LIBOR and the Eleventh District Cost of Funds Rate, which will be calculated on such Interest Determination Date. The "Interest Determination Date" with respect to the CD Rate, the CMT Rate, Commercial Paper Rate, Federal Funds Rate, the J.J. Kenny Rate and the Prime Rate will be the second Business Day preceding each Interest Reset Date. The "Interest Determination Date" with respect to the Eleventh District Cost of Funds Rate will be the last working day of the month immediately preceding the applicable Interest Reset Date in which the Federal Home Loan Bank of San Francisco (the "FHLB of San Francisco") publishes the Index (as hereinafter defined). The "Interest Determination Date" with respect to LIBOR will be the second London Business Day preceding the applicable Interest Reset Date unless the Designated LIBOR Currency is British pounds sterling, in which case the "Interest Determination Date" will be the applicable Interest Reset Date. With respect to the Treasury Rate, the Interest Determination Date will be the day of the week in which the Interest Reset Date falls on which Treasury bills normally would be auctioned (Treasury bills normally are sold at auction on Monday of each week, unless that day is a legal holiday, in which case the auction is normally held on the following Tuesday, except that such auction may be held on the preceding Friday); provided, however, that if an auction is held on the Friday of the week preceding an Interest Reset Date, the related Interest Determination Date shall be such preceding Friday; and provided, further, that if the Interest Determination Date would otherwise fall on an Interest Reset Date, then such Interest Reset Date will be postponed to the next succeeding Business Day. The Interest Determination Date pertaining to a Floating Rate Note for which the interest rate is determined with reference to the lowest of two or more Base Rates will be the first Business Day which is at least two Business Days prior to the Interest Reset Date for such Note on which each such Base Rate shall be determinable. Each such Base Rate shall be determined and compared on such date, and the applicable interest rate shall take effect on the related Interest Reset Date.

A Floating Rate Note also may have either or both of the following: (i) a maximum limit, or ceiling, on the per annum interest rate in effect with respect to such Floating Rate Note from time to time and (ii) a minimum limit, or floor, on the per annum interest rate in effect with respect to such Floating Rate Note from time to time. Notwithstanding the foregoing, the interest rate on Floating Rate Notes will in no event be higher than the maximum rate permitted by New York law, as the same may be modified by United States law of general application.

Each Floating Rate Note will bear interest from its date of issue at the rate determined as described below until the principal thereof and premium, if any, thereon is paid or otherwise made available for payment. Except as provided below, interest will be payable, in the case of Floating Rate Notes which reset (i) daily, weekly or monthly, on the third Wednesday of each month or on the third Wednesday of March, June, September and December of each year, as specified in the applicable Pricing Supplement; (ii) quarterly, on the third Wednesday of March, June, September and December of each year, (iii) semiannually, on the third Wednesday of each of the two months of each year specified in the applicable Pricing Supplement; and (iv) annually, on the third Wednesday of the month specified in the applicable Pricing Supplement and, in each case, at Maturity.

If any Interest Payment Date for a Floating Rate Note would fall on a day that is not a Business Day with respect to such Note, such Interest Payment Date will be the following day that is a Business Day with respect to such Note, except that, in the case of a LIBOR Note (or a Floating Rate Note for which LIBOR is a Base Rate), if such Business Day is in the next succeeding calendar month, such Interest Payment Date shall be the immediately preceding day that is a Business Day with respect to such Note. If the Maturity of a Floating Rate Note falls on a day that is not a Business Day, the payment of principal, and premium, if any, and interest may be made on the next succeeding Business Day, and no interest on such payment shall accrue for the period from and after the Maturity.

The interest rate in effect with respect to a Floating Rate Note on each day that is not an Interest Reset Date will be the interest rate determined as of the Interest Determination Date pertaining to the immediately preceding Interest Reset Date and the interest rate in effect on any day that is an Interest Reset Date will be the interest rate determined as of the Interest Determination Date pertaining to such Interest Reset

Date (provided, however, that the interest rate in effect for the period, if any, from the date of original issue to the Initial Interest Reset Date will be the Initial Interest Rate), subject in either case to any maximum or minimum interest rate limitation referred to above and subject to adjustment by any applicable Spread or Spread Multiplier.

Accrued interest on the Floating Rate Notes will be an amount calculated by multiplying the principal amount thereof by an accrued interest factor. Such accrued interest factor shall be computed by adding the interest factor for each day in the applicable period for which interest is being calculated. Unless otherwise specified in the applicable Pricing Supplement, the interest factor for each such day will be computed by dividing the interest rate applicable to such day by 360 in the case of Floating Rate Notes for which an applicable Interest Rate Basis is the CD Rate, the Commercial Paper Rate, the Eleventh District Cost of Funds Rate, the Federal Funds Rate, LIBOR or the Prime Rate, or by the actual number of days in the year in the case of Floating Rate Notes for which an applicable Interest Rate Basis is the CMT Rate or the Treasury Rate or by 365 in the case of Floating Rate Notes for which an applicable Interest Rate Basis is the J.J. Kenney Rate. Unless otherwise specified in the applicable Pricing Supplement, the interest factor for Floating Rate Notes for which the interest rate is calculated with reference to two or more Base Rates will be calculated in each period in the same manner as if only the applicable Base Rates specified in the applicable Pricing Supplement applied.

Unless otherwise specified in the applicable Pricing Supplement, the Trustee will be the "Calculation Agent." Upon the request of the Holder of any Floating Rate Note, the Calculation Agent will provide the interest rate then in effect and, if determined, the interest rate that will become effective as a result of a determination made for the next Interest Reset Date with respect to such Floating Rate Note. The "Calculation Date," where applicable, pertaining to any Interest Determination Date will be the earlier of (i) the tenth calendar day after such Interest Determination Date, or, if such day is not a Business Day, the next succeeding Business Day and (ii) the Business Day preceding the applicable Interest Payment Date or Maturity, as the case may be.

The interest rate in effect with respect to a Floating Rate Note from the date of issue to the Initial Interest Reset Date (the "Initial Interest Rate") will be specified in the applicable Pricing Supplement. The interest rate for each subsequent Interest Reset Date will be determined by the Calculation Agent as follows:

**CD RATE.** CD Rate Notes will bear interest at the interest rates (calculated with reference to the CD Rate and the Spread and/or Spread Multiplier, if any) specified in such CD Rate Notes and in the applicable Pricing Supplement.

Unless otherwise specified in the applicable Pricing Supplement, "CD Rate" means, with respect to any Interest Determination Date relating to a CD Rate Note or any Interest Determination Date for a Note for which the interest rate is determined with reference to the CD Rate (a "CD Interest Determination Date"), the rate on such date for negotiable United States dollar certificates of deposit having the Index Maturity specified in the applicable Pricing Supplement as published by the Board of Governors of the Federal Reserve System in "Statistical Release H.15(519), Selected Interest Rates" or any successor publication ("H.15(519)") under the heading "CDs (Secondary Market)", or, if not so published by 3:00 P.M., New York City time, on the Calculation Date pertaining to such CD Interest Determination Date, the CD Rate will be the rate on such CD Interest Determination Date for negotiable United States dollar certificates of deposit of the Index Maturity specified in the applicable Pricing Supplement as published by the Federal Reserve Bank of New York in its daily statistical release "Composite 3:30 P.M. Quotations for U.S. Government Securities" or any successor publication ("Composite Quotations") under the heading "Certificates of Deposit." If such rate is not published in either H.15(519) or the Composite Quotations by 3:00 P.M., New York City time, on the Calculation Date, then the CD Rate on such CD Interest Determination Date will be calculated by the Calculation Agent and will be the arithmetic mean of the secondary market offered rates as of 10:00 A.M., New York City time, on such CD Interest Determination Date, of three leading nonbank dealers in negotiable United States dollar certificates of deposit in New York, New York (which may include

the Agents or their affiliates) selected by the Calculation Agent (after consultation with the Company) for negotiable United States dollar certificates of deposit of major United States money center banks for negotiable certificates of deposit with a remaining maturity closest to the Index Maturity specified in the applicable Pricing Supplement in an amount that is representative for a single transaction in that market at that time; provided, however, that if the dealers selected as aforesaid by the Calculation Agent are not quoting as described above, the CD Rate determined as of such CD Interest Determination Date will be the CD Rate in effect on such CD Interest Determination Date.

CMT RATE. CMT Rate Notes will bear interest at the rates (calculated with reference to the CMT Rate and the Spread and/or Spread Multiplier, if any) specified in such CMT Rate Notes and any applicable Pricing Supplement.

Unless otherwise specified in the applicable Pricing Supplement, "CMT Rate" means, with respect to any Interest Determination Date relating to a CMT Rate Note or any Floating Rate Note for which the interest rate is determined with reference to the CMT Rate (a "CMT Rate Interest Determination Date"), the rate displayed on the Designated CMT Telerate Page under the caption "...Treasury Constant Maturities...Federal Reserve Board Release H.15...Mondays Approximately 3:45 P.M.," under the column for the Designated CMT Maturity Index for (i) if the Designated CMT Telerate Page is 7055, the rate on such CMT Rate Interest Determination Date and (ii) if the Designated CMT Telerate Page is 7052, the weekly or monthly average, as specified in the applicable Pricing Supplement, for the week or the month, as applicable, ended immediately preceding the week or the month, as applicable, in which the related CMT Rate Interest Determination Date falls. If such rate is no longer displayed on the relevant page or is not displayed by 3:00 P.M., New York City time, on the related Calculation Date, then the CMT Rate for such CMT Rate Interest Determination Date will be such treasury constant maturity rate for the Designated CMT Maturity Index as published in H.15(519). If such rate is no longer published or is not published by 3:00 P.M., New York City time, on the related Calculation Date, then the CMT Rate on such CMT Rate Interest Determination Date will be such treasury constant maturity rate for the Designated CMT Maturity Index (or other United States Treasury rate for the Designated CMT Maturity Index) for the CMT Rate Interest Determination Date with respect to such Interest Reset Date as may then be published by either the Board of Governors of the Federal Reserve System or the United States Department of the Treasury that the Calculation Agent (after consultation with the Company) determines to be comparable to the rate formerly displayed on the Designated CMT Telerate Page and published in H.15(519). If such information is not provided by 3:00 P.M., New York City time, on the related Calculation Date, then the CMT Rate on the CMT Rate Interest Determination Date will be calculated by the Calculation Agent and will be a yield to maturity, based on the arithmetic mean of the secondary market offered rates as of approximately 3:30 P.M., New York City time, on such CMT Rate Interest Determination Date reported, according to their written records, by three leading primary United States government securities dealers in The City of New York (which may include the Agents or their affiliates) (each, a "Reference Dealer") selected by the Calculation Agent (from five such Reference Dealers selected by the Calculation Agent (after consultation with the Company) and eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest)), for the most recently issued direct noncallable fixed rate obligations of the United States ("Treasury Notes") with an original maturity of approximately the Designated CMT Maturity Index and a remaining term to maturity of not less than such Designated CMT Maturity Index minus one year. If the Calculation Agent is unable to obtain three such Treasury Note quotations, the CMT Rate on such CMT Rate Interest Determination Date will be calculated by the Calculation Agent and will be a yield to maturity based on the arithmetic mean of the secondary market offered rates as of approximately 3:30 P.M., New York City time, on such CMT Rate Interest Determination Date of three Reference Dealers in The City of New York (from five such Reference Dealers selected by the Calculation Agent (after consultation with the Company) and eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest)), for Treasury Notes with an original maturity of the number of years that is the next highest to the Designated CMT Maturity Index and a remaining term to maturity closest to the

Designated CMT Maturity Index and in an amount of at least \$100 million. If three or four (and not five) of such Reference Dealers are quoting as described above, then the CMT Rate will be based on the arithmetic mean of the offered rates obtained and neither the highest nor the lowest of such quotes will be eliminated; provided, however, that if fewer than three Reference Dealers so selected by the Calculation Agent are quoting as mentioned herein, the CMT Rate determined as of such CMT Rate Interest Determination Date will be the CMT Rate in effect on such CMT Rate Interest Determination Date. If two Treasury Notes with an original maturity as described in the second preceding sentence have remaining terms to maturity equally close to the Designated CMT Maturity Index, the Calculation Agent will obtain quotations for the Treasury Note with the shorter remaining term to maturity.

"Designated CMT Telerate Page" means the display on the Dow Jones Markets Limited (or any successor service) on the page specified in the applicable Pricing Supplement (or any other page as may replace such page on such service) for the purpose of displaying Treasury Constant Maturities as reported in H.15(519) or, if no such page is specified in the applicable Pricing Supplement, page 7052.

"Designated CMT Maturity Index" means the original period to maturity of the U.S. Treasury securities (either 1, 2, 3, 5, 7, 10, 20 or 30 years) specified in the applicable Pricing Supplement with respect to which the CMT Rate will be calculated or, if no such maturity is specified in the applicable Pricing Supplement, 2 years.

COMMERCIAL PAPER RATE. Commercial Paper Rate Notes will bear interest at the interest rates (calculated with reference to the Commercial Paper Rate and the Spread and/or Spread Multiplier, if any) specified in such Commercial Paper Rate Notes and in the applicable Pricing Supplement.

Unless otherwise specified in the applicable Pricing Supplement, "Commercial Paper Rate" means, with respect to any Interest Determination Date relating to a Commercial Paper Rate Note or any Interest Determination Date for a Note for which the interest rate is determined with reference to the Commercial Paper Rate (a "Commercial Paper Interest Determination Date"), the Money Market Yield (as defined below) on such date of the rate for commercial paper having the Index Maturity specified in the applicable Pricing Supplement, as such rate shall be published in H.15(519) under the heading "Commercial Paper-- Nonfinancial." In the event that such rate is not published by 3:00 P.M., New York City time, on the Calculation Date pertaining to such Commercial Paper Interest Determination Date, then the Commercial Paper Rate on such Commercial Paper Interest Determination Date will be the Money Market Yield of the rate for commercial paper of the Index Maturity specified in the applicable Pricing Supplement as published in Composite Quotations under the heading "Commercial Paper" (with an Index Maturity of one month or three months being deemed to be equivalent to an Index Maturity of 30 days or 90 days, respectively). If by 3:00 P.M., New York City time, on such Calculation Date such rate is not published in either H.15(519) or Composite Quotations, then the Commercial Paper Rate on such Commercial Paper Interest Determination Date will be calculated by the Calculation Agent and will be the Money Market Yield of the arithmetic mean of the offered rates, at approximately 11:00 A.M., New York City time, on such Commercial Paper Interest Determination Date, of three leading dealers of commercial paper in New York, New York (which may include the Agents or their affiliates) selected by the Calculation Agent (after consultation with the Company) for commercial paper of the specified Index Maturity placed for a nonfinancial entity whose bond rating is "Aa", or the equivalent, from a nationally recognized statistical rating organization; provided, however, that if the dealers selected as aforesaid by the Calculation Agent are not quoting as mentioned in this sentence, the Commercial Paper Rate determined as of such Commercial Paper Interest Determination Date will be the Commercial Paper Rate in effect on such Commercial Paper Interest Determination Date.

"Money Market Yield" shall be a yield (expressed as a percentage) calculated in accordance with the following formula:

$$\text{Money Market Yield} = \frac{D \times 360}{360 - (D \times M)} \times 100$$

where "D" refers to the applicable per annum rate for commercial paper quoted on a bank discount basis and expressed as a decimal and "M" refers to the actual number of days in the applicable Interest Rate Reset Period.

**ELEVENTH DISTRICT COST OF FUNDS RATE.** Eleventh District Cost of Funds Rate Notes will bear interest at the interest rates (calculated with reference to the Eleventh District Cost of Funds Rate and the Spread and/ or Spread Multiplier, if any) specified in such Eleventh District Cost of Funds Rate Notes and in the applicable Pricing Supplement.

Unless otherwise specified in the applicable Pricing Supplement, "Eleventh District Cost of Funds Rate" means, with respect to any Interest Determination Date relating to an Eleventh District Cost of Funds Rate Note or any Interest Determination Date for a Note for which the interest rate is determined with reference to the Eleventh District Cost of Funds Rate (an "Eleventh District Cost of Funds Rate Interest Determination Date"), the rate equal to the monthly weighted average cost of funds for the calendar month immediately preceding the month in which such Eleventh District Cost of Funds Rate Interest Determination Date falls, as set forth under the caption "11th District" on Telerate Page 7058 as of 11:00 A.M., San Francisco time, on such Eleventh District Cost of Funds Rate Interest Determination Date. If such rate does not appear on Telerate Page 7058 on such Eleventh District Cost of Funds Rate Interest Determination Date, then the Eleventh District Cost of Funds Rate on such Eleventh District Cost of Funds Rate Interest Determination Date shall be the monthly weighted average cost of funds paid by member institutions of the Eleventh Federal Home Loan Bank District that was most recently announced (the "Index") by the FHLB of San Francisco as such cost of funds for the calendar month immediately preceding such Eleventh District Cost of Funds Rate Interest Determination Date. If the FHLB of San Francisco fails to announce the Index on or prior to such Eleventh District Cost of Funds Rate Interest Determination Date for the calendar month immediately preceding such Eleventh District Cost of Funds Rate Interest Determination Date, the Eleventh District Cost of Funds Rate determined as of such Eleventh District Cost of Funds Rate Interest Determination Date will be the Eleventh District Cost of Funds Rate in effect on such Eleventh District Cost of Funds Rate Interest Determination Date.

**FEDERAL FUNDS RATE.** Federal Funds Rate Notes will bear interest at the interest rates (calculated with reference to the Federal Funds Rate and the Spread and/or Spread Multiplier, if any) specified in such Federal Funds Rate Notes and in the applicable Pricing Supplement.

Unless otherwise specified in the applicable Pricing Supplement, "Federal Funds Rate" means, with respect to any Interest Determination Date relating to a Federal Funds Rate Note or any Interest Determination Date for a Note for which the interest rate is determined with reference to the Federal Funds Rate (a "Federal Funds Rate Interest Determination Date"), the rate on that date for United States dollar federal funds as published in H.15(519) under the heading "Federal Funds (Effective)" or, if not so published by 3:00 P.M., New York City time, on the Calculation Date pertaining to such Federal Funds Rate Interest Determination Date, the Federal Funds Rate will be the rate on such Federal Funds Rate Interest Determination Date as published in Composite Quotations under the heading "Federal Funds/Effective Rate." If such rate is not published in either H.15(519) or Composite Quotations by 3:00 P.M., New York City time, on such Calculation Date, the Federal Funds Rate for such Federal Funds Rate Interest Determination Date will be calculated by the Calculation Agent and will be the arithmetic mean of the rates for the last transaction in overnight United States dollar federal funds arranged by three leading brokers of federal funds transactions in New York, New York (which may include the Agents or their affiliates) selected by the Calculation Agent (after consultation with the Company) prior to 9:00 A.M., New York City time, on such Federal Funds Rate Interest Determination Date; provided, however, that if the brokers selected as aforesaid by the Calculation Agent are not quoting as described above, the Federal Funds Rate determined as of such Federal Funds Rate Interest Determination Date will be the Federal Funds Rate in effect on such Federal Funds Rate Interest Determination Date.

J.J. KENNY RATE. J.J. Kenny Rate Notes will bear interest at the rates (calculated with reference to J.J. Kenny Rate and the Spread and/or Spread Multiplier, if any) specified in such J.J. Kenny Rate Notes and any applicable Pricing Supplement.

Unless otherwise specified in the applicable Pricing Supplement, "J.J. Kenny Rate" means, with respect to any Interest Determination Date relating to a J.J. Kenny Rate Note or any Interest Determination Date for a Note for which the interest rate is determined with reference to the J.J. Kenny Rate (a "J.J. Kenny Rate Interest Determination Date"), the rate in the high grade weekly index (the "Weekly Index") on such date made available by Kenny Information Systems ("Kenny") to the Calculation Agent. The Weekly Index is, and shall be, based upon 30-day yield evaluations at par of bonds, the interest of which is exempt from federal income taxation under the Internal Revenue Code of 1986, as amended (the "Code"), of not less than five high grade component issuers selected by Kenny which shall include, without limitation, issuers of general obligation bonds. The specific issuers included among the component issuers may be changed from time to time by Kenny in its discretion. The bonds on which the Weekly Index is based shall not include any bonds on which the interest is subject to a minimum tax or similar tax under the Code, unless all tax-exempt bonds are subject to such tax. In the event Kenny ceases to make available such Weekly Index, a successor indexing agent will be selected by the Calculation Agent, such index to reflect the prevailing rate for bonds rated in the highest short-term rating category by Moody's Investors Service, Inc. and Standard & Poor's Ratings Group (or their respective successors) in respect of issuers most closely resembling the high grade component issuers selected by Kenny for its Weekly Index, the interest on which is (A) variable on a weekly basis, (B) exempt from federal income taxation under the Code, and (C) not subject to a minimum tax or similar tax under the Code, unless all tax-exempt bonds are subject to such tax. If such successor indexing agent is not available, the rate for any J.J. Kenny Rate Interest Determination Date shall be 67% of the rate determined as if the Treasury Rate option had been originally selected.

LIBOR. LIBOR Notes will bear interest at the interest rates (calculated with reference to LIBOR and the Spread and/or Spread Multiplier, if any) specified in such LIBOR Notes and in the applicable Pricing Supplement.

Unless otherwise specified in the applicable Pricing Supplement, "LIBOR" means the rate determined by the Calculation Agent in accordance with the following provisions:

(i) With respect to an Interest Determination Date relating to a LIBOR Note or any Floating Rate Note for which the interest rate is determined with reference to LIBOR (a "LIBOR Interest Determination Date"), LIBOR will be either: (a) if "LIBOR Reuters" is specified in the applicable Pricing Supplement, the arithmetic mean of the offered rates (unless the specified Designated LIBOR Page (as defined below) by its terms provides only for a single rate, in which case such single rate shall be used) for deposits in the Designated LIBOR Currency (as defined below) having the Index Maturity designated in the applicable Pricing Supplement, commencing on the applicable Interest Reset Date, that appear (or, if only a single rate is required as aforesaid, appears) on the Designated LIBOR Page specified in the applicable Pricing Supplement as of 11:00 A.M. London time, on that LIBOR Interest Determination Date, or (b) if "LIBOR Telerate" is specified in the applicable Pricing Supplement, or if neither "LIBOR Reuters" nor "LIBOR Telerate" is specified in the applicable Pricing Supplement as the method for calculating LIBOR, the rate for deposits in the Designated LIBOR Currency having the Index Maturity designated in the applicable Pricing Supplement commencing on such Interest Reset Date that appears on the Designated LIBOR Page specified in the applicable Pricing Supplement as of 11:00 A.M. London time, on that LIBOR Interest Determination Date. If fewer than two offered rates appear, or no rate appears, as applicable, LIBOR in respect of the related LIBOR Interest Determination Date will be determined as if the parties had specified the rate described in clause (ii) below.

(ii) With respect to a LIBOR Interest Determination Date on which fewer than two offered rates appear, or no rate appears, as the case may be, on the Designated LIBOR Page as specified in clause (i) above, the Calculation Agent will request the principal London offices of each of four major

reference banks (which may include affiliates of the Agents) in the London interbank market, as selected by the Calculation Agent (after consultation with the Company), to provide the Calculation Agent with its offered quotation for deposits in the Designated LIBOR Currency for the period of the Index Maturity designated in the applicable Pricing Supplement, commencing on the applicable Interest Reset Date, to prime banks in the London interbank market at approximately 11:00 A.M., London time, on such LIBOR Interest Determination Date and in a principal amount that is representative for a single transaction in such Designated LIBOR Currency in such market at such time. If at least two such quotations are provided, LIBOR determined on such LIBOR Interest Determination Date will be the arithmetic mean of such quotations. If fewer than two quotations are provided, LIBOR determined on such LIBOR Interest Determination Date will be the arithmetic mean of the rates quoted at approximately 11:00 A.M. in the applicable Principal Financial Center (as defined below), on such LIBOR Interest Determination Date by three major banks (which may include affiliates of the Agents) in such Principal Financial Center selected by the Calculation Agent (after consultation with the Company) for loans in the Designated LIBOR Currency to leading European banks, having the Index Maturity designated in the applicable Pricing Supplement and in a principal amount that is representative for a single transaction in such Designated LIBOR Currency in such market at such time; provided, however, that if the banks so selected by the Calculation Agent are not quoting as mentioned in this sentence, LIBOR determined as of such LIBOR Interest Determination Date will be LIBOR in effect on such LIBOR Interest Determination Date.

"Designated LIBOR Currency" means the currency or composite currency specified in the applicable Pricing Supplement as to which LIBOR shall be calculated or, if no such currency or composite currency is specified in the applicable Pricing Supplement, United States dollars.

"Designated LIBOR Page" means (a) if "LIBOR Reuters" is specified in the applicable Pricing Supplement, the display on the Reuter Monitor Money Rates Service (or any successor service) on the page specified in such Pricing Supplement (or any other page as may replace such page on such service) for the purpose of displaying the London interbank rates of major banks for the Designated LIBOR Currency, or (b) if "LIBOR Telerate" is specified in the applicable Pricing Supplement or neither "LIBOR Reuters" nor "LIBOR Telerate" is specified in the applicable Pricing Supplement as the method for calculating LIBOR, the display on the Dow Jones Markets Limited (or any successor service) on the page specified in such Pricing Supplement (or any other page as may replace such page on such service) for the purpose of displaying the London interbank rates of major banks for the Designated LIBOR Currency.

"Principal Financial Center" means the capital city of the country to which the Designated LIBOR Currency relates (or, in the case of ECU, Luxembourg), except that with respect to United States dollars, Australian dollars, Canadian dollars, Deutsche marks, Dutch guilders and Swiss francs, the "Principal Financial Center" shall be The City of New York, Sydney, Toronto, Frankfurt, Amsterdam and Zurich, respectively.

PRIME RATE. Prime Rate Notes will bear interest at the rates (calculated with reference to the Prime Rate and the Spread and/or Spread Multiplier, if any) specified in such Prime Rate Notes and any applicable Pricing Supplement.

Unless otherwise specified in the applicable Pricing Supplement, "Prime Rate" means, with respect to any Interest Determination Date relating to a Prime Rate Note or any Interest Determination Date for a Note for which the interest rate is determined with reference to the Prime Rate (a "Prime Rate Interest Determination Date"), the rate on such date as such rate is published in H.15(519) under the heading "Bank Prime Loan." In the event that such rate is not published prior to 3:00 P.M., New York City time, on the Calculation Date pertaining to such Prime Rate Interest Determination Date, then the Prime Rate will be determined by the Calculation Agent and will be the arithmetic mean of the rates of interest publicly announced by each bank that appears on the Reuters Screen USPRIME1 Page (as defined below) as such bank's prime rate or base lending rate as in effect for that Prime Rate Interest Determination Date. If fewer

than four such rates appear on the Reuters Screen USPRIME1 Page for such Prime Rate Interest Determination Date, the Prime Rate will be determined by the Calculation Agent and will be the arithmetic mean of the prime or base lending rates quoted on the basis of the actual number of days in the year divided by a 360-day year as of the close of business on such Prime Rate Interest Determination Date by four major money center banks (which may include affiliates of the Agents) in The City of New York as selected by the Calculation Agent (after consultation with the Company). If fewer than four quotations are provided by such major money center banks, the Prime Rate shall be calculated by the Calculation Agent and shall be the arithmetic mean of four prime rates quoted on the basis of the actual number of days in the year divided by a 360-day year as of the close of business on such Prime Rate Interest Determination Date as furnished in The City of New York by the major money center banks, if any, that have provided such quotations and by a reasonable number of substitute banks or trust companies (which may include affiliates of the Agents) to obtain four such prime rate quotations, provided such substitute banks or trust companies are organized and doing business under the laws of the United States, or any State thereof, each having total equity capital of at least \$500,000,000 and being subject to supervision or examination by a Federal or State authority, selected by the Calculation Agent (after consultation with the Company) to provide such rates; PROVIDED, HOWEVER, that if the banks or trust companies selected as aforesaid by the Calculation Agent are not quoting rates as set forth in this sentence, the Prime Rate determined as of such Prime Rate Interest Determination Date will be the Prime Rate in effect on such Prime Rate Interest Determination Date.

"Reuters Screen USPRIME1 Page" means the display on the Reuter Monitor Money Rates Service (or any successor service) on the "USPRIME1" page (or such other page as may replace the USPRIME1 page on such service) for the purpose of displaying prime rates or base lending rates of major United States banks.

TREASURY RATE. Treasury Rate Notes will bear interest at the interest rates (calculated with reference to the Treasury Rate and the Spread and/or Spread Multiplier, if any) specified in such Treasury Rate Notes and in the applicable Pricing Supplement.

Unless otherwise specified in the applicable Pricing Supplement, "Treasury Rate" means, with respect to any Interest Determination Date relating to a Treasury Rate Note or any Interest Determination Date for a Note for which the interest rate is determined with reference to the Treasury Rate (a "Treasury Rate Interest Determination Date"), the rate from the auction held on such Treasury Rate Interest Determination Date (the "Auction") of direct obligations of the United States ("Treasury bills") having the Index Maturity specified in the applicable Pricing Supplement, as such rate is published in H.15(519) under the heading "Treasury Bills--auction average (investment)" or, if not so published by 3:00 P.M., New York City time, on the Calculation Date pertaining to such Treasury Rate Interest Determination Date, the auction average rate of such Treasury bills (expressed as a bond equivalent on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) as otherwise announced by the United States Department of the Treasury. In the event that the results of the Auction of Treasury bills having the specified Index Maturity are not reported as provided by 3:00 P.M., New York City time, on the related Calculation Date, or if no such Auction is held, then the Treasury Rate shall be calculated by the Calculation Agent and shall be a yield to maturity (expressed as a bond equivalent on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) of the arithmetic mean of the secondary market bid rates, as of approximately 3:30 P.M., New York City time, on such Treasury Rate Interest Determination Date, of three leading primary United States government securities dealers (which may include the Agents or their affiliates) selected by the Calculation Agent (after consultation with the Company) for the issue of Treasury bills with a remaining maturity closest to the applicable Index Maturity; provided, however, that if the dealers selected as aforesaid by the Calculation Agent are not quoting as described above, the Treasury Rate determined as of such Treasury Rate Interest Determination Date will be the Treasury Rate in effect on such Treasury Rate Interest Determination Date.

#### ORIGINAL ISSUE DISCOUNT NOTES

Notes may be issued as discounted securities (bearing no interest or interest at a rate which at the time of issuance is below market rates) to be sold at an issue price below their stated principal amount and which

provide that upon redemption or repurchase at the option of the Holders prior to maturity or acceleration of the maturity thereof an amount less than the principal amount thereof shall become due and payable, or which for federal income tax purposes would be considered original issue discount notes (collectively, "Original Issue Discount Notes"). See "Certain United States Federal Income Tax Considerations."

Notwithstanding anything to the contrary contained herein or in the Prospectus or any Pricing Supplement, for purposes of determining the rights of a Holder of an Original Issue Discount Note in respect of voting for or against amendments to or waivers under the Indenture or any other matters requiring the vote, consent or other action of Holders of the Notes, the principal amount of such Original Issue Discount Note that shall be deemed to be outstanding shall be the amount of the principal thereof that would be due and payable, as of the date of such determination, upon acceleration of the maturity of such Note.

