

[FORM OF INTEREST COUPON]

\$15.62

On the 15th day of \_\_\_\_\_, 19\_\_\_\_ (unless the Bond hereinafter described shall have been called for previous redemption and payment duly provided therefor), upon surrender of this coupon, Cities Service Gas Company will pay to bearer, at the office or agency of the Company in the Borough of Manhattan, The City of New York, Fifteen Dollars and Sixty-two Cents (\$15.62) in any coin or currency of the United States of America which at the time of payment shall be legal tender for public and private debts, being six months' interest then due on its First Mortgage Pipeline Bond, 3 1/2% Series due 1968. No. \_\_\_\_\_

Treasurer.

[The amount of odd numbered coupons shall be \$15.63; the amount of even numbered coupons shall be \$15.62.]

[FORM OF REGISTERED BOND WITHOUT COUPONS]

No. \_\_\_\_\_ \$ \_\_\_\_\_

CITIES SERVICE GAS COMPANY

FIRST MORTGAGE PIPELINE BOND

3 1/2% SERIES DEC 1968

DEC. JANUARY 15, 1968

CITIES SERVICE GAS COMPANY (hereinafter called the "Company"), a corporation of the State of Delaware, for value received, hereby promises to pay to \_\_\_\_\_ or registered assigns, on the 15th day of January, 1968, at the office or agency of the Company

in the Borough of Manhattan, The City of New York, Dollars, in any coin or currency of the United States of America which at the time of payment shall be legal tender for public and private debts, and to pay interest thereon from the date hereof at the rate of 3 1/2% per annum, payable at said office or agency in like coin or currency semi-annually on January 15 and July 15 in each year until the maturity date hereof.

This Bond is one of an authorized issue of Bonds of the Company known as its "First Mortgage Pipeline Bonds", issued and to be issued in one or more series under, and all equally and ratably secured (except as any sinking, amortization, improvement or other fund established in accordance with the provisions of the Indenture hereinafter mentioned, may afford additional security for the bonds of any particular series) by an Indenture of Mortgage and Deed of Trust dated as of December 1, 1954 (which, together with all instruments supplemental thereto is herein called the "Indenture"), executed by the Company to Central Hanover Bank and Trust Company and Commerce Trust Company, a corporation of the State of Missouri, as Trustees, to which Indenture reference is hereby made for a description of the properties mortgaged and pledged, the nature and extent of the security, the rights of the holders of said Bonds and of the Trustees and of the Company in respect of such security, and the terms and conditions upon which said Bonds are and are to be issued and secured. As provided in, and to the extent permitted by, said Indenture, the rights and obligations of the Company and of the holders of said Bonds and coupons may be changed and modified with the consent of the Company by the affirmative vote of the holders of at least 75% of the principal amount of the Bonds then outstanding (excluding Bonds disqualified from voting by reason of the Company's interest therein as provided in said Indenture); provided, however, that without the consent of the holder hereof no such change or modification

60

shall permit the reduction of the principal or the extension of the maturity of the principal of this Bond or the reduction in the rate of interest hereon or any other modification of the terms of payment of such principal or interest. As provided in said Indenture, said Bonds are issuable in series, which may vary as in said Indenture provided or permitted. This Bond is one of a series of Bonds entitled "First Mortgage Pipeline Bonds, 3 1/2% Series due 1968".

The Bonds of this series are subject to redemption prior to maturity, as a whole at any time or in part from time to time, upon at least 30 days' prior notice, at the option of the Company, all as more fully provided in said Indenture, at the following percentages of the principal amounts thereof, during the respective twelve months' periods beginning January 15 in each of the following years:

Beginning January 15	Percentage	Beginning January 15	Percentage
1948	100.75	1958	102.25
1949	103.75	1959	102.00
1950	103.50	1960	101.75
1951	103.50	1961	101.50
1952	103.25	1962	101.25
1953	103.25	1963	101.00
1954	103.00	1964	100.75
1955	103.00	1965	100.50
1956	102.75	1966	100.25
1957	102.50	1967	100.00

together in each case with accrued interest to the date fixed for redemption.

The Bonds of this series are entitled to the benefit of the Sinking Fund provided for in said Indenture and, in the manner and to the extent provided in said Indenture, any one or more of the Bonds of this series are subject to redemption through the operation of said Sinking Fund on January 15, 1954, or any subsequent January 15 prior to maturity.

61

ity, upon similar notice, at the following percentages of the principal amount thereof, in each of the following years:

Year	Percentage	Year	Percentage
1954	100.50	1961	100.30
1955	100.55	1962	100.26
1956	100.52	1963	100.21
1957	100.48	1964	100.16
1958	100.43	1965	100.11
1959	100.39	1966	100.06
1960	100.35	1967	100.00

together in each case with accrued interest to the date fixed for redemption.

This Bond has been issued in lieu of or in exchange for coupon Bonds of the same series whose distinctive numbers are endorsed hereon. If any of such coupon Bonds represented by such distinctive numbers shall be selected for redemption and payment duly provided therefor as provided in said Indenture, interest shall cease to accrue hereon from and after the date fixed for redemption, except that, in the event of the selection for redemption of a part only of the coupon Bonds represented by the numbers so endorsed hereon, interest shall cease to accrue as aforesaid only upon that portion of the principal amount thereof equal to the aggregate principal amount of the coupon Bonds so selected for redemption, and in such event payment of the unredeemed portion will be made only (a) upon presentation of this Bond for notation of the payment of such portion of the principal amount hereon and of the distinctive number or numbers of the coupon Bond or Bonds reserved for exchange for such portion, or (b) upon surrender of this Bond in exchange for a Bond or Bonds of the same series, either registered or coupon (but only of authorized denominations), of an aggregate principal amount equal to the unredeemed balance of the principal amount of this Bond.

If an event of default, as defined in said Indenture, shall occur, the principal of this Bond may become or be declared