

AMENDED AND RESTATED AUDIT COMMITTEE CHARTER

The Audit Committee (the “Committee”) of the Board of Directors (the “Board”) of Southern Union Company, a Delaware corporation (the “Company”), in accordance with its powers and purposes as set forth in Article IV of the Bylaws of the Company, as amended from time to time, shall, among other things:

- A. Consist of no fewer than three members, and, in the business judgment of the Board, each of its members shall meet the independence and experience requirements, and one or more of its members shall meet any additional applicable requirements including as to financial or accounting expertise, as may be required for a public company under federal securities law and the rules and regulations of the Securities and Exchange Commission (the “SEC”), including for a New York Stock Exchange Listed Company, in each instance taking into consideration specific relevant precedent, commentary and other advisory information available when such judgment is or should be made. The Committee may form and delegate authority to subcommittees consisting of one or more members of the Committee when appropriate (including the authority to grant preapprovals of audit and permitted non-audit services); provided that, the decisions and deliberations of any such subcommittee shall be presented to the full Committee at its next scheduled meeting.
- B. Assist Board oversight of (1) the integrity of the Company’s financial statements; (2) the Company’s compliance with legal and regulatory requirements; (3) the qualifications and independence of the Company’s independent auditor; and (4) the performance of the Company’s independent auditors.
- C. Prepare a Committee report as required by the SEC to be included in the Company’s annual proxy statement.
- D. Conduct an annual evaluation of the Committee’s performance. As part of such evaluation, the Committee shall compare its performance with the requirements of this charter, identify its objectives for the next year, review and reassess the adequacy of this charter and recommend to the Board changes in this charter, if any, considered appropriate by the Committee. Such evaluation shall be reported to the Board at least annually in such manner as the Committee determines.
- E. Review and assist in the preparation and completion of the budget, objectives, activities, performance, organizational structure, staffing and qualifications of the Company’s internal audit department.
- F. Meet in executive sessions with the Company’s senior internal auditor outside the presence of management as often as needed, but on no less than a quarterly basis.
- G. Approve the appointment and replacement of the senior internal auditor or approve the retention of, and engagement terms for, any third party provider of internal audit services.
- H. Review, as necessary, summaries of the significant reports prepared by the internal audit department together with management’s response and follow-up to these reports.

- I. Provide an open avenue of communication between the internal auditors, the Company's independent auditor, and the Board, the representative of the Company's stockholders.
- J. Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and related disclosures, including "disclosure controls and procedures" (as defined under SEC Rules 13a-15(e) and 15d-15(e)) and "internal control over financial reporting" (as defined under SEC Rules 13a-15(f) and 15d-15(f)), and the confidential, anonymous submission by employees of concerns regarding questionable accounting, auditing or disclosure matters.
- K. Appoint, retain, compensate, evaluate and terminate the Company's independent auditor. The Committee shall have the sole authority to approve all audit engagement fees and terms, as well as all significant non-audit engagements with the independent auditor. The Committee shall be directly responsible for the compensation and oversight of the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work or performing other audit, review or attest services for the Company. The independent auditor and the internal auditor shall report directly to the Committee.
- L. Preapprove all auditing services and permitted non-audit services (including fees and terms thereof) to be provided to the Company by its independent auditor, other than non-audit services not recognized to be non-audit services at the time of the engagement that meet the *de minimis* exceptions described in Section 10A(i)(1)(B)(i) of the Securities Exchange Act of 1934, as amended; provided that, they are approved by the Committee prior to the completion of the audit.
- M. Review, and consult with the Company's independent auditor and such representatives of the Company, including its management, as the Committee deems appropriate, regarding an annual audit's scope and plan and the result of each annual audit.
- N. At least annually, obtain and review a report by the Company's independent auditor describing: (1) such auditor's internal quality-control procedures; (2) any material issues raised by the most recent internal quality-control review, or peer review, of such auditor, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by such auditor, and any steps taken to deal with any such issues; and (3) all relationships between such auditor and the Company.
- O. After reviewing the foregoing report, evaluate and assess the adequacy of the qualifications, performance and independence of the Company's independent auditor. The evaluation should include the review and evaluation of the lead partner of such auditor. In making such evaluation, the Committee should take into account the opinions of management and the Company's internal auditor. The Committee should present its conclusions with respect to the independent auditor to the full Board.