#### INDEXED NOTES

Notes also may be issued with the principal amount and premium, if any, payable at Maturity and/or interest, if any, to be paid thereon to be determined with reference to the price or prices of specified commodities or stocks, interest rate indices, the exchange rate of one or more specified currencies (including a composite currency such as the European Currency Unit) relative to an indexed currency, or such other prices, exchange rates or other items or indices as may be specified in such Note ("Indexed Notes"), as set forth in the applicable Pricing Supplement. In certain cases, Holders of such Notes may receive a principal amount at Maturity that is greater than or less than the face amount of the Notes depending upon the relative value at Maturity of the specified indexed item. Information as to the method for determining the principal, premium, if any, and interest, if any, payable in respect of Indexed Notes and, where applicable, certain historical information with respect to the specified indexed item and, if applicable, certain risk factors and tax considerations associated with investment in Indexed Notes, will be set forth in the applicable Pricing Supplement.

Notwithstanding anything to the contrary contained herein or in the Prospectus or any Pricing Supplement, for purposes of determining the rights of a Holder of an Indexed Note in respect of voting for or against amendments to or waivers under the Indenture or any other matters requiring the vote, consent or other action of Holders of the Notes, the principal amount of such Indexed Note that shall be deemed to be outstanding shall be equal to the face amount thereof upon issuance.

#### FOREIGN CURRENCY NOTES

Notes may be issued which are denominated in, or with the principal thereof or premium, if any, or interest, if any, thereon payable in, currencies other than U.S. dollars or in composite currencies or currency units ("Foreign Currency Notes"). Information with respect to the currencies, currency units or composite currencies in which Foreign Currency Notes are denominated or payable and, where applicable, certain historical exchange rate information with respect to such specified currencies, currency units or composite currencies and, if applicable, certain risk factors and tax considerations associated with an investment in such Foreign Currency Notes, will be set forth in the applicable Pricing Supplement.

Notwithstanding anything to the contrary contained herein or in the Prospectus or any Pricing Supplement, for purposes of determining the rights of a Holder of a Foreign Currency Note in respect of voting for or against amendments to or waivers under the Indenture or any other matters requiring the vote, consent or other action of Holders of the Notes, the principal amount of such Foreign Currency Note that shall be deemed outstanding shall be the U.S. dollar equivalent, determined as of the date of original issuance of such Foreign Currency Note, of the principal amount thereof.

#### OTHER PROVISIONS; ADDENDA

Any provisions with respect to the determination of Base Rates, the specification of Base Rates, calculation of the interest rate applicable to a Floating Rate Note, Interest Payment Dates or any other

provisions of, or matters relating to, the Notes may be modified by such terms as may be specified under "Other/Additional Provisions" on the face of such Note or in an Addendum thereto, if so specified in the applicable Pricing Supplement.

#### BOOK-ENTRY NOTES

Upon issuance, all Book-Entry Notes of like tenor and terms will be represented by one or more global Notes (each, a "Global Security"). Each Global Security representing Book-Entry Notes will be deposited with, or on behalf of, the Depository and will be registered in the name of the Depository or its nominee. Except as set forth below, a Global Security may not be transferred except as a whole by the Depository to a nominee of the Depository or by a nominee of the Depository to the Depository or another nominee of the Depository or by the Depository or any nominee of the Depository or a nominee of such successor.

So long as the Depository or its nominee is the registered owner of a Global Security, the Depository or its nominee, as the case may be, will be the sole Holder of the Book-Entry Notes represented thereby for all purposes under the Indenture. Except as otherwise provided below, the Beneficial Owners (as defined below) of the Global Security or Securities representing Book-Entry Notes will not be entitled to receive physical delivery of Definitive Notes and will not be considered the Holders thereof for any purpose under the Indenture, and no Global Security representing Book-Entry Notes shall be exchangeable or transferrable. Accordingly, each person owning a beneficial interest in a Global Security must rely on the procedures of the Depository and, if such person is not a Participant (as defined below), on the procedures of the Participant through which such person owns its interest in order to exercise any rights of a Holder under the Indenture. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. Such limits and such laws may impair the ability to transfer beneficial interests in a Global Security representing Book-Entry Notes.

The Depository Trust Company ("DTC"), New York, New York will be the initial Depository with respect to the Notes. The following is based on information furnished by DTC as Depository:

The Depository will act as securities depository for the Book-Entry Notes. The Book-Entry Notes will be issued as fully registered securities registered in the name of Cede & Co. (the Depository's nominee). One fully registered Global Security will be issued for each issue of Book-Entry Notes, each in the aggregate principal amount of such issue, and will be deposited with, or on behalf of, the Depository. If, however, the aggregate principal amount of any issue exceeds \$200,000,000, one Global Security will be issued with respect to each \$200,000,000 of principal amount and an additional Global Security will be issued with respect to any remaining principal amount of such issue.

The Depository is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of Securities Exchange Act of 1934, as amended. The Depository holds securities that its participants ("Participants") deposit with the Depository. The Depository also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants of the Depository ("Direct Participants") include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. The Depository is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the Depository's system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The rules applicable to the Depository and its Participants are on file with the Securities and Exchange Commission.

Purchases of Book-Entry Notes under the Depository's system must be made by or through Direct Participants, which will receive a credit for such Book-Entry Notes on the Depository's records. The ownership interest of each actual purchaser of each Book-Entry Note represented by a Global Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from the Depository of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participants through which such Beneficial Owners entered into the transaction. Transfers of ownership interests in a Global Security representing Book-Entry Notes are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners of a Global Security representing Book-Entry Notes will not receive Definitive Notes representing their ownership interests therein, except in the limited circumstances described below.

To facilitate subsequent transfers, all Global Securities representing Book-Entry Notes which are deposited with, or on behalf of, the Depository are registered in the name of the Depository's nominee, Cede & Co. The deposit of Global Securities with, or on behalf of, the Depository and their registration in the name of Cede & Co. effect no change in beneficial ownership. The Depository has no knowledge of the actual Beneficial Owners of the Global Securities representing the Book-Entry Notes; the Depository's records reflect only the identity of the Direct Participants to whose accounts such Book-Entry Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by the Depository to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

If applicable, redemption notices shall be sent to Cede & Co. If less than all of the Book-Entry Notes of like tenor and terms are being redeemed, the Depository's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither the Depository nor Cede & Co. will consent or vote with respect to the Global Securities representing the Book-Entry Notes. Under its usual procedures, the Depository mails an Omnibus Proxy to the Company as soon as possible after the applicable record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Book-Entry Notes are credited on the applicable record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, if any, and interest, if any, payments on the Global Securities representing the Book-Entry Notes will be made to the Depository. The Depository's practice is to credit Direct Participants' accounts on the applicable payment date in accordance with their respective holdings shown on the Depository's records unless the Depository has reason to believe that it will not receive payment on such date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of the Depository, the Trustee or the Company, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest, if any, to the Depository is the responsibility of the Company or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of the Depository, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

If applicable, a Beneficial Owner shall give notice to elect to have its Book-Entry Notes repaid by the Company, through its Participant, to the Trustee, and shall effect delivery of such Book-Entry Notes by causing the Direct Participant to transfer the Participant's interest in the Global Security or Securities representing such Book-Entry Notes, on the Depository's records, to the Trustee. The requirement

for physical delivery of Book-Entry Notes in connection with a demand for repayment will be deemed satisfied when the ownership rights in the Global Security or Securities representing such Book-Entry Notes are transferred by Direct Participants on the Depository's records.

The information in this section concerning the Depository and the Depository's system has been obtained from sources that the Company believes to be reliable, but neither the Company nor any Agent takes any responsibility for the accuracy thereof.

The Depository may discontinue providing its services as securities depository with respect to the Book-Entry Notes at any time by giving reasonable notice to the Company or the Trustee. If the Depository is at any time unwilling, unable or no longer eligible to serve as Depository and a successor Depository is not appointed by the Company within 90 days, the Company will issue Definitive Notes in exchange for the Notes represented by such Global Security or Securities. In addition, the Company may at any time and in its sole discretion determine to discontinue use of the Global Security or Securities and, in such event, will issue Definitive Notes in exchange for the Notes represented by such Global Security or Securities. Definitive Notes so issued will be issued in denominations of \$1,000 and integral multiples thereof and will be issued in registered form only, without coupons.

#### CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following summary of certain United States Federal income tax consequences of the purchase, ownership and disposition of the Notes is based upon laws, regulations, rulings and decisions now in effect, all of which are subject to change (including changes in effective dates) or possible differing interpretations. It deals only with Notes held as capital assets and does not purport to deal with persons in special tax situations, such as financial institutions, insurance companies, regulated investment companies, dealers in securities or currencies, persons holding Notes as a hedge against currency risks or as a position in a "straddle" for tax purposes, or persons whose functional currency is not the United States dollar. It also does not deal with holders other than original purchasers (except where otherwise specifically noted). Persons considering the purchase of the Notes should consult their own tax advisors concerning the application of United States Federal income tax laws to their particular situations as well as any consequences of the purchase, ownership and disposition of the Notes arising under the laws of any other taxing jurisdiction.

As used herein, the term "U.S. Holder" means a beneficial owner of a Note that is for United States Federal income tax purposes (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof (other than a partnership that is not treated as a United States person under any applicable Treasury regulations), (iii) an estate whose income is subject to United States federal income tax regardless of its source, (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust, or (v) any other person whose income or gain in respect of a Note is effectively connected with the conduct of a United States trade or business. Notwithstanding the preceding clause (iv), to the extent provided in regulations, certain trusts in existence on August 20, 1996 and treated as United States persons prior to such date that elect to continue to be so treated also shall be considered U.S. Holders. As used herein, the term "non-U.S. Holder" means a beneficial owner of a Note that is not a U.S. Holder.

#### U.S. HOLDERS

**PAYMENTS OF INTEREST.** Payments of interest on a Note generally will be taxable to a U.S. Holder as ordinary interest income at the time such payments are accrued or are received (in accordance with the U.S. Holder's regular method of tax accounting).

**ORIGINAL ISSUE DISCOUNT.** The following summary is a general discussion of the United States Federal income tax consequences to U.S. Holders of the purchase, ownership and disposition of Notes issued with original issue discount ("Original Issue Discount Notes"). The following summary is based upon final

Treasury regulations (the "OID Regulations") released by the Internal Revenue Service ("IRS") on January 27, 1994, as amended on June 11, 1996, under the original issue discount provisions of the Internal Revenue Code of 1986, as amended (the "Code").

For United States Federal income tax purposes, original issue discount is the excess of the stated redemption price at maturity of a Note over its issue price, if such excess equals or exceeds a DE MINIMIS amount (generally 1/4 of 1% of the Note's stated redemption price at maturity multiplied by the number of complete years to its maturity from its issue date or, in the case of a Note providing for the payment of any amount other than qualified stated interest (as defined below) prior to maturity, multiplied by the weighted average maturity of such Note). The issue price of each Note in an issue of Notes equals the first price at which a substantial amount of such Notes has been sold (ignoring sales to bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers). The stated redemption price at maturity of a Note is the sum of all payments provided by the Note other than "qualified stated interest" payments. The term "qualified stated interest" generally means stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate. In addition, under the OID Regulations, if a Note bears interest for one or more accrual periods at a rate below the rate applicable for the remaining term of such Note (e.g., Notes with teaser rates or interest holidays), and if the greater of either the resulting foregone interest on such Note or any "true" discount on such Note (i.e., the excess of the Note's stated principal amount over its issue price) equals or exceeds a specified DE MINIMIS amount, then the stated interest on the Note would be treated as original issue discount rather than qualified stated interest.

Payments of qualified stated interest on a Note are taxable to a U.S. Holder as ordinary interest income at the time such payments are accrued or are received (in accordance with the U.S. Holder's regular method of tax accounting). A U.S. Holder of an Original Issue Discount Note must include original issue discount in income as ordinary interest for United States Federal income tax purposes as it accrues under a constant yield method in advance of receipt of the cash payments attributable to such income, regardless of such U.S. Holder's regular method of tax accounting. In general, the amount of original issue discount included in income by the initial U.S. Holder of an Original Issue Discount Note is the sum of the daily portions of original issue discount with respect to such Original Issue Discount Note for each day during the taxable year (or portion of the taxable year) on which such U.S. Holder held such Original Issue Discount Note. The "daily portion" of original issue discount on any Original Issue Discount Note is determined by allocating to each day in any accrual period a ratable portion of the original issue discount allocable to that accrual period. An "accrual period" may be of any length and the accrual periods may vary in length over the term of the Original Issue Discount Note, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs either on the final day of an accrual period or on the first day of an accrual period. The amount of original issue discount allocable to each accrual period is generally equal to the difference between (i) the product of the Original Issue Discount Note's adjusted issue price at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and appropriately adjusted to take into account the length of the particular accrual period) and (ii) the amount of any qualified stated interest payments allocable to such accrual period. The "adjusted issue price" of an Original Issue Discount Note at the beginning of any accrual period is the sum of the issue price of the Original Issue Discount Note plus the amount of original issue discount allocable to all prior accrual periods minus the amount of any prior payments on the Original Issue Discount Note that were not qualified stated interest payments. Under these rules, U.S. Holders generally will have to include in income increasingly greater amounts of original issue discount in successive accrual periods.

A U.S. Holder who purchases an Original Issue Discount Note for an amount that is greater than its adjusted issue price as of the purchase date and less than or equal to the sum of all amounts payable on the Original Issue Discount Note after the purchase date other than payments of qualified stated interest, will be considered to have purchased the Original Issue Discount Note at an "acquisition premium." Under the acquisition premium rules, the amount of original issue discount which such U.S. Holder must include in its

gross income with respect to such Original Issue Discount Note for any taxable year (or portion thereof in which the U.S. Holder holds the Original Issue Discount Note) will be reduced (but not below zero) by the portion of the acquisition premium properly allocable to the period.

Under the OID Regulations, Floating Rate Notes and Indexed Notes ("Variable Notes") are subject to special rules whereby a Variable Note will qualify as a "variable rate debt instrument" if (a) its issue price does not exceed the total noncontingent principal payments due under the Variable Note by more than a specified DE MINIMIS amount and (b) it provides for stated interest, paid or compounded at least annually, at current values of (i) one or more qualified floating rates, (ii) a single fixed rate and one or more qualified floating rates, (iii) a single objective rate, or (iv) a single fixed rate and a single objective rate that is a qualified inverse floating rate.

A "qualified floating rate" is any variable rate where variations in the value of such rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Variable Note is denominated. Although a multiple of a qualified floating rate will generally not itself constitute a qualified floating rate, a variable rate equal to the product of a qualified floating rate and a fixed multiple that is greater than .65 but not more than 1.35 will constitute a qualified floating rate. A variable rate equal to the product of a qualified floating rate and a fixed multiple that is greater than .65 but not more than 1.35, increased or decreased by a fixed rate, will also constitute a qualified floating rate. In addition, under the OID Regulations, two or more qualified floating rates that can reasonably be expected to have approximately the same values throughout the term of the Variable Note (e.g., two or more qualified floating rates with values within 25 basis points of each other as determined on the Variable Note's issue date) will be treated as a single qualified floating rate. Notwithstanding the foregoing, a variable rate that would otherwise constitute a qualified floating rate but which is subject to one or more restrictions such as a maximum numerical limitation (i.e., a cap) or a minimum numerical limitation (i.e., a floor) may, under certain circumstances, fail to be treated as a qualified floating rate under the OID Regulations unless such cap or floor is fixed throughout the term of the Note. An "objective rate" is a rate that is not itself a qualified floating rate but which is determined using a single fixed formula and that is based on objective financial or economic information. A rate will not qualify as an objective rate if it is based on information that is within the control of the issuer (or a related party) or that is unique to the circumstances of the issuer (or a related party), such as dividends, profits, or the value of the issuer's stock (although a rate does not fail to be an objective rate merely because it is based on the credit quality of the issuer). A "qualified inverse floating rate" is any objective rate where such rate is equal to a fixed rate minus a qualified floating rate, as long as variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate. The OID Regulations also provide that if a Variable Note provides for stated interest at a fixed rate for an initial period of one year or less followed by a variable rate that is either a qualified floating rate or an objective rate and if the variable rate on the Variable Note's issue date is intended to approximate the fixed rate (e.g., the value of the variable rate on the issue date does not differ from the value of the fixed rate by more than 25 basis points), then the fixed rate and the variable rate together will constitute either a single qualified floating rate or objective rate, as the case may be.

If a Variable Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof qualifies as a "variable rate debt instrument" under the OID Regulations and if the interest on such Note is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually, then all stated interest on the Note will constitute qualified stated interest and will be taxed accordingly. Thus, a Variable Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof and that qualifies as a "variable rate debt instrument" under the OID Regulations will generally not be treated as having been issued with original issue discount unless the Variable Note is issued at a "true" discount (i.e., at a price below the Note's stated principal amount) in excess of a specified DE MINIMIS amount. The amount of qualified stated interest and the amount of original issue discount, if any, that accrues during an accrual period on such a Variable Note is determined under the rules applicable to fixed rate debt instruments by assuming that the variable rate is a fixed rate equal to (i) in the case of a qualified floating rate or qualified

inverse floating rate, the value, as of the issue date, of the qualified floating rate or qualified inverse floating rate, or (ii) in the case of an objective rate (other than a qualified inverse floating rate), a fixed rate that reflects the yield that is reasonably expected for the Variable Note. The qualified stated interest allocable to an accrual period is increased (or decreased) if the interest actually paid during an accrual period exceeds (or is less than) the interest assumed to be paid during the accrual period pursuant to the foregoing rules.

In general, any other Variable Note that qualifies as a "variable rate debt instrument" will be converted into an "equivalent" fixed rate debt instrument for purposes of determining the amount and accrual of original issue discount and qualified stated interest on the Variable Note. The OID Regulations generally require that such a Variable Note be converted into an "equivalent" fixed rate debt instrument by substituting any qualified floating rate or qualified inverse floating rate provided for under the terms of the Variable Note with a fixed rate equal to the value of the qualified floating rate or qualified inverse floating rate, as the case may be, as of the Variable Note's issue date. Any objective rate (other than a qualified inverse floating rate) provided for under the terms of the Variable Note is converted into a fixed rate that reflects the yield that is reasonably expected for the Variable Note. In the case of a Variable Note that qualifies as a "variable rate debt instrument" and provides for stated interest at a fixed rate in addition to either one or more qualified floating rates or a qualified inverse floating rate, the fixed rate is initially converted into a qualified floating rate (or a qualified inverse floating rate, if the Variable Note provides for a qualified inverse floating rate). Under such circumstances, the qualified floating rate or qualified inverse floating rate that replaces the fixed rate must be such that the fair market value of the Variable Note as of the Variable Note's issue date is approximately the same as the fair market value of an otherwise identical debt instrument that provides for either the qualified floating rate or qualified inverse floating rate rather than the fixed rate. Subsequent to converting the fixed rate into either a qualified floating rate or a qualified inverse floating rate, the Variable Note is then converted into an "equivalent" fixed rate debt instrument in the manner described above.

Once the Variable Note is converted into an "equivalent" fixed rate debt instrument pursuant to the foregoing rules, the amount of original issue discount and qualified stated interest, if any, are determined for the "equivalent" fixed rate debt instrument by applying the general original issue discount rules to the "equivalent" fixed rate debt instrument and a U.S. Holder of the Variable Note will account for such original issue discount and qualified stated interest as if the U.S. Holder held the "equivalent" fixed rate debt instrument. Each accrual period appropriate adjustments will be made to the amount of qualified stated interest or original issue discount assumed to have been accrued or paid with respect to the "equivalent" fixed rate debt instrument in the event that such amounts differ from the actual amount of interest accrued or paid on the Variable Note during the accrual period.

If a Variable Note does not qualify as a "variable rate debt instrument" under the OID Regulations, then the Variable Note would be treated as a contingent payment debt obligation. U.S. Holders should be aware that on June 11, 1996, the Treasury Department issued final regulations (the "CPDI Regulations") concerning the proper United States Federal income tax treatment of contingent payment debt instruments. In general, the CPDI Regulations would cause the timing and character of income, gain or loss reported on a contingent payment debt instrument to substantially differ from the timing and character of income, gain or loss reported on a contingent payment debt instrument under general principles of current United States Federal income tax law. Specifically, the CPDI Regulations generally require a U.S. Holder of such an instrument to include future contingent and noncontingent interest payments in income as such interest accrues based upon a projected payment schedule. Moreover, in general, under the CPDI Regulations, any gain recognized by a U.S. Holder on the sale, exchange, or retirement of a contingent payment debt instrument will be treated as ordinary income and all or a portion of any loss realized could be treated as ordinary loss as opposed to capital loss (depending upon the circumstances). The CPDI Regulations apply to debt instruments issued on or after August 13, 1996. The proper United States Federal income tax treatment of Variable Notes that are treated as contingent payment debt obligations will be more fully described in the applicable Pricing Supplement. Furthermore, any other special United States Federal income tax considerations, not otherwise discussed herein, which are applicable to any particular issue of Notes will be discussed in the applicable Pricing Supplement.

Certain of the Notes (i) may be redeemable at the option of the Company prior to their stated maturity (a "call option") and/or (ii) may be repayable at the option of the holder prior to their stated maturity (a "put option"). Notes containing such features may be subject to rules that differ from the general rules discussed above. Investors intending to purchase Notes with such features should consult their own tax advisors, since the original issue discount consequences will depend, in part, on the particular terms and features of the purchased Notes.

U.S. Holders may generally, upon election, include in income all interest (including stated interest, acquisition discount, original issue discount, DE MINIMIS original issue discount, market discount, DE MINIMIS market discount, and unstated interest, as adjusted by any amortizable bond premium or acquisition premium) that accrues on a debt instrument by using the constant yield method applicable to original issue discount, subject to certain limitations and exceptions.

**SHORT-TERM NOTES.** Notes that have a fixed maturity of one year or less ("Short-Term Notes") will be treated as having been issued with original issue discount. In general, an individual or other cash method U.S. Holder is not required to accrue such original issue discount unless the U.S. Holder elects to do so. If such an election is not made, any gain recognized by the U.S. Holder on the sale, exchange or maturity of the Short-Term Note will be ordinary income to the extent of the original issue discount accrued on a straight-line basis, or upon election under the constant yield method (based on daily compounding), through the date of sale or maturity, and a portion of the deductions otherwise allowable to the U.S. Holder for interest on borrowings allocable to the Short-Term Note will be deferred until a corresponding amount of income is realized. U.S. Holders who report income for United States Federal income tax purposes under the accrual method, and certain other holders including banks and dealers in securities, are required to accrue original issue discount on a Short-Term Note on a straight-line basis unless an election is made to accrue the original issue discount under a constant yield method (based on daily compounding).

**MARKET DISCOUNT.** If a U.S. Holder purchases a Note, other than an Original Issue Discount Note, for an amount that is less than its issue price (or, in the case of a subsequent purchaser, its stated redemption price at maturity) or, in the case of an Original Issue Discount Note, for an amount that is less than its adjusted issue price as of the purchase date, such U.S. Holder will be treated as having purchased such Note at a "market discount," unless such market discount is less than a specified DE MINIMIS amount.

Under the market discount rules, a U.S. Holder will be required to treat any partial principal payment (or, in the case of an Original Issue Discount Note, any payment that does not constitute qualified stated interest) on, or any gain realized on the sale, exchange, retirement or other disposition of, a Note as ordinary income to the extent of the lesser of (i) the amount of such payment or realized gain or (ii) the market discount which has not previously been included in income and is treated as having accrued on such Note at the time of such payment or disposition. Market discount will be considered to accrue ratably during the period from the date of acquisition to the maturity date of the Note, unless the U.S. Holder elects to accrue market discount on the basis of semiannual compounding.

A U.S. Holder may be required to defer the deduction of all or a portion of the interest paid or accrued on any indebtedness incurred or maintained to purchase or carry a Note with market discount until the maturity of the Note or certain earlier dispositions, because a current deduction is only allowed to the extent the interest expense exceeds an allocable portion of market discount. A U.S. Holder may elect to include market discount in income currently as it accrues (on either a ratable or semiannual compounding basis), in which case the rules described above regarding the treatment as ordinary income of gain upon the disposition of the Note and upon the receipt of certain cash payments and regarding the deferral of interest deductions will not apply. Generally, such currently included market discount is treated as ordinary interest for United States Federal income tax purposes. Such an election will apply to all debt instruments acquired by the U.S. Holder on or after the first day of the first taxable year to which such election applies and may be revoked only with the consent of the IRS.

**PREMIUM.** If a U.S. Holder purchases a Note for an amount that is greater than the sum of all amounts payable on the Note after the purchase date other than payments of qualified stated interest, such U.S.

Holder will be considered to have purchased the Note with "amortizable bond premium" equal in amount to such excess. A U.S. Holder may elect to amortize such premium using a constant yield method over the remaining term of the Note and may offset interest otherwise required to be included in respect of the Note during any taxable year by the amortized amount of such excess for the taxable year. However, if the Note may be optionally redeemed after the U.S. Holder acquires it at a price in excess of its stated redemption price at maturity, special rules would apply which could result in a deferral of the amortization of some bond premium until later in the term of the Note. Any election to amortize bond premium applies to all taxable debt instruments acquired by the U.S. Holder on or after the first day of the first taxable year to which such election applies and may be revoked only with the consent of the IRS.

**DISPOSITION OF A NOTE.** Except as discussed above, upon the sale, exchange or retirement of a Note, a U.S. Holder generally will recognize taxable gain or loss equal to the difference between the amount realized on the sale, exchange or retirement (other than amounts representing accrued and unpaid interest) and such U.S. Holder's adjusted tax basis in the Note. A U.S. Holder's adjusted tax basis in a Note generally will equal such U.S. Holder's initial investment in the Note increased by any original issue discount included in income (and accrued market discount, if any, if the U.S. Holder has included such market discount in income) and decreased by the amount of any payments, other than qualified stated interest payments, received and amortizable bond premium taken with respect to such Note. Such gain or loss generally will be long-term capital gain or loss if the Note were held for more than the applicable holding period. The Taxpayer Relief Act of 1997 reduces the maximum rates on long-term capital gains recognized on capital assets held by individual taxpayers for more than eighteen months as of the date of disposition (and would further reduce the maximum rates on such gains in the year 2001 and thereafter for certain individual taxpayers who meet specified conditions). Prospective investors should consult their own tax advisors concerning these tax law changes.

#### NON-U.S. HOLDERS

A non-U.S. Holder will not be subject to United States Federal income taxes on payments of principal, premium (if any) or interest (including original issue discount, if any) on a Note, unless such non-U.S. Holder is a direct or indirect 10% or greater shareholder of the Company, a controlled foreign corporation related to the Company or a bank receiving interest described in section 881(c)(3)(A) of the Code. To qualify for the exemption from taxation, the last United States payor in the chain of payment prior to payment to a non-U.S. Holder (the "Withholding Agent") must have received in the year in which a payment of interest or principal occurs, or in either of the two preceding calendar years, a statement that (i) is signed by the beneficial owner of the Note under penalties of perjury, (ii) certifies that such owner is not a U.S. Holder and (iii) provides the name and address of the beneficial owner. The statement may be made on an IRS Form W-8 or a substantially similar form, and the beneficial owner must inform the Withholding Agent of any change in the information on the statement within 30 days of such change. If a Note is held through a securities clearing organization or certain other financial institutions, the organization or institution may provide a signed statement to the Withholding Agent. However, in such case, the signed statement must be accompanied by a copy of the IRS Form W-8 or the substitute form provided by the beneficial owner to the organization or institution. The Treasury Department is considering implementation of further certification requirements aimed at determining whether the issuer of a debt obligation is related to holders thereof.

Final regulations dealing with withholding tax on income paid to foreign persons, backup withholding, and related matters (the "New Withholding Regulations") were issued by the Treasury Department on October 6, 1997. The New Withholding Regulations will generally be effective for payments made after December 31, 1998, subject to certain transition rules. Prospective Non-U.S. Holders are strongly urged to consult their own tax advisors with respect to the New Withholding Regulations.

Generally, a non-U.S. Holder will not be subject to Federal income taxes on any amount which constitutes capital gain upon retirement or disposition of a Note, provided the gain is not effectively connected with the conduct of a trade or business in the United States by the non-U.S. Holder. Certain other exceptions may be applicable, and a non-U.S. Holder should consult its tax advisor in this regard.

The Notes will not be includible in the estate of a non-U.S. Holder unless the individual is a direct or indirect 10% or greater shareholder of the Company or, at the time of such individual's death, payments in respect of the Notes would have been effectively connected with the conduct by such individual of a trade or business in the United States.

#### BACKUP WITHHOLDING

Backup withholding of United States Federal income tax at a rate of 31% may apply to payments made in respect of the Notes to registered owners who are not "exempt recipients" and who fail to provide certain identifying information (such as the registered owner's taxpayer identification number) in the required manner. Generally, individuals are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients. Payments made in respect of the Notes to a U.S. Holder must be reported to the IRS, unless the U.S. Holder is an exempt recipient or establishes an exemption. Compliance with the identification procedures described in the preceding section would establish an exemption from backup withholding for those non-U.S. Holders who are not exempt recipients.

In addition, upon the sale of a Note to (or through) a broker, the broker must withhold 31% of the entire purchase price, unless either (i) the broker determines that the seller is a corporation or other exempt recipient or (ii) the seller provides, in the required manner, certain identifying information and, in the case of a non-U.S. Holder, certifies that such seller is a non-U.S. Holder (and certain other conditions are met). Such a sale must also be reported by the broker to the IRS, unless either (i) the broker determines that the seller is an exempt recipient or (ii) the seller certifies its non-U.S. status (and certain other conditions are met). Certification of the registered owner's non-U.S. status would be made normally on an IRS Form W-8 under penalties of perjury, although in certain cases it may be possible to submit other documentary evidence. In addition, prospective investors are strongly urged to consult their own tax advisors with respect to the New Withholding Regulations. See "--Non-U.S. Holders."

Any amounts withheld under the backup withholding rules from a payment to a beneficial owner would be allowed as a refund or a credit against such beneficial owner's United States Federal income tax provided the required information is furnished to the IRS.

#### PLAN OF DISTRIBUTION

The Notes are being offered on a continuing basis for sale by the Company to or through Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, BancAmerica Robertson Stephens, Credit Suisse First Boston Corporation and Lehman Brothers Inc. (the "Agents"). The Agents, individually or in a syndicate, may purchase Notes, as principal, from the Company from time to time for resale to investors and other purchasers at varying prices relating to prevailing market prices at the time of resale as determined by the applicable Agent or, if so specified in the applicable Pricing Supplement, for resale at a fixed offering price. If agreed to by the Company and an Agent, such Agent may also utilize its reasonable efforts on an agency basis to solicit offers to purchase the Notes at 100% of the principal amount thereof, unless otherwise specified in the applicable Pricing Supplement. The Company will pay a commission to an Agent, ranging from .125% to .750% of the principal amount of each Note, depending upon its stated maturity, sold through such Agent as an agent of the Company. Commissions with respect to Notes with stated maturities in excess of 30 years that are sold through an Agent as an agent of the Company will be negotiated between the Company and such Agent at the time of such sale.

Unless otherwise specified in the applicable Pricing Supplement, any Note sold to an Agent as principal will be purchased by such Agent at a price equal to 100% of the principal amount thereof less a percentage of the principal amount equal to the commission applicable to an agency sale of a Note of identical maturity. An Agent may sell Notes it has purchased from the Company as principal to certain dealers less a concession equal to all or any portion of the discount received in connection with such purchase. Such Agent may allow,

and such dealers may reallocate, a discount to certain other dealers. After the initial offering of Notes, the offering price (in the case of Notes to be resold on a fixed offering price basis), the concession and the reallocation may be changed.

The Company reserves the right to withdraw, cancel or modify the offer made hereby without notice and may reject offers in whole or in part (whether placed directly with the Company or through an Agent). Each Agent will have the right, in its discretion reasonably exercised, to reject in whole or in part any offer to purchase Notes received by it on an agency basis.

Unless otherwise specified in an applicable Pricing Supplement, payment of the purchase price of the Notes will be required to be made in immediately available funds in New York City on the date of settlement.

Upon issuance, the Notes will not have an established trading market. The Notes will not be listed on any securities exchange. The Agents may from time to time purchase and sell Notes in the secondary market, but the Agents are not obligated to do so, and there can be no assurance that there will be a secondary market for the Notes or that there will be liquidity in the secondary market if one develops. From time to time, the Agents may make a market in the Notes, but the Agents are not obligated to do so and may discontinue any market-making activity at any time.

In connection with an offering of Notes purchased by one or more Agents as principal on a fixed offering price basis, such Agent or Agents, as the case may be, will be permitted to engage in certain transactions that stabilize the price of Notes. Such transactions may consist of bids or purchases for the purpose of pegging, fixing or maintaining the price of Notes. If the Agent creates or the Agents create, as the case may be, a short position in Notes, i.e., if it sells or they sell Notes in an aggregate principal amount exceeding that set forth in the applicable Pricing Supplement, such Agent or Agents, as the case may be, may reduce that short position by purchasing Notes in the open market. In general, purchases of Notes for the purpose of stabilization or to reduce a short position could cause the price of Notes to be higher than it might be in the absence of such purchases.

Neither the Company nor any of the Agents makes any representation or prediction as to the direction or magnitude of any effect that the transactions described in the immediately preceding paragraph may have on the price of Notes. In addition, neither the Company nor any of the Agents makes any representation that the Agents will engage in any such transactions or that such transactions, once commenced, will not be discontinued without notice.

Each Agent may be deemed to be an "underwriter" within the meaning of the Securities Act of 1933, as amended (the "Securities Act"). The Company has agreed to indemnify the Agents against certain liabilities under the Securities Act, or to contribute to payments the Agents may be required to make in respect thereof.

In the ordinary course of its business, the Agents and their affiliates have engaged and may in the future engage in investment banking and other transactions with the Company and certain of its affiliates.

From time to time, the Company may issue and sell other Debt Securities described in the accompanying Prospectus, and the amount of Notes offered hereby is subject to reduction as a result of such sales.

INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

PROSPECTUS

SOUTHERN CALIFORNIA GAS COMPANY

DEBT SECURITIES

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Southern California Gas Company (the "Company") may offer from time to time its unsecured debt securities (the "Debt Securities") for an aggregate initial public offering price of up to \$600,000,000 (or the equivalent in foreign currencies, currency units or composite currencies). The Debt Securities will be offered on terms to be determined in light of market conditions at the time of offering. The specific aggregate principal amount, denominations, maturity, interest rate (or manner in which interest is to be determined) and time of payment of interest, if any, terms for redemption or repayment, if any, at the option of the Company or the Holder, terms for sinking fund payments, if any, purchase price, any other special terms and the names of the underwriters or agents, if any, the compensation of such underwriters or agents and other terms in connection with the sale of Debt Securities in respect of which this Prospectus is being delivered (the "Offered Debt Securities") will be set forth in an accompanying Prospectus Supplement (the "Prospectus Supplement") and/or a related Pricing Supplement (the "Pricing Supplement").

No Debt Securities may be sold without delivery of a Prospectus Supplement describing such issue of Debt Securities and the method and terms of offering thereof.

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THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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The date of this Prospectus is \_\_\_\_\_, 1998.

#### AVAILABLE INFORMATION

The Company is subject to the informational requirements of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, information statements and other information with the Securities and Exchange Commission (the "Commission"). Reports, information statements and other information filed by the Company can be inspected and copied at the public reference facilities maintained by the Commission at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the following Regional Offices of the Commission: Chicago Regional Office, 500 West Madison Street, Suite 1400, Chicago, Illinois, 60661 and New York Regional Office, Seven World Trade Center, 13th Floor, New York, New York, 10048. Copies of such material can be obtained from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. The Commission also maintains a site on the World Wide Web at <http://www.sec.gov>, which contains reports, proxy statements and other information for registrants that file electronically with the Commission and certain of the Company's filings are available at such web site. Certain securities of the Company are listed on the New York Stock Exchange, 20 Broad Street, New York, New York 10005 and the Pacific Exchange, 301 Pine Street, San Francisco, CA 94104 and reports, information statements and other information concerning the Company can be inspected at such exchanges.

The Company has filed with the Commission a registration statement on Form S-3 (the "Registration Statement") under the Securities Act of 1933, as amended (the "Securities Act"). This Prospectus does not contain all of the information set forth in the Registration Statement, certain parts of which are omitted in accordance with the rules and regulations of the Commission. For further information, reference is made to the Registration Statement, including the exhibits filed as a part thereof and incorporated by reference therein, which may be examined without charge at the public reference facilities maintained by the Commission at the Public Reference Room of the Commission, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies thereof may be obtained from the Commission upon payment of prescribed fees.

#### INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996, Quarterly Reports on Form 10-Q for the quarters ended March 31, 1997, June 30, 1997, and September 30, 1997, and Current Report on Form 8-K dated January 2, 1998, as filed with the Commission, are hereby incorporated by reference into this Prospectus and made a part hereof.

All documents filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date hereof and prior to the termination of the offering of the Debt Securities shall be deemed to be incorporated by reference into this Prospectus and to be a part hereof from the date of filing of such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Prospectus or in a supplement hereto, shall be deemed to be modified or superseded for purposes of this Prospectus and/or any supplement hereto to the extent that a statement contained herein or in a supplement hereto or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus or any supplement hereto.

The Company will provide without charge to each person to whom this Prospectus is delivered, upon written or oral request of such person, a copy of any documents incorporated by reference in this Prospectus (other than exhibits to such documents, unless such exhibits are specifically incorporated by reference in such documents). Requests for such copies should be directed to Office of the Secretary, Southern California Gas Company, 555 West Fifth Street, Los Angeles, California 90013; telephone number (213) 244-2160.

SOUTHERN CALIFORNIA GAS COMPANY

The Company is a public utility owning and operating a natural gas distribution, transmission and storage system that, as of February 3, 1998, supplied natural gas in 535 cities and communities throughout a 23,000 square mile service territory with a population of approximately 17.4 million people, comprising most of southern California and parts of central California. The Company is subject to regulation by the California Public Utilities Commission which, among other things, establishes the rates the Company may charge for gas service, including an authorized rate of return on investment. The Company is the principal subsidiary of Pacific Enterprises (the "Parent"). The Debt Securities are not obligations of, and are not guaranteed by, the Parent or any other entity.

The Company was incorporated in California in 1910. Its principal executive offices are located at 555 West Fifth Street, Los Angeles, California 90013 where its telephone number is (213) 244-1200.

RATIOS OF EARNINGS TO FIXED CHARGES

The Company's consolidated ratios of earnings to fixed charges for each of the periods indicated are as follows:

	YEAR ENDED DECEMBER 31,					NINE MONTHS
	1992	1993	1994	1995	1996	ENDED SEPTEMBER 30, 1997
Ratios of Earnings to Fixed Charges (1):						
Actual.....	4.08	3.76	3.79	4.37	4.49	5.36
Actual Adjusted for Supplier Refunds and Regulatory Accounts.....	4.16	3.82	4.04	4.50	4.66	5.50

(1) Earnings represent income before income taxes plus fixed charges, and fixed charges represent interest charges (including amortization of bond premium, discount and expense) plus a portion of rental expense approximating interest charges.

The ratios of earnings to fixed charges are influenced by the accrual of interest expense relating to supplier refunds payable to customer and regulatory accounts. Ratios which exclude interest related to supplier refunds and regulatory accounts are calculated as described above but exclude from fixed charges related interest expense during the relevant period to the extent of related interest income.

USE OF PROCEEDS

Except as may otherwise be set forth in the applicable Prospectus Supplement or Pricing Supplement, as the case may be, the net proceeds to be received by the Company from the sale of the Debt Securities will become a part of the general treasury funds of the Company and will be used for general corporate purposes, which may include the expansion and betterment of utility plant, the refunding and retirement of indebtedness and/or equity securities and the replenishment of funds previously expended for such purposes.

## DESCRIPTION OF THE DEBT SECURITIES

The Debt Securities are to be issued under an indenture dated as of May 1, 1989 between the Company and Citibank, N.A., as trustee (the "Trustee"), as supplemented by a First Supplemental Indenture dated as of October 1, 1992 (the "Indenture"). The following summaries of certain provisions of the Indenture do not purport to be complete and are subject to, and are qualified in their entirety by reference to, all of the provisions of the Indenture, including the definitions therein of certain terms. Whenever particular sections or defined terms of the Indenture are referred to, it is intended that such sections or defined terms shall be incorporated herein by reference. Certain capitalized terms used herein and not defined have the meanings set forth in the Indenture. The form of Indenture is incorporated by reference as an exhibit to the Registration Statement and copies thereof may be obtained as described above under "Available Information."

The following sets forth certain general terms and provisions of the Debt Securities offered hereby. Further terms of the Offered Debt Securities are set forth in the Prospectus Supplement and/or an applicable Pricing Supplement. If so indicated in the applicable Prospectus Supplement and/or Pricing Supplement, the terms of the Offered Debt Securities may differ from the terms set forth below.

### GENERAL

The Indenture does not limit the aggregate principal amount of the Debt Securities which may be issued thereunder and provides that the Debt Securities may be issued from time to time in series. All debt securities issued under the Indenture will rank PARI PASSU in priority of payment with all other debt securities issued under such Indenture.

The Debt Securities will be unsecured obligations of the Company and will rank PARI PASSU in priority of payment with all other unsecured and unsubordinated indebtedness of the Company. The Debt Securities are not, by their terms, subordinate in right of payment to any other indebtedness of the Company. However, substantially all of the Company's properties are subject to liens securing the Company's First Mortgage Bonds of which \$850,000,000 in aggregate principal amount were outstanding as of the date of this Prospectus. The Company may from time to time issue additional First Mortgage Bonds which also will be secured by such properties. Accordingly, the Notes will be effectively subordinated to all existing and future First Mortgage Bonds to the extent of the collateral securing the First Mortgage Bonds. The Debt Securities are not obligations of the Parent and are not guaranteed by the Parent or any other entity.

The Prospectus Supplement and any related Pricing Supplement will describe certain terms of the Offered Debt Securities, including (i) the title of the Offered Debt Securities; (ii) any limit on the aggregate principal amount of the Offered Debt Securities; (iii) the date or dates on which the Offered Debt Securities will mature; (iv) the rate or rates per annum (or manner in which such rates are to be determined) at which the Offered Debt Securities will bear interest, if any, and the date from which such interest, if any, will accrue; (v) the dates on which such interest, if any, on the Offered Debt Securities will be payable and the Regular Record Dates for such Interest Payment Dates; (vi) any mandatory or optional sinking fund or analogous provisions; (vii) additional provisions, if any, for the defeasance of the Offered Debt Securities; (viii) the date, if any, after which and the price or prices at which the Offered Debt Securities may, pursuant to any optional or mandatory redemption or repayment provisions, be redeemed or repaid and the other terms of any such optional or mandatory redemption or repayment provisions; and (ix) any additional events of default or other terms with respect to the Offered Debt Securities.

Unless otherwise provided in the Prospectus Supplement or a Pricing Supplement, principal of and premium and interest, if any, on the Debt Securities will be payable, and the transfer of the Debt Securities will be registrable, at the office of the Trustee designated for such purpose; provided, however, that except as otherwise provided in the Prospectus Supplement or a Pricing Supplement, at the option of the

Company, interest, if any, may be paid by mailing a check to the address of the person entitled thereto as it appears in the Security Register.

Unless otherwise provided in the Prospectus Supplement or a Pricing Supplement, the Debt Securities will be issued only in fully registered form without coupons, and in denominations of \$1,000 and integral multiples thereof. No service charge will be made for any registration of transfer or exchange of the Debt Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

One or more series of Debt Securities may be issued as discounted Debt Securities which bear no interest or which bear interest at a rate which at the time of issuance is below market rates ("Original Issue Discount Debt Securities") to be sold at a substantial discount below their stated principal amount. Special federal income tax and other considerations applicable thereto will be described in the Prospectus Supplement or Pricing Supplement relating thereto.

The Indenture provides that all Debt Securities of any one series need not be issued at the same time and that the Company may, from time to time, issue additional Debt Securities of a previously issued series. In addition, the Indenture permits the Company to issue series Debt Securities with terms different from those of any other series of Debt Securities and, within a series of Debt Securities, any terms (including, without limitation, interest rate, manner in which interest is calculated, original issue date, maturity date, and provisions, if any, for redemption and repayment) may differ. Provisions of the Indenture do not afford Holders of the Debt Securities protection in the event of a highly leveraged transaction, reorganization, restructuring, change of control, merger or similar transaction involving the Company that may adversely effect the Holders of the Debt Securities.

#### GLOBAL SECURITIES

The Debt Securities of a series may be issued in whole or in part in global form. A Debt Security in global form will be deposited with, or on behalf of, a Depositary, which will be identified in an applicable Prospectus Supplement or a Pricing Supplement. A global Debt Security may be issued in either registered or bearer form and in either temporary or permanent form. A Debt Security in global form may not be transferred except as a whole by the Depositary for such Debt Security to a nominee of such Depositary or by a nominee of such Depositary to such Depositary or another nominee of such Depositary or by such Depositary or any such nominee to a successor of such Depositary or a nominee of such successor. If any Debt Securities of a series are issuable in global form, the applicable Prospectus Supplement will describe the circumstances, if any, under which beneficial owners of interests in any such global Debt Security may exchange such interests for definitive Debt Securities of such series and of like tenor and principal amount in any authorized form and denomination and the manner of payment of principal of, and premium and interest, if any, on any such Global Debt Security.

#### EVENTS OF DEFAULT

The following are Events of Default under the Indenture with respect to Debt Securities of any series: (a) failure to pay principal of or any premium on any Debt Security of that series when due; (b) failure to pay any interest on any Debt Security of that series when due, continued for 30 days; (c) failure to deposit any sinking fund payment, when due, in respect of any Debt Security of that series; (d) failure to perform any other covenant or warranty of the Company in the Indenture (other than a covenant or warranty included in the Indenture solely for the benefit of one or more series of Debt Securities other than that series), continued for 60 days after written notice by the Trustee to the Company or by the Holders of at least 25% in principal amount of the Outstanding Debt Securities of that series to the Company and the Trustee as provided in the Indenture; (e) certain events in bankruptcy, insolvency or receivership with respect to the Company; (f) a default under any mortgage, indenture or instrument evidencing any indebtedness for money borrowed by the Company resulting in an aggregate principal amount exceeding \$10,000,000 becoming due and payable prior to its maturity date or constituting a failure to pay when due

(after expiration of any applicable grace period) an aggregate principal amount exceeding \$10,000,000, unless such acceleration has been rescinded or annulled or such indebtedness has been discharged within 60 days after written notice to the Company by the Trustee or to the Company and the Trustee by the Holders of at least 25% in principal amount of the Outstanding Debt Securities of such series, provided, however, that any such default shall not be deemed to have occurred so long as the Company shall contest the validity thereof in good faith by appropriate proceedings; and (g) any other Event of Default provided with respect to the Debt Securities of that series.

If an Event of Default with respect to the Outstanding Debt Securities of any series occurs and is continuing, either the Trustee or the Holders of at least 25% in aggregate principal amount of the Outstanding Debt Securities of that series may declare the principal amount of all the Outstanding Debt Securities of that series (or, in the case of Original Issue Discount Securities, such lesser amounts as may be provided by the terms thereof) to be due and payable immediately. At any time after the declaration of acceleration with respect to the Debt Securities of any series has been made, but before a judgment or decree based on acceleration has been obtained, the Holders of a majority in aggregate principal amount of the Outstanding Debt Securities of that series may, under certain circumstances, rescind and annul such acceleration.

The Indenture provides that, subject to the duty of the Trustee during the continuance of an Event of Default to act with the required standard of care, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request or direction of any of the Holders of Debt Securities of any series, unless such Holders shall have offered to the Trustee reasonable indemnity. Subject to such provisions for the indemnification of the Trustee and subject to certain other limitations, the Holders of a majority in aggregate principal amount of the Outstanding Debt Securities of any series will have the right to direct the time, method and place of conducting any proceedings for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee, with respect to the Debt Securities of that series, provided that such direction is not in conflict with any rule of law or with the Indenture and is not unduly prejudicial to the rights of other Holders of Debt Securities of such series.

The Company is required to furnish to the Trustee annually a statement as to the performance by the Company of its obligations under the Indenture and as to any default in such performance.

#### MODIFICATION, WAIVER AND AMENDMENT

Modifications and amendments of the Indenture may be made by the Company and the Trustee with the consent of the Holders of not less than 66 2/3% in aggregate principal amount of the Outstanding Debt Securities of each series affected by such modification or amendment; provided, however, that no such modification or amendment may, without the consent of the Holder of each Outstanding Debt Security affected thereby, (a) change the Stated Maturity of the principal of, or any installment of interest, if any, on, any Debt Security; (b) reduce the principal amount of, or premium, if any, payable upon redemption of, or interest, if any, on, any Debt Security; (c) reduce the amount of principal of an Original Issue Discount Debt Security payable upon acceleration of the Maturity thereof; (d) change the place or currency of payment of the principal of, or premium or interest, if any, on, any Debt Security; (e) impair the right to institute suit for the enforcement of any payment on or with respect to any Debt Security on or after the Stated Maturity thereof; or (f) reduce the percentage in principal amount of the Outstanding Debt Securities of any series, the consent of whose Holders is required for modification or amendment of the Indenture or for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults.

The Holders of a majority in aggregate principal amount of the Outstanding Debt Securities of any series may, on behalf of all Holders of the Debt Securities of that series, waive any past default under the Indenture with respect to the Debt Securities of that series, except a default in the payment of principal or premium or interest, if any, or in respect of a provision of the Indenture which cannot be amended or modified without the consent of the Holder of each Outstanding Debt Security of the series affected.

## CONSOLIDATION, MERGER AND SALE OF ASSETS

The Company, without the consent of the Holders of any of the Outstanding Debt Securities under the Indenture, may merge into, consolidate with, or sell, lease or convey all or substantially all of its assets to any other Person, provided that either the Company shall be the continuing corporation or such successor Person shall be organized under the laws of the United States or any state thereof and shall expressly assume the Company's obligations under the Debt Securities and under the Indenture and immediately after giving effect to the transaction the Company or such successor Person, as the case may be, shall not be in default in performance of any such obligation.

## SATISFACTION AND DISCHARGE OF INDENTURE

The Indenture, with respect to all series of Debt Securities (except for certain specified surviving obligations), will be discharged and cancelled upon the satisfaction of certain conditions, including all the Outstanding Debt Securities (subject to certain exceptions) having been delivered to the Trustee for cancellation or having been defeased or, if all outstanding Debt Securities not theretofore delivered to the Trustee for cancellation or defeased have become due or payable or will become due or payable within one year or are to be called for redemption within one year, the deposit with the Trustee of an amount in cash sufficient for such payment or redemption, in accordance with the Indenture.

## DEFEASANCE

The Company shall be deemed to have paid and discharged all Debt Securities of any series and shall be discharged from its obligations under the Indenture (except for certain specified surviving obligations) with respect to Debt Securities of such series on the terms and subject to the conditions contained in the Indenture, by depositing in trust with the Trustee cash or U.S. Government Obligations (or a combination thereof) sufficient to pay the principal of, and premium and interest, if any, on, the Debt Securities of such series to their maturity, redemption or repayment dates in accordance with the terms of the Indenture and such Debt Securities. Such a trust may be established only if, among other things, the Company has delivered to the Trustee an Opinion of Counsel (which shall be based upon an Internal Revenue Service ruling or a change subsequent to the date of the Indenture in applicable federal income tax law) to the effect that the Holders of such Debt Securities will not recognize income, gain or loss for United States federal income tax purposes as a result of such defeasance and will be subject to United States federal income tax in the same amounts, in the same manner and at the same times as would have been the case if such defeasance had not occurred.

## GOVERNING LAW

The Debt Securities and the Indenture will be governed by and construed in accordance with the laws of the State of New York.

## CONCERNING THE TRUSTEE

The Trustee is a national banking association. The Indenture does not limit the right of the Trustee and its affiliates to make loans to, engage in other transactions with, or perform other services for, the Company from time to time. However, under the provisions of the Trust Indenture Act of 1939, as amended, upon the occurrence and continuance of a default under an indenture, if a trustee has a conflicting interest (as defined in the Trust Indenture Act) the trustee must, within 90 days, either eliminate such conflicting interest or resign. Under the provisions of the Trust Indenture Act, an indenture trustee shall be deemed to have a conflicting interest if (among other things), upon the occurrence of a default under the indenture, the trustee is a creditor of the obligor.

## PLAN OF DISTRIBUTION

The Company may sell the Debt Securities through underwriters or agents or directly to purchasers. A Prospectus Supplement and/or Pricing Supplement will set forth the names of such underwriters or agents, if any, and the specific designation, aggregate principal amount, maturity date, rate of interest, if any, and time of redemption and/or repayment, if any, and other terms, and any listing on a securities exchange of the Debt Securities in respect of which this Prospectus is delivered.

The Debt Securities may be sold to underwriters for their own account and may be resold to the public from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. A Prospectus Supplement and/or Pricing Supplement will set forth any underwriting discounts and other items constituting underwriters' compensation, any initial public offering price and any discounts or concessions allowed or reallocated or paid to dealers.

The Debt Securities may be sold directly by the Company, or through agents designated by the Company from time to time. A Prospectus Supplement and/or Pricing Supplement will set forth any commission payable by the Company to any such agent. Unless otherwise indicated in the Prospectus Supplement, any such agent will be acting on a reasonable efforts basis for the period of its appointment.

The net proceeds to the Company from the sale of the Debt Securities will be the purchase price of the Debt Securities less any such discounts or commissions and the other attributable expenses of issuance and distribution.

The Company will agree to indemnify underwriters and agents against certain civil liabilities, including liabilities under the Securities Act, or to contribute to payments underwriters or agents may be required to make in respect thereof.

## LEGAL MATTERS

Certain matters with respect to the validity of the Offered Debt Securities will be passed upon for the Company by Gary W. Kyle, Chief Financial Counsel to Pacific Enterprises and counsel to the Company. Brown & Wood LLP, Los Angeles, California, will act as counsel for any underwriters or agents.

## EXPERTS

The consolidated financial statements and related consolidated financial statement schedules incorporated herein by reference from the Company's Annual Report on Form 10-K for the year ended December 31, 1996, have been audited by Deloitte & Touche LLP, independent auditors, as stated in their reports also incorporated herein by reference and have been so incorporated in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

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 NO DEALER, SALESPERSON OR OTHER INDIVIDUAL HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN AS CONTAINED OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS SUPPLEMENT, THE APPLICABLE PRICING SUPPLEMENT OR THE PROSPECTUS IN CONNECTION WITH THE OFFER MADE BY THIS PROSPECTUS SUPPLEMENT, THE APPLICABLE PRICING SUPPLEMENT OR THE PROSPECTUS AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR THE AGENTS. NEITHER THE DELIVERY OF THIS PROSPECTUS SUPPLEMENT, THE APPLICABLE PRICING SUPPLEMENT OR THE PROSPECTUS NOR ANY SALE MADE HEREUNDER OR THEREUNDER SHALL UNDER ANY CIRCUMSTANCES CREATE AN IMPLICATION THAT THERE HAS NOT BEEN ANY CHANGE IN THE AFFAIRS OF THE COMPANY SINCE THE DATE HEREOF OR THEREOF. THIS PROSPECTUS SUPPLEMENT, THE APPLICABLE PRICING SUPPLEMENT AND THE PROSPECTUS DO NOT CONSTITUTE AN OFFER OR SOLICITATION BY ANYONE IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED OR IN WHICH THE PERSON MAKING SUCH OFFER IS NOT QUALIFIED TO DO SO OR TO ANYONE TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION.

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\$600,000,000

SOUTHERN CALIFORNIA  
 GAS COMPANY

MEDIUM-TERM NOTES  
 DUE NINE MONTHS OR  
 MORE FROM DATE OF ISSUE

-----  
 PROSPECTUS SUPPLEMENT

-----  
 MERRILL LYNCH & CO.  
 BANCAMERICA ROBERTSON STEPHENS  
 CREDIT SUISSE FIRST BOSTON  
 LEHMAN BROTHERS

, 1998  
 -----  
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PART II  
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following table sets forth all expenses in connection with the issuance and distribution of the securities being registered, other than underwriting discounts and commissions. All the amounts shown are estimates, except the registration fee.

Registration fee.....	\$ 177,000
Fees and expenses of accountants.....	25,000
Fees and expenses of counsel.....	50,000
Blue Sky fees and expenses.....	5,000
Fees and expenses of Trustee.....	5,000
Printing expenses.....	40,000
Rating agency fees.....	5,000
Miscellaneous.....	13,000
	-----
Total.....	\$ 320,000
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ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Section 317 of the California General Corporation Law authorizes a court to award indemnity to "corporate agents," including directors and officers under certain circumstances, and authorizes the Board of Directors to have the registrant provide the costs of defense, settlement or payment of any judgment against a corporate agent under certain circumstances. The registrant's articles of incorporation and bylaws authorize indemnification of directors and officers to the fullest extent permitted by California law. Pursuant to the Distribution Agreement included as Exhibit 1.1 to this Registration Statement between the Company and the Agents named therein, the directors and officers of the Company are indemnified by the Agents, and the Agents are indemnified by the Company, against certain civil liabilities.

ITEM 16. LIST OF EXHIBITS.

1.1	--	Form of Distribution Agreement.
4.1	--	Indenture, dated as of May 1, 1989, between Southern California Gas Company and Citibank, N.A., as Trustee providing for the issuance of Debt Securities.*
4.2	--	First Supplemental Indenture, dated as of October 1, 1992, between Southern California Gas Company and Citibank, N.A., as Trustee.**
4.3	--	Form of Fixed Rate Note.
4.4	--	Form of Floating Rate Note.
5.1	--	Opinion of Gary W. Kyle as to the legality of the Debt Securities.
12.1	--	Computation of Ratios of Earnings to Fixed Charges (Actual).
12.2	--	Computation of Ratios of Earnings to Fixed Charges (Actual Adjusted for Supplier Refunds and Regulatory Accounts).
23.1	--	Consent of Gary W. Kyle (included in Exhibit 5.1).
23.2	--	Consent of Deloitte & Touche LLP.
24.1	--	Powers of Attorney (included on page II-4).
25.1	--	Form T-1 Statement of Eligibility and Qualification under the Trust Indenture Act of 1939 of Citibank, N.A., as Trustee.

\* Previously filed as part of Registration Statement on Form S-3 (No. 33-28260) on April 20, 1989 and incorporated by reference herein.

\*\* Previously filed as part of Current Report on Form 8-K dated October 12, 1992 (File No. I-1402) and incorporated by reference herein.

ITEM 17. UNDERTAKINGS.

The undersigned registrant hereby undertakes:

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

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

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

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

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

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial BONA FIDE offering thereof.

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

(4) For purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to section 13(a) or section 15(d) of the Securities Exchange Act of 1934 that is incorporated by reference in the Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial BONA FIDE offering thereof.

(5) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the provisions referred to in Item 15 of this Registration Statement, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

(6) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4), or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

(7) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial BONA FIDE offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Los Angeles, State of California, on February 3, 1998.

SOUTHERN CALIFORNIA GAS COMPANY

By: /s/ WARREN I. MITCHELL  
 -----  
 Warren I. Mitchell  
 PRESIDENT

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Neal E. Schmale, Dennis V. Arriola, Ralph Todaro, Gary W. Kyle and Stephen J. Skuris, and each of them, as his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for such person and in his or her name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Registration Statement with all exhibits thereto, and any registration statement filed pursuant to Rule 462(b) promulgated under the Securities Act of 1933 and to file the same, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as they might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their substitute or substitutes, may lawfully do or cause to be done by virtue thereof. Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

SIGNATURES	TITLE	DATE
/s/ WARREN I. MITCHELL ----- Warren I. Mitchell	President and Director (Principal Executive Officer)	February 3, 1998
/s/ NEAL E. SCHMALE ----- Neal E. Schmale	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 3, 1998
/s/ RALPH TODARO ----- Ralph Todaro	Vice President and Controller (Principal Accounting Officer)	February 3, 1998
/s/ HYLA H. BERTEA ----- Hyla H. Berteia	Director	February 3, 1998

SIGNATURES	TITLE	DATE
/s/ HERBERT L. CARTER ----- Herbert L. Carter	Director	February 3, 1998
/s/ WILFORD D. GODBOLD, JR. ----- Wilford D. Godbold, Jr.	Director	February 3, 1998
/s/ IGNACIO E. LOZANO, JR. ----- Ignacio E. Lozano, Jr.	Director	February 3, 1998
/s/ RICHARD J. STEGEMEIER ----- Richard J. Stegemeier	Director	February 3, 1998
/s/ DIANA L. WALKER ----- Diana L. Walker	Director	February 3, 1998

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION	SEQUENTIALLY NUMBERED PAGE
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12.2	-- Computation of Ratios of Earnings to Fixed Charges (Actual Adjusted for Supplier Refunds and Regulatory Accounts).....	
23.1	-- Consent of Gary W. Kyle (included in Exhibit 5.1).....	
23.2	-- Consent of Deloitte & Touche LLP.....	
24.1	-- Powers of Attorney (included on page II-4).....	
25.1	-- Form T-1 Statement of Eligibility and Qualification under the Trust Indenture Act of 1939 of Citibank, N.A., as Trustee.....	

\* Previously filed as part of Registration Statement on Form S-3 (No. 33-28260) on April 20, 1989 and incorporated by reference herein.

\*\* Previously filed as part of Current Report on Form 8-K dated October 12, 1992 (File No. I-1402) and incorporated by reference herein.