- P. Obtain from the Company's independent auditor assurance that Section 10A(b) of the Exchange Act has not been implicated and that such auditor does not have any reason to believe that there has been conduct in violation of Rule 13b2-2 of the Exchange Act.
- Q. Ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by applicable law or regulations pertaining to the Company and its independent auditor. The Committee from time to time should also consider whether, in order to assure continuing auditor independence, there should be a regular rotation of the audit firm. The Committee should present its conclusions with respect to the independent auditor to the full Board.
- R. Review, as the Committee deems appropriate, filings and other published Company documents containing the Company's consolidated financial statements.
- S. Discuss the Company's annual audited financial statements and quarterly financial statements with management and the Company's independent auditor, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations" prior to filing with the SEC, and discuss the Company's earnings press releases, as well as any significant financial information and earnings guidance provided to analysts and rating agencies, which need not occur prior to release unless material and not consistent with the types of information or presentation the Company generally has made previously.
- T. Discuss policies with respect to risk assessment and risk management, including guidelines and policies to govern the process by which risk assessment and risk management is undertaken. The Committee should discuss the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.
- U. Consult and meet separately, periodically, with the Company's independent auditor, with the Company's internal auditor and with such representatives of the Company's management as the Committee may deem necessary, regarding, and review:
 - 1. all critical accounting policies and practices to be used by the Company's independent auditor;
 - 2. the Company's application (considering both acceptability and appropriateness) of accounting principles, and the clarity of the Company's disclosures regarding such application and principles;
 - 3. material changes proposed to be made in any such application of accounting principles or any such controls and procedures (either as a matter of discretion or required as a result of changes in such principles) and other changes when made;
 - 4. all alternative treatments of financial information within generally accepted accounting principles that have been discussed by the Company's independent auditor and the Company's management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the Company's independent auditor;
 - 5. the Company's "disclosure controls and procedures" (as defined under SEC Rules 13a-

15(e) and 15d-15(e)) and “internal control over financial reporting” (as defined under SEC Rules 13a-15(f) and 15d-15(f)), such review to include a discussion with the Chief Executive Officer and the Chief Financial Officer regarding their quarterly evaluation of such controls, including any significant deficiencies in the design or operation of such controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in such controls;

6. the qualitative views of such persons with respect thereto and to possible reactions of the Company’s stockholders; and
7. material written communications between the Company’s independent auditor and the Company’s management, such as any management letter or schedule of unadjusted differences.

In light of such review, consultations and meetings, the Committee should make such recommendations concerning the same to the Company’s management as the Committee deems appropriate and, if it deems appropriate, report or direct the Company’s management to report on such matters to the Board.

- V. Review (1) major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company’s selection or application of accounting principles, and major issues as to the adequacy of the Company’s internal controls and any special audit steps adopted in light of material control deficiencies; (2) analyses prepared by management and/or the Company’s independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements; (3) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company; and (4) the type and presentation of information to be included in earnings press releases (paying particular attention to any use of “pro forma,” or “adjusted” non-GAAP, information), as well as review any financial information and earnings guidance provided to analysts and rating agencies.
- W. Review regularly with the Company’s independent auditor any audit problems or difficulties, including any restrictions on the scope of such auditor’s activities or on access to requested information, and any disagreements with management, and management’s response thereto. Such review should include a discussion of the responsibilities, budget and staffing of the Company’s internal audit function.
- X. Set clear Company policies for hiring employees or former employees of the Company’s independent auditor, particularly for management positions or if such person provided services to the Company.
- Y. Review with counsel to the Company, appropriate representatives of management and the Company’s independent auditor, litigation, regulatory proceedings and issues of compliance with applicable law that could have an impact on the Company’s consolidated financial statements and public disclosure.

- Z. After consultation with such representatives of the Company's management as the Committee may deem necessary, review annually with the Company's independent auditor each professional service (in addition to the audit services that they provided pursuant to their engagement by the Committee) that was provided in the previous year (subject to Item K above) or is then proposed to be provided in the subsequent year to the Company by the Company's independent auditor and the fees there for.
- AA. Keep a record of its proceedings and regularly provide summary reports to the Board, or as otherwise provided by law or whenever it shall be called upon by the Board to do so.
- BB. Develop and recommend to the Board a code of business conduct and ethics for directors, officers and employees of the Company, to disclose promptly any waivers of the code for directors or executive officers, and to review the code and monitor compliance at least once a year.
- CC. Perform or cause to be performed such other duties, functions or investigations with respect to the Company's accounting and financial reports, and internal controls and procedures as the Committee deems necessary and consistent with Article IV of the Bylaws of the Company, or as otherwise specifically directed by the Board.
- DD. Possess the sole authority and discretion, to the extent it deems necessary or appropriate, to retain or engage independent legal, accounting or other advisors. The Company shall provide for appropriate funding, as determined by the Committee, for payment of (1) compensation (a) to the independent auditor for the purpose of preparing, rendering or issuing an audit report or performing other audit, review or attest services for the Company and (b) to the independent legal, accounting or other advisors employed by the Committee, and (2) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.