SOUTHERN CALIFORNIA GAS COMPANY

Medium-Term Notes due  
Nine Months or More From Date of Issue

DISTRIBUTION AGREEMENT

\_\_\_\_\_, 1998

MERRILL LYNCH & CO.  
Merrill Lynch, Pierce, Fenner & Smith  
Incorporated  
World Financial Center  
North Tower, 10th Floor  
World Financial Center  
New York, New York 10281

BANCAMERICA ROBERTSON STEPHENS  
231 South LaSalle Street, 18th Floor  
Chicago, Illinois 60697

CREDIT SUISSE FIRST BOSTON CORPORATION  
Eleven Madison Avenue  
New York, New York 10010

LEHMAN BROTHERS INC.  
3 World Financial Center  
New York, New York 10281-1200

Dear Sirs:

Southern California Gas Company, a California corporation (the "Company"), confirms its agreement with Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, BancAmerica Robertson Stephens, Credit Suisse First Boston Corporation and Lehman Brothers Inc. (each, an "Agent" and collectively, the "Agents") with respect to the issue and sale by the Company of its Medium-Term Notes (the "Notes"). The Notes will have

maturities of nine months or more from date of issue and are to be issued pursuant to an indenture dated as of May 1, 1989, as amended and supplemented by the First Supplemental Indenture dated as of October 1, 1992 (such Indenture, as so amended and supplemented, is hereinafter referred to as the "Indenture"), between the Company and Citibank, N.A., as trustee (the "Trustee"). The Notes are part of an authorized series of the Company's debt securities (the "Debt Securities") issued and to be issued under the Indenture. As of the date hereof, the Company has authorized (in addition to Notes heretofore issued by the Company pursuant to the Indenture) the issuance of up to \$600,000,000 aggregate initial offering price of Notes (or the equivalent, based upon the exchange rate on the applicable trade date, in such foreign or composite currencies or currency units as the Company shall designate at the time of issuance) to or through the Agents pursuant to the terms of this Agreement. It is understood, however, that the Company may from time to time pursuant to an Officers' Certificate (as defined in the Indenture) delivered to the Trustee pursuant to Section 2.01 of the Indenture (with an original copy thereof delivered to the Agents), reduce the authorized aggregate initial offering price of the Notes (but not below the aggregate initial offering price of Notes previously issued under the Indenture) or authorize the issuance of additional Notes and that such additional Notes may be distributed directly by the Company or through or to the Agents pursuant to the terms of this Agreement, all as though the issuance of such Notes were authorized as of the date hereof. In the event that any such additional Notes are authorized, the Company will enter into such amendments or supplements to this Agreement, and deliver such officers' certificates, legal opinions, accountants' comfort letters and other documents, as the Agents may reasonably request in connection therewith.

This Agreement provides both for the sale of Notes by the Company to one or more Agents as principal for resale to investors and other purchasers and for the sale of Notes by the Company directly to investors (as may from time to time be agreed to by the Company and the applicable Agent), in which case the applicable Agent will act as an agent of the Company in soliciting offers for the purchase of Notes.

The Company has filed with the Securities and Exchange Commission (the "Commission") a registration statement on Form S-3 (No. 333-\_\_\_\_) and such amendments thereto as may have been required through the date hereof for the registration of \$600,000,000 aggregate initial offering price of the Notes under the Securities Act of 1933 (the "1933 Act"), and the offering thereof from time to time in accordance with Rule 415 of the rules and regulations of the Commission under the 1933 Act (the "1933 Act Regulations"). Such registration statement, as so amended (if applicable), has been declared effective by the Commission and the Indenture has been qualified under the Trust Indenture Act of 1939 (the "1939 Act"), and the Company has filed such post-effective amendments to such registration statement as may have been required prior to its acceptance of any offer for the purchase of Notes and each such post-effective amendment has been declared effective by the Commission. Such registration statement (as so amended, if applicable) is referred to herein as the "Registration Statement"; and the final prospectus and all applicable amendments or supplements thereto (including the final prospectus supplement and the applicable pricing supplement relating to the offering of Notes), in the form first furnished to the applicable Agent or Agents, as the case may be, for use in confirming sales of Notes, are collectively referred to herein as the "Prospectus"; provided, however, that all references to the

"Registration Statement", the "Prospectus" and any "preliminary prospectus" shall also be deemed to include all documents incorporated or deemed to be incorporated therein by reference pursuant to the Securities Exchange Act of 1934, as amended (the "1934 Act"), prior to any acceptance by the Company of an offer for the purchase of Notes; provided, further, that if the Company files a registration statement with the Commission pursuant to Rule 462(b) of the 1933 Act Regulations (the "Rule 462(b) Registration Statement"), then, after such filing, all references to the "Registration Statement" shall also be deemed to include the Rule 462(b) Registration Statement. A "preliminary prospectus" shall be deemed to refer to any prospectus used before the Registration Statement became effective and any prospectus furnished by the Company after the registration statement became effective and before any acceptance by the Company of an offer for the purchase of Notes which omitted information to be included upon pricing in a form of prospectus filed with the Commission pursuant to Rule 424(b) of the 1933 Act Regulations. For purposes of this Agreement, all references to the Registration Statement, the Prospectus or any preliminary prospectus or to any amendment or supplement thereto shall be deemed to include any copy filed with the Commission pursuant to its Electronic Data Gathering, Analysis and Retrieval system ("EDGAR").

Unless the context otherwise requires, all references in this Agreement to documents, financial statements and schedules and other information which is "contained", "included", "stated", "described in" or "referred to" in the Registration Statement, the Prospectus or any preliminary prospectus (and all other references of like import) shall be deemed to mean and include all such documents, financial statements and schedules and other information which is or is deemed to be incorporated by reference in the Registration Statement, the Prospectus or any preliminary prospectus, as the case may be; and all references in this Agreement to amendments or supplements to the Registration Statement, Prospectus or any preliminary prospectus shall be deemed to mean and include the filing of any document under the 1934 Act which is or is deemed to be incorporated by reference in the Registration Statement, the Prospectus or any preliminary prospectus, as the case may be. Notwithstanding the foregoing, for purposes of this Agreement any prospectus supplement prepared with respect to the offering of a series of Debt Securities other than the Notes shall not be deemed to have supplemented the Prospectus.

#### Section 1. APPOINTMENT OF AGENTS.

A. APPOINTMENT OF AGENTS. Subject to the terms and conditions stated herein and subject to the reservation by the Company of the right to sell Notes directly on its own behalf, the Company hereby agrees, subject to the provisions of the following two sentences, that Notes will be sold exclusively to or through the Agents. The Company agrees that, during the period the Agents are acting as the Company's agents hereunder, the Company shall not contact or solicit potential investors to purchase the Notes or engage any other person or party to assist in the offering of the Notes; PROVIDED, HOWEVER, that so long as this Agreement shall be in effect the Company may solicit offers to purchase Notes through any other agent but only by amending this Agreement to appoint such agent an additional Agent hereunder on the same terms and conditions as provided herein for the Agents and by giving the Agents prior notice of such appointment. Notwithstanding anything to the contrary contained herein, the Company may accept offers to purchase Notes through an agent other than an Agent,

PROVIDED THAT (i) the Company shall not have solicited such offers, (ii) the Company and such agent shall have executed an agreement with respect to such purchases having terms and conditions (except with respect the commission schedule attached hereto as Schedule I) substantially the same as the terms and conditions that would apply to such purchases under this Agreement if such agent were an Agent (which may be accomplished by incorporating by reference in such agreement the terms and conditions of this Agreement) and (iii) the Company shall notify the Agents promptly after the execution of any such agreement and shall provide the Agents with a copy of such agreement promptly following the execution thereof.

B. SALE OF NOTES. The Company shall not sell or approve the solicitation of offers for the purchase of Notes in excess of the amount which shall be authorized by the Company from time to time or in excess of the aggregate initial offering price of Notes registered pursuant to the Registration Statement. The Agents shall have no responsibility for maintaining records with respect to the aggregate initial offering price of Notes sold, or of otherwise monitoring the availability of Notes for sale, under the Registration Statement.

C. PURCHASES AS PRINCIPAL. The Agents shall not have any obligation to purchase Notes from the Company as principal. However, absent an agreement between an Agent and the Company that such Agent shall be acting solely as an agent for the Company, such Agent shall be deemed to be acting as principal in connection with any offering of Notes by the Company through such Agent. Accordingly, the Agents, individually or in a syndicate, may agree from time to time to purchase Notes from the Company as principal for resale to investors and other purchasers determined by such Agents. Any purchase of Notes from the Company by an Agent as principal shall be made in accordance with Section 3(A) hereof.

D. SOLICITATIONS AS AGENT. If agreed upon between an Agent and the Company, such Agent, acting solely as an agent for the Company and not as principal, will solicit offers for the purchase of Notes. Such Agent will communicate to the Company, orally, each offer for the purchase of Notes solicited by it on an agency basis other than those offers rejected by such Agent. Such Agent shall have the right, in its discretion reasonably exercised, to reject any offer for the purchase of Notes, in whole or in part, and any such rejection shall not be deemed a breach of its agreement contained herein. The Company may accept or reject any offer for the purchase of Notes, in whole or in part. Such Agent shall make reasonable efforts to assist the Company in obtaining performance by each purchaser whose offer for the purchase of Notes has been solicited by it on an agency basis and accepted by the Company. Such Agent shall not have any liability to the Company in the event that any such purchase is not consummated for any reason. If the Company shall default on its obligation to deliver Notes to a purchaser whose offer has been solicited by such Agent on an agency basis and accepted by the Company, the Company shall (i) hold such Agent harmless against any loss, claim or damage arising from or as a result of such default by the Company and (ii) pay to such Agent any commission to which it would otherwise be entitled absent such default.

E. RELIANCE. The Company and the Agents, severally and not jointly, agree that any Notes purchased from the Company by one or more Agents as principal shall be purchased, and any Notes the placement of which an Agent arranges as an agent of the Company shall be placed by such Agent, in reliance on the representations, warranties, covenants and

agreements of the Company contained herein and on the terms and conditions and in the manner provided herein.

F. SEVERAL OBLIGATIONS OF THE AGENTS. Anything herein to the contrary notwithstanding, the obligations and agreements of each of the Agents under this Agreement shall be several and not joint.

Section 2. REPRESENTATIONS AND WARRANTIES.

A. The Company represents and warrants to each Agent as of the date hereof, as of the date of each acceptance by the Company of an offer for the purchase of Notes (whether through an Agent as agent or by an Agent as principal), as of the date of each delivery of Notes (whether through an Agent as agent or to an Agent as principal) (the date of each such delivery to an Agent as principal being hereafter referred to as a "Settlement Date"), and as of each of the times referred to in Section 7(B) hereof (each of the times referenced above being referred to hereafter as a "Representation Date"), as follows:

1. DUE INCORPORATION AND QUALIFICATION. The Company (A) has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of California with corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Registration Statement and the Prospectus; (B) has the requisite corporate power and authority to execute and deliver this Agreement, the Indenture and the Notes and to perform its obligations hereunder and thereunder and (C) is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure to so qualify or be in good standing would not have a material adverse effect on the condition, financial or otherwise, or the earnings, business affairs or business prospects of the Company and its subsidiaries considered as one enterprise. All of the issued and outstanding capital stock of the Company has been duly authorized and validly issued and is fully paid and non-assessable and, except for directors' qualifying shares, Pacific Enterprises, a California corporation ("Pacific Enterprises"), owns directly or indirectly all of the outstanding shares of the common stock of the Company, free and clear of any security interest, mortgage, pledge, lien, encumbrance, claim or equity.

2. SUBSIDIARIES. Each subsidiary of the Company that is a "significant subsidiary" as defined in Rule 405 of Regulation C of the 1933 Act Regulations (each, a "Significant Subsidiary") has been duly incorporated and is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, has corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Prospectus and is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure to so qualify or be in good standing would not have a material adverse effect on the condition, financial or

otherwise, or the earnings, business affairs or business prospects of the Company and its subsidiaries considered as one enterprise; and all of the issued and outstanding capital stock of each Significant Subsidiary has been duly authorized and validly issued, is fully paid and non-assessable and, except for directors' qualifying shares, is owned by the Company, directly or through subsidiaries, free and clear of any security interest, mortgage, pledge, lien, encumbrance, claim or equity. As of the date of this Agreement, the Company does not have any Significant Subsidiaries.

3. REGISTRATION STATEMENT AND PROSPECTUS. At the respective times the Registration Statement (including any Rule 462(b) Registration Statement) and any post-effective amendments thereto became or become effective, as of the date of filing with the Commission of the Company's most recent annual report on Form 10-K (the "Annual Report") and as of each Representation Date, the Registration Statement (including any Rule 462(b) Registration Statement) and any amendments thereto complied and will comply, in all material respects with the requirements of the 1933 Act and the 1933 Act Regulations and the 1939 Act and the rules and regulations of the Commission promulgated thereunder (the "1939 Act Regulations") and did not and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading. The Prospectus, as of the date hereof does not, and as of the applicable Representation Date will not, contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; PROVIDED, HOWEVER, that the representations and warranties in this subsection shall not apply to statements in or omissions from the Registration Statement or Prospectus made in reliance upon and in conformity with information furnished to the Company in writing by an Agent expressly for use in the Registration Statement or Prospectus or to that part of the Registration Statement constituting the Trustee's Statement of Eligibility under the 1939 Act on Form T-1 (the "Form T-1").

4. INCORPORATED DOCUMENTS. The documents incorporated or deemed to be incorporated by reference in the Prospectus, at the time they were or hereafter are filed with the Commission, complied or, when so filed, will comply, as the case may be, in all material respects with the requirements of the 1934 Act and the rules and regulations of the Commission promulgated thereunder (the "1934 Act Regulations"), and, when read together and with the other information in the Prospectus, did not, do not and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were or are made, not misleading.

5. ACCOUNTANTS. The accountants who certified the financial statements and supporting schedules included or incorporated by reference in the Registration Statement and Prospectus are, and any other firm of accountants who may certify any other financial statements constituting a part of the Prospectus or deliver a letter

pursuant to Section 5(D) or 7(D) hereof will be, independent public accountants as required by the 1933 Act and the 1933 Act Regulations.

6. FINANCIAL STATEMENTS. The financial statements and supporting schedules of the Company and its consolidated subsidiaries included or incorporated by reference in the Registration Statement and the Prospectus present fairly the consolidated financial position of the Company and its consolidated subsidiaries as of the dates indicated and the consolidated results of their operations for the periods specified, and, except as stated therein, said consolidated financial statements have been prepared in conformity with generally accepted accounting principles in the United States applied on a consistent basis; the supporting schedules included in the Registration Statement present fairly the information required to be stated therein; and the ratios of earnings to fixed charges set forth in the Prospectus and in any documents incorporated by reference therein have been prepared in accordance with and comply with the requirements of Item 503 of Regulation S-K of the Commission.

7. MATERIAL CHANGES OR MATERIAL TRANSACTIONS. Since the respective dates as of which information is given in the Registration Statement and Prospectus, except as otherwise stated therein or contemplated thereby, (A) there has been no material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business and (B) there have been no transactions entered into by the Company or any of its subsidiaries which are material with respect to the Company and its subsidiaries considered as one enterprise.

8. NO DEFAULTS. Neither the Company nor any of its subsidiaries is in violation of its charter or bylaws or in default in the performance or observance of any material obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, loan agreement, note, lease or other instrument to which it is a party or by which it or any of them or any of their properties may be bound; and the execution and delivery of this Agreement, the Indenture and the Notes and the consummation of the transactions contemplated herein and therein (including, without limitation, the issuance and sale of the Notes from time to time) have been duly authorized by all necessary corporate action and will not conflict with or constitute a breach of, or default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any of its subsidiaries pursuant to, any contract, indenture, mortgage, loan agreement, note, lease or other instrument to which the Company or any such subsidiary is a party or by which it or any of them may be bound or to which any of the property or assets of the Company or any such subsidiary is subject, nor will such action result in any violation of the provisions of the charter or by-laws of the Company or any law, administrative regulation or administrative or court order or decree; and no consent, approval, authorization, order or decree of any court or governmental authority, agency or body is required in connection with the sale of the Notes hereunder or for the consummation by the Company of the transactions contemplated by this Agreement or the Indenture, except as may be required under the 1933 Act, the 1933 Act Regulations, the 1939 Act

or the 1939 Regulations (which have been obtained and are in full force and effect), except the authorization of the Public Utilities Commission of the State of California ("CPUC") under the California Public Utilities Act ("CPUA") (which authorization will be obtained and will be in full force and effect as and when required by applicable law or regulation), and except such as may be required under state securities or blue sky laws.

9. LEGAL PROCEEDINGS; CONTRACTS. Except as may be set forth in the Registration Statement or the Prospectus, there is no action, suit or proceeding before or by any court or governmental agency or body, domestic or foreign, now pending, or, to the knowledge of the Company, threatened against or affecting, the Company or any of its subsidiaries which is required to be disclosed in the Registration Statement or the Prospectus or which might, in the opinion of the Company, result in any material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its subsidiaries considered as one enterprise, or which might materially and adversely affect the properties or assets thereof or might materially and adversely affect the consummation of this Agreement; all pending legal or governmental proceedings to which the Company or any of its subsidiaries is a party or of which any of their respective property or assets is the subject which are not described in the Registration Statement or the Prospectus, including ordinary routine litigation incidental to its business, are, considered in the aggregate, not material; and there are no contracts or documents of the Company or any of its subsidiaries which are required to be filed as exhibits to the Registration Statement by the 1933 Act or by the 1933 Act Regulations which have not been so filed.

10. COMMODITY EXCHANGE ACT. The Notes, upon issuance, will be excluded or exempted under, or beyond the purview of, the Commodity Exchange Act, as amended (the "Commodity Exchange Act"), and the rules and regulations of the Commodity Futures Trading Commission under the Commodity Exchange Act (the "Commodity Exchange Act Regulations").

11. REGULATORY CERTIFICATES, AUTHORITIES AND PERMITS. The Company and its subsidiaries possess such certificates, authorities or permits issued by the appropriate state, federal or foreign regulatory agencies or bodies necessary to conduct the business now operated by them, and neither the Company nor any of its subsidiaries has received any notice of proceedings relating to the revocation or modification of any such certificate, authority or permit which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would materially and adversely affect the

condition, financial or otherwise, or the earnings, business affairs or business prospects of the Company and its subsidiaries considered as one enterprise.

12. GOOD TITLE. The Company has good title (either by way of fee simple, leasehold, easement, right-of-way, grant, servitude, privilege, permit, franchise or license, as the case may be) to all its properties including, without limitation, the properties reflected in the most recent balance sheet of the Company incorporated by reference in the Registration Statement (except for such items thereof which have been disposed of since such date and which do not, in the aggregate, constitute a substantial amount).

13. INDENTURE. The Indenture has been duly and validly authorized, executed and delivered by the Company and constitutes the valid and binding agreement of the Company, enforceable in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting enforcement of creditors' rights generally or by general equitable principles, and except further as enforcement thereof may be limited by requirements that a claim with respect to any debt securities issued under the Indenture that are payable in a foreign or composite currency (or a foreign or composite currency judgment in respect of such claim) be converted into U.S. dollars at a rate of exchange prevailing on a date determined pursuant to applicable law or by governmental authority to limit, delay or prohibit the making of payments outside the United States; and the Indenture has been qualified under the 1939 Act.

14. AUTHORIZATION AND VALIDITY OF THE NOTES. The Notes are in the respective forms established pursuant to the Indenture, have been duly authorized by the Company for issuance and sale pursuant to this Agreement and, when completed as contemplated by the Procedures (as hereinafter defined) and authenticated and delivered pursuant to the provisions of this Agreement and the Indenture against payment of the consideration therefor, the Notes will have been duly executed and delivered by the Company and will constitute valid and binding obligations of the Company enforceable in accordance with their terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting enforcement of creditors' rights generally or by general equitable principles, and except further as enforcement thereof may be limited by requirements that a claim with respect to any Notes payable in a foreign or composite currency (or a foreign or composite currency judgment in respect of such claim) be converted into U.S. dollars at a rate or exchange prevailing on a date determined pursuant to applicable law or by governmental authority to limit, delay or prohibit the making of payments outside the United States, and will be entitled to the benefits of the Indenture; and the Notes and the Indenture conform in all material respects to all statements relating thereto contained in the Prospectus.

15. NO LABOR DISPUTES, ETC. No labor dispute with the employees of the Company or any of its subsidiaries exists or, to the knowledge of the Company, is

imminent which might be expected to result in any material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its subsidiaries considered as one enterprise.

16. PUBLIC UTILITY HOLDING COMPANY ACT. The Company is a "Subsidiary Company" of a "Holding Company", as such terms are defined by the Public Utility Holding Company Act of 1935 (the "1935 Act"). Pursuant to an exemptive order issued by the Commission on January 13, 1936, Pacific Enterprises, the Holding Company, is not subject to the provisions of the 1935 Act, except for the provisions of Section 9(a)(2) thereof.

17. DISTRIBUTION AGREEMENT. This Agreement has been duly authorized, executed and delivered by the Company.

18. RATING OF THE NOTES. The Medium-Term Note Program under which the Notes are issued (the "Program"), as well as the Notes, are rated "A2" by Moody's Investors Service, Inc. and "A+" by Standard & Poor's Ratings Group, or such other rating as to which the Company shall have most recently notified the Agents pursuant to Section 4(A) hereof.

19. NO BUSINESS IN CUBA. To the extent applicable, the Company has complied with, and is and will be in compliance with, the provisions of that certain Florida act relating to disclosure of doing business with Cuba, codified as Section 517.075 of the Florida statutes, and the rules and regulations thereunder (collectively, the "Cuba Act") or is exempt therefrom.

20. TERMS OF NOTES. Without limitation to any other provision of this Agreement, the terms and provisions of each Note offered, issued or sold from time to time will comply with all applicable parameters and other limitations on the terms and provisions of the Notes established by the Company's board of directors or any committee thereof.

B. ADDITIONAL CERTIFICATIONS. Any certificate signed by any director or officer of the Company and delivered to the Agents or to counsel for the Agents in connection with an offering of Notes or the sale of Notes to an Agent as principal shall be deemed a representation and warranty by the Company to each Agent as to the matters covered thereby on the date of such certificate and at each Representation Date subsequent thereto.

### Section 3. PURCHASES AS PRINCIPAL; SOLICITATIONS AS AGENT.

A. PURCHASES AS PRINCIPAL. Notes purchased from the Company by the Agents, individually or in a syndicate, as principal shall be made in accordance with terms agreed upon between such Agent or Agents, as the case may be, and the Company (which terms, unless otherwise agreed, shall, to the extent applicable, include those terms specified in Exhibit A hereto and shall be agreed upon orally, with written confirmation prepared by such Agent or Agents and promptly telecopied to the Company). An Agent's commitment to

purchase Notes as principal shall be deemed to have been made on the basis of the representations and warranties of the Company herein contained and shall be subject to the terms and conditions herein set forth. Unless the context otherwise requires, references to this "Agreement" (and all references to "herein" and references of like import) shall include the applicable agreement of one or more Agents to purchase Notes from the Company as principal. Each purchase of Notes, unless otherwise agreed, shall be at a discount from the principal amount of each such Note equivalent to the applicable commission set forth in Schedule I hereto. The Agents may engage the services of any broker or dealer in connection with the resale of the Notes purchased by them as principal and may allow all or any portion of the discount received from the Company in connection with such purchases to such brokers or dealers. At the time any one or more of the Agents shall enter into an agreement to purchase Notes from the Company as aforesaid, such Agent or Agents, as the case may be, shall specify whether the Company shall be required to deliver an officers' certificate, opinion of counsel and comfort letter pursuant to Sections 7(B), 7(C) and 7(D) hereof; and, unless otherwise agreed at such time by the Company and such Agent or Agents, as the case may be, the stand-off agreement set forth in Section 4(K) shall be applicable in connection with such purchase.

If the Company and two or more Agents enter into a single agreement pursuant to which such Agents agree to purchase Notes from the Company as principal and one or more of such Agents shall fail at the applicable Settlement Date to purchase the Notes which it or they are obligated to purchase (the "Defaulted Notes"), then the nondefaulting Agent or Agents, as the case may be, shall have the right, within 24 hours thereafter, to make arrangements for one of them or one or more other Agents or underwriters to purchase all, but not less than all, of the Defaulted Notes in such amounts as may be agreed upon and upon the terms herein set forth; provided, however, that if such arrangements shall not have been completed within such 24-hour period, then:

(a) if the aggregate principal amount of Defaulted Notes does not exceed 10% of the aggregate principal amount of Notes to be so purchased by all of such Agents on such Settlement Date pursuant to such agreement, the nondefaulting Agent or Agents, as the case may be, shall be obligated, severally and not jointly, to purchase the full amount thereof in the proportions that their respective initial underwriting obligations bear to the underwriting obligations of all nondefaulting Agents; or

(b) if the aggregate principal amount of Defaulted Notes exceeds 10% of the aggregate principal amount of Notes to be so purchased by all of such Agents on the Settlement Date pursuant to such agreement, such agreement shall terminate without liability on the part of any nondefaulting Agent.

No action taken pursuant to this paragraph shall relieve any defaulting Agent from liability in respect of its default. In the event of any such default which does not result in a termination of such agreement, either the nondefaulting Agent or Agents, as the case may be, or the Company shall have the right to postpone the applicable Settlement Date for a period not exceeding seven days in order to effect any required changes in the Registration Statement or the Prospectus or in any other documents or arrangements.

The parties hereto acknowledge and agree that if on any date two or more of the Agents shall agree with the Company to purchase Notes as principal, then, unless otherwise agreed by the Company and such Agents at such time and notwithstanding that all such Notes may have the same terms and provisions, the Company shall be deemed to have entered into a separate agreement with each such Agent and not a single agreement with all such Agents.

B. SOLICITATIONS AS AGENT. On the basis of the representations and warranties herein contained, but subject to the terms and conditions herein set forth, when agreed by the Company and an Agent, such Agent, as an agent of the Company, will use its reasonable efforts to solicit offers for the purchase of Notes upon the terms set forth in the Prospectus. The Agents are not authorized to appoint sub-agents with respect to Notes sold through them as agent. All Notes sold through an Agent as agent will be sold at 100% of their principal amount unless otherwise agreed upon between the Company and such Agent.

The Company reserves the right, in its sole discretion, to suspend solicitation of offers for the purchase of Notes through an Agent, as an agent of the Company, commencing at any time for any period of time or permanently. As soon as practicable after receipt of instructions from the Company, such Agent will suspend solicitation of offers for the purchase of Notes from the Company until such time as the Company has advised such Agent that such solicitation may be resumed.

The Company agrees to pay each Agent a commission, in the form of a discount, equal to the applicable percentage of the principal amount of each Note sold by the Company as a result of a solicitation made by such Agent, as an agent of the Company, as set forth in Schedule I hereto. Notwithstanding the foregoing, subsequent to the date hereof, the Company and the Agents may collectively agree to change the commission schedule set forth in Schedule I hereto, in which case, the Company and the Agents will enter into a signed amendment to this Agreement.

C. ADMINISTRATIVE PROCEDURES. The aggregate principal amount, purchase price, interest rate (or manner in which such Notes are to bear interest), maturity date, redemption provisions, if any, and other terms of the Notes shall be agreed upon by the Company and the applicable Agent and set forth in a pricing supplement to the Prospectus (a "Pricing Supplement") to be prepared following each acceptance by the Company of an offer for the purchase of Notes. Except as may be otherwise provided in a Pricing Supplement, the Notes will be issued in denominations of \$1,000 or any amount in excess thereof which is an integral multiple of \$1,000. Administrative procedures with respect to the sale of Notes shall be agreed upon from time to time by the Agents and the Company (the "Procedures"). The Agents and the Company agree to perform, and the Company agrees to use its reasonable best efforts to cause the Trustee to perform, the respective duties and obligations specifically provided to be performed by the Agents, the Company and the Trustee in the Procedures.

D. DELIVERY OF CLOSING DOCUMENTS. The documents required to be delivered by Section 5 hereof shall be delivered at the offices of Brown & Wood LLP, 10877 Wilshire Boulevard, Los Angeles, California 90024 on the date hereof, or at such other time or place as the Agents and the Company may agree.

Section 4. COVENANTS OF THE COMPANY.

The Company covenants with each Agent as follows:

A. NOTICE OF CERTAIN EVENTS. The Company will notify each Agent immediately (i) of the effectiveness of any amendment to the Registration Statement; (ii) of the transmittal to the Commission for filing of any amendment or supplement to the Registration Statement or the Prospectus (including, without limitation, any document to be filed pursuant to the 1934 Act incorporated or deemed to be incorporated by reference in the Registration Statement or the Prospectus (other than any amendment or supplement providing solely for the determination of the variable terms of the Notes or relating exclusively to an offering of Debt Securities under the Registration Statement other than the Notes)); (iii) of the receipt of any comments from the Commission with respect to the Registration Statement or Prospectus; (iv) of any request by the Commission for any amendment to the Registration Statement or any amendment or supplement to the Prospectus or for additional information; (v) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or the initiation of any proceedings for that purpose; and (vi) of any change of which the Company has knowledge in the rating assigned by any nationally recognized statistical rating organization to the Program or any debt securities (including the Notes) of the Company, or any public announcement of which the Company has knowledge by any nationally recognized statistical rating organization that it has under surveillance or review, with possible negative implications, its rating of the Program or any such debt securities, or any withdrawal of which the Company has knowledge by any nationally recognized statistical rating organization of its rating of the Program or any such debt securities. The Company will make every reasonable effort to prevent the issuance of any stop order and, if any stop order is issued, to obtain the lifting thereof at the earliest possible moment.

B. NOTICE OF CERTAIN PROPOSED FILINGS. The Company will give each Agent notice of its intention to file or prepare any additional registration statement with respect to the registration of additional Notes or Debt Securities, any amendment to the Registration Statement (including any filing under Rule 462(b) of the 1933 Act Regulations) or any amendment or supplement to the Prospectus (other than an amendment or supplement providing solely for the determination of the variable terms of the Notes or relating solely to the offering of Debt Securities other than the Notes), whether by the filing of documents pursuant to the 1934 Act, the 1933 Act or otherwise, and will furnish each Agent with copies of any such amendment or supplement or other documents a reasonable time in advance of such proposed filing or the proposed use thereof, as the case may be, and will not file or use any such amendment or supplement or other documents to which the Agents or counsel for the Agents shall object.

C. COPIES OF THE REGISTRATION STATEMENT AND THE PROSPECTUS. The Company will deliver to each Agent as many signed and conformed copies of the Registration Statement (as originally filed) and of each amendment thereto (including exhibits filed therewith or incorporated by reference therein and documents incorporated or deemed to be incorporated by reference therein) as such Agent may reasonably request and signed and conformed copies of all consents and certificates of experts. The Registration Statement and each amendment

thereto furnished to the Agents will be identical to any electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T. The Company will deliver to each Agent as many copies of each preliminary prospectus as such Agent may reasonably request, and the Company hereby consents to the use of such copies for purposes permitted by the 1933 Act. The Company will furnish to each Agent as many copies of the Prospectus (as amended or supplemented) as such Agent shall reasonably request so long as such Agent is required to deliver a Prospectus in connection with sales or solicitations of offers to purchase the Notes. Each preliminary prospectus and the Prospectus and any amendments or supplements thereto furnished to the Agents will be identical to any electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T.

D. PREPARATION OF PRICING SUPPLEMENTS. The Company will prepare, with respect to any Notes to be sold to or through one or more Agents pursuant to this Agreement, a Pricing Supplement with respect to such Notes in a form previously approved by the Agents. The Company will deliver such Pricing Supplement no later than 3:00 p.m., New York City time, on the business day following the date of the Company's acceptance of the offer for the purchase of such Notes and will file such Pricing Supplement pursuant to Rule 424(b)(3) under the 1933 Act not later than the close of business of the Commission on the second business day after the applicable trade date.

E. PROSPECTUS REVISIONS -- MATERIAL CHANGES. Except as otherwise provided in Section 4(M) hereof, if at any time during the term of this Agreement any event shall occur or condition shall exist as a result of which it is necessary, in the opinion of counsel for the Agents or counsel for the Company, to amend the Registration Statement in order that the Registration Statement will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading or to amend or supplement the Prospectus in order that the Prospectus will not include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein not misleading in the light of the circumstances existing at the time the Prospectus is delivered to a purchaser, or if it shall be necessary, in the opinion of either such counsel, to amend or supplement the Registration Statement or the Prospectus in order to comply with the requirements of the 1933 Act or the 1933 Act Regulations, immediate notice shall be given, and confirmed in writing, by the Company to each Agent to cease the solicitation of offers to purchase the Notes in its capacity as agent and to cease sales of any Notes purchased from the Company by such Agent as principal pursuant to Section 3(A) which such Agent may then own, and the Company will promptly prepare and file with the Commission, subject to Section 4(B) hereof, such amendment or supplement, whether by filing documents pursuant to the 1934 Act, the 1933 Act or otherwise, as may be necessary to correct such statement or omission or to make the Registration Statement and Prospectus comply with such requirements and the Company shall furnish to each Agent as many copies of the Registration Statement and the Prospectus, as each may then be amended or supplemented, as such Agent shall reasonably require. In addition, the Company will comply with the 1933 Act, the 1933 Act Regulations, the 1934 Act and the 1934 Act Regulations so as to permit the completion of the distribution of each offering of Notes.

F. PROSPECTUS REVISIONS -- PERIODIC FINANCIAL INFORMATION. Except as otherwise provided in Section 4(M) hereof, on or prior to the date on which there shall be released to the general public interim financial statement information related to the Company with respect to each of the first three quarters of any fiscal year or preliminary financial statement information with respect to any fiscal year, the Company shall furnish such information to each Agent, confirmed in writing, and, on or prior to the date of such release or as soon as practicable thereafter, shall cause the Registration Statement and the Prospectus to be amended or supplemented to include or incorporate by reference capsule financial information with respect thereto and corresponding information for the comparable period of the preceding fiscal year, as well as such other information and explanations as shall be necessary for an understanding thereof or as shall be required by the 1933 Act or the 1933 Act Regulations.

G. PROSPECTUS REVISIONS -- AUDITED FINANCIAL INFORMATION. Except as otherwise provided in Section 4(M) hereof, on or prior to the date on which there shall be released to the general public financial information included in or derived from the audited financial statements of the Company for the preceding fiscal year, the Company shall cause the Registration Statement and the Prospectus to be amended, whether by the filing of documents pursuant to the 1934 Act, the 1933 Act or otherwise, to include or incorporate by reference such audited financial statements and the report or reports, and consent or consents to such inclusion or incorporation by reference, of the independent accountants with respect thereto, as well as such other information and explanations as shall be necessary for an understanding of such financial statements or as shall be required by the 1933 Act or the 1933 Act Regulations.

H. EARNINGS STATEMENTS. The Company will timely file such reports pursuant to the 1934 Act as are necessary in order to make generally available to its securityholders as soon as practicable an earnings statement for the purposes of, and to provide the benefits contemplated by, the last paragraph of Section 11(a) of the 1933 Act.

I. BLUE SKY QUALIFICATIONS. The Company will endeavor, in cooperation with the Agents, to qualify the Notes for offering and sale under the applicable securities laws of such states and other jurisdictions of the United States as the Agents may designate, and will maintain such qualifications in effect for as long as may be required for the distribution of the Notes; PROVIDED, HOWEVER, that the Company shall not be obligated to file any general consent to service of process or qualify as a foreign corporation in any jurisdiction in which it is not so qualified. The Company will file such statements and reports as may be required by the laws of each jurisdiction in which the Notes have been qualified as provided above. The Company will promptly advise the Agents of the receipt by it of any notification with respect to the suspension of the qualification of the Notes for sale in any such state or jurisdiction or the initiating or threatening of any proceeding for such purpose.

J. 1934 ACT FILINGS. The Company, during the period when the Prospectus is required to be delivered under the 1933 Act or the 1934 Act, will file promptly all documents required to be filed with the Commission pursuant to Sections 13(a), 13(c), 14 or 15(d) of the 1934 Act. Such documents will comply in all material respects with the requirements of the 1934 Act and the 1934 Act Regulations and to the extent such documents are incorporated or deemed to be incorporated by reference in the Prospectus, when read together with the other

information contained or incorporated or deemed to be incorporated by reference in the Prospectus, will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they are made, not misleading.

K. **STAND-OFF AGREEMENT.** Between the date of any agreement between the Company and one or more Agents to purchase Notes from the Company as principal pursuant to Section 3(A) hereof and the Settlement Date with respect thereto, unless otherwise agreed by such Agent or Agents (as the case may be), the Company will not, without the prior written consent of such Agent or Agents (as the case may be), directly or indirectly, issue, sell, offer to sell, contract to sell, grant any option for the sale of, or otherwise dispose of, or announce the offering of, any debt securities of the Company or any securities convertible into or exercisable or exchangeable for such debt securities (other than the Notes that are to be sold pursuant to such agreement, First Mortgage Bonds, debt securities offered or sold other than in the United States and commercial paper offered or sold in the ordinary course of business).

L. **USE OF PROCEEDS.** The Company will use the net proceeds received by it from the sale of the Notes in the manner specified in the Prospectus under the caption "Use of Proceeds."

M. **SUSPENSION OF CERTAIN OBLIGATIONS.** The Company shall not be required to comply with the provisions of subsections (E), (F) or (G) of this Section 4 or subsections (B), (C) or (D) of Section 7 hereof during any period from the later of (i) the time that the Agents shall have suspended solicitation of purchases of the Notes in their capacity as agents pursuant to a request from the Company and (ii) the time that no Agent shall then hold any Notes purchased as principal from the Company pursuant to Section 3(A) hereof to the time the Company shall determine that solicitation of purchases of the Notes should be resumed or shall subsequently enter into a new agreement to sell Notes to an Agent or Agents, as principal, pursuant to Section 3(A) hereof (at which time the Company shall provide each Agent with the documentation required by subsections (E), (F) and (G) of Section 4 and subsections (B), (C) and (D) of Section 7 which the Company otherwise would have been required to deliver to the Agents during the suspension period by reason of this Section 4(M), unless such requirement is waived in writing by such Agent).

N. **CUBA ACT.** In accordance with the Cuba Act and without limitations to the provisions of Sections 8 and 9 hereof, the Company agrees to indemnify and hold harmless each Agent from and against any and all loss, liability, claim, damage and expense whatsoever (including fees and disbursements of counsel), as incurred, arising out of any violation by the Company of the Cuba Act.

O. **NOTES WITH MATURITIES IN EXCESS OF 30 YEARS.** Prior to any time that the Company offers or issues Notes with maturities in excess of thirty years, the Company will deliver to the Agents an opinion of counsel, in form and substance satisfactory to the Agents, to the effect that such Notes will be treated as debt for United States federal income tax purposes.

P. CALCULATION AGREEMENT. Prior to such time as the Company first offers Floating Rate Notes (as defined in the Prospectus), the Company shall enter into a Calculation Agreement with the Trustee (or such other person acceptable to the Agents), and shall prepare and deliver such certificates, opinions of counsel and instruments (including an amendment to this Agreement) as the Agents may reasonably request, all in form and substance satisfactory to the Agents.

Q. INDEXED NOTES. Prior to the time the Company first offers any Indexed Notes (as defined in the Prospectus), the Company shall provide an opinion of counsel, in form and substance satisfactory to the Agents, to the effect that such Indexed Notes will be excluded or exempted under, or beyond the purview of, the Commodity Exchange Act and the Commodity Exchange Act Regulations.

R. CPUC AUTHORIZATIONS. If any further authorizations or approvals of the CPUC are required in connection with any proposed offer, issuance or sale of any Notes, the Company will notify the Agents, as promptly as practicable, and prior to offering, issuing or selling any such Notes, the Company will obtain and keep in full force and effect all such authorizations and approvals of the CPUC as may be required in connection therewith and will deliver to the Agents copies of such authorizations and approvals, together with such certificates, opinions of counsel and other documents as the Agents may reasonably request, all of the foregoing to be in form and substance satisfactory to the Agents.

S. ADDITIONAL RESOLUTIONS. The Company will not offer, issue or sell any Notes unless such Notes comply with such parameters as have been or may be established from time to time by the Board of Directors of the Company or any committee thereof (including, without limitation, the Debt Financing Committee).

#### Section 5. CONDITIONS OF OBLIGATIONS.

The obligations of any Agent to solicit offers to purchase the Notes as agent of the Company, the obligation of any purchaser of Notes sold through any Agent as agent, and the obligations of any Agent to purchase Notes as principal pursuant to any agreement with the Company pursuant to Section 3(A) hereof, will be subject at all times to the accuracy of the representations and warranties on the part of the Company herein and to the accuracy of the statements of the Company's directors and officers made in any certificates furnished pursuant to the provisions hereof, to the performance and observance by the Company of all covenants and agreements herein contained on its part to be performed and observed and to the following additional conditions precedent:

A. EFFECTIVENESS OF REGISTRATION STATEMENT. The Registration Statement (including any Rule 462(b) Registration Statement) shall have become effective under the 1933 Act and no stop order suspending the effectiveness of the Registration Statement shall have been issued under the 1933 Act and no proceedings for that purpose shall have been instituted or shall be pending or threatened by the Commission, and any request on the part of the Commission for additional information shall have been complied with to the reasonable satisfaction of counsel to the Agents.

B. LEGAL OPINIONS. On the date hereof, the Agents shall have received the following legal opinions, dated as of the date hereof and in form and substance satisfactory to the Agents:

(1) OPINION OF COMPANY COUNSEL. The opinion of Gary W. Kyle, Esq., counsel to the Company, to the effect that:

1. The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of California.

2. The Company has corporate power and authority to own, lease and operate its properties and conduct its business as described in the Registration Statement and the Prospectus.

3. To the best knowledge of such counsel, the Company is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which such qualification is required whether by reason of ownership or leasing of property or the conduct of business, except where the failure to so qualify or be in good standing would not have a material adverse effect on the condition, financial or otherwise, or the earnings, business affairs or business prospects of the Company and its subsidiaries considered as one enterprise; and all of the issued and outstanding capital stock of the Company has been duly authorized and validly issued and is fully paid and non-assessable and, except for directors' qualifying shares, Pacific Enterprises owns directly or indirectly all of the outstanding shares of the common stock of the Company, free and clear of any security interest, mortgage, pledge, lien, encumbrance, claim or equity.

4. Each Significant Subsidiary of the Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, has corporate power and authority to own, lease and operate its properties and conduct its business as described in the Registration Statement and the Prospectus, and, to the best knowledge of such counsel, is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which such qualification is required whether by reason of the ownership or leasing of property or the conduct of a business, except where the failure to so qualify or be in good standing would not have a material adverse effect on the condition, financial or otherwise, or the earnings, business affairs or business prospects of the Company and its subsidiaries considered as one enterprise; all of the issued and outstanding capital stock of each Significant Subsidiary has been duly authorized and validly issued and is fully paid and non-assessable, and all of such capital stock, except for directors' qualifying shares, is owned by the Company, directly or through subsidiaries, free and clear of any mortgage, pledge, lien, encumbrance, claim or equity (in the event that the Company has no Significant Subsidiaries at the date of such opinion, such opinion shall state, in lieu of the foregoing, that to the best knowledge and information of such counsel the Company has no Significant Subsidiaries).

5. This Agreement has been duly authorized, executed and delivered by the Company.

6. The Indenture has been duly authorized, executed and delivered by the Company and, assuming the due authorization, execution and delivery thereof by the Trustee, constitutes a valid and binding agreement of the Company, enforceable against the Company in accordance with its terms, except as enforcement thereof may be subject to or limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting enforcement of creditors' rights generally or by general equitable principles, and except further as enforcement thereof may be limited by requirements that a claim with respect to any debt securities issued under the Indenture that are payable in a foreign or composite currency (or a foreign or composite currency judgment in respect of such claim) be converted into U.S. dollars at a rate of exchange prevailing on a date determined pursuant to applicable law or by governmental authority to limit, delay or prohibit the making of payments outside the United States.

7. The Notes are in the respective forms established pursuant to the Indenture, have been duly authorized by the Company for issuance and sale pursuant to this Agreement and, when completed as contemplated by the Procedures and executed, authenticated and delivered in accordance with the provisions of this Agreement and the Indenture against payment of the consideration therefor, will constitute valid and binding obligations of the Company, enforceable against the Company in accordance with their respective terms, except as enforcement thereof may be subject to or limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting enforcement of creditors' rights generally or by general equitable principles, and except further as enforcement thereof may be limited by requirements that a claim with respect to any Notes payable in a foreign or composite currency (or a foreign or composite currency judgment in respect of such claim) be converted into U.S. dollars at a rate of exchange prevailing on a date determined pursuant to applicable law or by governmental authority to limit, delay or prohibit the making of payments outside the United States; and the Notes will be entitled to the benefits of the Indenture.

8. The statements in the Prospectus under the captions "Description of the Notes" and "Description of the Debt Securities", insofar as they purport to summarize certain provisions of the Indenture or the Notes, are accurate summaries of such provisions in all material respects.

9. The Indenture has been duly qualified under the 1939 Act.

10. The Registration Statement (including any Rule 462(b) Registration Statement) and any post-effective amendments thereto have been declared effective under the 1933 Act and, to the best knowledge of such

counsel, no stop order suspending the effectiveness of the Registration Statement has been issued under the 1933 Act or proceedings therefor initiated or threatened by the Commission.

11. At the respective times the Registration Statement, any Rule 462(b) Registration Statement or any post-effective amendments thereto became effective, the Registration Statement (other than financial statements and schedules included or incorporated by reference therein and the Form T-1, as to which such counsel need express no opinion) complied as to form in all material respects with the requirements of the 1933 Act and the 1933 Act Regulations.

12. To the best knowledge of such counsel, there are no legal or governmental proceedings pending or threatened required to be disclosed in the Registration Statement or the Prospectus, other than those disclosed therein, and all pending legal or governmental proceedings the Company or any subsidiary is a party to or any of their property is the subject of which are not described in the Registration Statement or the Prospectus, including ordinary routine litigation incidental to the business, are, considered in the aggregate, not material.

13. To the best knowledge of such counsel, there are no contracts, indentures, mortgages, loan agreements, notes, leases or other instruments or documents required to be described or referred to in the Registration Statement or to be filed or incorporated by reference as exhibits thereto other than those described or referred to therein or filed or incorporated by reference as exhibits thereto, the descriptions thereof or references thereto are correct, and no default exists in the due performance or observance of any material obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, loan agreement, note, lease or other instrument so described, referred to, filed or incorporated by reference.

14. No consent, approval, authorization, order or decree of any court or governmental authority or agency is required in connection with the sale of the Notes and the consummation by the Company of the transactions contemplated by this Agreement, except such as have been obtained and are in full force and effect under the 1933 Act, the 1939 Act, the 1933 Act Regulations and the 1939 Regulations and except such further authorizations of the CPUC as may be required in connection therewith, and except that no opinion need be expressed as to state securities or Blue Sky laws.

15. Neither the Company nor any of its subsidiaries is in violation of its charter or bylaws or, to the best knowledge of such counsel, in default in performance of any material obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, loan agreement, note, lease or other instrument it is a party to or by which it or any of them or their

properties may be bound. The execution and delivery of this Agreement, the Indenture and the Notes and the consummation of the transactions contemplated herein and therein (including, without limitation, the issuance and sale of the Notes from time to time) have been duly authorized by all necessary corporate action and will not conflict with or constitute a breach of, or default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any of its subsidiaries pursuant to, any contract, indenture, mortgage, loan agreement, note, lease or other instrument known to such counsel and to which the Company or any of its subsidiaries is a party or by which it or any of them may be bound or to which any of the property or assets of the Company or any of its subsidiaries is subject, or any law, administrative regulation or administrative, arbitration or court order or decree known to such counsel to be applicable to the Company or any of its subsidiaries; nor will such action result in any violation of the provisions of the articles of incorporation or by-laws of the Company.

16. Each document filed pursuant to the 1934 Act and incorporated or deemed to be incorporated by reference in the Prospectus (other than financial statements and schedules included or incorporated by reference therein, as to which such counsel need make no statement) complied when filed as to form in all material respects with the 1934 Act and the 1934 Act Regulations.

17. The information under the captions "Business--Rates and Regulation," "Business--Environmental Matters," "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Company Operations -- Ratemaking Procedures" and "Management's Discussion and Analysis of Financial Condition and Results of Operations--Factors Influencing Future Financial Performance" in the Company's Annual Report on Form 10-K for the year ended December 31, 1996, under the captions "Management's Discussion and Analysis of Financial Condition and Results of Operations--Recent CPUC Regulatory Activity" and "Management's Discussion and Analysis of Financial Condition and Results of Operations--Regulatory Activity Influencing Future Performance" in the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997, under the captions "Management's Discussion and Analysis of Financial Condition and Results of Operations--Other CPUC Regulatory Activity" and "Management's Discussion and Analysis of Financial Condition and Results of Operations--Regulatory Activity Influencing Future Performance" in the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997, and under the captions "Management's Discussion and Analysis of Financial Condition and Results of Operations--Recent CPUC Regulatory Activity" and "Management's Discussion and Analysis of Financial Condition and Results of Operations--Regulatory Activity Influencing Future Performance" in the Company's quarterly report on Form 10-Q for the quarter ended September 30, 1997, to the extent that it constitutes matters of law, legal conclusions or summaries of laws, regulations,

contracts or agreements, has been reviewed by such counsel and is correct in all material respects. In the event that any legal opinion is delivered subsequent to the date of this Agreement pursuant to Section 7(C) hereof, such subsequent legal opinion shall cover the information appearing under the foregoing captions (or any such similar information appearing under other captions as the Agents or their counsel may request) in the Company's then most recent Annual Report on Form 10-K and in any other documents filed with the Commission subsequent to the date of such Annual Report on Form 10-K which are incorporated or deemed to be incorporated by reference in the Registration Statement or the Prospectus.

18. The Company is a "Subsidiary Company" of a "Holding Company" as such terms are defined by the 1935 Act. Pursuant to an exemptive order issued by the Commission on January 13, 1936, Pacific Enterprises, the Holding Company, is not subject to the provisions of the 1935 Act, except for the provisions of Section 9(a)(2) thereof.

(2) OPINION OF COUNSEL TO THE AGENTS. The opinion of Brown & Wood LLP, counsel for the Agents, covering the matters referred to in subparagraph (1) under the subheadings 1 and 5 to 11, inclusive, above.

(3) In giving their opinions required by subsections (B)(1) and (B)(2) of this Section, Gary W. Kyle, Esq. and Brown & Wood LLP shall each additionally state that nothing has come to their attention that would lead them to believe that the Registration Statement (other than financial statements and schedules and other financial data included or incorporated by reference therein or the Form T-1, as to which such counsel need make no statement), at the time it became effective and, if a post-effective amendment to the Registration Statement, a Rule 462(b) Registration Statement or an Annual Report has been filed by the Company with the Commission subsequent to the original effectiveness of the Registration Statement, at the respective times such amendment or such Rule 462(b) Registration Statement became effective or such Annual Report was filed, as the case may be, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading or that the Prospectus (other than financial statements and schedules and other financial data included or incorporated by reference therein, as to which such counsel need make no statement), as of the date of the Prospectus, as of the date of any amendment or supplement thereto and as of the date of such opinion (or, if such opinion is being delivered in connection with the purchase of Notes by an Agent as principal, at the date of the relevant Pricing Supplement and as of the applicable Settlement Date), included or includes an untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

C. OFFICERS' CERTIFICATE. At the date hereof and at each Settlement Date with respect to any purchase of Notes by an Agent as principal pursuant to Section 3(A) hereof,

there shall not have been, since the respective dates as of which information is given in the Registration Statement and the Prospectus or since the date of the applicable agreement between the Company and such Agent pursuant to Section 3(A), as the case may be, any material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business; and the Agents shall have received a certificate of the President or a Vice President of the Company and of the chief financial or chief accounting officer of the Company, to the effect (i) that there has been no such material adverse change, (ii) that the other representations and warranties of the Company contained in Section 2 hereof are true and correct with the same force and effect as though expressly made at and as of the date of such certificate, (iii) that the Company has performed and complied with all agreements and satisfied all conditions on its part to be performed, complied with or satisfied at or prior to the date of such certificate, and (iv) that no stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for that purpose have been initiated or threatened by the Commission.

D. COMFORT LETTER. On the date hereof, the Agents shall have received a letter from Deloitte & Touche LLP, dated the date hereof and in form and substance satisfactory to the Agents and their counsel.

E. OTHER DOCUMENTS. On the date hereof and on each Settlement Date, counsel for the Agents shall have been furnished with such documents and opinions as such counsel may reasonably require for the purpose of enabling such counsel to pass upon the issuance and sale of Notes as herein contemplated and related proceedings, or to evidence the accuracy and completeness of any of the representations and warranties, or the fulfillment of any of the conditions, herein contained; and all proceedings taken by the Company in connection with the issuance and sale of Notes as herein contemplated shall be satisfactory in form and substance to the Agents and their counsel.

If any condition specified in this Section 5 shall not have been fulfilled when and as required to be fulfilled, this Agreement may be terminated by any Agent (as to itself but not as to any other Agent) by notice to the Company at any time and any such termination shall be without liability of any party to any other party, except that the covenants set forth in Section 4(H) hereof, the provisions of Sections 10, 11 and 14 hereof, and the indemnity and contribution agreements set forth in Sections 4(N), 8 and 9 hereof shall remain in effect.

#### Section 6. DELIVERY OF AND PAYMENT FOR NOTES SOLD THROUGH AN AGENT AS AGENT.

Delivery of Notes sold through an Agent as an agent of the Company shall be made by the Company to such Agent for the account of any purchaser only against payment therefor in immediately available funds. In the event that a purchaser shall fail either to accept delivery of or to make payment for a Note on the date fixed for settlement, such Agent shall promptly notify the Company and deliver such Note to the Company and, if such Agent has theretofore paid the Company for such Note, the Company will promptly return such funds to such Agent. If such failure has occurred for any reason other than default by such Agent in the performance of its obligations hereunder, the Company will reimburse such

Agent on an equitable basis for its loss of the use of the funds for the period such funds were credited to the Company's account; provided that the Company will not be required so to reimburse such Agent pursuant to this sentence if (i) the Company shall have returned such funds to such Agent as aforesaid not later than one business day after the Company's receipt of such funds, (ii) the Company is required, pursuant to Section 1(D) hereof, to pay to such Agent the commission to which such Agent would otherwise have been entitled in connection with the proposed sale of such Note and (iii) the Company shall have promptly paid such commission to such Agent.

Section 7. SUBSEQUENT DOCUMENTATION REQUIREMENTS OF THE COMPANY.

The Company covenants and agrees that:

A. REAFFIRMATION OF REPRESENTATIONS AND WARRANTIES. Each acceptance by it of an offer for the purchase of Notes (whether to one or more Agents as principal or through an Agent as agent), and each delivery of Notes (whether to one or more Agents as principal or through an Agent as agent), shall be deemed to be an affirmation that the representations and warranties of the Company contained in this Agreement and in any certificate theretofore delivered to the Agents or to counsel for the Agents pursuant hereto are true and correct at the time of such acceptance or sale, as the case may be, and an undertaking that such representations and warranties will be true and correct at the time of delivery to the purchaser or its agent, or to the Agent or Agents, as the case may be, of the Note or Notes relating to such acceptance or sale, as the case may be, as though made at and as of each such time (and it is understood that such representations and warranties shall relate to the Registration Statement and Prospectus as amended and supplemented to each such time).

B. SUBSEQUENT DELIVERY OF CERTIFICATES. Subject to the provisions of Section 4(M), each time that (i) the Registration Statement or the Prospectus shall be amended or supplemented (other than by an amendment or supplement providing solely for the determination of the variable terms of the Notes or, unless the Agents shall otherwise specify, other than by an amendment or supplement which relates exclusively to an offering of a series of Debt Securities other than the Notes) or, (ii) there is filed with the Commission any document incorporated by reference into the Prospectus (other than any Current Report on Form 8-K relating exclusively to the issuance of Debt Securities other than the Notes under the Registration Statement, unless the Agents shall otherwise specify) or (iii) the Company sells Notes to one or more of the Agents as principal pursuant to Section 3(A) hereof (unless otherwise agreed by such Agent or Agents, as the case may be), or (iv) the Company sells Notes in a form not previously certified to the Agents by the Company, the Company shall furnish or cause to be furnished to the Agent or Agents, as the case may be, forthwith a certificate, dated the date of filing with the Commission of such supplement or document, the date of effectiveness of such amendment or the date of such sale, as the case may be, in form satisfactory to such Agent or Agents, to the effect that the statements contained in the certificate referred to in Section 5(C) hereof last furnished to such Agent or Agents are true and correct at the time of such filing, effectiveness or sale, as the case may be, as though made at and as of such time (except that such statements shall be deemed to relate to the

Registration Statement and the Prospectus as amended and supplemented to such time) or, in lieu of such certificate, a certificate of the same tenor as the certificate referred to in Section 5(C) hereof, modified as necessary to relate to the Registration Statement and the Prospectus as amended and supplemented to the time of delivery of such certificate (it being understood that, in the case of clause (iii) above, any such certificate shall also include a certification that there has been no material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its subsidiaries considered as one enterprise since the date of the agreement by such Agent or Agents, as the case may be, to purchase such Notes from the Company as principal).

C. SUBSEQUENT DELIVERY OF LEGAL OPINIONS. Subject to the provisions of Section 4(M), each time that (i) the Registration Statement or the Prospectus shall be amended or supplemented (other than by an amendment or supplement providing solely for the determination of the variable terms of the Notes or solely for the inclusion of additional financial information, or, unless the Agents shall otherwise specify, other than by an amendment or supplement which relates exclusively to an offering of Debt Securities other than the Notes), or (ii) there is filed with the Commission any document incorporated by reference into the Prospectus (other than any Current Report on Form 8-K relating exclusively to the issuance of Debt Securities other than the Notes under the Registration Statement or any Quarterly Report on Form 10-Q, unless the Agents shall otherwise specify), or (iii) the Company sells Notes to one or more of the Agents as principal pursuant to Section 3(A) hereof (unless otherwise agreed by such Agent or Agents, as the case may be), or (iv) the Company sells Notes in a form not previously certified to the Agents by the Company, the Company shall furnish or cause to be furnished forthwith to the Agent or Agents, as the case may be, and to counsel for the Agents a letter, dated the date of filing with the Commission of such supplement or document, the date of effectiveness of such amendment or the date of such sale, as the case may be, from counsel for the Company last furnishing the opinion referred to in Sections 5(B)(1) and (3) hereof to the effect that such Agent or Agents may rely on such last opinion to the same extent as though it were dated the date of such letter authorizing reliance (except that statements in such last opinion shall be deemed to relate to the Registration Statement and the Prospectus as amended and supplemented to the time of delivery of such letter authorizing reliance) or, in lieu of such letter, such counsel, or other counsel satisfactory to such Agent or Agents, shall furnish an opinion, dated as aforesaid and in form and substance satisfactory to such Agent or Agents, of the same tenor as the opinion referred to in Sections 5(B)(1) and (3) hereof, but modified, as necessary, to relate to the Registration Statement and the Prospectus as amended and supplemented to the time of delivery of such opinion.

D. SUBSEQUENT DELIVERY OF COMFORT LETTERS. Subject to the provisions of Section 4(M), each time that (i) the Registration Statement or the Prospectus shall be amended or supplemented to include additional financial information, or (ii) there is filed with the Commission any document incorporated by reference into the Prospectus which contains additional financial information, or (iii) the Company sells Notes to one or more of the Agents as principal pursuant to Section 3(A) hereof (unless otherwise agreed by such Agent or Agents, as the case may be), the Company shall cause Deloitte & Touche LLP (or other independent accountants of the Company satisfactory to each Agent) forthwith to furnish the

Agent or Agents, as the case may be, a letter, dated the date of filing with the Commission of such document or supplement, the date of effectiveness of such amendment or the date of such sale, as the case may be, in form satisfactory to such Agent or Agents, of the same tenor as the letter referred to in Section 5(D) hereof but modified to relate to the Registration Statement and Prospectus as amended and supplemented to the date of such letter, and with such changes as may be necessary to reflect changes in the financial statements and other information derived from the accounting records of the Company; PROVIDED, HOWEVER, that if the Registration Statement or the Prospectus is amended or supplemented solely to include financial information as of and for a fiscal quarter, Deloitte & Touche LLP (or such other acceptable independent accountants) may limit the scope of such letter to the unaudited financial statements included in such amendment or supplement unless any other information included therein of an accounting, financial or statistical nature is of such a nature that, in the reasonable judgment of the related Agent or Agents, such letter should cover such other information.

Section 8. INDEMNIFICATION.

A. INDEMNIFICATION OF THE AGENTS. The Company agrees to indemnify and hold harmless each Agent and each person, if any, who controls any Agent within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act as follows:

(i) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, arising out of any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement (or any amendment thereto), or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading, or arising out of any untrue statement or alleged untrue statement of a material fact included in any preliminary prospectus or the Prospectus (or any amendment or supplement thereto), or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(ii) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, to the extent of the aggregate amount paid in settlement of any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission, provided that (subject to Section 8(D) hereof) any such settlement is effected with the written consent of the Company; and

(iii) against any and all expense whatsoever, as incurred (including the fees and disbursements of counsel chosen by such Agent), reasonably incurred in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue statement or omission, or any such

alleged untrue statement or omission, to the extent that any such expense is not paid under subparagraph (i) or (ii) above;

PROVIDED, HOWEVER, that the foregoing indemnity agreement shall not apply to any loss, liability, claim, damage or expense to the extent arising out of any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with written information furnished to the Company by the Agents expressly for use in the Registration Statement (or any amendment thereto) or any preliminary prospectus or the Prospectus (or any amendment or supplement thereto), or made in reliance upon the Form T-1 filed as an exhibit to the Registration Statement.

B. INDEMNIFICATION OF COMPANY, DIRECTORS AND OFFICERS. Each Agent severally agrees to indemnify and hold harmless the Company, its directors, each of its officers who signed the Registration Statement and each person, if any, who controls the Company within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act against any and all loss, liability, claim, damage and expense described in the indemnity contained in Section 8(A) hereof, as incurred, but only with respect to untrue statements or omissions, or alleged untrue statements or omissions, made in the Registration Statement (or any amendment thereto) or any preliminary prospectus or the Prospectus (or any amendment or supplement thereto) in reliance upon and in conformity with written information furnished to the Company by such Agent expressly for use in the Registration Statement (or any amendment thereto) or such preliminary prospectus or the Prospectus (or any amendment or supplement thereto).

C. ACTIONS AGAINST PARTIES; NOTIFICATION. Each indemnified party shall give notice as promptly as reasonably practicable to each indemnifying party of any action commenced against it in respect of which indemnity may be sought hereunder, but failure to so notify an indemnifying party shall not relieve such indemnifying party from any liability hereunder to the extent it is not materially prejudiced as a result thereof and in any event shall not relieve it from any liability which it may have otherwise than on account of this indemnity agreement. In the case of parties indemnified pursuant to Section 8(A) hereof, counsel to the indemnified parties shall be selected by the applicable Agent or Agents, as the case may be, and, in the case of parties indemnified pursuant to Section 8(B) hereof, counsel to the indemnified parties shall be selected by the Company. An indemnifying party may participate at its own expense in the defense of any such action; PROVIDED, HOWEVER, that counsel to the indemnifying party shall not (except with the consent of the indemnified party) also be counsel to the indemnified party. In no event shall the indemnifying parties be liable for the fees and expenses of more than one counsel (in addition to any local counsel) separate from their own counsel for all indemnified parties in connection with any one action or separate but similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances.

No indemnifying party shall, without the prior written consent of the indemnified parties, settle or compromise or consent to the entry of any judgment with respect to any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever in respect of which indemnification or

contribution could be sought under this Section 8 or 9 hereof (whether or not the indemnified parties are actual or potential parties thereto), unless such settlement, compromise or consent (i) includes an unconditional release of each indemnified party from all liability arising out of such litigation, investigation, proceeding or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of any indemnified party.

D. SETTLEMENT WITHOUT CONSENT IF FAILURE TO REIMBURSE. If at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel, such indemnifying party agrees that it shall be liable for any settlement of the nature contemplated by Section 8(A)(ii) effected without its written consent if (i) such settlement is entered into more than 45 days after receipt by such indemnifying party of the aforesaid request, (ii) such indemnifying party shall have received notice of the terms of such settlement at least 30 days prior to such settlement being entered into and (iii) such indemnifying party shall not have reimbursed such indemnified party in accordance with such request prior to the date of such settlement.

#### Section 9. CONTRIBUTION.

If the indemnification provided for in Section 8 hereof is for any reason unavailable to or insufficient to hold harmless an indemnified party in respect of any losses, liabilities, claims, damages or expenses referred to therein, then each indemnifying party shall contribute to the aggregate amount of such losses, liabilities, claims, damages and expenses incurred by such indemnified party, as incurred, (i) in such proportion as is appropriate to reflect the relative benefits received by the Company, on the one hand, and the applicable Agent or Agents (as the case may be), on the other hand, from the offering of the Notes that were the subject of the claim for indemnification or (ii) if the allocation provided by clause (i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company, on the one hand, and the applicable Agent or Agents (as the case may be), on the other hand, in connection with the statements or omissions which resulted in such losses, liabilities, claims, damages or expenses, as well as any other relevant equitable considerations.

The relative benefits received by the Company, on the one hand, and the applicable Agent or Agents (as the case may be), on the other hand, in connection with the offering of the Notes that were the subject of the claim for indemnification shall be deemed to be in the same respective proportions as the total net proceeds from the offering of such Notes (before deducting expenses) received by the Company and the total discount or commission received by each applicable Agent, as the case may be, bear to the aggregate initial offering price of such Notes.

The relative fault of the Company, on the one hand, and the applicable Agent or Agents, as the case may be, on the other hand, shall be determined by reference to, among other things, whether any such untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company or by the applicable Agent or Agents, as the case may be, and the parties' relative

intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Company and the Agents agree that it would not be just and equitable if contribution pursuant to this Section 9 were determined by pro rata allocation (even if the applicable Agent or Agents, as the case may be, were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this Section 9. The aggregate amount of losses, liabilities, claims, damages and expenses incurred by an indemnified party and referred to above in this Section 9 shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any applicable untrue or alleged untrue statement or omission or alleged omission.

Notwithstanding the provisions of this Section 9, (i) no Agent shall be required to contribute any amount in excess of the amount by which the total discount or commission received by such Agent in connection with the offering of the Notes that were the subject of the claim for indemnification exceeds the amount of any damages which such Agent has otherwise been required to pay by reason of any applicable untrue or alleged untrue statement or omission or alleged omission and (ii) no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. In addition, in connection with an offering of Notes purchased from the Company by two or more Agents as principal pursuant to a single agreement entered into under Section 3(A) hereof, the respective obligations of such Agents to contribute pursuant to this Section 9 are several, and not joint, in proportion to the aggregate principal amount of Notes that each such Agent has agreed to purchase from the Company pursuant to such agreement.

For purposes of this Section 9, each person, if any, who controls an Agent within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act shall have the same rights to contribution as such Agent, and each director of the Company, each officer of the Company who signed the Registration Statement and each person, if any, who controls the Company within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act shall have the same rights to contribution as the Company.

#### Section 10. PAYMENT OF EXPENSES.

The Company will pay all expenses incident to the performance of its obligations under this Agreement, including:

A. The preparation, filing, printing and delivery of the Registration Statement and all amendments thereto and any preliminary prospectus, the Prospectus and any amendments or supplements thereto;

- B. The preparation, filing and reproduction of this Agreement and related documentation;
- C. The preparation, printing, issuance and delivery of the Notes, including any fees and expenses relating to the use of book-entry Notes;
- D. The fees and disbursements of the Company's accountants and counsel, of the Trustee and its counsel and of any calculation agent;
- E. The reasonable fees and disbursements of counsel to the Agents incurred from time to time in connection with this Agreement, the Notes, the Indenture, any Calculation Agreement to be entered into in connection with the issuance of Floating Rate Notes (as defined in the Prospectus), the Registration Statement, the Prospectus, any pricing supplements and any other documents or certificates delivered from time to time and in connection with transactions contemplated hereby;
- F. The qualification of the Notes under state securities laws in accordance with the provisions of Section 4(I) hereof, including filing fees and the reasonable fees and disbursements of counsel to the Agents in connection therewith and in connection with the preparation of any Blue Sky Survey;
- G. The printing and delivery to the Agents in quantities as hereinabove stated of copies of the Registration Statement and any amendments thereto, and of any preliminary prospectus and the Prospectus and any amendments or supplements thereto and the delivery by the Agents of any preliminary prospectus and the Prospectus and any amendments or supplements thereto in connection with solicitations or confirmations of sales of the Notes;
- H. The preparation, printing, reproducing and delivery to the Agents of copies of the Indenture and all supplements and amendments thereto;
- I. Any fees charged by rating agencies for the rating of the Notes;
- J. The fees and expenses, if any, incurred with respect to any filing with the National Association of Securities Dealers, Inc. (the "NASD");
- K. Any advertising of the Agents incurred with the approval of such expense by the Company;
- L. Any out-of-pocket expenses reasonably incurred by the Agents in connection with this Agreement and the transactions contemplated thereby;
- M. The cost of preparing, and providing any CUSIP or other identification numbers for, the Notes; and

N. The fees and expenses of any Depository (as defined in the Indenture) and any nominees thereof in connection with the Notes.

Section 11. REPRESENTATIONS, WARRANTIES AND AGREEMENTS TO SURVIVE DELIVERY.

All representations, warranties and agreements contained in this Agreement or contained in certificates of officers of the Company submitted pursuant hereto shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of any Agent or any controlling person of such Agent, or by or on behalf of the Company, and shall survive each delivery of and payment for any of the Notes and the termination of this Agreement.

Section 12. TERMINATION.

A. TERMINATION OF THIS AGREEMENT. This Agreement (excluding any agreement by one or more Agents to purchase Notes from the Company as principal pursuant to Section 3(A)) may be terminated for any reason, at any time, by either the Company or any Agent; PROVIDED, HOWEVER, that the termination of this Agreement with respect to any Agent, by either the Company or such Agent, but not the other Agents shall have no effect on the status of this Agreement with respect to such other Agents.

B. TERMINATION OF AGREEMENT. If any Agent or Agents shall agree to purchase Notes from the Company as principal pursuant to Section 3(A) hereof, such Agent or Agents, as the case may be, may terminate such agreement, immediately upon notice to the Company, at any time prior to the Settlement Date relating thereto (i) if there has been, since the date of such agreement or since the respective dates as of which information is given in the Registration Statement or the Prospectus, any material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business, (ii) there has occurred any material adverse change in the financial markets in the United States or, if such Notes are denominated and/or payable in, or indexed to, one or more foreign or composite currencies, in the international financial markets, or any outbreak of hostilities or escalation thereof or other calamity or crisis, or any change or development in national or international political, financial or economic conditions, in each case the effect of which is such as to make it, in the judgment of such Agent or Agents, as the case may be, impracticable to market such Notes or enforce contracts for the sale of such Notes, or (iii) trading in any securities of the Company has been suspended or materially limited by the Commission or a national securities exchange, or if trading generally on the New York Stock Exchange or the American Stock Exchange or in the Nasdaq National Market has been suspended or materially limited, or minimum or maximum prices for trading have been fixed, or maximum ranges for prices have been required, by either of said exchanges or by such system or by order of the Commission, the NASD or any other governmental authority, or (iv) a banking moratorium has been declared by either federal, California or New York authorities or by the relevant authorities in the country or countries of origin of any foreign or composite currency in which such Notes are denominated and/or payable, or (v) the rating assigned by any nationally recognized statistical rating organization

to the Program or any debt securities (including the Notes) of the Company as of the date of such agreement shall have been lowered or withdrawn since that date or if any such rating organization shall have publicly announced that it has under surveillance or review, with possible negative implications, its rating of the Program or any such debt securities, or (vi) if there shall have come to such Agent's attention any facts that would cause such Agent to believe that the Prospectus, as amended or supplemented at the time it was or would be required to be delivered to a purchaser of Notes, contained or would contain an untrue statement of a material fact or omitted or would omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time of such delivery, not misleading, or (vii) if any condition applicable to such agreement specified in Sections 5 or 7 of this Agreement, or any condition specified in such agreement, shall not have been fulfilled as and when required to be fulfilled.

C. GENERAL. In the event of any such termination, no party will have any liability to any other party hereto, except that, in the case of any such termination of this Agreement (i) each Agent shall be entitled to any commissions earned in accordance with the third paragraph of Section 3(B) hereof, (ii) if at the time of termination (A) any Agent shall own any Notes purchased by it from the Company as principal pursuant to Section 3(A) hereof or (B) an offer to purchase any of the Notes has been accepted by the Company but the time of delivery to the purchaser or his agent of the Note or Notes relating thereto has not occurred, the obligations set forth in Section 6 hereof and the covenants set forth in Sections 4 and 7 hereof shall remain in effect until such Notes are so resold or delivered, as the case may be, and (iii) the covenants set forth in Section 4(H) hereof, the indemnity and contribution agreements set forth in Sections 4(N), 8 and 9 hereof, and the provisions of Sections 10, 11 and 14 hereof shall remain in effect, and except that, in the case of any such termination of an agreement to purchase Notes, the Company shall remain obligated, pursuant to Section 10 hereof, to pay all expenses incident to such terminated agreement and the transactions contemplated thereby.

#### Section 13. NOTICES.

All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if mailed or transmitted by any standard form of telecommunication. Notices to the Agents shall be directed to Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, World Financial Center, North Tower, 10th Floor, New York, New York 10281, attention of MTN Product Management, Telecopy: (212) 449-2234; BancAmerica Robertson Stephens, 231 South LaSalle Street, 18th Floor, Chicago, Illinois 60697, Attention: Matt Carey, Telecopy: (312) 974-8936, Telephone: (312) 828-2860; Credit Suisse First Boston Corporation, Eleven Madison Avenue, New York, New York 10010, attention of Helena Willner, Telecopy: (212) 325-8183, Telephone: (212) 325-7198; and to Lehman Brothers Inc., 3 World Financial Center, 12th Floor, New York, New York 10285-1200, Attention: Medium-Term Note Department, Telecopy: (212) 528-1718, Telephone: (212) 298-2140, and notices to the Company shall be directed to it at 555 West Fifth Street, Los Angeles, California 90013, attention of Treasurer, Telecopy: (213) 244-8141, or in each case at such other address as such party may designate from time to time by notice duly given to the other parties in accordance with the terms of this Section 13.

Section 14. PARTIES.

This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors. Nothing expressed or mentioned in this Agreement is intended or shall be construed to give any person, firm or corporation, other than the parties hereto and their respective successors and the controlling persons and officers and directors referred to in Sections 8 and 9 hereof and their heirs and legal representatives, any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision herein contained. This Agreement and all conditions and provisions hereof are intended to be for the sole and exclusive benefit of the parties hereto and their respective successors and said controlling persons and officers and directors and their heirs and legal representatives, and for the benefit of no other person, firm or corporation. No purchaser of Notes shall be deemed to be a successor by reason merely of such purchase.

Section 15. GOVERNING LAW.

This Agreement and the rights and obligations of the parties shall be governed by and construed in accordance with the laws of the State of New York applicable to agreements made and to be performed in such State.

Section 16. COUNTERPARTS.

This Agreement may be executed in several counterparts, each of which shall be deemed an original hereof and all of which together shall constitute one or the same instrument.

Section 17. CAPTIONS.

The captions in this Agreement are for convenience of reference only and shall not be deemed to be part of this Agreement.

If the foregoing is in accordance with your understanding of our agreement, please sign and return to the Company a counterpart hereof, whereupon this Agreement along with all counterparts will become a binding agreement between the Agents and the Company in accordance with its terms.

Very truly yours,  
SOUTHERN CALIFORNIA GAS COMPANY

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

CONFIRMED AND ACCEPTED,  
as of the date first above written:

MERRILL LYNCH, PIERCE, FENNER & SMITH  
INCORPORATED

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

BANCAMERICA ROBERTSON STEPHENS

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

CREDIT SUISSE FIRST BOSTON CORPORATION

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

LEHMAN BROTHERS INC.

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

## PRICING TERMS

Principal Amount: \$ (or principal amount in a foreign or composite currency)  
 Stated Maturity:  
 Original Issue Date:  
 Price to be Paid to the Company: \_\_\_\_\_%  
 Agent's Discount or Commission:  
 Price to Public:  
 // a fixed initial public offering price of 100% of the principal amount  
 thereof, plus accrued interest, if any, from the Original Issue Date  
 // a fixed initial public offering price of \_\_\_\_\_% of the principal  
 amount thereof, plus accrued interest, if any, from the Original Issue  
 Date  
 // varying prices related to prevailing market prices at the time of  
 resale to be determined by the Agent or Agents, as the case may be,  
 plus accrued interest, if any, from the Original Issue Date

Settlement Date, Place and Time:  
 Authorized Denominations (if other than \$1,000 and integral multiples thereof):  
 Agent is acting as (if not specified, Agent will be assumed to be acting as  
 principal):  
 // principal  
 // agent

IF FIXED RATE NOTE:  
 Interest Rate:  
 Interest Payment Dates:  
 // March 1 and September 1  
 // Other:  
 Regular Record Dates:  
 // February 15 and August 15  
 // Other:

IF FLOATING RATE NOTE:  
 Base Rate(s):  
 If LIBOR:  
 // LIBOR Telerate  
 Page:  
 // LIBOR Reuters  
 Page:  
 Designated LIBOR Currency:  
 If CMT Rate,  
 Designated CMT Telerate Page:  
 If Telerate Page 7052:  
 // Weekly Average  
 // Monthly Average  
 Designated CMT Maturity Index:  
 Initial Interest Rate, if any:  
 Index Maturity:  
 Spread (Plus or Minus), if any:  
 Spread Multiplier, if any:  
 Maximum Interest Rate, if any:  
 Minimum Interest Rate, if any:  
 Interest Payment Dates:

Initial Interest Reset Date:  
Interest Reset Date(s):  
Interest Rate Reset Period:  
Calculation Agent:  
Day Count Convention (if no Day Count Convention is specified below, the Day Count Convention from the Original Issue Date until the principal of, premium, if any, and interest on these Notes are paid in full will be as set forth in the Prospectus Supplement relating to the Notes):  
/ / Actual/360 for the period from \_\_\_\_\_ to \_\_\_\_\_.  
/ / Actual/Actual for the period from \_\_\_\_\_ to \_\_\_\_\_.  
/ / 30/360 for the period from \_\_\_\_\_ to \_\_\_\_\_.  
Applicable Base Rate:

REDEMPTION PROVISIONS, IF ANY:

Initial Redemption Date:  
Initial Redemption Percentage:  
Annual Redemption Percentage Reduction:

REPAYMENT PROVISIONS, IF ANY:

Optional Repayment Date(s):

IF ISSUED WITH ORIGINAL ISSUE DISCOUNT ("OID"):

Total Amount of OID:  
Issue Price (expressed as a percentage of aggregate principal amount):  
Yield to Maturity:  
Initial Accrual Period OID:  
Method used to determine yield for initial accrual period:  
/ / Approximate  
/ / Exact

Other Provisions:

The pricing terms shall include an agreement as to whether the following will or will not be required: (i) the officers' certificate pursuant to Section 7(B) of the Distribution Agreement; (ii) the legal opinion pursuant to Section 7(C) of the Distribution Agreement; and (iii) the comfort letter pursuant to Section 7(D) of the Distribution Agreement. Unless otherwise agreed by the Company and the applicable Agent or Agents, as the case may be, the stand-off agreement set forth in Section 4(K) of the Distribution Agreement will be applicable.

## COMMISSION SCHEDULE

As compensation for the services of the Agents hereunder, the Company shall pay each Agent, on a discount basis, a commission for the sale of each Note by such Agent equal to the principal amount of such Note multiplied by the appropriate percentage set forth below:

Maturing Ranges -----	Percent of Principal Amount -----
From 9 months but less than 1 year. . . . .	0.125%
From 1 year but less than 18 months . . . . .	0.150%
From 18 months but less than 2 years. . . . .	0.200%
From 2 years but less than 3 years. . . . .	0.250%
From 3 years but less than 4 years. . . . .	0.350%
From 4 years but less than 5 years. . . . .	0.450%
From 5 years but less than 6 years. . . . .	0.500%
From 6 years but less than 7 years. . . . .	0.550%
From 7 years but less than 10 years . . . . .	0.600%
From 10 years but less than 15 years. . . . .	0.625%
From 15 years but less than 20 years. . . . .	0.700%
From 20 years but less than 30 years. . . . .	0.750%
More than 30 years. . . . .	*

-----  
\* To be negotiated at the time of sale between the applicable Agent and the Company.

FACE OF FIXED RATE MEDIUM-TERM NOTE

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

[The following legend is for inclusion only in Book-Entry Securities -- UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR NOTES IN CERTIFICATED FORM, THIS NOTE MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY.]

SOUTHERN CALIFORNIA GAS COMPANY  
MEDIUM-TERM NOTE  
(FIXED RATE)

REGISTERED No. FXR	CUSIP NO.:	PRINCIPAL AMOUNT: \$
ORIGINAL ISSUE DATE:	INTEREST RATE:	% STATED MATURITY DATE:
INTEREST PAYMENT DATES: [ ] March 1 and September 1 [ ] Other:		REGULAR RECORD DATES (If other than February 15 and August 15):
INITIAL REDEMPTION DATE:	INITIAL REDEMPTION PERCENTAGE:	ANNUAL REDEMPTION PERCENTAGE REDUCTION: %
OPTIONAL REPAYMENT DATE(S):		[ ] CHECK IF DISCOUNT NOTE Issue Price: %
ADDENDUM ATTACHED: [ ] Yes [ ] No	AUTHORIZED DENOMINATION (if other than \$1,000 and integral multiples thereof):	
OTHER/ADDITIONAL PROVISIONS:		

SOUTHERN CALIFORNIA GAS COMPANY, a California corporation (the "Company", which term includes any successor under the Indenture hereinafter referred to), for value received, hereby promises to pay to \_\_\_\_\_, or registered assigns, the principal sum of

DOLLARS

on the Stated Maturity Date specified above (except to the extent redeemed or repaid prior to the Stated Maturity Date) and to pay interest thereon at the Interest Rate per annum specified above until the principal hereof is paid or duly made available for payment.

The Company will pay interest in arrears on each of the Interest Payment Dates specified above in each year, commencing with the first Interest Payment Date next succeeding the Original Issue Date specified above, and on the Stated Maturity Date and any earlier Redemption Date (as defined on the reverse hereof) or Optional Repayment Date specified above with respect to which such redemption or repayment option has been exercised, and on any other date on which any principal of this Note shall become due and payable (such Stated Maturity Date, each such Redemption Date and Optional Repayment Date with respect to which such redemption or repayment option has been exercised, and each such other date on which principal or an installment of principal of this Note is due and payable by declaration of acceleration or otherwise pursuant to the Indenture referred to on the reverse hereof, being hereinafter referred to as a "Maturity" with respect to the principal payable on such date); PROVIDED, HOWEVER, that if the Original Issue Date occurs between a Regular Record Date (as defined below) and the next succeeding Interest Payment Date, interest payments will commence on the Interest Payment Date following the next succeeding Regular Record Date to the Holder of this Note at the close of business on such next succeeding Regular Record Date.

Unless otherwise specified on the face hereof or in an Addendum hereto, interest payable on this Note on any Interest Payment Date or Maturity shall be the amount of interest accrued from and including the next preceding Interest Payment Date in respect of which interest has been paid or duly provided for (or from and including the Original Issue Date specified on the face hereof if no interest has been paid or duly provided for with respect to this Note), to but excluding the relevant Interest Payment Date or Maturity, as the case may be. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, subject to certain exceptions, be paid to the Person in whose name this Note (or one or more Predecessor Securities) is registered at the close of business on the February 15 or August 15 immediately preceding such Interest Payment Date, unless otherwise specified on the face hereof or in an Addendum hereto (a "Regular Record Date"); PROVIDED, HOWEVER, that interest payable at any Maturity will be payable to the

Person to whom the principal hereof shall be payable. Any such interest not so punctually paid or duly provided for on any Interest Payment Date (other than at Maturity) will forthwith cease to be payable to the Person in whose name this Note (or one or more Predecessor Securities) is registered at the close of business on the relevant Regular Record Date and may either be paid to the Person in whose name this Note (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest or be paid in any lawful manner, all on the terms and subject to the conditions set forth in the Indenture. If any Interest Payment Date or Maturity of this Note falls on a day which is not a Business Day (as defined below), the payment of the principal of and premium, if any, and interest on this Note due on such Interest Payment Date or Maturity will be paid on the next succeeding Business Day with the same force and effect as if paid on such Maturity or Interest Payment Date, as the case may be, and no interest shall accrue with respect to such payment for the period from and after such Interest Payment Date or Maturity.

Payments of principal of and premium, if any, and interest on this Note shall be made in such coin or currency of the United States as at the time of payment is legal tender for the payment of public and private debts at the office or agency of the Company maintained for such purpose in the Borough of Manhattan, The City of New York and at such additional places as the Company may designate from time to time; PROVIDED, HOWEVER, that payments of interest on this Note, other than interest payable at Maturity, may be made at the option of the Company by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register. Notwithstanding the foregoing, a Holder of \$10,000,000 or more in aggregate principal amount of Definitive Notes (whether having identical or different terms and provisions) shall be entitled to receive payments of interest due on such Definitive Notes on any Interest Payment Date (other than at Maturity) by wire transfer of immediately available funds to an account maintained by such Holder with a depository institution located in the United States (provided such depository institution shall have appropriate facilities therefor) if appropriate wire transfer instructions have been received in writing by the Trustee on or before the Regular Record Date immediately preceding such Interest Payment Date. Any such wire transfer instructions received by the Trustee shall remain in effect until revoked in writing by such Holder. As used herein, a "Definitive Note" means a Note which is not a Book-Entry Security (as defined in the Indenture).

The principal of and premium, if any, and interest on this Note due at any Maturity will be paid in immediately available funds against presentation and surrender of this Note at the office or agency of the Company maintained for that purpose in the Borough of Manhattan, The City of New York and at such additional places as the Company may designate from time to time

(with interest due at Maturity being paid to the Person to whom principal is paid), and will be paid by wire transfer of immediately available funds to an account maintained by the Holder with a depository institution located in the United States if the Trustee shall have received appropriate wire transfer instructions not later than the close of business at least two Business Days prior to the related Maturity.

As used herein, a "Business Day" means any day that is not a Saturday or Sunday and that, in New York, New York, is not a day on which banking institutions are authorized or obligated by law, regulation or executive order to close.

Reference is hereby made to the further provisions of this Note set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place. References herein to "this Note", "hereof", "herein" and comparable terms shall include an Addendum hereto if an Addendum is specified above.

Anything herein to the contrary notwithstanding, if an Addendum is attached hereto or "Other/Additional Provisions" apply to this Note as specified above, this Note shall be subject to the terms set forth in such Addendum or such "Other/Additional Provisions."

Unless the certificate of authentication hereon has been executed by the Trustee under the Indenture referred to on the reverse hereof by the manual signature of one of its authorized signatories, this Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed, manually or in facsimile, and its corporate seal (or a facsimile thereof) to be imprinted hereon.

[SEAL]

SOUTHERN CALIFORNIA GAS COMPANY

By: -----  
Dennis V. Arriola  
Vice President and Treasurer

By: -----  
Thomas Sanger  
Secretary

Dated: .....

TRUSTEE'S CERTIFICATE OF  
AUTHENTICATION:  
This is one of the Securities  
of the series designated  
herein referred to in the  
within-mentioned Indenture.

CITIBANK, N.A.,  
as Trustee

By: .....  
Authorized Signatory

REVERSE OF NOTE

SOUTHERN CALIFORNIA GAS COMPANY  
MEDIUM-TERM NOTE  
(FIXED RATE)

This Note is one of a duly authorized series of Securities of the Company issued and to be issued under an Indenture dated as of May 1, 1989, as amended and supplemented by a First Supplemental Indenture dated as of October 1, 1992 (such Indenture, as amended and supplemented by such First Supplemental Indenture, is hereinafter referred to as the "Indenture"), between the Company and Citibank, N.A., as Trustee (herein called the "Trustee", which term includes any successor trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Notes and the terms upon which the Notes are, and are to be, authenticated and delivered. This Note is one of the series of Securities designated as "Medium-Term Notes" and herein referred to as the "Notes."

This Note is issuable only in registered form without coupons in minimum denominations of \$1,000 and integral multiples of \$1,000 in excess thereof or in such other Authorized Denomination and integral multiples thereof as may be specified on the face hereof.

Unless otherwise specified in an Addendum hereto or on the face hereof under "Other/Additional Provisions," this Note will not be subject to any sinking fund. Unless otherwise specified on the face hereof in accordance with the provisions of the following two paragraphs, this Note will not be redeemable or repayable prior to its Stated Maturity Date.

This Note will be subject to redemption at the option of the Company on any date on or after the Initial Redemption Date, if any, specified on the face hereof, in whole or from time to time in part in increments of \$1,000 in principal amount or any integral multiple of \$1,000 in principal amount (or, if another Authorized Denomination is set forth on the face hereof, in increments equal in principal amount to such Authorized Denomination or any integral multiple thereof) (provided that any remaining principal amount hereof shall be at least \$1,000 or, if another Authorized Denomination is set forth on the face hereof, the minimum Authorized Denomination), at the Redemption Price (as defined below), together with unpaid interest accrued thereon to the date fixed for redemption (the "Redemption Date"), on written notice given to the Holder hereof (in accordance with the provisions of the Indenture) not more than 60 nor less than 30 calendar days prior to the Redemption Date. The "Redemption

Price" shall be the Initial Redemption Percentage specified on the face hereof (as adjusted by the Annual Redemption Percentage Reduction, if any, specified on the face hereof as set forth below) multiplied by the unpaid principal amount of this Note to be redeemed. The Initial Redemption Percentage shall decline at each anniversary of the Initial Redemption Date by an amount equal to the Annual Redemption Percentage Reduction, if any, until the Redemption Price is 100% of unpaid principal amount to be redeemed. In the event of redemption of this Note in part only, a new Note of like tenor for the unredeemed portion hereof and otherwise having the same terms and provisions as this Note shall be issued by the Company in the name of the Holder hereof upon the presentation and surrender hereof.

This Note will be subject to repayment by the Company at the option of the Holder hereof on the Optional Repayment Date(s), if any, specified on the face hereof, in whole or from time to time in part in increments of \$1,000 in principal amount or any integral multiple of \$1,000 in principal amount (or, if another Authorized Denomination is set forth on the face hereof, in increments equal in principal amount to such Authorized Denomination or any integral multiple thereof) (provided that any remaining principal amount hereof shall be at least \$1,000 or, if another Authorized Denomination is set forth on the face hereof, the minimum Authorized Denomination), at a repayment price equal to 100% of the principal amount to be repaid, together with unpaid interest accrued thereon to the date fixed for repayment (the "Repayment Date"). For this Note to be repaid, this Note must be received, together with the form hereon entitled "Option to Elect Repayment" duly completed, by the Trustee at its office maintained for such purpose in the Borough of Manhattan, The City of New York, not more than 60 nor less than 30 calendar days prior to the Repayment Date. Exercise of such repayment option by the Holder hereof shall be irrevocable. In the event of repayment of this Note in part only, a new Note of like tenor for the unrepaid portion hereof and otherwise having the same terms and provisions as this Note shall be issued by the Company in the name of the Holder hereof upon the presentation and surrender hereof. If applicable, the Company will comply with the requirements of Rule 14e-1 under the Securities Exchange Act of 1934, as amended, and any other securities laws or regulations in connection with any such repayment.

If this Note is specified on the face hereof to be a Discount Note, then this Note shall constitute an Original Issue Discount Security within the meaning of the Indenture and the amount payable to the Holder of this Note in the event of redemption, repayment or acceleration of maturity of this Note will be equal to the sum of (1) the Issue Price specified on the face hereof (increased by any accruals of the Discount, as defined below) and, in the event of any redemption of this Note (if applicable), multiplied by the Initial Redemption Percentage (as adjusted by the Annual Redemption Percentage Reduction, if

applicable) and (2) any unpaid interest accrued thereon to the Redemption Date, Repayment Date or date of acceleration of maturity, as the case may be. The difference between the Issue Price and 100% of the principal amount of this Note is referred to herein as the "Discount."

For purposes of determining the amount of Discount that has accrued as of any Redemption Date, Repayment Date or date of acceleration of maturity of this Note, such Discount will be accrued so as to cause an assumed yield on the Note to be constant. The assumed constant yield will be calculated using a 30-day month, 360-day year convention, a compounding period that, except for the Initial Period (as defined below), corresponds to the shortest period between Interest Payment Dates (with ratable accruals within a compounding period), a coupon rate equal to the initial Interest Rate applicable to this Note and an assumption that the maturity of this Note will not be accelerated. If the period from the Original Issue Date to the initial Interest Payment Date (the "Initial Period") is shorter than the compounding period for this Note, a proportionate amount of the yield for an entire compounding period will be accrued. If the Initial Period is longer than the compounding period, then such period will be divided into a regular compounding period and a short period, with the short period being treated as provided in the preceding sentence.

Interest payments on this Note shall be computed and paid on the basis of a 360-day year of twelve 30-day months unless otherwise indicated on the face hereof or in an Addendum hereto.

Any provision contained herein with respect to the calculation of the rate of interest applicable to this Note, its payment dates or any other terms hereof or matters relating hereto may be modified as specified in an Addendum hereto or on the face hereof under "Other/Additional Provisions."

If an Event of Default with respect to the Notes shall occur and be continuing, the Trustee or the Holders of not less than 25% in aggregate principal amount of the Outstanding Notes may declare the principal of all the Notes to be due and payable immediately in the manner and with the effect provided in the Indenture.

The Indenture contains provisions, which provisions apply to the Notes, for (i) the defeasance of the indebtedness evidenced by the Notes and (ii) the satisfaction and discharge of the Indenture, in each case upon compliance with certain conditions, and subject to certain exceptions, set forth in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities of each series to be affected thereby

at any time by the Company and the Trustee with the consent of the Holders of 66-2/3% in aggregate principal amount of the Outstanding Securities of each series affected thereby. The Indenture also contains provisions permitting the Holders of not less than a majority in aggregate principal amount of the Securities of each series at the time Outstanding, on behalf of the Holders of all Securities of such series, to waive certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Note shall be conclusive and binding upon such Holder and upon all future Holders of this Note and of any Note issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof whether or not notation of such consent or waiver is made upon this Note but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and premium, if any, and interest on this Note at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture, and subject to certain limitations therein set forth, the transfer of this Note may be registered on the Security Register upon surrender of this Note for registration of transfer at the office or agency of the Company maintained for that purpose in the Borough of Manhattan, The City of New York duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or by his attorney duly authorized in writing and thereupon one or more new Notes, of Authorized Denominations and for the same aggregate principal amount and having the identical terms and provisions, will be issued to the designated transferee or transferees.

As provided in the Indenture, and subject to certain limitations therein set forth, the Notes are exchangeable for a like aggregate principal amount of Notes having identical terms and provisions, in Authorized Denominations, as requested by the Holder surrendering the same.

No service charge will be made for any such registration of transfer or exchange, but the Company may, subject to certain exceptions specified in the Indenture, require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Note for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Note is registered as the owner hereof for all purposes, whether or not

this Note be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of or premium, if any, or interest on this Note and remaining unclaimed for two years after such principal, premium, if any, or interest has become due and payable shall be paid to the Company on Company Request or (if then held by the Company) shall be discharged from such trust, and the Holder of this Note shall thereafter look only to the Company for payment thereof, all as provided in the Indenture.

If any principal of or premium, if any, or interest on this Note is not paid when due, then such unpaid principal, premium or interest, as the case may be, shall, to the extent permitted by law, bear interest until paid at the interest rate per annum borne by this Note.

The Notes shall be governed by and construed in accordance with the laws of the State of New York applicable to agreements made and to be performed in such State.

All capitalized terms used in this Note and not defined herein which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

OPTION TO ELECT REPAYMENT

The undersigned hereby irrevocably request(s) and instruct(s) the Company to repay this Note (or portion hereof specified below) pursuant to its terms on \_\_\_\_\_ at a price equal to the principal amount of this Note to be repaid, together with interest accrued on the principal amount to be repaid to the repayment date, by payment to the undersigned, at \_\_\_\_\_

(Please print or type the name and address of the undersigned)

For this Note to be repaid, the Trustee must receive at Citibank, N.A., 111 Wall Street, 5th Floor, Corporate Trust Services, Attention: Issuance and Transfer, New York, New York 10043, or at such other address of which the Company shall from time to time notify the Holder of this Note, not more than 60 nor less than 30 days prior to an Optional Repayment Date, if any, shown on the face of this Note, this Note with this "Option to Elect Repayment" form duly completed.

If less than the entire principal amount of this Note is to be repaid, specify the portion hereof (which shall be in increments of \$1,000 (or other Authorized Denomination, if any, specified on the face hereof) in principal amount) which the Holder elects to have repaid (in the absence of any such specification, the entire principal amount hereof will be repaid) and specify the denomination or denominations (which shall be \$1,000 (or other minimum Authorized Denomination, if any, specified on the face hereof) or any multiple thereof) of the Note or Notes to be issued to the Holder for the portion of this Note not being repaid (in the absence of any such specification, one such Note will be issued for the portion not being repaid).

\$ \_\_\_\_\_  
(Specify portion to be repaid, if less than the entire principal amount of this Note)

\_\_\_\_\_  
NOTICE: The signature(s) on this Option to Elect Repayment must correspond with the name(s) as written upon the face of this Note in every particular without alteration or enlargement or any change whatsoever.

\$ \_\_\_\_\_  
(Specify denomination or denominations of Note or Notes to be issued for the portion, if any, of this Note not being repaid)

Date: \_\_\_\_\_

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this instrument, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM--as tenants in common

UNIF TSFR (GIFT) MIN ACT-- \_\_\_\_\_ Custodian \_\_\_\_\_ --  
(Cust) (Minor)

Under Uniform Transfer (Gifts) to Minors Act

\_\_\_\_\_  
(State)

TEN ENT-- as tenants by the entirety

JT TEN-- as joint tenants with right of survivorship and not as  
tenants in common

Additional abbreviations may also be used though not in the above list.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sell(s), assign(s) and transfer(s) unto

Please Insert Social Security or Other Identifying Number of Assignee:

-----  
PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS,  
INCLUDING ZIP CODE OF ASSIGNEE:  
-----  
-----  
-----

the within Note and all rights thereunder, hereby irrevocably constituting and appointing \_\_\_\_\_ attorney to transfer said Note on the books of the Company, with full power of substitution in the premises.

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

\_\_\_\_\_  
NOTICE: The signature(s) to this assignment must correspond with the name(s) as written upon the face of the within instrument in every particular, without alteration or enlargement or any change whatsoever.

FACE OF FLOATING RATE MEDIUM-TERM NOTE

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

[The following legend is for inclusion only in Book-Entry Securities -- UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR NOTES IN CERTIFICATED FORM, THIS NOTE MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY.]

SOUTHERN CALIFORNIA GAS COMPANY  
MEDIUM-TERM NOTE  
(FLOATING RATE)

REGISTERED No. FLR                      CUSIP NO. :                      PRINCIPAL AMOUNT:  
\$

BASE RATE OR BASE RATES:                      ORIGINAL ISSUE DATE:                      STATED MATURITY DATE:

If LIBOR:    IF CMT RATE:  
[ ] LIBOR Reuters                                      Designated CMT Telerate  
Page:    Page:  
[ ] LIBOR Telerate                                      If Telerate Page 7052:  
Page:    [ ] Weekly Average  
Designated LIBOR Currency:                              [ ] Monthly Average  
Designated CMT Maturity  
Index:

INDEX MATURITY:                      INITIAL INTEREST RATE:                      INTEREST PAYMENT DATE(S):  
%

SPREAD (PLUS OR MINUS):                      SPREAD MULTIPLIER:



SOUTHERN CALIFORNIA GAS COMPANY, a California corporation (the "Company", which term includes any successor under the Indenture hereinafter referred to), for value received, hereby promises to pay to \_\_\_\_\_, or registered assigns, the principal sum of

DOLLARS

on the Stated Maturity Date specified above (except to the extent redeemed or repaid prior to the Stated Maturity Date) and to pay interest thereon at a rate per annum equal to the Initial Interest Rate specified above until the Initial Interest Reset Date specified above and thereafter at a rate per annum equal to the Initial Interest Rate specified above until the Initial Interest Reset Date specified above and thereafter at a rate per annum determined in accordance with the provisions specified above and elsewhere in this Note and in any Addendum hereto, depending upon the Base Rate or the lowest of two or more Base Rates specified above, in each case (i) plus or minus the Spread, if any, specified above and (ii) multiplied by the Spread Multiplier, if any, specified above until the principal hereof is paid or duly made available for payment.

The Company will pay interest in arrears on each of the Interest Payment Dates specified above in each year, commencing with the first Interest Payment Date next succeeding the Original Issue Date specified above, and on the Stated Maturity Date and any earlier Redemption Date (as defined on the reverse hereof) or Optional Repayment Date specified above with respect to which such redemption or repayment option has been exercised, and on any other date on which any principal of this Note shall become due and payable (such Stated Maturity Date, each such Redemption Date and Optional Repayment Date with respect to which such redemption or repayment option has been exercised, and each such other date on which principal or an installment of principal of this Note is due and payable by declaration of acceleration or otherwise pursuant to the Indenture referred to on the reverse hereof, being hereinafter referred to as a "Maturity" with respect to the principal payable on such date); PROVIDED, HOWEVER, that if the Original Issue Date occurs between a Regular Record Date (as defined below) and the next succeeding Interest Payment Date, interest payments will commence on the Interest Payment Date following the next succeeding Regular Record Date to the Holder of this Note at the close of business on such next succeeding Regular Record Date; and PROVIDED, FURTHER, that if an Interest Payment Date would fall on a day that is not a Business Day (as defined below), such Interest Payment Date shall be the next succeeding day which is a Business Day, except that in the case of a Note for which LIBOR is the Base Rate or a Base Rate, as indicated above, if such next succeeding Business Day falls in the next succeeding calendar month, such Interest Payment Date will be the next preceding day that is a Business Day.

Unless otherwise specified on the face hereof or in an Addendum hereto, interest payable on this Note on any Interest Payment Date or Maturity shall be the amount of interest accrued from and including

the next preceding Interest Payment Date in respect of which interest has been paid or duly provided for (or from and including the Original Issue Date specified on the face hereof if no interest has been paid or duly provided for with respect to this Note), to but excluding the relevant Interest Payment Date or Maturity, as the case may be. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, subject to certain exceptions, be paid to the Person in whose name this Note (or one or more Predecessor Securities) is registered at the close of business on the 15th calendar day (whether or not a Business Day) immediately preceding such Interest Payment Date, unless otherwise specified on the face hereof or in an Addendum hereto (a "Regular Record Date"); PROVIDED, HOWEVER, that interest payable at any Maturity will be payable to the Person to whom the principal hereof shall be payable. Any such interest not so punctually paid or duly provided for on any Interest Payment Date (other than at Maturity) will forthwith cease to be payable to the Person in whose name this Note (or one or more Predecessor Securities) is registered at the close of business on the relevant Regular Record Date and may either be paid to the Person in whose name this Note (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest or be paid in any lawful manner, all on the terms and subject to the conditions set forth in the Indenture. If any Maturity of this Note falls on a day that is not a Business Day, the payment of the principal of and premium, if any, and interest on this Note due on such Maturity will be paid on the next succeeding Business Day with the same force and effect as if paid on such Maturity, and no interest shall accrue with respect to such payment for the period from and after such Maturity.

Payments of principal of and premium, if any, and interest on this Note shall be made in such coin or currency of the United States as at the time of payment is legal tender for the payment of public and private debts at the office or agency of the Company maintained for such purpose in the Borough of Manhattan, The City of New York and at such additional places as the Company may designate from time to time; provided, however, that payments of interest on this Note, other than interest payable at Maturity, may be made at the option of the Company by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register. Notwithstanding the foregoing, a Holder of \$10,000,000 or more in aggregate principal amount of Definitive Notes (whether having identical or different terms and provisions) shall be entitled to receive payments of interest due on such Definitive Notes on any Interest Payment Date (other than at Maturity) by wire transfer of immediately available funds to an account maintained by such Holder with a depository institution located in the United States (provided such depository institution shall have appropriate facilities therefor) if appropriate wire transfer instructions have been received in writing by the Trustee on or before the Regular Record Date immediately preceding such Interest Payment Date. Any such wire transfer instructions received by the Trustee shall remain in effect until revoked in

writing by such Holder. As used herein, a "Definitive Note" means a Note which is not a Book-Entry Security (as defined in the Indenture).

The principal of and premium, if any, and interest on this Note due at any Maturity will be paid in immediately available funds against presentation and surrender of this Note at the office or agency of the Company maintained for that purpose in the Borough of Manhattan, The City of New York and at such additional places as the Company may designate from time to time (with interest due at Maturity being paid to the Person to whom principal is paid), and will be paid by wire transfer of immediately available funds to an account maintained by the Holder with a depository institution located in the United States if the Trustee shall have received appropriate wire transfer instructions not later than the close of business at least two Business Days prior to the related Maturity.

As used herein, a "Business Day" means any day that is not a Saturday or Sunday and that, in New York, New York, is not a day on which banking institutions are authorized or obligated by law, regulation or executive order to close, and in the case of a Note for which LIBOR is the Base Rate or a Base Rate, as indicated above, is also a London Business Day. As used herein, "London Business Day" means any day on which dealings in the Designated LIBOR Currency (as defined on the reverse hereof) are transacted in the London interbank market.

Reference is hereby made to the further provisions of this Note set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place. References herein to "this Note", "hereof", "herein" and comparable terms shall include an Addendum hereto if an Addendum is specified above.

Anything herein to the contrary notwithstanding, if an Addendum is attached hereto or "Other/Additional Provisions" apply to this Note as specified above, this Note shall be subject to the terms set forth in such Addendum or such "Other/Additional Provisions."

Unless the certificate of authentication hereon has been executed by the Trustee under the Indenture referred to on the reverse hereof by the manual signature of one of its authorized signatories, this Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed, manually or in facsimile, and its corporate seal (or a facsimile thereof) to be imprinted hereon.

[SEAL]

SOUTHERN CALIFORNIA GAS COMPANY

By:

-----  
Dennis V. Arriola  
Vice President and Treasurer

By:

-----  
Thomas Sanger  
Secretary

Dated:

TRUSTEE'S CERTIFICATE OF  
AUTHENTICATION:  
This is one of the Securities  
of the series designated herein  
referred to in the within-mentioned  
Indenture.

CITIBANK, N.A.,  
as Trustee

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

REVERSE OF NOTE

SOUTHERN CALIFORNIA GAS COMPANY  
MEDIUM-TERM NOTE  
(FLOATING RATE)

This Note is one of a duly authorized series of Securities of the Company issued and to be issued under an Indenture dated as of May 1, 1989, as amended and supplemented by a First Supplemental Indenture dated as of October 1, 1992 (such Indenture, as amended and supplemented by such First Supplemental Indenture, is hereinafter referred to as the "Indenture"), between the Company and Citibank, N.A., as Trustee (herein called the "Trustee", which term includes any successor trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Notes and the terms upon which the Notes are, and are to be, authenticated and delivered. This Note is one of the series of Securities designated as "Medium-Term Notes" and herein referred to as the "Notes."

This Note is issuable only in registered form without coupons in minimum denominations of \$1,000 and integral multiples of \$1,000 in excess thereof or in such other Authorized Denomination and integral multiples thereof as may be specified on the face hereof.

Unless otherwise specified in an Addendum hereto or on the face hereof under "Other/Additional Provisions," this Note will not be subject to any sinking fund. Unless otherwise specified on the face hereof in accordance with the provisions of the following two paragraphs, this Note will not be redeemable or repayable prior to its Stated Maturity Date.

This Note will be subject to redemption at the option of the Company on any date on or after the Initial Redemption Date, if any, specified on the face hereof, in whole or from time to time in part in increments of \$1,000 in principal amount or any integral multiple of \$1,000 in principal amount (or, if another Authorized Denomination is set forth on the face hereof, in increments equal in principal amount to such Authorized Denomination or any integral multiple thereof) (provided that any remaining principal amount hereof shall be at least \$1,000 or, if another Authorized Denomination is set forth on the face hereof, the minimum Authorized Denomination), at the Redemption Price (as defined below), together with unpaid interest accrued thereon to the date fixed for redemption (the "Redemption Date"), on written notice given to the Holder hereof (in accordance with the provisions of the Indenture) not more than 60 nor less than 30 calendar days prior to the Redemption Date. The "Redemption Price" shall be the Initial Redemption Percentage specified on

the face hereof (as adjusted by the Annual Redemption Percentage Reduction, if any, specified on the face hereof as set forth below) multiplied by the unpaid principal amount of this Note to be redeemed. The Initial Redemption Percentage shall decline at each anniversary of the Initial Redemption Date by an amount equal to the Annual Redemption Percentage Reduction, if any, until the Redemption Price is 100% of unpaid principal amount to be redeemed. In the event of redemption of this Note in part only, a new Note of like tenor for the unredeemed portion hereof and otherwise having the same terms and provisions as this Note shall be issued by the Company in the name of the Holder hereof upon the presentation and surrender hereof.

This Note will be subject to repayment by the Company at the option of the Holder hereof on the Optional Repayment Date(s), if any, specified on the face hereof, in whole or from time to time in part in increments of \$1,000 in principal amount or any integral multiple of \$1,000 in principal amount (or, if another Authorized Denomination is set forth on the face hereof, in increments equal in principal amount to such Authorized Denomination or any integral multiple thereof)(provided that any remaining principal amount hereof shall be at least \$1,000 or, if another Authorized Denomination is set forth on the face hereof, the minimum Authorized Denomination), at a repayment price equal to 100% of the principal amount to be repaid, together with unpaid interest accrued thereon to the date fixed for repayment (the "Repayment Date"). For this Note to be repaid, this Note must be received, together with the form hereon entitled "Option to Elect Repayment" duly completed, by the Trustee at its office maintained for such purpose in the Borough of Manhattan, The City of New York, not more than 60 nor less than 30 calendar days prior to the Repayment Date. Exercise of such repayment option by the Holder hereof shall be irrevocable. In the event of repayment of this Note in part only, a new Note of like tenor for the unrepaid portion hereof and otherwise having the same terms and provisions as this Note shall be issued by the Company in the name of the Holder hereof upon the presentation and surrender hereof. If applicable, the Company will comply with the requirements of Rule 14e-1 under the Securities Exchange Act of 1934, as amended, and any other securities laws or regulations in connection with any such repayment.

If this Note is specified on the face hereof to be a Discount Note, then this Note shall constitute an Original Issue Discount Security within the meaning of the Indenture and the amount payable to the Holder of this Note in the event of redemption, repayment or acceleration of maturity of this Note will be equal to the sum of (1) the Issue Price specified on the face hereof (increased by any accruals of the Discount, as defined below) and, in the event of any redemption of this Note (if applicable), multiplied by the Initial Redemption Percentage (as adjusted by the Annual Redemption Percentage Reduction, if applicable) and (2) any unpaid interest accrued thereon to the

Redemption Date, Repayment Date or date of acceleration of maturity, as the case may be. The difference between the Issue Price and 100% of the principal amount of this Note is referred to herein as the "Discount."

For purposes of determining the amount of Discount that has accrued as of any Redemption Date, Repayment Date or date of acceleration of maturity of this Note, such Discount will be accrued so as to cause an assumed yield on the Note to be constant. The assumed constant yield will be calculated using a 30-day month, 360-day year convention, a compounding period that, except for the Initial Period (as defined below), corresponds to the shortest period between Interest Payment Dates (with ratable accruals within a compounding period), a coupon rate equal to the initial Interest Rate applicable to this Note and an assumption that the maturity of this Note will not be accelerated. If the period from the Original Issue Date to the initial Interest Payment Date (the "Initial Period") is shorter than the compounding period for this Note, a proportionate amount of the yield for an entire compounding period will be accrued. If the Initial Period is longer than the compounding period, then such period will be divided into a regular compounding period and a short period, with the short period being treated as provided in the preceding sentence.

Unless otherwise specified on the face hereof or in an Addendum hereto, this Note will bear interest at the rate determined by reference to the Base Rate (or the lowest of two or more specified Base Rates) shown on the face hereof (i) plus or minus the Spread, if any, specified on the face hereof and (ii) multiplied by the Spread Multiplier, if any, specified on the face hereof. Commencing on the Initial Interest Reset Date specified on the face hereof, the rate at which interest on this Note is payable shall be reset daily, weekly, monthly, quarterly, semiannually or annually (as shown on the face hereof under Interest Rate Reset Period) or on such other basis as may be set forth on the face hereof or in an Addendum hereto as of each Interest Reset Date specified on the face hereof; provided, however, that the interest rate in effect for the period, if any, from the Original Issue Date to the Initial Interest Reset Date will be the Initial Interest Rate.

Except as specified on the face hereof or in an Addendum hereto, the interest rate in effect on this Note on each day shall be (a) if such day is an Interest Reset Date, the interest rate determined as of the Interest Determination Date (as defined below) pertaining to such Interest Reset Date or (b) if such day is not an Interest Reset Date, the interest rate determined as of the Interest Determination Date pertaining to the next preceding Interest Reset Date, subject, in either case, to adjustment by the Spread, if any, and Spread Multiplier, if any, if each case as specified on the face hereof; provided, however, that the interest rate in effect from the Original Issue Date to the

Initial Interest Reset Date shall be the Initial Interest Rate. If any Interest Reset Date would otherwise be a day that is not a Business Day, such Interest Reset Date shall be postponed to the next succeeding day that is a Business Day, except that in the case of a Note for which LIBOR is the Base Rate or a Base Rate, if such next succeeding Business Day falls in the next succeeding calendar month, such Interest Reset Date shall be the next preceding day that is a Business Day. In addition, if the Treasury Rate is the Base Rate or a Base Rate and the Interest Determination Date would otherwise fall on an Interest Reset Date, then such Interest Reset Date shall be postponed to the next succeeding Business Day.

The interest rate applicable to each Interest Rate Reset Period commencing on the related Interest Reset Date will be determined by the Calculation Agent (as hereinafter defined) as of the applicable Interest Determination Date and will be calculated by the Calculation Agent on or prior to the Calculation Date (as hereinafter defined), except with respect to LIBOR and the Eleventh District Cost of Funds Rate, which will be calculated on such Interest Determination Date. The "Interest Determination Date" with respect to the CD Rate, the CMT Rate, the Commercial Paper Rate, the Federal Funds Rate, the J.J. Kenny Rate and the Prime Rate (as such terms are defined below) shall be the second Business Day preceding each Interest Reset Date. The "Interest Determination Date" with respect to the Eleventh District Cost of Funds Rate (as defined below) will be the last working day of the month immediately preceding the applicable Interest Reset Date in which the Federal Home Loan Bank of San Francisco (the "FHLB of San Francisco") publishes the Index (as hereinafter defined). The "Interest Determination Date" with respect to LIBOR (as defined below) shall be the second London Business Day preceding the applicable Interest Reset Date unless the Designated LIBOR Currency is British pounds sterling, in which case the "Interest Determination Date" will be the applicable Interest Reset Date. The "Interest Determination Date" with respect to the Treasury Rate (as defined below) shall be the day of the week in which the Interest Reset Date falls on which Treasury bills (as defined below) normally would be auctioned; PROVIDED, HOWEVER, that if an auction is held on the Friday of the week preceding an Interest Reset Date, the related Interest Determination Date shall be such preceding Friday; and PROVIDED, FURTHER, that if the Interest Determination Date would otherwise fall on an Interest Reset Date, then the Interest Reset Date shall be postponed to the next succeeding Business Day. If the interest rate of this Note is determined with reference to the lowest of two or more Base Rates, the Interest Determination Date pertaining to this Note will be the first Business Day which is at least two Business Days prior to the Interest Reset Date on which each such Base Rate shall be determinable. Each such Base Rate shall be determined and compared on such date, and the applicable interest rate shall take effect on the related Interest Reset Date.

Except as specified on the face hereof or in an Addendum (if any) hereto, the Base Rate or Rates on this Note shall be determined in accordance with the provisions of the applicable heading below:

**DETERMINATION OF CD RATE.** The CD Rate means, with respect to any Interest Determination Date relating to a Note for which the Base Rate is the CD Rate or any Interest Determination Date for a Note for which the interest rate is determined with reference to the CD Rate (a "CD Interest Determination Date"), the rate on such date for negotiable United States dollar certificates of deposit having the Index Maturity specified on the face hereof as published by the Board of Governors of the Federal Reserve System in "Statistical Release H.15(519), Selected Interest Rates" or any successor publication ("H.15(519)") under the heading "CDs (Secondary Market)", or, if not so published by 3:00 P.M., New York City time, on the Calculation Date pertaining to such CD Interest Determination Date, the CD Rate will be the rate on such CD Interest Determination Date for negotiable United States dollar certificates of deposit of the Index Maturity specified on the face hereof as published by the Federal Reserve Bank of New York in its daily statistical release "Composite 3:30 P.M. Quotations for U.S. Government Securities" or any successor publication ("Composite Quotations") under the heading "Certificates of Deposit." If such rate is not yet published in either H.15(519) or the Composite Quotations by 3:00 P.M., New York City time, on such Calculation Date, then the CD Rate on such CD Interest Determination Date will be calculated by the calculation agent specified on the face hereof or any successor in such capacity (the "Calculation Agent") and will be the arithmetic mean of the secondary market offered rates as of 10:00 A.M., New York City time, on such CD Interest Determination Date, of three leading nonbank dealers in negotiable United States dollar certificates of deposit in The City of New York selected by the Calculation Agent (after consultation with the Company) for negotiable United States dollar certificates of deposit of major United States money center banks for negotiable certificates of deposit with a remaining maturity closest to the Index Maturity specified on the face hereof in an amount that is representative for a single transaction in that market at that time; PROVIDED, HOWEVER, that if the dealers selected as aforesaid by the Calculation Agent are not quoting as described above, the CD Rate determined as of such CD Interest Determination Date will be the CD Rate in effect on such CD Interest Determination Date.

**DETERMINATION OF CMT RATE.** CMT Rate means, with respect to any Interest Determination Date relating to a Note for which the Base Rate is the CMT Rate or any Interest Determination Date for a Note for which the interest rate is determined with reference to the CMT Rate (a "CMT Rate Interest Determination Date"), the rate displayed on the Designated CMT Telerate Page under the caption "...Treasury Constant Maturities...Federal Reserve Board

Release H.15...Mondays Approximately 3:45 P.M.," under the column for the Designated CMT Maturity Index for (i) if the Designated CMT Telerate Page is 7055, the rate on such CMT Rate Interest Determination Date and (ii) if the Designated CMT Telerate Page is 7052, the weekly or monthly average, as specified on the face hereof, for the week or the month, as applicable, ended immediately preceding the week or the month, as applicable, in which the related CMT Rate Interest Determination Date falls. If such rate is no longer displayed on the relevant page or is not displayed by 3:00 P.M., New York City time, on the related Calculation Date, then the CMT Rate for such CMT Rate Interest Determination Date will be such treasury constant maturity rate for the Designated CMT Maturity Index as published in H.15(519). If such rate is no longer published or is not published by 3:00 P.M., New York City time, on the related Calculation Date, then the CMT Rate on such CMT Rate Interest Determination Date will be such treasury constant maturity rate for the Designated CMT Maturity Index (or other United States Treasury rate for the Designated CMT Maturity Index) for the CMT Rate Interest Determination Date with respect to such Interest Reset Date as may then be published by either the Board of Governors of the Federal Reserve System or the United States Department of the Treasury that the Calculation Agent (after consultation with the Company) determines to be comparable to the rate formerly displayed on the Designated CMT Telerate Page and published in H.15(519). If such information is not provided by 3:00 P.M., New York City time, on the related Calculation Date, then the CMT Rate on the CMT Rate Interest Determination Date will be calculated by the Calculation Agent and will be a yield to maturity, based on the arithmetic mean of the secondary market offered rates as of approximately 3:30 P.M., New York City time, on such CMT Rate Interest Determination Date reported, according to their written records, by three leading primary United States government securities dealers in The City of New York (each, a "Reference Dealer") selected by the Calculation Agent (from five such Reference Dealers selected by the Calculation Agent (after consultation with the Company) and eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest)), for the most recently issued direct noncallable fixed rate obligations of the United States ("Treasury Notes") with an original maturity of approximately the Designated CMT Maturity Index and a remaining term to maturity of not less than such Designated CMT Maturity Index minus one year. If the Calculation Agent is unable to obtain three such Treasury Note quotations, the CMT Rate on such CMT Rate Interest Determination Date will be calculated by the Calculation Agent and will be a yield to maturity based on the arithmetic mean of the secondary market offered rates as of approximately 3:30 P.M., New York City time, on such CMT Rate Interest Determination Date of three Reference Dealers in The City of New York (from five such Reference Dealers selected by the Calculation Agent (after consultation with the Company) and eliminating the highest quotation (or, in the event

of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest)), for Treasury Notes with an original maturity of the number of years that is the next highest to the Designated CMT Maturity Index and a remaining term to maturity closest to the Designated CMT Maturity Index and in an amount of at least \$100 million. If three or four (and not five) of such Reference Dealers are quoting as described above, then the CMT Rate will be based on the arithmetic mean of the offered rates obtained and neither the highest nor the lowest of such quotes will be eliminated; provided, however, that if fewer than three Reference Dealers so selected by the Calculation Agent are quoting as mentioned herein, the CMT Rate determined as of such CMT Rate Interest Determination Date will be the CMT Rate in effect on such CMT Rate Interest Determination Date. If two Treasury Notes with an original maturity as described in the second preceding sentence have remaining terms to maturity equally close to the Designated CMT Maturity Index, the Calculation Agent will obtain quotations for the Treasury Note with the shorter remaining term to maturity.

"Designated CMT Telerate Page" means the display on the Dow Jones Markets Limited (or any successor service) on the page specified on the face hereof (or any other page as may replace such page on such service) for the purpose of displaying Treasury Constant Maturities as reported in H.15(519) or, if no such page is specified on the face hereof, page 7052.

"Designated CMT Maturity Index" means the original period to maturity of the U.S. Treasury securities (either 1, 2, 3, 5, 7, 10, 20 or 30 years) specified on the face hereof with respect to which the CMT Rate will be calculated or, if no such maturity is specified on the face hereof, 2 years.

DETERMINATION OF COMMERCIAL PAPER RATE. The Commercial Paper Rate means, with respect to any Interest Determination Date relating to a Note for which the Base Rate is the Commercial Paper Rate or any Interest Determination Date for a Note for which the interest rate is determined with reference to the Commercial Paper Rate (a "Commercial Paper Interest Determination Date"), the Money Market Yield (as defined below) on such date of the rate for commercial paper having the Index Maturity specified on the face hereof as such rate shall be published in H.15(519) under the heading "Commercial Paper-Nonfinancial." In the event that such rate is not published by 3:00 P.M., New York City time, on the Calculation Date pertaining to such Commercial Paper Interest Determination Date, then the Commercial Paper Rate on such Commercial Paper Interest Determination Date will be the Money Market Yield of the rate for commercial paper of the Index Maturity shown on the face hereof as published in Composite Quotations under the heading "Commercial Paper" (with an Index Maturity of one month or three months being deemed to be equivalent to an Index Maturity of 30 days or 90 days, respectively). If by 3:00 P.M., New York City time, on such

Calculation Date such rate is not published in either H.15(519) or Composite Quotations, then the Commercial Paper Rate on such Commercial Paper Interest Determination Date will be calculated by the Calculation Agent and will be the Money Market Yield of the arithmetic mean of the offered rates, at approximately 11:00 A.M., New York City time, on such Commercial Paper Interest Determination Date, of three leading dealers of commercial paper in New York, New York selected by the Calculation Agent (after consultation with the Company) for commercial paper of the Index Maturity specified on the face hereof placed for a nonfinancial entity whose bond rating is "Aa", or the equivalent, from a nationally recognized statistical rating organization; PROVIDED, HOWEVER, that if the dealers selected as aforesaid by the Calculation Agent are not quoting as mentioned in this sentence, the Commercial Paper Rate determined as of such Commercial Paper Interest Determination Date will be the Commercial Paper Rate in effect on such Commercial Paper Interest Determination Date.

"Money Market Yield" shall be a yield (expressed as a percentage) calculated in accordance with the following formula:

$$\text{Money Market Yield} = \frac{D \times 360}{360 - (D \times M)} \times 100$$

where "D" refers to the applicable per annum rate for commercial paper quoted on a bank discount basis and expressed as a decimal and "M" refers to the actual number of days in the applicable Interest Rate Reset Period.

DETERMINATION OF ELEVENTH DISTRICT COST OF FUNDS RATE. The Eleventh District Cost of Funds Rate means, with respect to any Interest Determination Date relating to a Note for which the Base Rate is the Eleventh District Cost of Funds Rate or any Interest Determination Date for a Note for which the interest rate is determined with reference to the Eleventh District Cost of Funds Rate (an "Eleventh District Cost of Funds Rate Interest Determination Date"), the rate equal to the monthly weighted average cost of funds for the calendar month immediately preceding the month in which such Eleventh District Cost of Funds Rate Interest Determination Date falls, as set forth under the caption "11th District" on Telerate Page 7058 as of 11:00 A.M., San Francisco time, on such Eleventh District Cost of Funds Rate Interest Determination Date. If such rate does not appear on Telerate Page 7058 on such Eleventh District Cost of Funds Rate Interest Determination Date, then the Eleventh District Cost of Funds Rate on such Eleventh District Cost of Funds Rate Interest Determination Date shall be the monthly weighted average cost of funds paid by member institutions of the Eleventh Federal Home Loan Bank District that was most recently announced (the "Index") by the FHLB of San Francisco as such cost of funds for the calendar month immediately preceding such Eleventh District Cost of Funds Rate Interest Determination Date. If the FHLB of San Francisco fails to announce the Index on or prior to such

Eleventh District Cost of Funds Rate Interest Determination Date for the calendar month immediately preceding such Eleventh District Cost of Funds Rate Interest Determination Date, the Eleventh District Cost of Funds Rate determined as of such Eleventh District Cost of Funds Rate Interest Determination Date will be the Eleventh District Cost of Funds Rate in effect on such Eleventh District Cost of Funds Rate Interest Determination Date.

DETERMINATION OF FEDERAL FUNDS RATE. The Federal Funds Rate means, with respect to any Interest Determination Date relating to a Note for which the Base Rate is the Federal Funds Rate or any Interest Determination Date for a Note for which the interest rate is determined with reference to the Federal Funds Rate (a "Federal Funds Rate Interest Determination Date"), the rate on that date for United States dollar federal funds as published in H.15(519) under the heading "Federal Funds (Effective)" or, if not so published by 3:00 P.M., New York City time on the Calculation Date pertaining to such Federal Funds Rate Interest Determination Date, the Federal Funds Rate will be the rate on such Federal Funds Rate Interest Determination Date as published in Composite Quotations under the heading "Federal Funds/Effective Rate." If such rate is not published in either H.15(519) or Composite Quotations by 3:00 P.M., New York City time, on such Calculation Date, the Federal Funds Rate for such Federal Funds Rate Interest Determination Date will be calculated by the Calculation Agent and will be the arithmetic mean of the rates for the last transaction in overnight United States dollar federal funds arranged by three leading brokers of federal funds transactions in New York, New York selected by the Calculation Agent (after consultation with the Company) prior to 9:00 A.M., New York City time, on such Federal Funds Rate Interest Determination Date; PROVIDED, HOWEVER, that if the brokers selected as aforesaid by the Calculation Agent are not quoting as described in this sentence, the Federal Funds Rate determined as of such Federal Funds Rate Interest Determination Date will be the Federal Funds Rate in effect on such Federal Funds Rate Interest Determination Date.

DETERMINATION OF J.J. KENNY RATE NOTES. J.J. Kenny Rate means, with respect to any Interest Determination Date relating to a Note for which the Base Rate is the J.J. Kenny Rate or any Interest Determination Date for a Note for which the interest rate is determined with reference to the J.J. Kenny Rate (a "J.J. Kenny Rate Interest Determination Date"), the rate in the high grade weekly index (the "Weekly Index") on such date made available by Kenny Information Systems ("Kenny") to the Calculation Agent. The Weekly Index is, and shall be, based upon 30-day yield evaluations at par of bonds, the interest of which is exempt from federal income taxation under the Internal Revenue Code of 1986, as amended (the "Code"), of not less than five high grade component issuers selected by Kenny which shall include, without limitation, issuers of general obligation bonds. The

specific issuers included among the component issuers may be changed from time to time by Kenny in its discretion. The bonds on which the Weekly Index is based shall not include any bonds on which the interest is subject to a minimum tax or similar tax under the Code, unless all tax-exempt bonds are subject to such tax. In the event Kenny ceases to make available such Weekly Index, a successor indexing agent will be selected by the Calculation Agent, such index to reflect the prevailing rate for bonds rated in the highest short-term rating category by Moody's Investors Service, Inc. and Standard & Poor's Ratings Group (or their respective successors) in respect of issuers most closely resembling the high grade component issuers selected by Kenny for its Weekly Index, the interest on which is (A) variable on a weekly basis, (B) exempt from federal income taxation under the Code, and (C) not subject to a minimum tax or similar tax under the Code, unless all tax-exempt bonds are subject to such tax. If such successor indexing agent is not available, the rate for any J.J. Kenny Rate Interest Determination Date shall be 67% of the rate determined as if the Treasury Rate option had been originally selected.

DETERMINATION OF LIBOR. LIBOR will be determined by the Calculation Agent in accordance with the following provisions:

(i) With respect to an Interest Determination Date relating to a Note for which the Base Rate is LIBOR or any Interest Determination Date for a Note for which the interest rate is determined with reference to LIBOR (a "LIBOR Interest Determination Date"), LIBOR will be either: (a) if "LIBOR Reuters" is specified on the face of this Note, the arithmetic mean of the offered rates (unless the specified Designated LIBOR Page (as defined below) by its terms provides only for a single rate, in which case such single rate shall be used) for deposits in the Designated LIBOR Currency (as defined below) having the Index Maturity designated on the face of this Note, commencing on the applicable Interest Reset Date, that appear (or, if only a single rate is required as aforesaid, appears) on the Designated LIBOR Page as of 11:00 A.M. London time, on that LIBOR Interest Determination Date, or (b) if "LIBOR Telerate" is specified on the face of this Note, or if neither "LIBOR Reuters" nor "LIBOR Telerate" is specified on the face of this Note as the method for calculating LIBOR, the rate for deposits in the Designated LIBOR Currency having the Index Maturity designated on the face of this Note commencing on such Interest Reset Date that appears on the Designated LIBOR Page as of 11:00 A.M. London time, on that LIBOR Interest Determination Date. If fewer than two offered rates appear, or no rate appears, as applicable, LIBOR in respect of the related LIBOR Interest Determination Date will be determined as if the parties had specified the rate described in clause (ii) below.

(ii) With respect to a LIBOR Interest Determination Date on which fewer than two offered rates appear, or no rate appears, as the case may be, on the Designated LIBOR Page as specified in clause (i) above, the Calculation Agent will request the principal London offices of each of four major reference banks in the London interbank market, as selected by the Calculation Agent (after consultation with the Company), to provide the Calculation Agent with its offered quotation for deposits in the Designated LIBOR Currency for the period of the Index Maturity designated on the face of this Note, commencing on the applicable Interest Reset Date, to prime banks in the London interbank market at approximately 11:00 A.M., London time, on such LIBOR Interest Determination Date and in a principal amount that is representative for a single transaction in such Designated LIBOR Currency in such market at such time. If at least two such quotations are provided, LIBOR determined on such LIBOR Interest Determination Date will be the arithmetic mean of such quotations. If fewer than two quotations are provided, LIBOR determined on such LIBOR Interest Determination Date will be the arithmetic mean of the rates quoted at approximately 11:00 A.M., in the applicable Principal Financial Center (as defined below), on such LIBOR Interest Determination Date by three major banks in such Principal Financial Center selected by the Calculation Agent (after consultation with the Company) for loans in the Designated LIBOR Currency to leading European banks, having the Index Maturity designated on the face of this Note and in a principal amount that is representative for a single transaction in such Designated LIBOR Currency in such market at such time; provided, however, that if the banks so selected by the Calculation Agent are not quoting as mentioned in this sentence, LIBOR determined as of such LIBOR Interest Determination Date will be LIBOR in effect on such LIBOR Interest Determination Date.

"Designated LIBOR Currency" means the currency or composite currency specified on the face hereof as to which LIBOR shall be calculated or, if no such currency or composite currency is specified on the face hereof, United States dollars.

"Designated LIBOR Page" means (a) if "LIBOR Reuters" is specified on the face hereof, the display on the Reuter Monitor Money Rates Service (or any successor service) on the page specified on the face hereof (or any other page as may replace such page on such service) for the purpose of displaying the London interbank rates of major banks for the Designated LIBOR Currency, or (b) if "LIBOR Telerate" is specified on the face hereof or neither "LIBOR Reuters" nor "LIBOR Telerate" is specified on the face hereof as the method for calculating LIBOR, the display on the Dow Jones Markets Limited (or any successor service) on the page specified on the face hereof (or any other page as may replace such page on such service) for the purpose of

displaying the London interbank rates of major banks for the Designated LIBOR Currency.

"Principal Financial Center" means the capital city of the country to which the Designated LIBOR Currency relates (or, in the case of ECU, Luxembourg), except that with respect to United States dollars, Australian dollars, Canadian dollars, Deutsche marks, Dutch guilders, and Swiss francs, the "Principal Financial Center" shall be The City of New York, Sydney, Toronto, Frankfurt, Amsterdam, and Zurich, respectively.

DETERMINATION OF PRIME RATE. The Prime Rate means, with respect to any Interest Determination Date relating to a Note for which the Base Rate is the Prime Rate or any Interest Determination Date for a Note for which the interest rate is determined with reference to the Prime Rate (a "Prime Rate Interest Determination Date"), the rate on such date as such rate is published in H.15(519) under the heading "Bank Prime Loan." In the event that such rate is not published prior to 3:00 P.M., New York City time, on the Calculation Date pertaining to such Prime Rate Interest Determination Date, then the Prime Rate will be determined by the Calculation Agent and will be the arithmetic mean of the rates of interest publicly announced by each bank that appears on the Reuters Screen USPRIME1 Page (as defined below) as such bank's prime rate or base lending rate as in effect for that Prime Rate Interest Determination Date. If fewer than four such rates appear on the Reuters Screen USPRIME1 Page for such Prime Rate Interest Determination Date, the Prime Rate will be determined by the Calculation Agent and will be the arithmetic mean of the prime or base lending rates quoted on the basis of the actual number of days in the year divided by a 360-day year as of the close of business on such Prime Rate Interest Determination Date by four major money center banks in The City of New York as selected by the Calculation Agent (after consultation with the Company). If fewer than four quotations are provided by such major money center banks, the Prime Rate shall be calculated by the Calculation Agent and shall be the arithmetic mean of four prime rates quoted on the basis of the actual number of days in the year divided by a 360-day year as of the close of business on such Prime Rate Interest Determination Date as furnished in The City of New York by the major money center banks, if any, that have provided such quotations and by a reasonable number of substitute banks or trust companies to obtain four such prime rate quotations, provided such substitute banks or trust companies are organized and doing business under the laws of the United States, or any State thereof, each having total equity capital of at least \$500,000,000 and being subject to supervision or examination by a Federal or State authority, selected by the Calculation Agent (after consultation with the Company) to provide such rates; PROVIDED, HOWEVER, that if the banks or trust companies selected as aforesaid by the Calculation Agent are not quoting rates as set forth in this sentence, the Prime Rate determined as of such Prime Rate Interest

Determination Date will be the Prime Rate in effect on such Prime Rate Interest Determination Date.

"Reuters Screen USPRIME1 Page" means the display on the Reuter Monitor Money Rates Service (or any successor service) on the "USPRIME1" page (or such other page as may replace the USPRIME1 page on such service) for the purpose of displaying prime rates or base lending rates of major United States banks.

**DETERMINATION OF TREASURY RATE.** The Treasury Rate means, with respect to any Interest Determination Date relating to a Note for which the Base Rate is the Treasury Rate or any Interest Determination Date for a Note for which the interest rate is determined with reference to the Treasury Rate (a "Treasury Rate Interest Determination Date"), the rate from the auction held on such Treasury Rate Interest Determination Date (the "Auction") of direct obligations of the United States ("Treasury bills") having the Index Maturity specified on the face hereof, as such rate is published in H.15(519) under the heading "Treasury Bills -- auction average (investment)" or, if not so published by 3:00 P.M., New York City time, on the Calculation Date pertaining to such Treasury Rate Interest Determination Date, the auction average rate of such Treasury bills (expressed as a bond equivalent on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) as otherwise announced by the United States Department of the Treasury. In the event that the results of the Auction of Treasury bills having the Index Maturity specified on the face hereof are not reported as provided by 3:00 P.M., New York City time, on the related Calculation Date, or if no such Auction is held, then the Treasury Rate shall be calculated by the Calculation Agent and shall be a yield to maturity (expressed as a bond equivalent, on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) of the arithmetic mean of the secondary market bid rates, as of approximately 3:30 P.M., New York City time, on such Treasury Rate Interest Determination Date, of three leading primary United States government securities dealers selected by the Calculation Agent (after consultation with the Company) for the issue of Treasury bills with a remaining maturity closest to the Index Maturity specified on the face hereof; PROVIDED, HOWEVER, that if the dealers selected as aforesaid by the Calculation Agent are not quoting as described above, the Treasury Rate determined as of such Treasury Rate Interest Determination Date will be the Treasury Rate in effect on such Treasury Rate Interest Determination Date.

Anything herein to the contrary notwithstanding, (i) the interest rate in effect with respect to this Note from time to time shall not be greater than the Maximum Interest Rate, if any, or less than the Minimum Interest Rate, if any, specified on the face hereof and (ii) the interest rate hereon will in no event be higher than the maximum rate permitted from time to time by New

York law, as the same may be modified by United States law of general application.

The "Calculation Date," where applicable, pertaining to any Interest Determination Date shall be the earlier of (i) the tenth calendar day after such Interest Determination Date or, if such day is not a Business Day, the next succeeding Business Day and (ii) the Business Day preceding the applicable Interest Payment Date or Maturity, as the case may be. The Calculation Agent shall calculate the interest rate hereon in accordance with the foregoing on or before each Calculation Date. At the request of the Holder hereof, the Calculation Agent will provide to the Holder hereof the interest rate hereon then in effect and, if determined, the interest rate which will become effective as a result of a determination made for the next Interest Reset Date.

Accrued interest hereon shall be an amount calculated by multiplying the principal amount hereof by an accrued interest factor. Such accrued interest factor shall be computed by adding the interest factor calculated for each day in the applicable period for which interest is being calculated. Unless otherwise specified under Day Count Convention on the face hereof or in an Addendum hereto, the interest factor for each such day shall be computed by dividing the interest rate applicable to such day by 360 if the CD Rate, the Commercial Paper Rate, the Eleventh District Cost of Funds Rate, the Federal Funds Rate, LIBOR or the Prime Rate is an applicable Base Rate, or by the actual number of days in the year if the CMT Rate or the Treasury Rate is an applicable Base Rate, or by 365 days if the J.J. Kenney Rate is an applicable Base Rate. Unless otherwise specified under Day Count Convention on the face hereof or in an Addendum hereto, the interest factor for this Note, if the interest rate is calculated with reference to two or more Base Rates, shall be calculated in each period in the same manner as if only the applicable Base Rate specified on the face hereof applied.

All percentages resulting from any calculation on this Note will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with five one-millionths of a percentage point rounded upward (e.g., 9.876545% (or .09876545) will be rounded upward to 9.87655% (or .0987655)), and all dollar amounts used in or resulting from such calculation on this Note will be rounded to the nearest cent (with one-half cent being rounded upward).

Any provision contained herein with respect to the calculation of the rate of interest applicable to this Note, its payment dates or any other terms hereof or matters relating hereto may be modified as specified in an Addendum hereto or on the face hereof under "Other/Additional Provisions."

If an Event of Default with respect to the Notes shall occur and be continuing, the Trustee or the Holders of not less than

25% in aggregate principal amount of the Outstanding Notes may declare the principal of all the Notes to be due and payable immediately in the manner and with the effect provided in the Indenture.

The Indenture contains provisions, which provisions apply to the Notes, for (i) the defeasance of the indebtedness evidenced by the Notes and (ii) the satisfaction and discharge of the Indenture, in each case upon compliance with certain conditions, and subject to certain exceptions, set forth in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities of each series to be affected thereby at any time by the Company and the Trustee with the consent of the Holders of 66-2/3% in aggregate principal amount of the Outstanding Securities of each series affected thereby. The Indenture also contains provisions permitting the Holders of not less than a majority in aggregate principal amount of the Securities of each series at the time Outstanding, on behalf of the Holders of all Securities of such series, to waive certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Note shall be conclusive and binding upon such Holder and upon all future Holders of this Note and of any Note issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof whether or not notation of such consent or waiver is made upon this Note but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and premium, if any, and interest on this Note at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture, and subject to certain limitations therein set forth, the transfer of this Note may be registered on the Security Register upon surrender of this Note for registration of transfer at the office or agency of the Company maintained for that purpose in the Borough of Manhattan, The City of New York duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or by his attorney duly authorized in writing and thereupon one or more new Notes, of Authorized Denominations and for the same aggregate principal amount and having the identical terms and provisions, will be issued to the designated transferee or transferees.

As provided in the Indenture, and subject to certain limitations therein set forth, the Notes are exchangeable for a like aggregate principal amount of Notes having identical terms and provisions, in Authorized Denominations, as requested by the Holder surrendering the same.

No service charge will be made for any such registration of transfer or exchange, but the Company may, subject to certain exceptions specified in the Indenture, require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Note for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Note is registered as the owner hereof for all purposes, whether or not this Note be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of or premium, if any, or interest on this Note and remaining unclaimed for two years after such principal, premium, if any, or interest has become due and payable shall be paid to the Company on Company Request or (if then held by the Company) shall be discharged from such trust, and the Holder of this Note shall thereafter look only to the Company for payment thereof, all as provided in the Indenture.

If any principal of or premium, if any, or interest on this Note is not paid when due, then such unpaid principal, premium or interest, as the case may be, shall, to the extent permitted by law, bear interest until paid at the interest rate per annum borne by this Note from time to time.

The Notes shall be governed by and construed in accordance with the laws of the State of New York applicable to agreements made and to be performed in such State.

All capitalized terms used in this Note and not defined herein which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

OPTION TO ELECT REPAYMENT

The undersigned hereby irrevocably request(s) and instruct(s) the Company to repay this Note (or portion hereof specified below) pursuant to its terms on \_\_\_\_\_ at a price equal to the principal amount of this Note to be repaid, together with interest accrued on the principal amount to be repaid to the repayment date, by payment to the undersigned, at

(Please print or type the name and address of the undersigned)

For this Note to be repaid, the Trustee must receive at Citibank, N.A., 111 Wall Street, 5th Floor, Corporate Trust Services, Attention: Issuance and Transfer, New York, New York 10043, or at such other address of which the Company shall from time to time notify the Holder of this Note, not more than 60 nor less than 30 days prior to an Optional Repayment Date, if any, shown on the face of this Note, this Note with this "Option to Elect Repayment" form duly completed.

If less than the entire principal amount of this Note is to be repaid, specify the portion hereof (which shall be in increments of \$1,000 (or other Authorized Denomination, if any, specified on the face hereof) in principal amount) which the Holder elects to have repaid (in the absence of any such specification, the entire principal amount hereof will be repaid) and specify the denomination or denominations (which shall be \$1,000 (or other minimum Authorized Denomination, if any, specified on the face hereof) or any multiple thereof) of the Note or Notes to be issued to the Holder for the portion of this Note not being repaid (in the absence of any such specification, one such Note will be issued for the portion not being repaid).

\$ \_\_\_\_\_  
(Specify portion to be repaid, if less than the to entire principal amount of this Note)

NOTICE: The signature(s) on this Option Elect Repayment must correspond with the name(s) as written upon the face of this Note in every particular without alteration or enlargement or any change whatsoever.

\$ \_\_\_\_\_  
(Specify denomination or denominations of Note or Notes to be issued for the portion, if any, of this Note not being repaid)

Date: \_\_\_\_\_

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this instrument, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM--as tenants in common

UNIF TSFR (GIFT) MIN ACT--\_\_\_\_Custodian\_\_\_\_ --  
(Cust) (Minor)

Under Uniform Transfer (Gifts) to Minors Act

-----  
(State)

TEN ENT-- as tenants by the entirety

JT TEN-- as joint tenants with right of survivorship and not as  
tenants in common

Additional abbreviations may also be used though not in the above list.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sell(s), assign(s) and transfer(s) unto

Please Insert Social Security or Other Identifying Number of Assignee:

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PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS,  
INCLUDING ZIP CODE OF ASSIGNEE:

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the within Note and all rights thereunder, hereby irrevocably constituting and appointing \_\_\_\_\_ attorney to transfer said Note on the books of the Company, with full power of substitution in the premises.

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

\_\_\_\_\_  
NOTICE: The signature(s) to this assignment must correspond with the name(s) as written upon the face of the within instrument in every particular, without alteration or enlargement or any change whatsoever.

February 3, 1998

Southern California Gas Company  
555 West Fifth Street  
Los Angeles, California 90013-1011

Gentlemen:

In my capacity as your counsel, I have examined the Registration Statement on Form S-3 (the "Registration Statement") to be filed by you with the Securities and Exchange Commission in connection with the registration under the Securities Act of 1933 of the public offering of up to \$600,000,000 aggregate public offering price of your debt securities (the "Securities").

I am familiar with the proceedings taken and proposed to be taken in connection with the authorization, issuance and sale of the Securities. Upon the basis of the foregoing and subject to the completion of said proceedings prior to the issuance of the Securities, I am of the opinion that the Securities when issued and sold in the manner set forth in the Registration Statement will be legally issued and binding obligations.

I consent to the use of this opinion as an exhibit to the Registration Statement and to the use of my name under the caption "Legal Matters" in the Registration Statement and the Prospectus which is a part thereof.

Respectfully submitted,

/s/ Gary W. Kyle

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Gary W. Kyle

GWK/lhp

SOUTHERN CALIFORNIA GAS COMPANY  
 COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES  
 ACTUAL

	YEAR ENDED DECEMBER 31,					NINE MONTHS ENDED SEPTEMBER 30,
	1992	1993	1994	1995	1996	1997
Earnings before fixed charges and taxes based on income:						
Net income.....	\$ 194,716	\$ 193,676	\$ 190,513	\$ 214,833	\$ 201,111	\$ 187,181
Fixed charges.....	116,504	116,890	120,111	108,645	100,015	75,611
Income taxes charged to operations.....	164,487	134,491	145,603	161,274	144,213	139,589
Income taxes on nonoperating income.....	(570)	(5,670)	(941)	277	3,581	3,264
Earnings before fixed charges and taxes based on income....	\$ 475,137	\$ 439,387	\$ 455,286	\$ 475,029	\$ 448,920	\$ 405,645
Fixed charges:						
Interest and amortization.....	\$ 105,509	\$ 104,986	\$ 106,448	\$ 93,802	\$ 86,088	\$ 64,985
Rental expenses approximating interest charges included in operating expenses.....	10,995	11,904	13,663	14,843	13,927	10,625
Total actual fixed charges....	\$ 116,504	\$ 116,890	\$ 120,111	\$ 108,645	\$ 100,015	\$ 75,610
Ratio of earnings to fixed charges...	4.08	3.76	3.79	4.37	4.49	5.36

For purpose of the above computation, earnings represent income before income taxes plus fixed charges, and fixed charges represent interest charges (including amortization of bond premium, discount and expense) plus a portion of rental expense approximating interest charges.

SOUTHERN CALIFORNIA GAS COMPANY  
 COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES  
 ACTUAL ADJUSTED FOR SUPPLIER REFUNDS AND  
 REGULATORY ACCOUNTS

	YEAR ENDED DECEMBER 31,					NINE MONTHS ENDED SEPTEMBER 30,
	1992	1993	1994	1995	1996	1997
	(DOLLARS IN THOUSANDS)					
Earnings before fixed charges and taxes based on income.....	\$ 475,137	\$ 439,387	\$ 455,286	\$ 475,029	\$ 448,920	\$ 405,645
Adjustment for interest related to supplier refunds and regulatory accounts.....	(3,018)	(2,678)	(9,729)	(3,826)	(4,752)	(2,346)
Earnings before adjusted fixed charges and taxes based on income.....	\$ 472,119	\$ 436,709	\$ 445,557	\$ 471,203	\$ 444,168	\$ 403,299
Fixed charges.....	\$ 116,504	\$ 116,890	\$ 120,111	\$ 108,645	\$ 100,015	\$ 75,611
Adjustment for interest related to supplier refunds and regulatory accounts.....	(3,018)	(2,678)	(9,729)	(3,826)	(4,752)	(2,346)
Adjusted fixed charges.....	\$ 113,486	\$ 114,212	\$ 110,382	\$ 104,819	\$ 95,263	\$ 73,265
Ratio of earnings to fixed charges adjusted for supplier refunds and regulatory accounts.....	4.16	3.82	4.04	4.50	4.66	5.50

For purpose of the above computation, earnings represent income before income taxes plus fixed charges, and fixed charges represent interest charges (including amortization of bond premium, discount and expense) plus a portion of rental expense approximating interest charges. See Exhibit 12.1 for the computation of the foregoing amounts.

The ratios of earnings to fixed charges are influenced by the accrual of interest expense relating to supplier refunds payable to customers and regulatory accounts. Ratios which exclude interest related to supplier refunds and regulatory accounts are calculated as described above, but exclude from fixed charges related interest expense during the relevant period to the extent of related interest income.

INDEPENDENT AUDITOR'S CONSENT

We consent to the incorporation by reference in this Registration Statement of Southern California Gas Company on Form S-3 of our report dated January 28, 1997, appearing in the Annual Report on Form 10-K of Southern California Gas Company for the year ended December 31, 1996, and to the reference to us under the heading "Experts" in the Prospectus, which is part of this Registration Statement.

Deloitte & Touche LLP

Los Angeles, California  
February 3, 1998

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FORM T-1

STATEMENT OF ELIGIBILITY  
UNDER THE TRUST INDENTURE ACT OF 1939 OF A  
CORPORATION DESIGNATED TO ACT AS TRUSTEE

Check if an application to determine eligibility of a  
Trustee pursuant to Section 305(b)(2) \_\_\_\_\_  
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CITIBANK, N.A.  
(Exact name of trustee as specified in its charter)

13-5266470  
(I.R.S. employer  
identification no.)

399 Park Avenue, New York, New York  
(Address of principal executive office)

10043  
(Zip Code)

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Southern California Gas Company  
(Exact name of obligor as specified in its charter)

California  
(State or other jurisdiction of  
incorporation or organization)

95-1240705  
(I.R.S. employer  
identification no.)

555 West Fifth Street  
Los Angeles, California  
(Address of Principal Executive Offices)

90013  
(Zip Code)

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Debt Securities  
(Title of the indenture securities)

Item 1. General Information.

Furnish the following information as to the trustee:

- (a) Name and address of each examining or supervising authority to which it is subject.

Name	Address
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Comptroller of the Currency,	Washington, D.C.
Federal Reserve Bank of New York	New York, NY
Federal Deposit Insurance Corporation	Washington, D.C.

- (b) Whether it is authorized to exercise corporate trust powers.

Yes.

Item 2. Affiliations with Obligor.

If the obligor is an affiliate of the trustee, describe each such affiliation

None.

Item 16. List of Exhibits.

Exhibit 1 - Copy of Articles of Association of the Trustee, as now in effect. (Exhibit 1 to T-1 to Registration Statement No. 2-79983)

Exhibit 2 - Copy of certificate of authority of the Trustee to commence business.. (Exhibit 2 to T-1 to Registration Statement No. 2-29577)

Exhibit 3 - Copy of authorization of the Trustee to exercise corporate trust powers. (Exhibit 3 to T-1 to Registration Statement No. 2-55519)

Exhibit 4 - Copy of existing By-Laws of the Trustee. (Exhibit 4 to T-1 to Registration Statement No. 33-34988)

Exhibit 5 - Not applicable.

Exhibit 6 - The consent of the Trustee required by Section 321(b) of the Trust Indenture Act of 1939. (Exhibit 6 to T-1 to Registration Statement No. 33-19227.)

Exhibit 7 - Copy of the latest Report of Condition of Citibank, N.A. (as of September 30, 1997 - attached)

Exhibit 8 - Not applicable.

Exhibit 9 - Not applicable.

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SIGNATURE

Pursuant to the requirements of the Trust Indenture Act of 1939, the Trustee, Citibank, N.A., a national banking association organized and existing under the laws of the United States of America, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in The City of New York and State of New York, on the 27th day of January, 1998.

CITIBANK, N.A.

By /s/Arthur W. Aslanian  
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Vice President

Charter No. 1461  
 Comptroller of the Currency  
 Northeastern District  
 REPORT OF CONDITION  
 CONSOLIDATING  
 DOMESTIC AND FOREIGN  
 SUBSIDIARIES OF  
 CITIBANK, N.A.

OF NEW YORK IN THE STATE OF NEW YORK, AT THE CLOSE OF BUSINESS ON SEPTEMBER 30, 1997, PUBLISHED IN RESPONSE TO CALL MADE BY COMPTROLLER OF THE CURRENCY, UNDER TITLE 12, UNITED STATES CODE, SECTION 161. CHARTER NUMBER 1461 COMPTROLLER OF THE CURRENCY NORTHEASTERN DISTRICT.

ASSETS

THOUSANDS  
OF DOLLARS

Cash and balances due from depository institutions:		
Noninterest-bearing balances and currency and coin . . . . .	\$	6,529,000
Interest-bearing balances . . . . .		12,319,000
Held-to-maturity securities . . . . .		0
Available-for-sale securities . . . . .		28,477,000
Federal funds sold and securities purchased under agreements to resell . . . . .		11,422,000
Loans and lease financing receivables:		
Loans and Leases, net of unearned income . . . . .	\$	151,679,000
LESS: Allowance for loan and lease losses . . . . .		4,253,000
		-----
Loans and leases, net of unearned income, allowance, and reserve . . . . .		147,426,000
Trading assets . . . . .		31,496,000
Premises and fixed assets (including capitalized leases) . . . . .		3,380,000
Other real estate owned . . . . .		651,000
Investments in unconsolidated subsidiaries and associated companies . . . . .		1,284,000
Customers' liability to this bank on acceptances outstanding . . . . .		2,023,000
Intangible assets . . . . .		177,000
Other assets . . . . .		8,745,000
		-----
TOTAL ASSETS . . . . .	\$	253,929,000
		-----

LIABILITIES

Deposits:		
In domestic offices . . . . .	\$	35,919,000
Noninterest-bearing . . . . .	\$	12,462,000
Interest-bearing . . . . .		23,457,000
		-----
In foreign offices, Edge and Agreement subsidiaries, and IBFs . . . . .		138,955,000
Noninterest-bearing . . . . .		9,790,000
Interest-bearing . . . . .		129,165,000
		-----
Federal funds purchased and securities sold under agreements to repurchase . . . . .		6,161,000
Trading liabilities . . . . .		24,966,000

Other borrowed money (includes mortgage indebtedness and obligations under capitalized leases):	
With a remaining maturity of one year or less . . . . .	9,351,000
With a remaining maturity of more than one year through three years . . . . .	2,916,000
With a remaining maturity of more than three years . . . . .	915,000
Bank's liability on acceptances executed and outstanding . . . . .	2,024,000
Subordinated notes and debentures . . . . .	5,400,000
Other liabilities . . . . .	9,856,000
	-----
TOTAL LIABILITIES . . . . .	\$ 236,463,000
	-----

EQUITY CAPITAL

Perpetual preferred stock and related surplus . . . . .	0
Common stock . . . . .	\$ 751,000
Surplus . . . . .	7,387,000
Undivided profits and capital reserves . . . . .	9,254,000
Net unrealized holding gains (losses) on available-for-sale securities . . . . .	737,000
Cumulative foreign currency translation adjustments . . . . .	(663,000)
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TOTAL EQUITY CAPITAL . . . . .	\$ 17,466,000
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TOTAL LIABILITIES, LIMITED-LIFE PREFERRED STOCK, AND EQUITY CAPITAL . . . . .	\$ 253,929,000
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I, Roger W. Trupin, Controller of the above named bank do hereby declare that this Report of Condition is true and correct to the best of my knowledge and belief.

ROGER W. TRUPIN  
CONTROLLER

We, the undersigned directors, attest to the correctness of this Report of Condition. We declare that it has been examined by us, and to the best of our knowledge and belief has been prepared in conformance with the instructions and is true and correct.

PAUL J. COLLINS  
JOHN S. REED  
WILLIAM R. RHODES  
DIRECTORS